

A dark blue map of Europe with white outlines of countries. Denmark is highlighted with a red and white flag, and Poland is highlighted with a red and white flag.

Doing
Business
in Poland

for
Danish
Companies



INTRODUCTION

This brief presentation of Poland prepared by the Embassy of Denmark, The Trade Council and Peter Nielsen & Partners Law Office in Warsaw is aimed at providing Danish companies with basic but crucial information on Polish business climate and legal system. We hope that this presentation helps you make decisions on doing business with and in Poland.

For further information please visit homepages of the Danish Embassy www.polen.um.dk and Peter Nielsen & Partners Law Office www.pnplaw.pl or contact us directly.

„Doing Business in Poland for Danish Companies” takes into consideration legal regulations as per July 1, 2015.

DISCLAIMER

This document is for information purposes only and it cannot be considered as legal advice on any matter. We have carefully examined all issues to ensure that the information contained herein is credible and current. However, we do not guarantee the credibility and validity of the material and we are not responsible for any errors or omissions or for any consequences of using the information. Prior to making any decision or taking any action, you should consult your lawyer or other relevant adviser.

WELCOME TO POLAND – the preface from the Ambassador of Denmark to Poland

As a Member State of the EU of 11 years, Poland has gradually resumed its natural and important place as a major neighbour of Denmark and as a large European nation. Today, Poland is our 10th biggest export market and more than 500 Danish subsidiaries are established here. This number is systematically growing and in 2012 the Scandinavian companies constituted the fifth biggest group with foreign capital in Poland.

And for good reasons: it is a market of 38 million

consumers; a growing economy; only 350 kilometres away from Copenhagen. It is certainly relevant to take a closer look at Poland.

A fast-growing domestic market, neighbouring two other huge markets, massive investments in infrastructure and inflow of EU funds, skilled manpower and an overall well-educated society are some of the key advantages of Poland.

Over the years, the Embassy in Warsaw has accumulated a lot of knowledge and experience in supporting Danish companies in their activities in Poland. This guidebook is a brief summary

of our "field experience" and provides answers to many questions frequently asked by Danish companies before and during start-up in Poland. It is our hope it will be helpful to entrepreneurs taking their first steps here.

I invite everybody seeking professional assistance and more specific information to contact the Embassy's Trade Department.

We wish you success in Poland.

Steen Hommel
Ambassador
of Denmark to Poland



POLAND: A LAND OF OPPORTUNITIES.

Preface by the Founder and Senior Partner of PNPLAW

This year, in October 2015, PNPLAW celebrates its 25th anniversary.

Today, it is the oldest international law firm in Poland.

PNPLAW started in October 1990 with 4 employees, out of whom 3 were lawyers. Soon the number of staff doubled: with 5 lawyers, one office manager and two support staff. In 1993 the first premises were already getting too small. We moved to a rented villa in Warszawa's Ochota Filtry district.

Gradually, the villa was filling up with our activity, so in the meantime we decided to buy it. We expanded by renting a part of the neighbouring vil-

la, and when this also became too cluttered, in 2007 we moved to our present premises in the Financial District of Warszawa.

Today PNPLAW is a medium sized law firm, with 14 lawyers and tax advisers and 11 support staff.

This growth perfectly reflects the opportunities on this market!

The opportunities during the early days were huge, if not endless. Everything was needed and foreign investors, who have been our major clients throughout the duration of the firm, faced many problems and challenges that we assisted them to overcome.

If you are new on, or you have not yet entered the Polish market, you may think that you should have been

around in the 1990s, and now it is too late.

You could not be more wrong. Today Poland has a modern society, it is a member of EU and NATO, with bigger competition, true, but also with easier and more standardized market conditions than during the early days.

The consumers and businesses in Poland are still hungry for goods, services, technology and the like.

A true land of opportunities! With PNPLAW being ready to share 25 years of experience with you to the benefit of your business.

I wish you a warm welcome to Poland.

Peter Tærø Nielsen
Founder and Senior Partner





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1. FOREIGN DIRECT INVESTMENTS

WHY POLAND?

Since the early 1990's, Poland has become an increasingly interesting business destination for Denmark. The vast majority of Danish companies investing in Poland have chosen this market for their expansion for the following reasons:

- Proximity to Denmark and central location between German and Russian markets
- Large home market of 38 million consumers
- Access to skilled and well-educated employees
- Strong and growing economy
- Investment incentives (e.g. EU funds)
- Cost optimization (including labour costs)
- Improving infrastructure
- Public procurement opportunities
- Political stability based on EU and NATO membership

Furthermore, in 2013 and 2014 Poland has been announced the most attractive market in CEE, according to the Ernst&Young Report. The results are based on an E&Y survey which consisted of the entrepreneurs preferences of the possible market to invest on (three answers were possible). Poland is also the country with the largest number of created workplaces (13 862 workplaces).

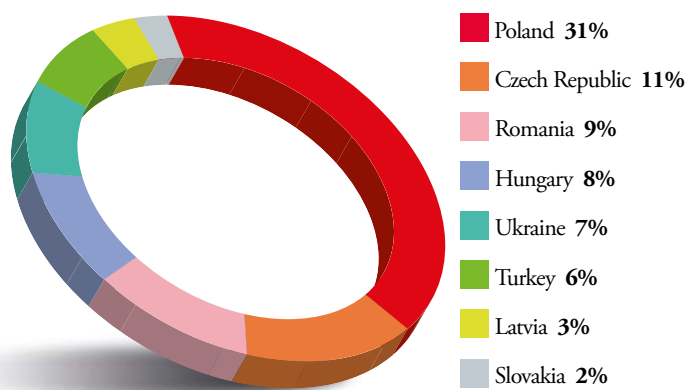


Figure 1 Source: EY's 2014 European attractiveness survey (total respondents: 808).

FOREIGN DIRECT INVESTMENT (FDI)

Poland has been benefiting from large inflow of FDI during recent years, peaking at EUR 17 billion in 2007 and reaching the value of EUR 9 billion at the end of 2012. In 2012 Poland has experienced a considerable decline in the FDI inflow which was a consequence of the worldwide FDI crisis. What is more, since 2013 the data from the previous years can no longer be compared as the changes were introduced to the methodology.

