

Doing Business in Poland

LEGAL ASPECTS
GUIDEBOOK FOR FOREIGNERS | 2024





Peter Nielsen & Partners Law Office (PNP Law) is a modern law firm having its registered office in Warsaw, Poland; since its establishment in 1990, it has gained market recognition as a reliable and efficient advisor.

During over 30 years, we have introduced a significant number of foreign companies to the Polish market and we still serve many of them. Our team is helpful, each of us speaks English and enjoys working in a multicultural environment. We find practical solutions for our clients within many areas of legal practice.

Our company is a member of several highly esteemed organisations, i.a. Scandinavian-Polish Chamber of Commerce and the European legal network “Eurolegal”. Moreover, we are committed to providing legal assistance to pro bono organisations.

We undertake to provide highly specialised and client-oriented legal assistance within:

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- ❖ Foreign Investments,
- ❖ Mergers and Acquisitions,
- ❖ Labour Law/HR,
- ❖ Tax Law,
- ❖ Energy Law,
- ❖ Bankruptcy and Restructuring Law,
- ❖ Personal Data Protection.

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- ❖ Business Law,
- ❖ Corporate Law,
- ❖ Civil Law,
- ❖ Debt Collection,
- ❖ Commercial Litigation,
- ❖ Competition Law,
- ❖ Public/Administrative Law,
- ❖ Intellectual Property Law,
- ❖ European Law.

For more information, please, visit our website www.pnplaw.pl

You are welcome to contact us by phone or e-mail from Monday to Friday, 9 a.m. – 5 p.m.

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Dear Readers,

We present you with a new edition of our flagship brochure “Doing Business in Poland”. Our booklet is addressed to foreign entrepreneurs who plan on or think about commencing business activity in Poland. The brochure may also be helpful for foreign lawyers whose clients plan on conducting activity in Poland.

This booklet is an outcome of over 30 years of experience of PNP Law in providing legal services to foreign clients. It aims at presenting the most crucial legal and organisational aspects of commencing and conducting business activity in Poland in an easily accessible and practical manner. The brochure also includes key macroeconomic data on Poland as well as information on salaries currently earned by employees in Poland.

In terms of economic factors Poland continues to be perceived by foreign investors as a very attractive market with good business conditions, educated workforce, modern transport infrastructure and a convenient location in the geographical centre of Europe. In 2023, the inflow of foreign investment in Poland maintained a high level, similar to 2022. According to the latest Kearney FDI Confidence Index, Poland has been ranked the twenty-third most attractive country worldwide.

Furthermore, Poland has a fair chance to maintain its status as one of the most attractive places for nearshoring in the EU.

I hope that our brochure will encourage you to consider the pros of starting business activity in Poland and to contact our law office.

Paweł Tomasiak, attorney-at-law, partner in PNP Law

Editor of “Doing Business in Poland”



DISCLAIMER

“Doing Business in Poland” takes into consideration legal regulations as at 1 August 2024, except when it is stated otherwise in the brochure.

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BUSINESS CLIMATE IN POLAND

1. Welcome to Poland

Poland is renowned for its friendly and hospitable citizens, beautiful nature with a wide variety of attractive landscapes, tourist and sport opportunities, as well as rich cultural heritage.

Basic information about Poland

Area	312,685 km²
Population	37.63 million
Capital	Warsaw, 1.86 million inhabitants
Currency	1 zloty (PLN) = 100 grosz
Minimum remuneration	PLN 4,300 since 1 July 2024
Average remuneration in the sector of enterprises in July 2024^{*)}	PLN 8,278.63 gross*

** Central Statistical Office in Poland (enterprises that employ more than 9 persons)*

Another advantage of Poland, which has been increasingly acknowledged by foreign businesspeople, is its modern and stable economy. Poland with its 38-million consumer market is one of the biggest in Europe. Well-educated Polish economists, engineers, IT specialists and scientists are highly appreciated employees who are readily employed by IT companies, R&D centres and scientific institutes established by foreign companies in Poland.

Key macroeconomic indicators of the Polish economy are presented in the table below.

Indicator	2018	2019	2020	2021	2022	2023
GDP increase (%)*	5.9	4.5	-2.0	6.8	5.3	0.2***
Foreign Direct Investment inflow (EUR million)**	13,554	12,068	12,135	25,011	29,900	28,200****
Unemployment rate (%)*	3.9	3.3	3.2	3.4	2.9	2.8
Inflation rate (%), year to year CPI**	1.6	2.3	3.4	5.1	14.4	11.4

Source: *Eurostat, **National Bank of Poland (NBP), ***Central Statistical Office in Poland, ****preliminary data



2. Polish Economy in 2024

After a sharp slowdown of the GDP increase in 2023 (only 0.2%), Poland resumed its economic growth in the first half-year of 2024. According to the Central Statistical Office in Poland (CSO), the gross domestic product (GDP) increased in real terms by 3.2% in the 2nd quarter of 2024 compared to the 2nd quarter of 2023. The GDP growth was mainly stimulated by an increased domestic demand.

Pursuant to the CSO data, in the 1st half-year of 2024 prices of consumer goods and services increased by 2.7% year to year.

Unemployment ratios in Poland are still very low, and rank among the lowest ones in the European Union (2.9% as per June).

According to the International Monetary Fund (IMF), the forecasted GDP growth for the entire 2024 is 3.1% in Poland. The IMF estimates that the yearly inflation rate will not exceed 5% and an average unemployment rate will not exceed 2.9% in the entire 2024.

3. Macroeconomic Forecast for Poland for 2025

The International Monetary Fund's forecasts predict that the GDP growth in Poland will reach 3.5% in 2025. The IMF estimates that the yearly inflation rate will not exceed 5%.

4. Incentives for Investors

Poland as an EU member state has the incentive system which is compliant with the European Community rules. The system is composed of different types of public aid.

New investments in Poland may be supported among others by the following kinds of public aid:

- ❖ corporate income tax exemption,
- ❖ real estate tax exemption,
- ❖ cash grants from EU funds.

Currently, entrepreneurs may apply for support for new projects irrespective of where a project is to be carried out in Poland.

Obtaining a corporate income tax exemption is conditioned upon fulfilling by the new project certain quantitative (incurring qualified costs of investments in an appropriate amount) and qualitative criteria specified in the regulations.

Moreover, municipalities often use real estate tax exemptions to attract foreign and Polish companies to local projects.

Poland is also a beneficiary of EU aid. Foreign investors may apply for EU cash grants on the same conditions as Polish investors.

The maximum level of public aid depends in particular on the size of an enterprise, the type of aid, and the region of Poland where the project is to be carried out.

5. Legal System

Poland is a republic formed on a democratic basis.

The Polish legal system, like many other continental European legal systems, is based on the Roman law as opposed to the common law. Poland acceded to the European Union on 1 May 2004, which naturally resulted in harmonization of the Polish law with the EU standards.

Although nowadays the Polish law does provide instruments necessary to do business, there is still a number of fields that require substantial changes and improvements. What strikes a foreign investor most is very time-consuming civil court proceedings and bureaucratic administrative procedures as well as an inefficient debt collection system.



FORMS OF BUSINESS ORGANISATION

1. Introduction

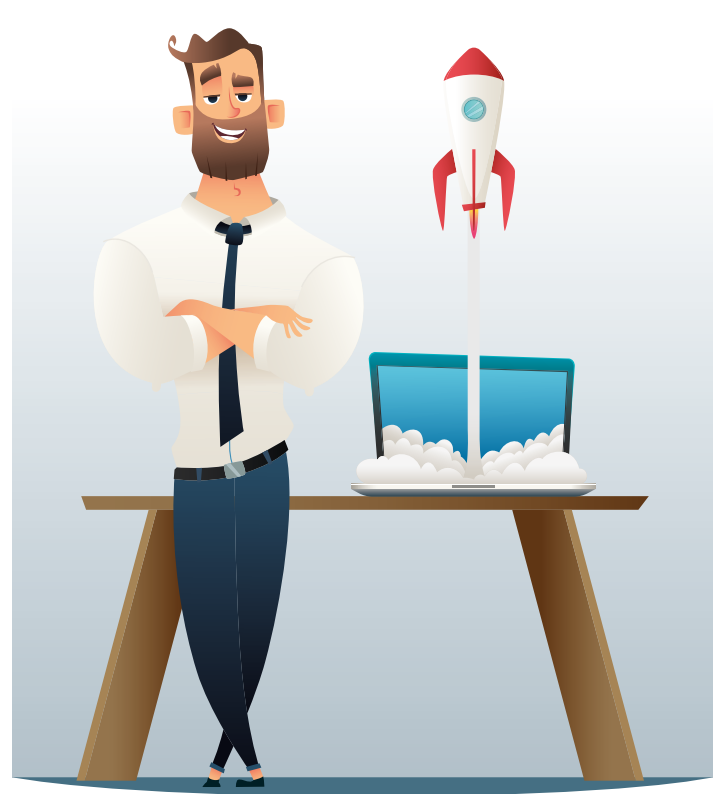
The Polish law provides the following commercial forms of conducting business activity which are not reserved for the State only:

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

Foreign persons from the EU member states as well as from the member states of the EFTA which are parties to the Agreement on the European Economic Area (EEA) may conduct business activity in any commercial form available to Polish persons as specified above. The same applies to the citizens of other states who have obtained e.g. a permit to settle or reside in Poland, or a status of a refugee, or tolerated stay, or temporary protection in Poland.

Other foreign persons may conduct business activity in Poland in the form of a capital company, a limited partnership or a limited joint-stock partnership, unless international agreements provide otherwise.

Furthermore, a foreign person (from non-EU and non-EEA state) conducting business activity abroad may create a branch or a representative office in Poland, provided that Polish entrepreneurs may create a branch or a representative office in the state where the foreign person has his/her permanent residence or seat (the rule of reciprocity), unless international agreements provide otherwise.



We recommend that you seek advice of Polish lawyers about choosing an appropriate legal form for the planned business activity in Poland.

Moreover, before commencing the registration procedure of a new company in Poland, you should also choose:

- ❖ an accounting office that will help you to keep accounting books in a manner consistent with Polish regulations,
- ❖ a bank in Poland that will keep bank accounts for the new company.

2. Limited Liability Company

Introduction

A limited liability company is a capital company which is conducted by a limited number of shareholders. It is the most common legal form of business activity intended for small and medium-size commercial enterprises. Some large companies also prefer to conduct business activity in the form of a limited liability company because corporate operations in a limited liability company are simpler in comparison with a joint-stock company.

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

Share Capital and Shares

The minimum share capital of a limited liability company is PLN 5,000.00. The share capital of a company is divided into shares of an equal or unequal nominal value. If, pursuant to the deed of association of a

company, a shareholder may hold more than one share, all the shares are equal and indivisible. The minimum nominal value of one share is PLN 50.00.

Contributions by a shareholder(s) to the capital of a company can be made either in cash or in-kind.

Governing Bodies

Pursuant to the Code of Commercial Companies and Partnerships, the authorities of a limited liability company consist of:

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

Shareholders' Meeting

The shareholders' meeting is the superior authority of a limited liability company.

Shareholders' meetings are held at the registered office of the company or in another place in the Republic of Poland if all the shareholders agree to it in writing.

Decisions of the shareholders' meeting are adopted as resolutions of shareholders.

Resolutions of shareholders are required i.a. in order to: amend the company's deed of association, approve annual financial statements and reports of the management board, increase or decrease the share capital, allocate profits or cover losses, as well as acquire and dispose of real estates.

Resolutions of the shareholders' meeting should be taken by an absolute majority of votes, unless the deed of association or the regulations of law provide otherwise. The absolute majority of votes means more than half of the votes cast.

Supervisory Board and Audit Commission

The supervisory board or the audit commission has to be appointed in companies whose share capital exceeds PLN 500,000.00 and which have more than twenty-five shareholders. In other situations, establishing the supervisory board or the audit commission is not necessary.

Members of a supervisory board or an audit commission are appointed and dismissed by resolution of shareholders, unless the deed of association provides otherwise.

Powers of a supervisory board in a Polish limited liability company are limited to a broadly described control and supervision. The supervisory board does not have the right to give the management board any binding instructions with respect to management of company's affairs.

Powers of an audit commission are even more limited than the powers of a supervisory board. However, the deed of association may expand duties of the audit commission in the company that does not have a supervisory board to cover also the powers of the latter.

Management Board

The management board is the supreme executive authority, and the only authority having the right to represent and sign for a company.

The management board represents a company and manages its daily affairs.

Representing the company consists in actions which engage third parties, e.g. conclusion of agreements with contractors, disposal of rights of the company, whereas managing the company consists in actions concerning the company itself, first of all dealing with a day-to-day activity of the company, including giving professional instructions to employees and supervising company's activity.

Management board members are appointed and dismissed by resolution of shareholders, unless the deed of association provides otherwise.

3. Joint-Stock Company

A joint-stock company resembles in some aspects a limited liability company. Both are capital companies. Shareholders of a joint-stock company are not liable for company's obligations with their private property, except for one case. Under the Polish law, a shareholder may be liable for obligations of a company in organization.

A joint-stock company is regarded as a more formal kind of company than a limited liability company. There are many particular regulations defining the duties, obligations and procedures that have to be performed by a management board or a supervisory board. Moreover, a shareholder in a joint-stock company has definitely fewer rights than a shareholder in a limited liability company. The rights to control company's activity and its personal composition are limited.

Major differences between joint-stock and limited liability companies:

	Joint-stock company	Limited liability company
Minimum share capital	PLN 100,000	PLN 5,000
Minimum value of one share	PLN 0.01	PLN 50
Formalities of shareholders' meetings	All minutes have to be recorded by a notary	Not all the minutes have to be recorded by a notary
Supervisory board	Obligatory	Shareholders have to appoint a supervisory board or an audit commission if a share capital exceeds PLN 500,000 and there are more than 25 shareholders
Restrictions on distribution of profit	Part of a net profit (at least 8%) must be transferred annually to the supplementary capital until it reaches 1/3 of the share capital	No part of a net profit needs to be transferred to the supplementary capital, unless the deed of association provides otherwise

4. Simple Joint-Stock Company

In principle, this type of company is mainly used by start-ups. However, due to its flexibility, this type of company may be an attractive form of conducting business activity also for other entrepreneurs.

The main features of a simple joint-stock company include i.a.:

- ❖ possibility to establish and register a simple joint-stock company electronically,
- ❖ no par value stocks,
- ❖ possibility to acquire stocks in return for providing work or services,
- ❖ capital stock from PLN 1,
- ❖ flexibility in forming company's authorities: by the deed of association, it is possible to appoint a board of directors that functions as the authority that both represents and supervises the company (the board of directors instead of the management board and the supervisory board),
- ❖ possibility to appoint executive directors from among the board of directors to conduct certain or all activities related to running the enterprise of the simple joint-stock company,
- ❖ simplification in functioning of company's authorities.

5. Partnerships

Under the Polish law, there are four types of commercial partnerships:

- ❖ registered partnership (spółka jawna – sp.j.),
- ❖ professional partnership (spółka partnerska – sp.p.),
- ❖ limited partnership (spółka komandytowa – sp.k.),
- ❖ limited joint-stock partnership (spółka komandytowo-akcyjna – S.K.A.).

Partnerships do not have a legal personality, although they may acquire rights in their own name, including the ownership right to a real estate. They may also incur obligations as well as sue and be sued.

The most important feature of a partnership is the liability of partners for partnership's obligations. With some exceptions, partners are personally and without limitation liable for partnership's obligations.

Furthermore, it is worth mentioning that it is possible for a capital company to have a sole shareholder, while a partnership should have at least two partners.

Transfer of all rights and obligations of a partner in a partnership to another person is possible if the deed of association provides so.

A partnership comes into existence upon its entry into the National Court Register.

6. Cooperative

A cooperative is a voluntary association of an unlimited number of persons with changeable personal composition and changeable share fund. A cooperative conducts common business activity for the benefit of its members; it may also conduct welfare activity and activity connected with culture and education for the benefit of its members.

This form of business activity was very popular before 1990, in the socialist economy. In the capitalist economy it is losing its popularity. Yet, it is still an important form of business activity in the housing sector and dairy industry.



7. Self-employment (Sole Trader or Sole Proprietorship)

Self-employment is the custom term used to name a personal business activity conducted by one person.

From the point of view of the civil, tax and social security law, a self-employed person is regarded as an entrepreneur. As a consequence, a self-employed person and a recipient of his/her services or work do not co-operate with each other on the basis of an employment contract, but rather on a B2B basis.

8. Branch and Representative Office

A foreign person who conducts business activity abroad may create a branch or a representative office in Poland, provided that Polish entrepreneurs may create branches or representative offices in the state where the foreign person has his/her permanent residence or seat (the rule of reciprocity), unless international agreements provide otherwise. The rule of reciprocity is excluded for foreign entrepreneurs from the European Economic Area (EU member states, Iceland, Liechtenstein, Norway). Consequently, foreign entrepreneurs from the EEA states may create branches or representative offices without any restrictions connected with the rule of reciprocity.

A representative office may conduct business activity exclusively within the scope of advertising and promotion of the foreign entrepreneur, whilst a branch may conduct business activity within the entire range of the entrepreneur's activity.