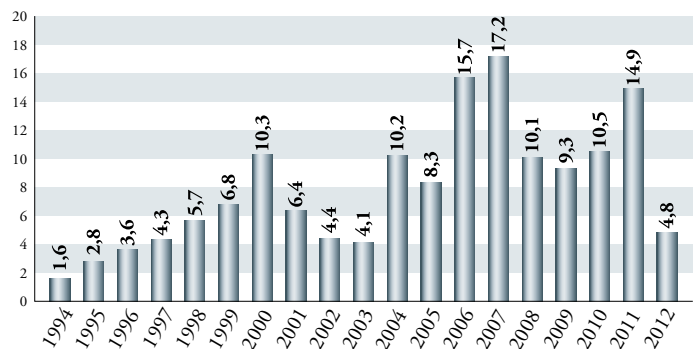


Figure 2 Inflow of FDI to Poland 1994-2012

Source: Polish National Bank

The largest investors in Poland are traditionally: the Netherlands, France, Germany and Luxembourg. Denmark is also a major investor in Poland. In the period 2002-2008 Denmark was the 9th biggest investor overall. In 2010 Denmark was the 11th biggest investor overall and the level of Danish investment reached EUR 220 mln. According to the Confederation for Danish Industry the number of Danish subsidiaries amounted to more than 500 (in 2012). Poland is also the 10th biggest export market. Danish companies are especially visible in northern Poland, in Zachodniopomorskie and Pomorskie Regions.

Poland has traditionally been perceived as a production outsourcing destination in a vast number of sectors including: automotive, machine and metal production, food processing, plastics, etc. However, in recent years, Poland has been successful in attracting a great number of investors focused on Business Process Outsourcing and Shared Service Centres. Furthermore, both from global investors' and Danish companies' perspective Poland is becoming an attractive place for locating investment in the renewable energy sector. Finally, positive development on the Polish consumer and retail market has been noticed by the retail and luxury goods sector resulting in new brands and chains entering Poland.



2. POLISH ECONOMY

Poland has managed very well during the global financial crisis and with a real GDP growth at 1.6%, it had the highest - and only positive growth rates in the EU in 2009. Since 2013 the GDP growth has been positive and the rate is forecasted to be approximately 3% between 2015-2016.

GDP growth	2013	2014	2015	2016
POLAND	1.7	3.0	2.8	3.3
DENMARK	-0.1	0.8	1.7	2.0

Source: <http://stats.oecd.org/>

The GDP value in current prices (US dollars) estimated by the International Monetary Fund identifies Poland as one of the 20 largest economies in the world and about 10 ranks ahead of Denmark.

EURO	Poland (2013)	Denmark (2013)
GDP current prices	390 billion	249 billion
GDP per capita current prices	10 100	44 400

Source: <http://stats.oecd.org/>

Over the last decade Poland has been experiencing a major drop in the unemployment rate, which reached a peak level of 20% just before entering the EU in 2004. The unemployment rate is also predicted to drop to less than 9% by 2016.

Unemployment	2013	2014	2015	2016
POLAND	10.3	9.5	9.3	8.8
DENMARK	7	6.7	6.6	6.4

Source: <http://stats.oecd.org/>

Poland has been experiencing higher inflation (HICP = Harmonised Index of Consumer Prices) than Denmark, but it has managed to maintain inflation at a reasonable level.

HICP (2005 = 100)	2013	2014	2015	2016
POLAND	125.5	125.7	127.1	129.6
DENMARK	117	117.5	118.8	120.8

Source: <http://stats.oecd.org/>

3. FINDING BUSINESS PARTNERS

Developing a clients' network and finding a good local business partner, i.e. potential dealer or distributor, is the key to success in a new export market. It is not always an easy process and usually it takes time to explore country-specific conditions, business culture, market and competitive situation. Based on our experience we would like to draw your attention to a few elements that often play a major role in a successful search for a partner or client on the Polish market.

§ SIZE OF COMPANIES. Do not always start from the biggest market players. It is often easier and less expensive to approach smaller companies and gain experience on local market if you do business with them. The Polish market is much bigger than Danish, and expectations regarding volume/turnover of the business might differ.

§ FOLLOW-UP. One meeting will not guarantee you a sales contract. You need to be prepared that it will take a number of visits and meetings to close a good deal. You will also experience that email communication is not always the most efficient way of finalizing agreements and negotiations. It is our strong recommendation to allocate a lot of resources at the beginning of the co-operation to help launch a new product or a solution together.

§ COMPETITIVE MARKET. Poland is already a quite mature and competitive market with a well-established presence of companies from all over the world. You need to be flexible and prepared for an effort in order to succeed. Local companies are often in dialogue with many Polish and international technology or service providers. You really need to convince them why they should look at your solution.

§ MARKETING. As it is the key to success, you need to invest in marketing. Local business partners will usually not take the burden of developing a market for your products. They expect tangible support in building market presence and branding your solutions.

§ PERSONAL RELATIONSHIP. You need to win the local manager's trust. Thus, email communication at early stages is not recommended. Your message might simply remain unanswered. Local managers need to see that you are ready to make an effort to develop successful co-operation with them. Often doing business outside Denmark without any local presence (direct or via distributor) turns out not to be successful.

§ DENMARK IS EXPENSIVE. It is the stereotype you have to fight against. However, it is not easy to convince the local partner, as the focus is often put on the initial purchasing costs rather than on the whole product life cycle costs.

§ EXPERIENCE EVALUATION. It is usually not a problem to communicate in English with decision makers in Polish companies. However, from time to time you might experience difficulties in this area, especially in companies which are less used to do business with foreign partners. Thus, it is important not to underestimate professional knowledge of your local contacts who often have a good overview of the market situation, price levels, solutions offered by many other companies, due to language barriers. You need to make your local contact feel comfortable while maintaining dialogue with you.

§ CONTRACT IMPLEMENTATION. The approach is very formalistic in Poland and it often sticks to exact wording of the document in a rigid way. Unexpected changes in the contract implementation might be difficult to reach and agree on. Danish companies should be prepared to use legal services and advice much more than in Denmark. In the contract negotiation process, it might happen that closed chapters are re-negotiated as it is often considered that the deal is not finished until all signatures have been placed on the document.



4. INVESTMENT INCENTIVES

Companies who invest in Poland can take advantage of various types of support offered by Polish government depending on the sector of activity, number of created workplaces and region of investment. Special focus is given to projects, which implement new technologies, use environment-friendly solutions and create renewable energy sources. EU regional aid is subject to certain limits, e.g. support may not exceed 10-70% of a project's eligible costs (depending on the size of the company and location of the project). It is also important that the investors apply for support before starting the investment.