9. Permits

Generally, no permits from the Polish authorities are required to establish business activity in Poland. Nevertheless, if an entrepreneur intends to start performing certain activities, they have to obtain a concession, permit or licence from a relevant authority. Furthermore, some particular activities may be performed under additional conditions and upon registration in separate registers of regulated activities.

Moreover, an intention to establish a new entrepreneur by two or more entrepreneurs may be subject to examination by the President of the Office for Competition and Consumer Protection. In such case the new entrepreneur may not be established without a prior consent of the President of the Office.

10. Registration Procedures

An entrepreneur who is going to start business activity in Poland is obliged to complete the following registration procedures:

- ❖ registration of the business activity in the National Court Register (KRS) or other relevant register,
- ❖ registration of the entrepreneur with the Voivodship Statistical Office,
- ❖ opening of a bank account,
- ❖ registration with a local tax office,
- ❖ registration with the Social Insurance Institution (ZUS),
- ❖ registration in the Register of Beneficial Owners (CRBR).

All legal forms of business activity except sole traders and foreign representative offices should be registered in the National Court Register.

Business activity in the form of a sole trader has to be notified to the Central Register and Information on Business Activity (CEIDG), whereas a foreign representative office has to be entered into the register of foreign entrepreneurs' representative offices kept by the Ministry of Development and Technology.

All entities registered in the National Court Register are automatically registered with the Statistical Office and obtain a statistical identification number (REGON). Except branch offices of foreign entrepreneurs, all entrepreneurs registered in the National Court Register are also automatically registered with a relevant tax office and obtain a tax identification number (NIP).

Moreover, almost all new business entities in Poland are obliged to notify the Register of Beneficial Owners on the data of their beneficial owners and representatives.

11. Timing and Costs of Establishment of Business Activity

It is worth knowing that standard registration procedures (National Court Register, statistical office, tax office) last between 1 and 3 weeks.

If a licence or permit for business activity is necessary, the procedure takes additional 4 to 10 weeks.

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

As an example below, we present the main costs related to establishment of a limited liability company with a minimum share capital (PLN 5,000), assuming that no permit, concession or licence is necessary, and that the company is not being established electronically.

Type of cost	Sum	Description
Tax on civil law transactions	PLN 25	the tax rate is 0.5% of the share capital
Notarial fee	approx. PLN 200	cost of drawing up the deed of association with a notary; certified copies of the deed are issued for a separate fee
Court registration fee	PLN 500	cost of registration of a company in the court register
Announcement in the court journal MSiG	PLN 100	cost of announcement on registration of a company
Lawyer's fee		as agreed between the client and lawyer



12. Electronic Registration of Some Types of Companies in Poland

If an investor wants to save time during the start-up process of his/her business in Poland, they can establish certain types of companies in Poland electronically. Electronic registration usually takes a few days and may be even 1–2 weeks faster than a standard paper-form registration. One thing to remember is that, for technical reasons, a Polish professional adviser should assist in electronic registration of a company. Moreover, there are some corporate law limitations concerning companies established electronically.

13. E-signatures and Digitalisation Process in Poland

Electronic signatures are more and more often used in the administration, accountancy, and tax procedures, as well as economic relations in Poland. In certain industries, signing contracts between entrepreneurs in an electronic form becomes more and more popular. Pursuant to Polish regulations, a declaration of intent submitted in an electronic form is equal to a declaration of intent submitted in writing (i.e. equal to parties' handwritten signatures). The COVID-19 pandemic and temporary restrictions on mobility contributed to the increased popularity of electronic signatures.

At present, the following documents and actions may be executed only with one of electronic signatures commercially available in Poland or with an entrusted profile obtained from Polish authorities:

- ❖ signing financial statements,
- ❖ reporting beneficial owners to the Register of Beneficial Owners,
- ❖ submitting financial documents to the National Court Register,
- ❖ registering and reporting changes in the National Court Register,
- ❖ reporting tax schemes.

Therefore, to conduct business activity in Poland, managing persons must be equipped with the tools that will allow them to sign documents in an electronic form, i.e. a qualified electronic signature or an entrusted profile.

ACCOUNTANCY

Business entities established in Poland must adhere to Polish accounting standards. All entities operating in Poland are obliged to keep their accounting records in the Polish currency and in the Polish language.

Companies have to either keep their accounting records in their registered offices or entrust them to a third party authorised to run business activity in this respect. If a third party keeps accounting books, a tax office should be informed about this fact.

In Poland, the obligation to draw up annual financial statements is imposed, among others, on all capital companies and some partnerships.

In principle, financial statements should be drawn up in accordance with Polish accounting standards. However, in the case of certain entities, financial statements need to or may be drawn up in accordance with the International Financial Reporting Standards (IFRS). Moreover, the companies listed on the Stock Exchange need to draw up their financial statements according to the ESEF (European Single Electronic Format) standards.

The manager of a reporting entity is responsible for ensuring that financial statements are drawn up within 3 months of the reporting date, and are presented to the competent governing bodies. The reporting date is the accounting reference date on which a reporting entity draws up its financial statements.

The approving body should approve annual financial statements within 6 months of the end of a financial year.

The financial year means a calendar year or any other period of 12 consecutive full calendar months, also for tax purposes. The entity's financial year or any changes thereof are specified in a deed of partnership or company formation, or deed of association, on the basis of which the reporting entity was formed or incorporated.

In entities registered in the National Court Register, the manager of a reporting entity has to file with an appropriate court register the annual financial statements, as well as other relevant documents connected with the financial year and specified in the regulations, within 15 days of the date of approval of the annual financial statements.





TAXATION

1. Companies

The scope of taxation depends on the status of a taxpayer: resident or non-resident. In other words, the Polish Corporate Income Tax Act specifies the rule of unlimited and limited tax liability. The unlimited tax liability means that companies that have their registered office or place of management in Poland are liable to Polish corporate income tax (CIT) on their worldwide incomes. The limited tax liability means that a taxpayer who does not have a seat or management in Poland pays the tax levied on the income earned only in Poland.

Partnerships (except for professional partnerships as well as registered partnerships under some conditions) are also liable to Polish corporate income tax. Furthermore, revenues derived and costs borne by partnerships formed by companies are subject to CIT based on the proportion of the corporate partners' participation.

Corporate Income Tax Rate

The basic rate of **income tax** for companies in 2024 is **19%**.

However, CIT on incomes other than capital gains is paid **at a reduced rate of 9%** of the incomes if a given entrepreneur:

- ❖ starts its business activity in a given fiscal year
- or
- ❖ has the status of a so-called small taxpayer of CIT. Currently, a small taxpayer of CIT is an entity with sales revenues (together with an output VAT) that did not exceed an equivalent of EUR 2 million in a preceding fiscal year.

To qualify for 9%, instead of 19% CIT rate, a CIT taxpayer has to fulfil an additional condition. Namely, their total revenues achieved in a given fiscal year may not exceed an equivalent in PLN of EUR 2 million.

Taxable business income comprises all profits generated by any non-agricultural business activity, i.e. trade, services, and transport. A loss may be deducted against the taxable income over five consecutive fiscal years. The deduction in a given year may not exceed 50% of the loss being deducted.

It is also possible to make a one-off deduction of a loss against an income achieved in one of the five subsequent fiscal years. However, the maximum amount of such one-off deduction of the loss against the income may not exceed PLN 5 million. The amount of the loss not deducted in such a way may be deducted from income in the remaining years of the 5-year period, however the deduction in any of those years may not exceed 50% of the loss. Losses must not be carried back or deducted against the income of a preceding fiscal year.

The corporate income tax is payable annually. However, advance payments have to be made each month. Small taxpayers of CIT and entities launching their businesses (in the first fiscal year) may choose to pay advances to CIT quarterly.

As of 2024, some CIT taxpayers may have to pay a minimum tax. The rationale for introducing this tax is the fact that large foreign corporations took advantage of the loopholes in the Polish tax system and avoided paying CIT or paid it in the amount disproportionate to their revenues. The new tax will be payable by companies whose incomes other than from capital gains will be equal to or less than 2% of revenues other than from capital gains in a given year, and by companies that will incur a loss on operating activities in a given fiscal year. Not all costs will be taken into account for the purpose of calculating the tax base. The tax rate will be 10% of the tax base, which will amount to 1.5% of the company's revenues other than from capital gains and a part of the amounts incurred on behalf of related entities. Alternatively, a taxpayer will be able to choose a simplified form of taxation where the tax will amount to 10% of the tax base, which in turn will constitute 3% of revenues other than from capital gains. The group of entities exempt from paying the minimum tax includes, among others, newly established companies (up to 3 fiscal years), small taxpayers of CIT, companies that in a given fiscal year generate 30% less revenue compared to a preceding year, or companies whose shareholders/partners are only natural persons and who do not hold shares in other entities.