EU FUNDS 2014-2020

Total amount of EU funds in Poland exceeds EUR 82 billion for years 2014- 2020. The funds will be spent through 6 national and 16 regional programmes focusing on e.g. infrastructure or support for innovative companies.

CIT EXEMPTIONS IN SPECIAL ECONOMIC ZONES

Companies which decide to invest in Special Economic Zones can benefit from the CIT exemption in relation to income generated from business carried out in the zone's area. There are 14 zones located in the different parts of Poland and the minimum investment cost must be EUR 100,000.

REAL ESTATE TAX EXEMPTIONS

This type of support is offered by individual municipalities to new investments. The maximum annual tax per m² of ground is PLN

0.90, the annual tax for land with buildings is PLN 23.13. Actual amount of tax exemption is subject to particular authorities.

GOVERNMENT GRANTS

Support is offered on the basis of bilateral agreements concluded between the Polish authorities and the investor. Government help applies to the following priority sectors: automotive, electronics, aviation, modern services sector, research and development, biotechnology, food sector. In special cases it can be also offered to significant investments in other sectors creating at least 500 new jobs.

RENEWABLE ENERGY SUPPORT POSSIBILITIES

Currently renewable energy production is supported by certification systems. New auction system shall come into force on January 1, 2016. In addition, investors can benefit from soft loans offered by the National and Regional Funds for Environment Protection and Water Management.

SME SUPPORT SCHEMES FROM THE DANISH MINISTRY OF FOREIGN AFFAIRS

Danish Ministry of Foreign Affairs provides various export programmes (e.g. Export Start, Vitus or Market Visit) intended to support SMEs willing to expand their business internationally.

OTHER

Other types of support can cover e.g. employment grants. Each export project should be considered individually to investigate various external financial support opportunities.



5. EKF / EKSPORT KREDIT FONDEN

Denmark's Export Credit Agency (EKF) is owned and guaranteed by Danish state. EKF helps Danish companies to make it attractive for customers abroad to purchase Danish products. Moreover, EKF insure companies and banks against the potential geopolitical risks of trading with other countries. With help of EKF not only is a company able to sell an attractive product abroad but also to increase its competitiveness on domestic market.

1. FINANCING YOUR COMPANY

Firstly, EKF helps Danish companies in case when they need capital for inventories or new facilities as it guarantees to the bank. The company can obtain financing without any further obstacles and is able to develop its business.

2. FINANCING FOR FOREIGN BUYERS

Moreover, EKF is also an institution willing to help foreign companies. Partners of Danish companies can cooperate with Eksport Kredit Fonden in order to get the guarantee for their bank. Or, if the company plans to cooperate with different Danish companies, EKF can provide the solution for shopping line which covers multiple contracts.

3. PROTECT YOUR EXPORT

However, the main service offered by EKF is protecting companies against the risk connected with foreign investments. When Danish Company cooperates with foreign partner, EKF guarantees the payment in case when foreign partner goes bankrupt or cancels an order. Also, EKF provides help in cases sudden changes in political situation as war or major economic/political instability.

In order to submit the project to EKF it must meet specific conditions. EKF helps to promote Danish business worldwide and to develop economies of other countries. All the guarantees granted by EKF are approved by Danish government.



6. ESTABLISHING BUSINESS

1. FORMS OF BUSINESS ORGANISATION

The Polish law provides the following commercial forms of conducting economic activity which are not reserved for the State only:

English name	Polish name	Abbreviation
Limited liability company	Spółka z ograniczoną odpowiedzialnością	Sp. z o.o.
Joint-stock company	Spółka akcyjna	S.A.
Registered partnership	Spółka jawna	Sp.j.
Professional partnership	Spółka partnerska	Sp.p.
Limited partnership	Spółka komandytowa	Sp.k.
Limited joint-stock partnership	Spółka komandytowa-akcyjna	S.K.A.
Cooperative	Spółdzielnia	
Branch of a foreign entrepreneur	Oddział przedsiębiorcy zagranicznego	
Representative office of a foreign entrepreneur	Przedstawicielstwo przedsiębiorcy zagranicznego	

In general, Danish companies and other Danish persons may conduct economic activity in any commercial form available to Polish persons as specified above.

Usually, establishment of a business in Poland does not require any prior permits from the Polish authorities. Nevertheless, if an entrepreneur wants to start performing certain activities, it is obligatory for him/her to obtain a concession, permission or licence from the relevant authority. Furthermore, particular activities may be performed under additional conditions and upon registration in separate registers of the regulated activity. Moreover, the intention to establish a new company may be subject to examination by the President of the Office for Competition and Consumer Protection.

In the next chapter we describe the main features of a limited liability company which is the most popular form of economic activity for Danish investors in Poland.

2. LIMITED LIABILITY COMPANY

A limited liability company (Sp. z o.o.) is the most common legal form of economic activity intended for conducting small and medium-sized commercial enterprises. Some large companies also prefer to conduct economic activity in the form of a limited liability company, because corporate operations in a limited liability company are simpler in comparison to those in a joint-stock company. Sp. z o.o. is a kind of a capital company the business of which is conducted by a limited number of shareholders. This type of company is an equivalent of the Danish private limited company - Anpartsselskab (ApS).

Shareholders in a limited liability company are not liable for the company's liability with their private property, with one exception: in accordance with the Polish law, a shareholder may be responsible for obligations of the company in organization.

The minimum initial capital of a limited liability company amounts to PLN 5,000.00. The minimum nominal value of one share amounts to PLN 50.00. Contributions of the company's shareholder to the capital of the company may be made either in cash or in kind.

The authorities of a limited liability company consist of:

- › shareholders' meeting,
- › supervisory board or audit commission,
- › management board.

A supervisory board or audit commission has to be appointed in companies whose initial capital exceeds PLN 500,000.00 and where there are more than twenty-five shareholders. In other situations, creation of a supervisory board or audit commission is not necessary.

The supreme executive body, and the only body holding the right to represent and sign for the company, is the management board. The management board represents the company and manages its daily matters.

3. REGISTRATION PROCEDURES, TIMING AND COSTS

An entrepreneur who is going to start economic activity in Poland is obliged to perform a number of registration procedures:

- › registration of the economic activity in the National Court Register or another relevant register,
- › registration of the entrepreneur in the Voivodeship Statistical Office,
- › opening of a bank account,
- › registration in the local tax office,
- › registration of employees in the Social Security Agency ("ZUS").