Dividends and Capital Gains

Dividends and other capital gains are subject to 19% lump-sum rate of withholding tax. Dividends paid by Polish subsidiaries to parent companies are tax-free provided that the following conditions specified in the Polish Corporate Income Tax Act are met:

- ❖ the company that pays the dividend has its registered office or its management in Poland,
- ❖ the company that obtains income from the dividend is subject to taxation on its worldwide incomes in Poland, in another EU member state, or in a country that belongs to the European Economic Area,
- ❖ the parent company has been holding at least 10% (25% in the case of Switzerland) of shares in its Polish subsidiary for an uninterrupted period of at least 2 years,
- ❖ the parent company does not enjoy a CIT exemption on its total income, regardless of its source.

Double Taxation Treaties and Certificate of Residence

Poland has concluded over 90 double taxation treaties. The majority of double taxation treaties set the withholding tax rate at the level of 5–15% while providing for the possibility of 0% rate.

Polish entities that make payments to foreign persons in the form of interest, dividends and other income from a share in profits of legal persons are deemed as tax remitters and are obliged to remit a withholding tax on the date when such payments are made. However, it is possible to apply a reduced rate or not to withhold the tax if the double taxation treaty concluded by Poland and the country of the recipient's residence provides so. In such a 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. Entities remitting the withholding tax are obliged to exercise due diligence when verifying the conditions to apply the reduced rate or not to withhold the withholding tax.

When the total sum of receivables paid as a share in profits and license receivables paid to a given entity exceeds PLN 2 million in a fiscal year, the sum in excess of PLN 2 million is subject to special rules of taxation and remitting of the withholding tax. In particular, the entity paying such receivables is, as a rule, obliged to withhold the withholding tax on the surplus and remit it to the tax authority in Poland, notwithstanding the provisions of the double taxation treaty. However, the withholding tax is refunded upon an application supported by the documentation required by law, which enables the tax authority to examine the validity of the refund. The only way to avoid the obligation to withhold the withholding tax on the surplus over PLN 2 million is to file with the tax authority a special representation or to obtain an opinion on tax exemption.

Lump-Sum Tax on Company Income

Companies may use an alternative method of taxation, the so-called Estonian CIT, i.e. a lump-sum tax on the income of capital companies and certain partnerships (limited partnership and limited joint-stock partnership, as long as their partners are natural persons only). This method of taxation promotes investments and minimizes formalities in the settlement of the income tax, as it consists in deferring the payment of the income tax until the profit is distributed to shareholders or partners. The rates are 10% for small companies and 20% for larger entities.



Special Tax Regulations for Real Estate Companies

The so-called real estate companies are obliged to pay the tax on disposal of such company's shares that provide at least 5% of rights to vote or to participate in company's profit if the seller of the shares is an entity not being a Polish resident. The tax is 19% of the income from the sale of the shares and is payable by the 20th day of the month immediately following the month in which the income of the seller of the shares has arisen.

In general, real estate companies are the entities that meet all of the below conditions:

- ❖ real estates located in Poland constitute at least 50% of the value of assets, and
- ❖ the value of those real estates exceeds PLN 10 million, and
- ❖ at least 60% of the total taxable income in a preceding fiscal year was generated from lease, real estate leasing or contracts of a similar nature, or from the rights concerning real estates, or from other real estate companies.

The legislator has provided for a different definition of a real estate company in the case of entities commencing their business activity.

2. Individuals

The personal income tax is payable to the State Treasury. There are no income taxes collected by local and regional authorities, or the church.

The above-mentioned difference between the unlimited and limited tax liability (see item 1) applies also to individuals. It is the place of residence that determines the tax liability. Persons who are residents of Poland are subject to the unlimited tax liability, which means that they pay the tax on their overall income in Poland.

A resident is an individual whose place of residence lies in the Republic of Poland. Such an individual is considered to be:

- ❖ 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.

Taxation of Foreigners

Foreigners who cannot be classified as Polish residents as defined above are subject to the limited tax liability and are obliged to pay the tax in Poland only on the incomes earned or arising from a source in Poland, unless the provisions of international agreements provide otherwise. In some cases (contracts other than an employment relationship), non-residents may be taxed with lump-sum rates. In other cases, non-residents' incomes earned in Poland are taxed under the rules applicable to Polish citizens and residents.

Personal Income Tax Rates

As a general rule, two tax rates: **12%** and **32%** apply to revenues of any person (foreign or domestic) depending on the sum of the income (progressive tax).

All taxpayers (including entrepreneurs) whose income is taxed with the progressive tax benefit from a tax-free allowance of PLN 30,000. The law provides for no such tax-free allowance in the case of entrepreneurs whose income is taxed with the flat-rate tax.

The 12% tax rate is applied to the tax base up to PLN 120,000. The surplus over this amount is taxed at the rate of 32%.

The table below presents income taxation thresholds:

The basis for calculating the tax in PLN		The amount of tax
Above	Up to	
	120,000	12% minus a tax reduction of PLN 3,600
120,000		PLN 10,800 + 32% of the surplus over PLN 120,000

The income sum dictates the amount of a health insurance contribution paid obligatorily by all individuals. The contribution may not be deducted from the tax.

In the case of individuals conducting business activity the amount of a health insurance contribution depends on the chosen method of income taxation. The minimum health insurance contribution is PLN 381.78, and the maximum amount is 9% of the income.

Individuals whose incomes exceed PLN 1,000,000 are obliged to pay an additional tax, the so-called solidarity levy, which amounts to 4% of the surplus over PLN 1,000,000.

Taxation of Business Activity

Persons who conduct any non-agricultural business activity (but not on the basis of a management contract) may choose either the standard progressive tax or the flat rate of 19%.

Moreover, some entrepreneurs, if they meet additional conditions, may also choose a simplified form of taxation with an even lower tax rate: a lump-sum based on recorded revenues. However, in this method, the revenue earned by the entrepreneur is the tax base, and costs are not taken into consideration. Therefore, this method of taxation may be advantageous mainly if the conducted business activity generates low costs.

Duties of Tax Remitters and Taxpayers

Employers as tax remitters have to calculate and remit tax advance payments from persons who receive revenues under employment relationships or on the basis of agency contracts or contracts for specific work. Tax advance payments increase during the fiscal year when the progressive tax thresholds are exceeded.

A taxpayer has to file a tax return that covers incomes from a preceding year. The declaration has to be filed by 30 April of a following year.

3. Income Tax on Revenues from Buildings under CIT Act and PIT Act

This income tax is charged on revenues from a fixed asset being a building located in the Republic of Poland:

- ❖ that is owned or co-owned by the taxpayer and
- ❖ that has been handed over for operation on the basis of a tenancy, lease, or similar contract.

The initial value of the building resulting from the kept records of fixed assets is the revenue from the building. Such initial value should be determined as at the first day of each month. In the month when the fixed asset is entered into the records, the initial value set as at the day of entering the fixed asset into the records is the revenue from the building.

The tax base is the sum of revenues referred to above earned from individual buildings, reduced by PLN 10 million. The tax rate is 0.035% of the tax base for each month.

4. 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%**.

An excise duty in Poland is imposed i.a. on motor fuels, gas, alcohol and tobacco products, and electricity.

Local Taxes

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



REAL ESTATES

1. Acquisition of Real Estates by Foreigners

Pursuant to the law, a foreigner is defined as:

- ❖ a natural person not possessing Polish citizenship,
- ❖ a legal person having its seat abroad,
- ❖ a partnership with its seat abroad, established by natural and/or legal persons described above in accordance with the law of a foreign country,
- ❖ a legal person or a partnership having its seat in Poland, controlled directly or indirectly by a foreigner(s).

A foreigner acquiring an ownership right or a perpetual usufruct right to a real estate is required to obtain a permit from the Minister of Internal Affairs. The same is required of a foreigner who acquires or takes up shares in companies based in Poland that are owners or perpetual usufructuaries of real estates located in Poland.

In order to obtain the permit, a foreigner must submit a relevant application.

The Minister of Internal Affairs issues the permit upon a foreigner's application if such acquisition of a real estate by the foreigner does not pose any risk to state defence, security or public order, and the foreigner proves their relations with Poland.

The circumstances confirming foreigner's ties with Poland may include in particular:

- ❖ Polish nationality or Polish origin,

- ❖ marriage with a Polish citizen,
- ❖ permanent or temporary residence permit,
- ❖ membership in a managing body of companies registered in Poland.

The permit is valid for two years from the issue date. A sale contract should be concluded and executed within that time limit.

At present, the limitations regarding acquisition of real estates do not apply to citizens or entrepreneurs from the European Economic Area states (i.e.: EU member states, Norway, Iceland and Liechtenstein) and from Switzerland. Citizens and entrepreneurs of those countries are allowed to acquire real estates in Poland and shares in companies that are owners or perpetual usufructuaries of real estates in Poland pursuant to legal rules similar to those applicable in the case of acquisition of real estates and/or shares by Polish citizens or companies.

Apart from the general exemption related to citizens or entrepreneurs from the European Economic Area states, the law provides also for other exceptions from the obligation to obtain a permit, i.a.:

- ❖ acquisition of residential premises,
- ❖ acquisition of a real estate that will be joint marital property, by a foreigner whose spouse is a Polish national and who has been residing in Poland for at least two years from the issuance of a permanent residence permit,
- ❖ acquisition of a real estate by a foreigner who has been residing in Poland for at least five years from the issuance of a permanent residence permit,
- ❖ acquisition of a real estate by a foreign bank that is a mortgagee, after an ineffective auction under execution proceedings.





2. Acquisition of Agricultural Real Estates

Polish regulations provide for specific restrictions on acquisition of agricultural real estates. The restrictions apply to both ownership rights and perpetual usufruct rights to agricultural real estates. No restrictions apply only to small agricultural real estates with an area smaller than 0.3 ha or to real estates that serve as internal roads.

As a rule, only a full-time farmer may acquire an agricultural real estate.

A full-time farmer is understood as an individual who is an owner, perpetual usufructuary, owner-like possessor or lessee of an agricultural real estate with a total area of no more than 300 ha of arable land. In addition, a full-time farmer has to be appropriately qualified, reside for at least 5 years in the commune where one of the agricultural real estates being part of his/her agricultural farm is located, and personally run the farm during that time.

Apart from full-time farmers, agricultural real estates may also be acquired i.a. by the following persons: seller's close relatives, self-governmental units, the State Treasury, church legal persons, national parks for the purposes related to environmental protection, persons and entities who disposed of agricultural property for the purpose of constructing certain energy facilities (subject to additional conditions and limitations), as well as persons and entities who become owners as a result of inheritance or specific bequest or restructuring proceedings within the financial recovery proceedings or by merger, demerger or transformation of a company.

In all other cases, a consent of the Director General of the National Centre

for Support of Agriculture is required. The consent is issued at seller's request if all of the following conditions have been met:

- ❖ the seller demonstrates that there has been no possibility for the agricultural real estate to be acquired by full-time farmers;
- ❖ the purchaser undertakes to carry out agricultural activity on the acquired estate;
- ❖ the acquisition of the real estate does not cause an excessive concentration of arable land.

The consent may also be issued at a request of the purchaser who is an individual intending to establish a family agricultural farm, who meets the requirements set forth in the law regarding individual farmers, and who will undertake to reside in the commune where one of his/her agricultural real estates is located.

It should also be noted that in the case of transfer of shares in companies that are owners or perpetual usufructuaries of agricultural real estates exceeding 5 ha, the law provides also for limitations in the form of a pre-emption right for the State Treasury or a buy-out right in the case of transfers other than sale of such shares.

3. Legal Form of Real Estate Transfer

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

LABOUR LAW

Labour law is one of the most important branches of business law. It is also subject to frequent changes. The Polish labour law has been adjusted to the European regulations.

1. Employment Contract in General

A labour relationship arises by an employment contract or by an appointment act.

Below, we will focus on employment contracts as the most popular form of labour relationship. The employment contract may be agreed for an indefinite term, for a fixed term, or for a trial period no longer than 3 months. An employment contract for a trial period is concluded for a period not exceeding:

- ❖ one month if the parties intend to conclude an employment contract for a fixed term shorter than six months;
- ❖ two months if the parties intend to conclude an employment contract for a fixed term of at least six months but shorter than 12 months.

The purpose of concluding an employment contract for a trial period is to check the qualifications of an employee and the possibility of employing a given employee to perform a certain type of work.

As to an employment contract for a fixed term, its term may not be longer than 33 months. If two or more employment contracts for a fixed term are concluded with the same employee, their total term may not be longer than 33 months, either. At the same time, the maximum number of employment contracts for a fixed term concluded with the same employee is three.

Every employment contract should be made in writing, with the type and terms and conditions of the contract explicitly outlined.

2. Termination of Employment Contract

A contract may be terminated:

- ❖ on the basis of mutual consent of both parties,
- ❖ with or without notice by either party,
- ❖ after the lapse of the period for which it has been concluded.

An employment contract may be terminated without notice only due to the reasons indicated in the Labour Code. The termination of the contract with notice is not subject to any further conditions. However, the employer is always obliged to give the employee a reason which justifies the termination. The reason for termination should be included in the termination letter if a contract for an indefinite or fixed term is going to be terminated. In the case of a contract for a trial period, the notice period depends on the agreed length of the trial period.

In the case of the contract for an indefinite term or for a fixed term, the notice period depends on the period of employment with a given employer and it is:

- ❖ two weeks if the employee has been employed for less than six months;
- ❖ one month if the employee has been employed for at least six months;
- ❖ three months if the employee has been employed for at least three years.

3. Remuneration in Poland

Remuneration for work should be determined 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.

Salary rates referred to in statistical data and discussed during job interviews with possible candidates in Poland are gross sums. Gross sums



are calculated as a net salary plus costs of social contributions and the tax paid by employees. A super gross salary is understood as the total cost of an employee borne by the company (a gross salary plus social contributions paid by an employer). Rates of social contributions are described in the further part of this brochure, in the Compulsory Insurance Rates section.

Sample net, gross and super gross salary calculation is presented in the table below (exclusive of Employee Capital Plans).

Net salary (paid to the employee)	Gross salary (net salary + social contributions & tax paid by the employee)	Super gross salary (gross salary + social contributions paid by the employer, i.e. total cost of employing the employee in the company)
PLN 3,738.19	PLN 5,000	PLN 6,024

The state specifies the minimum remuneration for work as well as the minimum hourly rate. As of 1 July 2024 the minimum remuneration is PLN 4,300 gross. 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 remuneration in Poland reached PLN 8,278.63 in the sector of enterprises (as of July 2024). The sector of enterprises comprises only entities that employ 10 or more people and carry out economic activities.

The salary levels vary depending on the sector and the company's geographical location. According to the data of the Central Statistical Office for June 2024, the highest salaries were paid in the mining industry: PLN 13,975.10 gross on average, whereas the lowest salaries were paid in the sector of accommodation and catering activities: PLN 6,008.07 on average.

In the first quarter of 2024, Mazowieckie Voivodeship with the average of PLN 9,998.28 gross was the best remunerated region. The lowest average remunerations, PLN 7,540.39 on average, were paid in Podkarpackie Voivodeship.

4. Working Hours

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

5. Remote Work

Work under an employment relation may also be performed remotely. Remote work is performed fully or partially in a place indicated by the

employee and each time agreed upon with the employer, including at the address of employee's residence, in particular with the use of means of direct communication at distance. The regulations stipulate that the performance of remote work may be agreed at the time when the employment contract is concluded or during the employment. During the employment, remote work may be agreed upon either at employer's initiative or at employee's request. Under strictly specified circumstances, remote work may also be performed at employer's binding order if, immediately before such order is given, the employee has declared that (s)he has appropriate premises and technical means to perform work remotely. It is also possible to perform so-called occasional remote work for a total period no longer than 24 days in a calendar year.

6. Employees' Leaves

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

In a calendar year, the employee has the right to a caregiver's leave of 5 days in order to provide personal care or support to a person who is their family member or shares the household with them and who requires care or support for serious medical reasons. The leave is unpaid.

During a calendar year, the employee is also entitled to the time off work for 2 days or 16 hours, on grounds of force majeure for urgent family reasons, in cases of sickness or accident making the immediate presence of the employee indispensable. During such time off work, the employee retains the right to remuneration in the amount of a half of the regular remuneration.

7. Retirement

A regular retirement age in Poland is 60 years for women and 65 years for men.

8. Compulsory Insurance Rates

In principle, the gross remuneration of an employee constitutes the basis for calculating contributions to the retirement, pension, sickness, accident and health insurance, the Labour Fund, the Guaranteed Employees' Benefits Fund, and the Early Retirement Fund.

Employee's gross remuneration is decreased by: an entire sickness insurance contribution, an entire health insurance contribution, part of retirement and pension insurance contributions. The employer pays from its own funds: the remaining part of retirement and pension insurance contributions, an entire accident insurance contribution, contributions to the Labour Fund, the Guaranteed Employees' Benefits Fund, and the Early Retirement Fund (this last fund is applicable to work in special conditions or of a special nature).

RESIDENCE AND EMPLOYMENT OF EU CITIZENS IN POLAND

An EU citizen in the meaning of this chapter is a citizen of a country of the European Economic Area (Iceland, Liechtenstein, Norway, and all member states of the European Union) or of Switzerland.

1. Free Movement of Employees and Abolition of Work Permits for EU Citizens in Poland

Freedom of movement of employees within the European Union is one of the fundamental rules of the Community.