The standard registration procedures (National Court Register, statistical office, tax office and ZUS) last between 2 and 4 weeks. In the case where a licence or permit for a business activity is necessary, it takes additional 4 to 10 weeks.

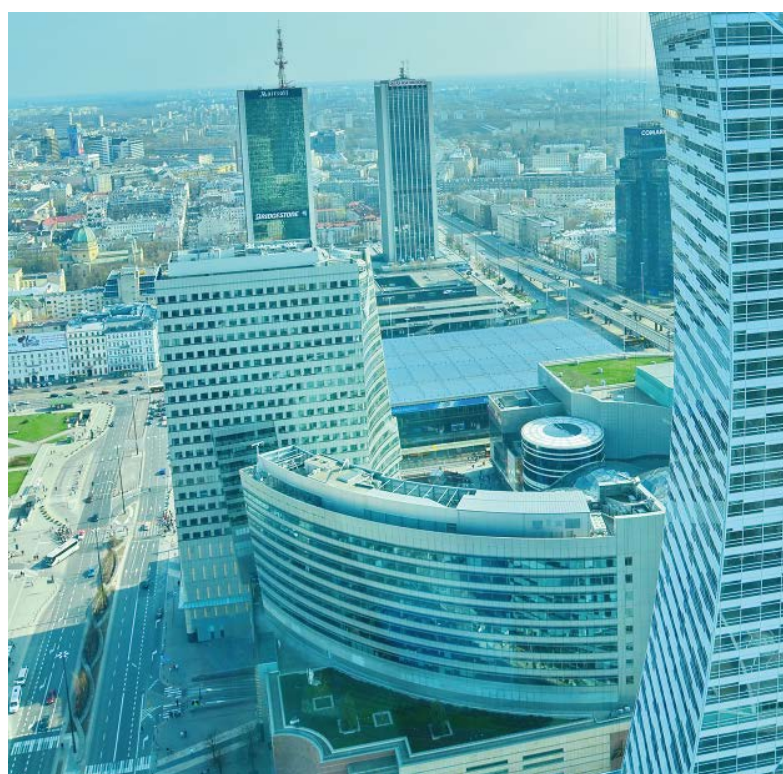
The costs related to the establishment of a business depend on the legal form chosen for conducting economic activity in Poland.

An example: the main official costs related to the establishment of a limited liability company with a minimum initial capital (PLN 5,000) with the assumption that no permission, concession or licence is necessary are the following:

Cost	Amount	Description
Tax on acts in civil law	PLN 25	the tax rate amounts to 0.5% of the initial capital
Notary fee	approx. PLN 200	cost of drawing up the notary articles of associations, the copies of the articles issued to the client are charged separately
Stamp duty on VAT registration	PLN 170	cost of registration of the company as a VAT payer
Court registration fee	PLN 500	cost of registration of the company in the court register
Publication in MSiG	PLN 100	cost of announcing the registration of the company
Lawyer's fee		depends on the particular agreement between client and lawyer

4. ELECTRONIC REGISTRATION OF SOME TYPES OF COMPANIES IN POLAND

If an investor wants to save some time during the start-up process of his/her business in Poland, it is possible to establish certain types of companies in Poland electronically. At the moment, electronic registration concerns only: limited liability company, registered partnership and limited partnership. Electronic registration takes usually a few days and may be even 1-2 weeks faster than standard paper-form registration. However, it should be taken into consideration that, for technical reasons, electronic registration of a company should be done with assistance of a Polish professional adviser. Moreover, there are some corporate law limitations concerning electronically established companies.



7. REAL ESTATES

1. ACQUISITION OF REAL ESTATES BY DANISH PERSONS (CITIZENS AND ENTREPRENEURS OF DENMARK)

Since the day of the Polish accession to the EU, with some exceptions, real estates may be acquired by Danish persons without any permits or other restrictions, i.e. on similar conditions to acquisition of real estates by Polish citizens.

This general rule has two exceptions, i.e.:

- acquisition of agricultural land
- acquisition of forests.

In such cases acquisition of real estates by a Danish person requires a prior permission from the Polish Ministry of Internal Affairs and Administration. Poland may keep these restrictions for twelve years from the date of accession to the UE (i.e. until May 1, 2016).

2. OTHER LIMITATIONS IN PURCHASE OF REAL ESTATE

The most significant limitation concerning the trade with real estates is the pre-emption right. In the case of a real estate, pre-emption right causes that two sale agreements have to be concluded: a conditional and a final agreement. Such procedure prolongs the whole transaction. The most common type is the pre-emption right of municipalities. Municipalities have the pre-emption right e.g. in the case of sale of a non-developed real estate purchased previously from the State Treasury or self-governmental units. Sale agreements signed with the breach of the pre-emption right stipulated in the provisions of the law are null and void. Therefore we recommend to check whether the real estate is not burdened with the pre-emption right.

3. LEGAL FORM OF THE TRANSFER OF REAL ESTATE

In Poland, acquisition of a real estate requires that a contract between a seller and a buyer is drawn up by a notary public in the form of a notary's deed.

4. PRICE INDICATION

The price levels for investment plots vary considerably across the country depending on a specific location, distance to main cities and transport routes as well as available infrastructure. It is our general experience that the price levels for investments plots suitable for different type of industry production are mainly in the range of PLN 80 - 200 for 1 sq. meter. The level of PLN 200 applies to plots located within close distance to larger cities, such as Warszawa, Wrocław, Poznań, Kraków or Łódź, offering all basic infrastructure.

8. LABOUR LAW

EMPLOYMENT CONTRACT IN GENERAL

Labour relationship arises by a contract of employment or by an appointment act.

In further description of the labour law we will focus on employment contract as the most popular form of labour relationship.

The contract of employment may be agreed for an indefinite time, for a definite time, for conducting a certain job and for substitution of an employee for the time of excused absence of the employee. Each of these contracts may be preceded by a contract for a trial period, however not exceeding 3 months. The contract should be made in writing, with the type, and terms and conditions of contract explicitly outlined.

TERMINATION OF EMPLOYMENT CONTRACT

Termination of the contract may occur:

- on the basis of a mutual consent of both parties,
- with or without notice by either party,
- at the end of the task for which it was concluded,
- on the date when the work for which it was concluded is completed.