EU citizens are released from the obligation to obtain a work permit in Poland.

2. Right of Residence of Citizens of EU Countries in Poland

EU citizens and members of their families are allowed to cross the border if they hold a valid passport or other document that confirms their identity and citizenship.

EU citizens who intend to stay in Poland for more than 3 months have to register their stay. The voivode competent for the place of residence of an EU citizen is responsible for the registration of their stay.

EU citizen's spouse who is not an EU citizen has to obtain a document known as the residence card of a family member of an EU citizen.

An EU citizen has the right to reside in Poland for a period longer than 3 months if (s)he meets one of the following conditions of stay in Poland:

- ❖ (s)he is an employee or a person working on their own account in the Republic of Poland;
- ❖ (s)he has sufficient financial means to cover the costs of supporting himself or herself and the members of the family in the Republic of Poland so that (s)he does not become a burden to the social welfare system, and holds appropriate health insurance;
- ❖ (s)he studies or undergoes vocational training in the Republic of Poland, and also has sufficient financial means to cover the costs of supporting himself or herself and the members of the family in the Republic of Poland so that (s)he does not become a burden to the social welfare system, and holds appropriate health insurance;
- ❖ (s)he is the spouse of a Polish citizen.

An EU citizen who enters Poland in order to look for a job may stay in Poland without the necessity to fulfil the conditions of stay in Poland described above, for a period no longer than 6 months, unless after the lapse of this period they demonstrate that they actively continue looking for a job and have a real chance for employment.

3. Right of Permanent Residence

An EU citizen may obtain the right of permanent residence after 5 years of continuous residence in the Republic of Poland if all the conditions of residence are fulfilled within this period.

However, it is possible to obtain the right of permanent residence before the lapse of 5 years in some circumstances.

An EU citizen who has obtained the right of permanent residence is granted a document certifying the permanent residence right.



EU European Union

Austria (1995)	France (1958)	Malta (2004)
Belgium (1958)	Germany (1958)	Netherlands (1958)
Bulgaria (2007)	Greece (1981)	Poland (2004)
Croatia (2013)	Hungary (2004)	Portugal (1986)
Cyprus (2004)	Ireland (1973)	Romania (2007)
Czech Republic (2004)	Italy (1958)	Slovakia (2004)
Denmark (1973)	Latvia (2004)	Slovenia (2004)
Estonia (2004)	Lithuania (2004)	Spain (1986)
Finland (1995)	Luxembourg (1958)	Sweden (1995)

RESIDENCE AND EMPLOYMENT OF NON-EU CITIZENS IN POLAND

On 31 December 2020, the transition period after the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union ended. The conditions of stay, work and business activity of the UK citizens in Poland after 1 January 2021 depend on whether and how long a given person stayed in Poland before the end of the transition period, i.e. before 31 December 2020. The UK citizens and their family members who are not beneficiaries of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and who do not have a permanent residence card may undertake, continue and pursue business activities on the terms applicable to citizens of third countries. Here, the third countries mean all countries except for Switzerland, Iceland, Liechtenstein, Norway, and all member states of the European Union.

1. Visas

Visas are issued only for a definite period of time and only for a particular purpose.

The Schengen visa (visa of “C” category) is granted to the persons who intend to stay in Poland or other Schengen country up to 90 days (approx. 3 months) in total (during one or several travels), within each 180-day period (approx. 6 months) counted from the date of entry into a member state, or who intend to move within the Schengen territory for transit purposes.

Apart from visas of “C” category, Polish consulates issue visas of “D” category (national visa). Such visa is granted to the persons who intend to stay in Poland for more than 90 days in total (during one or several travels) within one year from the date of the first entry. The national visa permits to stay in Poland during the period of validity for which the visa has been granted and additionally to move within other Schengen countries up to 90 days within each 180-day period counted from the date of entry into a member state. The validity period of a national visa may not exceed 1 year.

The national visa is granted by a Polish consulate (or a consular department of a Polish embassy) if a foreigner stays abroad, and it may be prolonged by a voivode if the foreigner stays in Poland. The Schengen visa is granted at the border by the commander of a Border Guard checkpoint.

2. Temporary Residence Permit

The temporary residence permit is granted for a period necessary to achieve the foreigner’s purpose of stay in the Republic of Poland, however for no longer than 3 years. In order to obtain the temporary residence permit, a foreigner has to document the reasons for which (s)he wants to stay in Poland for a period longer than 3 months.

These reasons might include for example:

- ❖ taking up or continuing work in Poland,
- ❖ performing work by a foreigner posted to Poland by a foreign employer,
- ❖ conducting business activity in Poland,
- ❖ taking up or continuing studies in Poland,
- ❖ performing a seasonal work.

The foreigner staying in Poland in order to perform work may apply, within one procedure, for a permit both for work and stay.

The permit is granted only by voivodes and the procedure lasts no less than 6–8 weeks. An application for the temporary residence permit should be submitted personally, no later than on the last day of the foreigner’s legal residence in Poland.

A foreigner may also obtain the permanent residence permit in Poland. The foreigner who has been granted the permanent residence permit in Poland does not need the permit for work in Poland. The permanent residence permit is granted for an indefinite period.

3. Permanent Residence Permit

The permanent residence permit is granted e.g. when a foreigner is married to a Polish citizen, and the marriage is recognized in Poland, and the foreigner has been married for at least 3 years prior to filling the application, and the foreigner has stayed in Poland for at least 2 years on the basis of the temporary residence permit.

4. Residence Permit for Long-Term EU-Residents

Foreigners who have resided legally and continuously in Poland for at least five years may be granted a long-term resident’s status.

The Polish authorities may refuse to grant a long-term resident’s status for reasons related to public policy or public security. The procedure is conducted by voivodes and may not exceed 3 months.

5. Residence Card

A foreigner applies for the residence card on the basis of the decision with a consent to residence. The residence card is a document which confirms the foreigner’s identity during his/her stay in Poland.

6. Visa-Free Traffic

A visa-free traffic applies to Poland with regard to the citizens of some countries. These are, for instance, the citizens of Albania, Argentina, Ukraine, and Moldova. The list of the countries whose citizens may travel to Poland without visas may be found, inter alia, on the Ministry of Foreign Affairs’ website. The total period of staying in all EU member states without the necessity to obtain a visa may not exceed 90 days within each 180-day period.

7. Employment of Foreigners

Foreigners are entitled to perform work in Poland if, among others, they:

- ❖ have the status of a refugee granted in Poland,
- ❖ have the permanent residence permit,

- ❖ have the residence permit for long-term EU-residents,
- ❖ are citizens of an EU member state,
- ❖ are citizens of a European Economic Area member state not belonging to the EU,
- ❖ have the temporary residence permit (under the conditions specified in this permit),
- ❖ have the work permit.

The work permit is granted by a voivode (except for the seasonal work permit which is granted on behalf of a staroste by the director of a Poviats Labour Office) at the request of an entity which employs the foreigner. Currently, the applicable regulations stipulate six types of work permits granted to foreigners, which include the permits for:

- ❖ foreigners who perform work in Poland under a contract with an entity whose registered office, place of residence, or branch, establishment, or other type of organized activity is located in Poland (type A work permit);
- ❖ foreigners who are members of the management board of a legal entity registered in the National Court Register or of a capital company in organization, and who stay in Poland for a period exceeding 6 months in total within 12 consecutive months (type B work permit);
- ❖ workers posted to work in Poland by a foreign entrepreneur (type C, D, and E work permits);
- ❖ workers performing seasonal work in Poland (in agriculture, gardening, or tourism; type S work permit).

The work permit of a foreigner is valid for a definite time, no longer than 3 years, and for a given foreigner. In the case of members of management boards of companies that employ more than 25 persons, a work permit may be valid up to 5 years. The seasonal work permit may be issued for maximum 9 months.

8. Special Regulations for Citizens of Armenia, Belarus, Georgia, Moldova and Ukraine

The obligation to hold the work permit does not apply to citizens of the Republic of Armenia, the Republic of Belarus, the Republic of Georgia, the Republic of Moldova, and Ukraine if they perform work outside the scope for which the seasonal work permit is required. Citizens of these countries may perform work for a period no longer than 24 months if:

- ❖ a Poviats Labour Office, at the request of a future employer, prior to the commencement of work by future employees, entered the employer's declaration on entrusting performance of work to the foreigner with their names given, into the records of declarations, and
- ❖ the work is performed on the conditions specified in this declaration.

9. Special Regulations on Assistance to Citizens of Ukraine in connection with Armed Conflict

Ukrainian citizens who left their country as a result of the Russian aggression have been, in most cases, able to legally stay in Poland until 30 September 2025. This applies to the persons who arrived in Poland from Ukraine and declared their intention to stay in Poland. However, a Ukrainian citizen who has left the territory of Poland for more than 30 days loses the right of stay indicated above.

Foreigners who are not covered by those special regulations and who belong in the category of displaced persons listed in the Executive Decision of the EU Council establishing the existence of a mass influx of displaced persons from Ukraine may benefit from temporary protection in accordance with the Act on Granting Protection to Foreigners within Territory of the Republic of Poland.

A relevant Poviats Labour Office should be notified, within 14 days, of employment of a Ukrainian citizen who legally stays in Poland. This is the only obligation that employers have to fulfil.



CONTRACTS

1. Entering into Contracts in Poland

The Polish contract law is, to a substantial extent, adjusted to the EU regulations. Some formalities may need to be complied with while entering into contracts in Poland. For instance, certain transactions have to be made in the form of a notarial deed, e.g. purchasing a real estate, or with signatures certified by a notary, e.g. transfer of shares in a limited liability company.

It is advisable to always verify whether persons who claim to represent an entrepreneur are actually authorised to do so.

2. Obligation to Use Polish Language

The purpose of the Polish Language Act is to protect the Polish language and to ensure that the Polish language is used in the following situations:

- ❖ relations with the Polish state and local government authorities,
- ❖ relations and contracts in the field of the labour law as well as consumer contracts if a consumer or employee resides in Poland (subject to some exceptions where a contract may be in a foreign language).

The Polish language must be used in particular in the case of goods' and services' names, 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 under other regulations.

Documents within the scope mentioned above, including in particular contracts with the participation of consumers and contracts stipulated by the labour law, should be drawn up in the Polish language. Such documents may additionally be drawn up in a foreign language version or versions. However, the Polish language version should be the basis for their interpretation if the person performing work or the consumer is a citizen of the Republic of Poland.

The documents may be drawn up in a foreign language upon request of a person providing work or a consumer commanding that language if such person is not a Polish citizen and has been previously instructed about the right to have the contract or another document drawn up in the Polish language.

Additionally, if those regulations of law with respect to relations with consumers as well as in the field of the labour law are not observed, a fine may be imposed.

3. Consumer Sale

Consumer sale is the sale of a movable object performed within the scope of activity of an enterprise for the benefit of an individual who buys that object for the purpose not directly connected with his/her professional or business activity.



In the case of consumer sale in Poland, the Polish Language Act imposes additional obligations on sellers aimed at the protection of consumers' interests. Among others, it broadens sellers' obligations with regard to providing:

- ❖ clear, comprehensible and not misleading information in Polish, sufficient for proper and full usage of the purchased goods,
- ❖ reliable information about promotions and price reductions,
- ❖ proper technical and organizational conditions in the place of sale allowing to make a choice of the good and to check its quality, completeness and functionality of main mechanisms and their basic sub-assemblies.

Individuals who conclude a sale contract directly related to their business activities are granted the same protection as consumers if the sale contract shows that it is not of a professional nature for the individuals, resulting in particular from the object of their registered business activity.

4. Liability for Product Defects

The Polish law provides for a warranty for defects of an objects of sale. This type of warranty is statutory and is separate from a guarantee in sales given by the seller to the buyer in the event where the object of sale has a physical or legal defect.

The regulations provide for a detailed description of what objects are subject to a warranty for defects. A physical defect may lead to a decreased value and usability of the object of sale or its incompleteness and lack of certain qualities. A legal defect usually means that the seller had no right to dispose of a given item or the item has been encumbered with a third party's right, e.g. a mortgage or a pledge. The seller is released from the liability if the buyer knew about the defect at the moment of purchase.

The liability for defects has a lot to do with the nature of the parties participating in a transaction. Warranty rights differ depending on whether the buyer is a consumer or the transaction is concluded between two equivalent entities, such as entrepreneurs. The procedures are different in terms of the liability periods, as well as the rights and obligations of the parties. If the buyer is a consumer, the liability may be limited or excluded only in particular circumstances. If the buyer is not a consumer, the statutory liability for defects may be contractually extended, limited or excluded. However, the limitation or exclusion will be ineffective if the seller insidiously concealed the defect from the buyer.

The buyer has a range of rights under the warranty for defects: it may request a reduction of the price, removal of the defect (by repair), exchange to a non-defective item, or it may withdraw from the contract but only if the defect is substantial. Furthermore, the buyer may not exercise its right to request a reduction of the price or to withdraw from the contract if the seller has replaced the item with a non-defective one or removed the defect immediately and without excessive inconvenience for the buyer. The freedom to choose the right to be exercised by the buyer under the warranty for defects (exchange or repair) is limited by the regulations of “impossibility or excessive costs”. It means that the seller may oppose the buyer’s request with regard to the right chosen by the buyer if fulfilment of such request is impossible or would require excessive costs in comparison to an alternative right vested in the buyer.

The seller is liable under a warranty for defects if a physical defect is found before the lapse of two years, and if the object of sale is a real estate – before the lapse of five years from the release of the object of sale to the buyer. If the buyer is a consumer and the object of sale is a movable property, the liability of the seller may be limited to no less than one year following the release of the object of sale to the buyer.

A claim for removal of a defect or exchange of the object of sale is subject to a time-limit of one year counting from the moment the defect was found. If the buyer is a consumer, the limitation period may not end before the deadline for the founding of a defect.

5. Venue and Governing Law

It is very important in the international business 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.

Since 17 December 2009, the EU member states (except Denmark) have been obliged to apply Regulation (EC) No. 593/2008 of the European Parliament and of the Council instead of the Rome Convention on the law applicable to contractual obligations, so-called Rome I. The Regulation regulates the problem of law applicable in the case of contracts related to the legal systems of different states. As a rule, the contract is subject to the law as chosen by the parties, and if no law has been chosen, the detailed rules as defined in the Regulation should be referred to and complied with.



APOSTILLE

The Polish law stipulates that foreign public documents have the same probative force as Polish official documents. Thus, there is no formal obligation to have them certified. There are, however, two exceptions to that rule, i.e. documents certifying transfer of ownership right to a real estate located in Poland and documents the authenticity of which was challenged by a counter-party still should be authenticated by Polish diplomatic or consular agents. Nevertheless, in practice, the Polish authorities want to be sure that the presented documents are authentic and have been issued legally. This is what the so-called apostille is for. Not only the original document requires authentication, but also its copies and excerpts.

What is Apostille?

A public document issued in another country must be first certified in order to be used before Polish courts and other authorities.

In the case of documents intended for circulation in the states that are parties to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents, the certification is done with an apostille. It can take two forms: an annotation (e.g. a seal or stamp) affixed directly to the document being certified or a separate document. Apostille is designed to certify the authenticity of a document according to the law applicable at the place of issuing that document in respect of its form, issuance by the relevant authority, as well as authenticity of the stamp affixed and signatures made on the document. In short, apostille makes it possible for a foreign document to be used legally in a different country.

An up-to-date list of the states that are parties to the Hague Convention of 1961 is available on the HCCH website or at the legalisation centre: <http://www.hcch.net>

Pursuant to the Convention, public documents are understood as: notarial deeds, documents issued by state administration, and court documents, including documents issued by a prosecutor's office or official certificates affixed to documents signed by persons acting as private individuals (e.g. notarial certifications of signatures).

Apostille is granted upon request of the document holder in the country where the document was issued. Some documents may also require prior authentication by other institutions.

As of 16 February 2019, as a result of the changes introduced by Regulation (EU) 2016/1191, the authorities of the EU member states cannot require an apostille if submitted documents have been issued in another member state and are referred to in the Regulation, e.g. documents certifying birth, death, name and last name, marriage, divorce, separation or annulment of marriage, origin of a child, adoption, place of residence, lack of criminal record. It does not mean, however, that EU member states will not be able to issue, at citizen's request, apostille to a document referred to in Regulation 2016/1191.

In the case of documents intended for circulation in the state which is not a party to the Hague Convention, the Polish public documents are certified through another procedure: legalisation.

COUNTERACTING MONEY LAUNDERING AND FINANCING OF TERRORISM

The Polish legislation in this respect specifies a range of obligations and requirements to be fulfilled. One of those is the obligation to electronically report information to the Central Register of Beneficial Owners ("CRBR"), and then to update the information. The above-mentioned obligation is imposed on, among others, capital companies represented by their management boards. Ultimate Beneficial Owners (individuals) of entities are in turn obliged to submit to those entities any and all information and documents necessary to report and update the information on beneficial owners.

In principle, proxies may not make reports or updates on behalf of a management board.

The deadlines for fulfilling the above-mentioned obligations are very short, and a failure to perform them in a timely manner or reporting false information may cause, among others, that very high financial penalties (up to PLN 1 million) will be imposed. It is impossible to fulfil the above-mentioned obligations without a proper electronic signature (in practice, an e-signature obtained in Poland).