The termination of an employment contract without notice may take place on the basis of reasons indicated in the Labour Code only. In case of a contract for an indefinite time, both parties may terminate the contract with notice. This termination is not subject to any further conditions, however the employer is always obligated to give the employee a reason justifying the termination. The notice period depends on the period of employment with a given employer.

In case of an employment contract for a definite time longer than 6 months the parties may specify in the contract a possibility of earlier termination with a two weeks' notice.

REMUNERATION AND SALARY LEVELS IN POLAND

Remuneration for work should be fixed in a manner corresponding to a particular type of work performed and qualifications required for that work's performance. It must also take into account the quantity and quality of the work performed.

When speaking of salary rates in Poland, the gross levels are mentioned in salary statistical data and job interviews with possible candidates. The gross levels are calculated as net salary level plus cost of the social and tax contributions paid by employees. The super gross salary level is interpreted as the

total cost of the employee for the company (gross level plus social contributions paid by the employer). Rates of social contributions are described in the further part of this report Compulsory Insurance Rates.

The example of net, gross and super gross salary calculation is presented in the table below.

Exemplary monthly calculation		
Net salary (paid to the employee)	Gross salary (net salary plus social & tax contributions paid by employees). Usually provided during job interviews.	Super gross salary (gross salary plus social contributions paid by the employer i.e. total cost of having the employee in the company).
PLN 2,156.72	PLN 3,000	PLN 3,618.30

The state specifies the minimum remuneration for work. In 2015, the minimum monthly remuneration amounts to PLN 1750 gross. However, during the first year of work the minimum remuneration cannot be lower than 1400 (80% of the PLN 1750). In addition to the regular remuneration, the employer is obliged to pay bonuses for overtime work according to the rules specified in the Labour Code.

The average gross monthly salary in Poland reached PLN 3,781.14 on the general level (e.g. including commercial and public sector) and PLN 3,926.72 gross in the sector of enterprises (Q 1-3 2014).

The wage levels vary depending on sector and the company's geographical location. According to the data of the National Statistical Office, the highest salary levels were paid in the sector of information and communication with an average level of PLN 6,885.29 gross. The best paid region is Mazowieckie with an average level of PLN 4,900.09 gross.

Please see below the average salary levels according to sectors in Q1-Q3 2014 based on the National Statistical Office data:

Sector	Average monthly gross salary in PLN (Q 1-3 2014)
Information and communication	6,885.29
Electricity, gas steam and air conditioning supply	6,255.44
Manufacture of coal and refined petroleum products	5,468.58
Pharmacy	5,603.64
Tobacco production	6,096.35
Accommodation and catering	2,786.84
Textile production	2,728.08
Administrative and support service activities	2,744.15
Leather production	2,438.06
Clothes production	2,209.90



WORKING HOURS

As a general rule working hours must not exceed 8 hours per day and an average of 40 hours per 5-day working week within an adopted account period not exceeding 4 months. Overtime work must not exceed 150 hours per year. A weekly working time including overtime work must not exceed an average of 48 hours within an adopted account period. If it is justified by the type of work or organisation thereof, work schedules may be applied by which it is admissible to extend the working time with the limits specified by the labour law.

EMPLOYEES' VACATION LEAVES

An employee is entitled to an annual, continuous, paid vacation leave. The employee's right to the leave may not be renounced. According to the Labour Code the minimum period of annual leave is 20 working days. After 10 years of work the employee is entitled to a leave lasting 26 working days. The employee is entitled to regular salary for the period of leave.

RETIREMENT

Until the end of 2012 a standard retirement age was 60 years for women and 67 years for men. In 2012 the Polish Parliament decided to increase the retirement age for men and women to 67 years. Pursuant to the new law the retirement age will be increased by the average of three months every year starting from 2013. Men will reach the target retirement age of 67 years in 2020 and women in 2040.

COMPULSORY INSURANCE RATES

In principle, the gross remuneration of the employee constitutes the basis for calculating the amount of premiums for the pension, annuity insurance as well as sickness and accident insurance. The amounts of premiums are deducted partly from the gross remuneration of the employee. The rest of the premiums shall be covered by the employer from the employer's own means.

Another compulsory insurance is the premium to the National Health Fund [Narodowy Fundusz Zdrowia]. This whole premium burdens employees.

Moreover, there are three obligatory premiums paid by the employer, namely: Labour Fund, Guaranteed Employees' Benefits Fund and Early Retirement Fund.



9. TAXATION

1. TAXATION OF INCOME OF COMPANIES

The scope of taxation depends on the status of a taxpayer: resident or non-resident. In other words, the Polish tax law provides the rule of unlimited and limited tax liability. The unlimited tax obligation means that companies which have their registered seat or place of management in Poland are liable to Polish corporate income tax on worldwide income. Limited tax liability, on the other hand, means that a taxpayer who does not have its seat or management in Poland pays tax levied only on the income earned within the Polish territory.

Corporate Income Tax Rate

The rate of income tax for companies in the year 2015 amounts to 19%.

Corporate tax is payable annually, however, advance payments have to be made each month.

Double Taxation Treaties and Certificate of Residence

In order to avoid double taxation of income, Poland and Denmark have concluded the double taxation treaty. Polish entities making payments to Danish persons in the form of interest, dividends and other income from a share in profits of legal persons are deemed tax remitters and are obliged to collect withholding tax on the date when such payments are made. However, it is possible to apply a reduced rate or waive the tax if a double taxation treaty concluded by Poland and Denmark provides so. In such case, it is necessary to document the tax residence of the beneficiary of the payment (with a certificate of residence). The certificate of residence is a document used for tax purposes to certify that the tax residence of a foreign person is in a country with which Poland has concluded a tax treaty.

2. TAXATION OF INCOME OF INDIVIDUALS

Personal Income Tax Rates

As a general rule, revenue of any person (foreign or domestic) is subject to two taxation rates: 18% and 32% depending on the amount of income (progressive scale). Revenues up to PLN 3,091 per year are tax free.

Incomes	Tax amount
up to PLN 3,091	No tax
up to PLN 85,528	18% of the taxation base minus PLN 556.02
over PLN 85,528	PLN 14,839.02 plus 32% of the surplus over PLN 85,528



Persons who conduct any non-agricultural economic activity (but not on the basis of a management contract) may choose either the above presented standard progressive scale or a lump sum rate of 19%.

Taxation of Foreigners

The place of residence determines the tax liability. Persons having their place of residence in Poland are obligated to pay tax on their overall income; persons not having their place of residence in Poland are obligated to pay tax on income earned or arising from the source in Poland only. The above provisions are applicable unless the provisions of international agreements provide otherwise. Pursuant to the Polish tax provisions, a resident is:

- › a person whose centre of personal or economic interests is located in Poland,
- or
- › a person who stays in Poland for more than 183 days in a year.

3. OTHER TAXES

VAT and Excise Duty

Rates of VAT in Poland:

- › standard rate: 23% (applicable to the majority of goods and services),
- › reduced rates: 8% and 5%,
- › preferential rate: 0%.

In Poland, among the goods subject to excise duty there are motor fuels, gas, alcohol and tobacco products, weapons, electricity, boats, and yachts.

Local Taxes

Local taxes include real estate tax, transportation tax imposed on trucks and buses, inheritance and donations tax, agricultural tax, forestry tax, dog tax. Local taxes are a part of own revenues of local governments.



10. ACCOUNTING AND AUDITING

A company should keep its accounts in accordance with the Law on Accounting.

The provisions of the Polish Law on Accounting are applicable, among others, to:

- › commercial companies,
- › partnerships and physical persons (if their net revenue for the last year amounted to at least EUR 1,200,000) and
- › foreign persons, branch offices and representative offices of foreign entrepreneurs.

Account books have to be kept at the seat of the company (head office or branch) unless accounting is entrusted to a person authorised to perform such services. Accounting records should be kept and financial statements drawn up in Polish and expressed in the Polish currency.

The management board of the company should assure that the financial report of the company for the preceding financial year is prepared within three months from the end of financial year and presented to the supervisory authorities and shareholders. Generally, the annual financial statement shall be approved by the approving body not later than six months after the balance sheet date. The financial year means a calendar year or any

period of 12 consecutive full calendar months, which is used also for tax purposes.

The financial report including the financial statement, profit and loss account and the written report of the management board regarding the company's activity during the preceding year should be submitted to the Registration Court within 15 days after approving of all these documents by the Shareholders' Meeting.

Moreover, some companies are required to be audited. According to the Law on Accounting, financial statements of the following entities are subject to audit:

- › all banks, insurance companies, investment and pension funds,
- › all joint-stock companies,
- › entities which fulfil at least two of the following conditions in the preceding financial year:
 - › annual average employment – at least 50 persons,
 - › total assets at the end of the financial year – at least EUR 2,500,000,
 - › net sales revenue as well as financial income for the financial year – at least EUR 5,000,000,
- › other listed companies.

Members of the management board of a limited liability and a joint-stock company are responsible for proper keeping of the company's accounts.

11. CONTRACTS

1. ENTERING INTO CONTRACTS IN POLAND

Entering into contracts in Poland may involve some formalities. For instance, certain transactions have to be made in the form of a notarial deed, e.g. purchasing real estate, or with signatures confirmed by a notary, e.g. transfer of shares in a limited liability company.

It is often advisable to verify whether persons claiming to represent an entrepreneur are actually authorised to do so.

2. OBLIGATION TO USE POLISH LANGUAGE

The law imposes the obligation to use the Polish language in the following situations:

- › relations with the Polish state and local government authorities,
- › relations and contracts in the field of labour law as well as consumer contracts if a consumer or employee resides in Poland and a contract is or shall be executed in Poland, with some exceptions where a contract may be in a foreign language.

The obligation to use the Polish language concerns in particular names of goods and services, offers, advertisements, manuals, information on characteristics of goods and services, warranty terms, invoices, bills and receipts as well as warnings and information for consumers required by virtue of other provisions.

Additionally, non-observance of these provisions of law with respect to relations with consumers as well as in the field of labour law may result in a fine.

3. JURISDICTION AND APPLICABLE LAW

As a general rule when conducting international business it is very important to agree on the law that will govern the contract as well as on the court that will be competent in the case of a dispute.





12. PUBLIC PROCUREMENT AND PPP

PUBLIC PROCUREMENT

Public procurement is a form of purchasing goods and services by public sector bodies and other relevant persons obliged to apply the public procurement rules.

The main goals of the Polish public procurement law were to open the public procurement market to competition, to create equal terms of competition for all contractors, to liquidate bureaucratic barriers and to limit corruption. Polish provisions are adjusted to EU regulations. The Act on Public Procurement Law generally applies when three main pre-conditions are met:

- › the procuring body is a „contracting party” as defined in the law
- › the subject of the contract is covered by the public procurement law
- › the estimated value of the contract equals or exceeds the relevant financial threshold.

In general, Danish persons have a right to participate in public procurement procedures in Poland under the same terms and conditions as Polish persons.

According to Public Procurement Office data, the Polish public procurement market is worth approx. PLN 143.2 billion.

There was an increase by 8% comparing to 2012 (132.7 billion). 81% out of the mentioned amount was granted through open tenders. What is more, 38% of the funds were allocated to the construction work contracts, 30% to the supply and 32% to the services. In recent years, the market has been heavily fuelled by EU funds.

There are several procedures for awarding public contracts:

- › open tender
- › restricted tender
- › competitive dialogue
- › negotiations with announcement
- › negotiations without announcement
- › free-hand procurement
- › inquiry for price
- › online auction.

The vast majority of contracts is awarded in an open tender procedure, which applies to over 81% of all contract notices published in the Public Procurement Bulletin and to 82.23% of the ones published in the Supplement to the Official Journal of the European Union (TED database).

The other most often used procedures are: restricted tendering, competitive dialogue and negotiations with announcement, which together account for 18.45 % of contract notices published in the Public Procurement Bulletin.

Depending on the subject of the contract, its value and type of the contract award, notices on public procurement procedures are published in the Public Procurement Bulletin (<http://www.portal.uzp.gov.pl/>) or the Supplement to the Official Journal of the European Union (<http://ted.europa.eu/>). Furthermore, in case of some procurement procedures the awarding entity is obliged to place the notices in its office and website.

The Public Procurement Law stipulates that all contract award procedures should be conducted in Polish. Moreover, on October 19 2014 there was an amendment to the Public Procurement Law. When it comes to offer choice, the price is no longer the most important and decisive criterion.

PUBLIC-PRIVATE PARTNERSHIP (PPP)

PPP is a form of economic cooperation of public and private sectors well-known in the world.