PERSONAL DATA PROTECTION

As in other EU countries, Regulation no. 2016/679 ("GDPR") is a "constitution" in the scope of the personal data protection in Poland. An entrepreneur who intends to commence business activity in Poland should, however, remember that the GDPR is not the only legal act which pertains to the personal data protection in Poland.

One example may be regulations in the scope of the labour law and introduction to the Polish Labour Code of detailed rules concerning processing employee's biometric data, remote work obligations, the

surveillance of employees (and indirectly of other persons), property protection or entrepreneur's production control, including video surveillance, e-mail etc.

Given the above, if you commence business activity in Poland, you should, among others, revise the hitherto policies / procedures in the scope of personal data and adjust them to Polish regulations. For this purpose, we recommend that you use professional legal assistance.

Please note that any new technology (e.g. AI), an innovation or a change implemented in an enterprise may possibly impact personal data processed by the company and its contractors. At the same time, the maximum penalties under the GDPR are very severe, and the Polish supervisory authority more and more frequently imposes penalties (their amounts are still increasing) not only for breaches concerning the processing of personal data, but also for insufficient technical and organisational measures to protect the data and for failures to comply with data breach notification obligations.

Therefore, the companies which have already implemented the GDPR procedures should conduct their periodic revision and check-up, among others, with regard to latest changes in law and the risk of a possible breach of rights and freedom of natural persons.

PROTECTION OF WHISTLEBLOWERS

The Polish act that implements EU regulations on protection of whistleblowers came into force on 25 September 2024. Its main objective is to establish minimum norms ensuring an adequate level of protection of persons reporting breaches of law.

A whistleblower is a person who reports or publicly discloses information about a breach of the law in a work-related context.

An employee, but also a shareholder, member of the management board or the supervisory board, entrepreneur, professional soldier, trainee, volunteer, or other type of person listed in the act may become a whistleblower entitled to protection.

An obligated legal entity (e.g. employer) has to establish a procedure for internal reporting that specifies the rules of accepting such reports, and has to create channels for acceptance of such reports. The internal whistleblowing system should make it easier to diagnose irregularities in

the employment establishment and should help to eliminate worrying events.

One of the main rules of the whistleblowing legislation is a prohibition of retaliation against a whistleblower (e.g. termination of employment), but also against a person assisting the whistleblower in making their report and a person associated with the whistleblower. The act provides that the entitled person (e.g. whistleblower) who has suffered retaliation will have the right to seek compensation or redress.

The act is to apply to entities for whom at least 50 persons perform paid work as at 1 January or 1 July of a given year. The number of 50 persons performing paid work for the entity includes employees who work part-time counted as FTEs (full-time equivalents), and persons who perform paid work under a relation other than employment if they do not employ other persons to perform such work.

LEGAL PROFESSIONALS

Legal assistance in Poland is provided by attorneys-at-law [*radca prawny*] and advocates [*adwokat*]. An attorney-at-law and an advocate may advise in any field of law and may appear in court in all types of cases.

A notary [*notariusz*] is a third category of legal professionals in Poland. The role of a notary is to protect legal proceedings by ensuring the security and certainty of legal transactions. The Polish law provides that certain acts in law have to be carried out in the presence of a notary who draws up a deed and handles all the paperwork required for a given transaction, in particular:

- ❖ real estate transactions,
- ❖ donations,
- ❖ establishing perpetual usufruct rights,
- ❖ drawing up deeds of association of companies (except for e-registrations).

A notary may also make a legal duplicate of a document or draw up the last will.

A bailiff [*komornik*] is authorised to enforce court judgements.

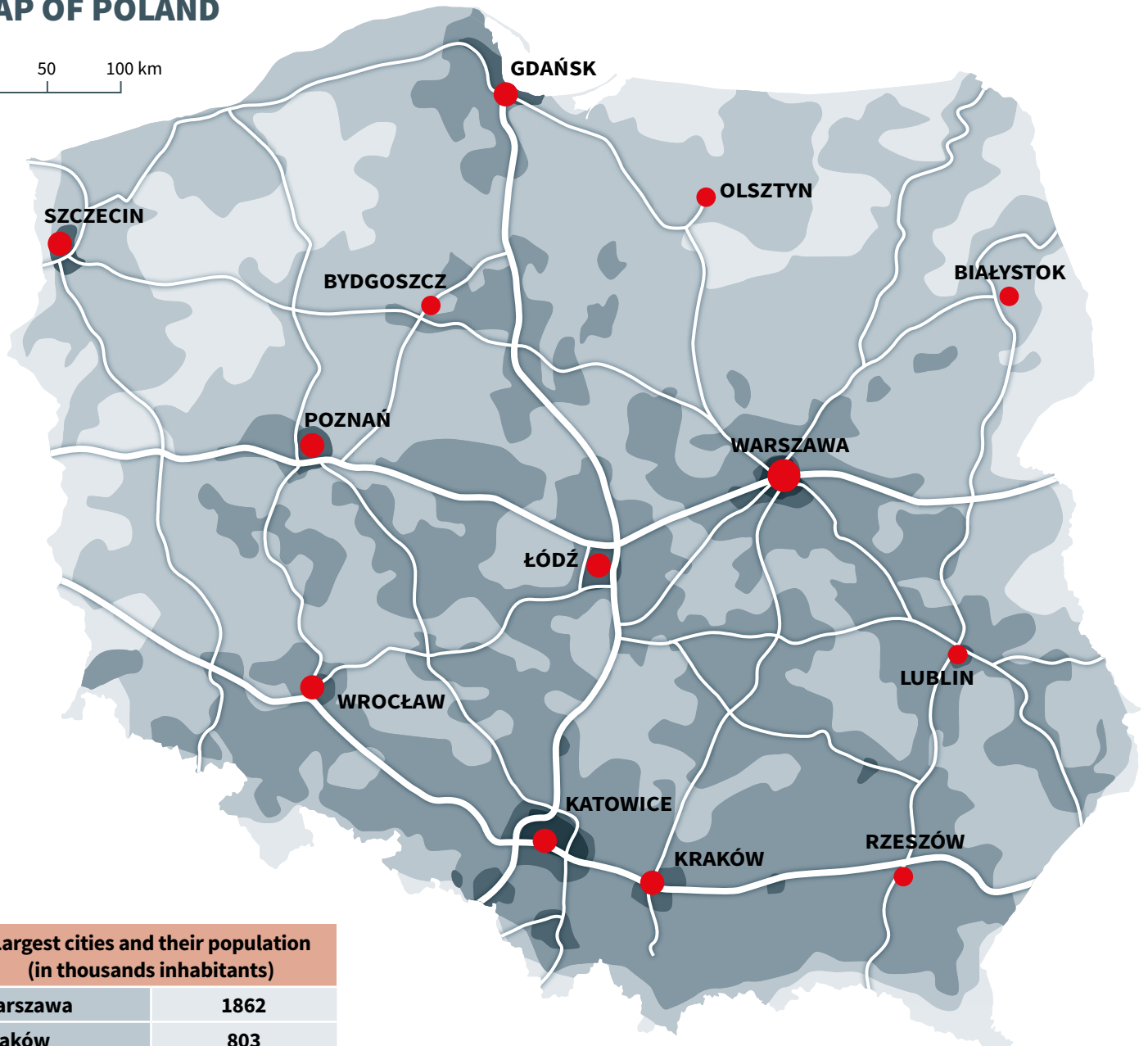
A tax advisor [*doradca podatkowy*] is authorised to advise in the field of tax law only.

It is advisable to check with a local chamber of respective legal practitioners in Poland if a given person is authorised to practice the legal profession.



MAP OF POLAND

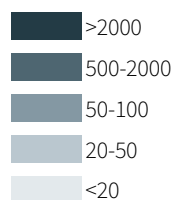
0 50 100 km



**Largest cities and their population
(in thousands inhabitants)**

Warszawa	1862
Kraków	803
Wrocław	674
Łódź	661
Poznań	543
Gdańsk	486
Szczecin	393
Lublin	332
Bydgoszcz	332
Białystok	293
Katowice	281

Number of inhabitants per 1 km²



Total population	37.63 million
Land area	312,685 km²

Source: Central Statistical Office in Poland (GUS), 2023

Peter Nielsen & Partners Law Office is a modern Danish-Polish law firm having its registered office in Warsaw, Poland. Since its establishment in 1990, it has gained market recognition as a reliable and efficient advisor. We find practical solutions for our clients within many areas of legal practice. We undertake to provide highly specialised legal assistance within: real estate market/construction law, foreign investments, mergers and acquisitions, labour law/HR, tax law, energy law, litigation and dispute resolution, bankruptcy/restructuring, debt collection, as well as corporate law. For more information, please, visit our website www.pnplaw.pl

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