Poland like other European states has built its own system of public-private partnership which defines terms and conditions of cooperation between public and private entities.

In Poland, PPP may be applied in case of construction or renovation of structures, services, carrying out works - particularly consisting in equipping an asset with devices which increase its value or usefulness, or performance of other activities. For the purpose of performing contract obligations, the public entity and the private partner may establish a capital company, a limited partnership or a limited joint-stock partnership. The aim and object of business activity of such a company cannot exceed the range of the PPP contract.

According to Investment Support public entities announced 42 projects that were to be implemented with private partners in 2011. These projects were mainly within the fields of sport and recreation, urban infrastructure, waste, parking and education.

In 2014 there were 77 realized projects and 125 ideas of projects pending.

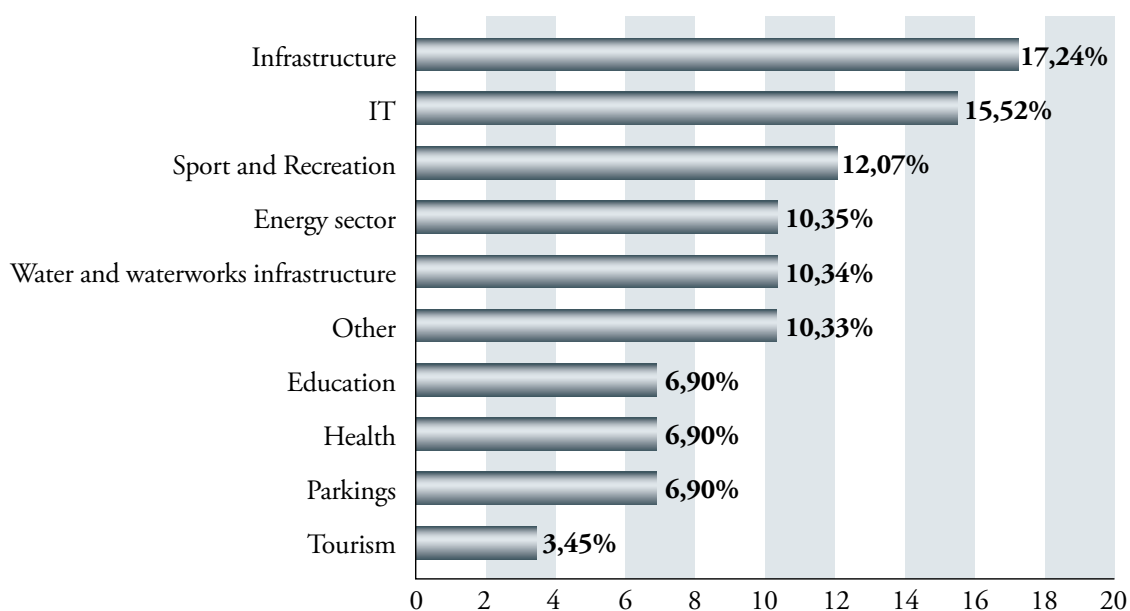


Figure 3 Share of PPP projects by sector (01.2009-09.2013)

Source: PARP; Raport Rynku PPP, Warszawa 2013.

In years 1991-2014 the number of the PPP projects increased. The major sectors are health services and transport. However, in recent years, according to the Polish Agency for Enterprise Development, the projects in the power sector are the most popular on the regional level.

13. LEGAL PROFESSIONALS

Professional legal assistance in Poland is provided by legal advisers [**radca prawny**] and attorneys at law [**adwokat**]. A legal adviser and attorney at law may advise in any field of law and may appear in court in all types of cases.

A notary [**notariusz**] is the third category of legal professionals in Poland. Polish law provides that some legal acts have to be carried out in the presence of a notary who draws up the deed and handles all the paperwork relevant for the transaction, in particular:

- › real estate transactions,
- › donations,
- › establishing perpetual usufructuary rights.

A notary may also make a certified copy of a document or draw up a will.

A bailiff [**komornik**] is authorised to enforce decisions of courts.

In order to verify whether a person is authorised to practice law, it is advisable to check with the local chamber of attorneys at law, legal advisers, notaries or bailiffs.





14. BUSINESS CULTURE

It should be noted that many Polish companies, especially those located in bigger cities, operate on the basis of global and international standards. In most cases their business culture does not differ from the Danish approach. Some differences become more visible in case of companies located in smaller cities and operating in the production sector.

STRUCTURE AND HIERARCHY IN POLISH COMPANIES

Rules and regulations are an important part of the Polish business environment, therefore your Polish counterparts will expect you to know and appreciate the established protocol and business etiquette.

THE MOST OFTEN ENCOUNTERED DIFFERENCES:

- › **Working practices:** Generally speaking, official working hours are from 8 am to 4 pm, Monday to Friday with no official break for lunch. However, many international businesses and companies have more western approach to working hours and operate from 9 am to 5 pm. When making a business appointment, you are advised to make it four to five days in advance and confirm the meeting the day before. Your Polish counterparts can be flexible and are often prepared to change schedules if necessary.

➤ **Orientation for future:** Scandinavians perceive Poles as short-term oriented, which is reflected in the shorter advance, while inviting to the meetings or cancelling them. What is more, Poles represent the polychronic culture which means that the time is not always defined as strictly as for Danes. It is good business practice to arrive on time for business meetings in Poland. However, meetings can have no specific end time and can go on longer than planned.

➤ **Business relationships:** When doing business in Poland, it is vital to remember the importance of relationships. Building individual relationships between partners is essential to achieve success, especially when business will be conducted over a long period of time. When it comes to the internal relationships, the responsibility and position are clearly defined within Polish organisations.

➤ **Negotiation style:** Organisations in Poland have strong respect for hierarchy and authority. This hierarchical style is reflected in many Polish business formalities and settings, including the decision making process and the use of professional titles.

It is age and educational background, which form the basis for corporate hierarchy. For this reason, when negotiating, it is advised to send delegates of a similar status to those of your Polish colleagues, both in age and professional qualifications. Rules are important for negotiation, therefore your Polish counterparts will expect you to know and appreciate the established protocol and business etiquette. Some of the examples of the etiquette are presented below.

POLISH BUSINESS ETIQUETTE (DO'S AND DON'TS)

DO use personal titles where possible or the basic courtesy titles, Mr. (Pan), and Mrs. (Pani), followed by a surname or first name.

DO try to learn some basic Polish words and greeting phrases, for instance “hello”, “goodbye”, and “thank you”. Your Polish business contacts will welcome your efforts and perceive them as a gracious gesture.

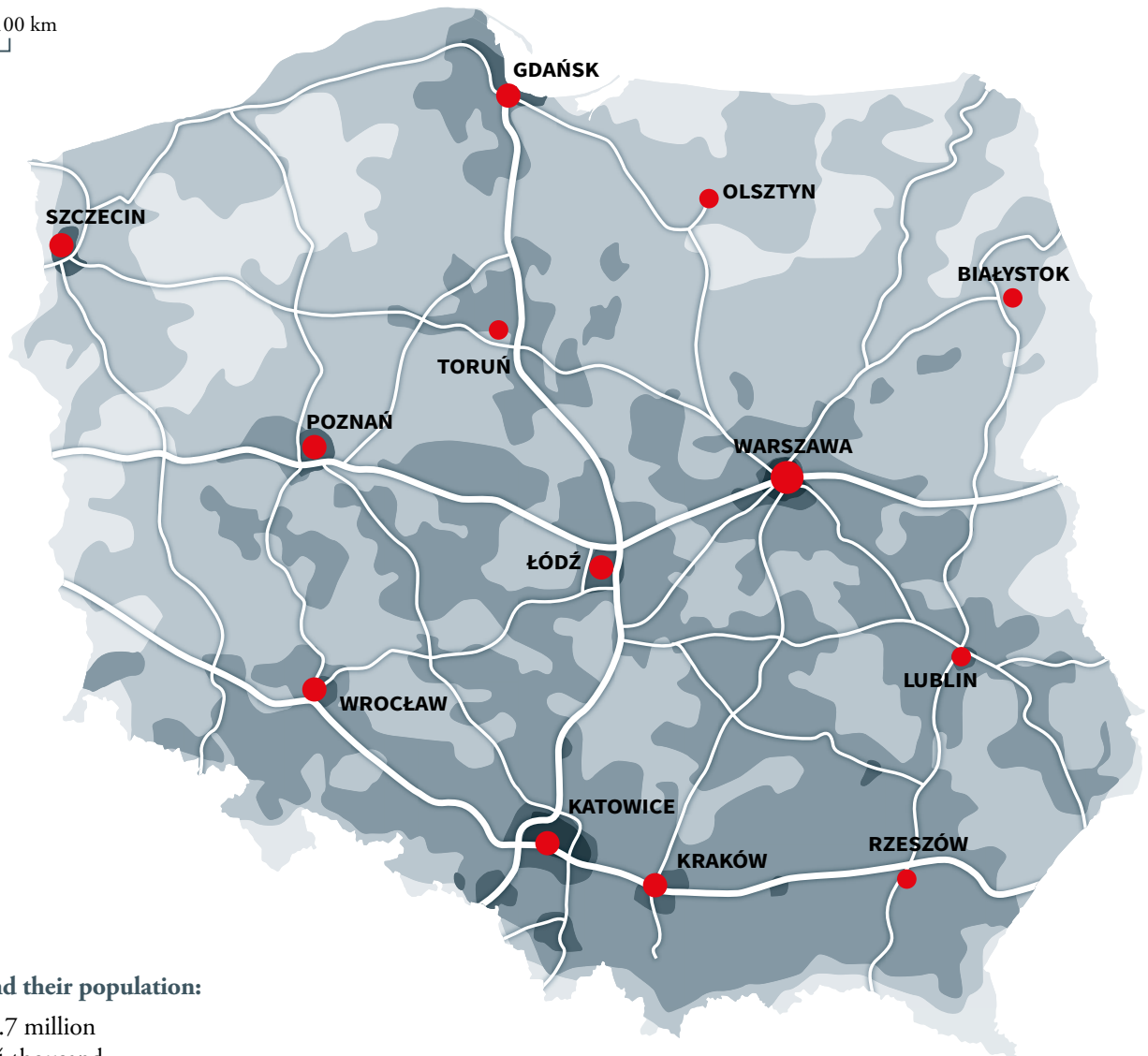
DO smile and maintain direct eye contact during conversation with your Polish counterparts, as it helps to develop a feeling of trust with the people you are meeting. The Poles are particularly perceptive to nonverbal cues.

DON'T over compliment your Polish business colleagues as it may create the impression that you are insincere in your business dealings.

Various specific examples and findings have been collected and analysed by the Embassy and Peter Nielsen & Partners Law Office and can be shared on request (for the Embassy analysis please contact: Izabela Jakobsen, e-mail: izajak@um.dk).

MAP OF POLAND

0 50 100 km



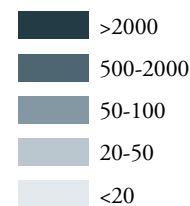
Largest cities and their population:

1. Warszawa – 1.7 million
2. Kraków – 754 thousand
3. Łódź – 744 thousand
4. Wrocław – 632 thousand
5. Poznań – 556 thousand
6. Gdańsk – 455 thousand
7. Szczecin – 405 thousand

Largest agglomerations and their population:

1. Górny Śląsk (Katowice area) – 5.2 million
2. Warszawa (Warsaw) – 2.8 million
3. Kraków (Cracow) – 1.2 million
4. Łódź – 1.1 million
5. Gdańsk – 1 million

Number of inhabitants per 1 km²



	Poland	Denmark
Total population	38.4 million	5.5 million
Land area	312,685 km ²	42,894 km ²

EMBASSY OF DENMARK

THE TRADE COUNCIL • EKSPORTRÅDET

EMBASSY OF DENMARK - THE TRADE COUNCIL

The Trade Council, represented in Warsaw by the Commercial Department of the Embassy, is the export and investment organisation within the Danish Ministry of Foreign Affairs. It comprises all activities promoting Danish export and foreign investments in Denmark under one roof. The Trade Council offers individual consultancy to enterprises as well as general business services directed both at enterprises and the public at large. The Trade Council has a number of programmes with particular focus on small and medium-sized enterprises. The Trade Council has a global presence of about 250 advisers attached to Embassies, Trade Commissions, Consulates General and Innovation Centres in the most important markets in more than 60 countries. Services in Poland are provided by an experienced team of Polish and Danish experts specializing in the fields of energy and environment, construction and logistics, IT, retail, fashion and design, medicine, industry, HR, food and agriculture and support mechanisms (EU funds).

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