KRUK AND PARTNERS
LAW FIRM

DOING BUSINESS IN POLAND 2016

KRUK AND PARTNERS LAW FIRM

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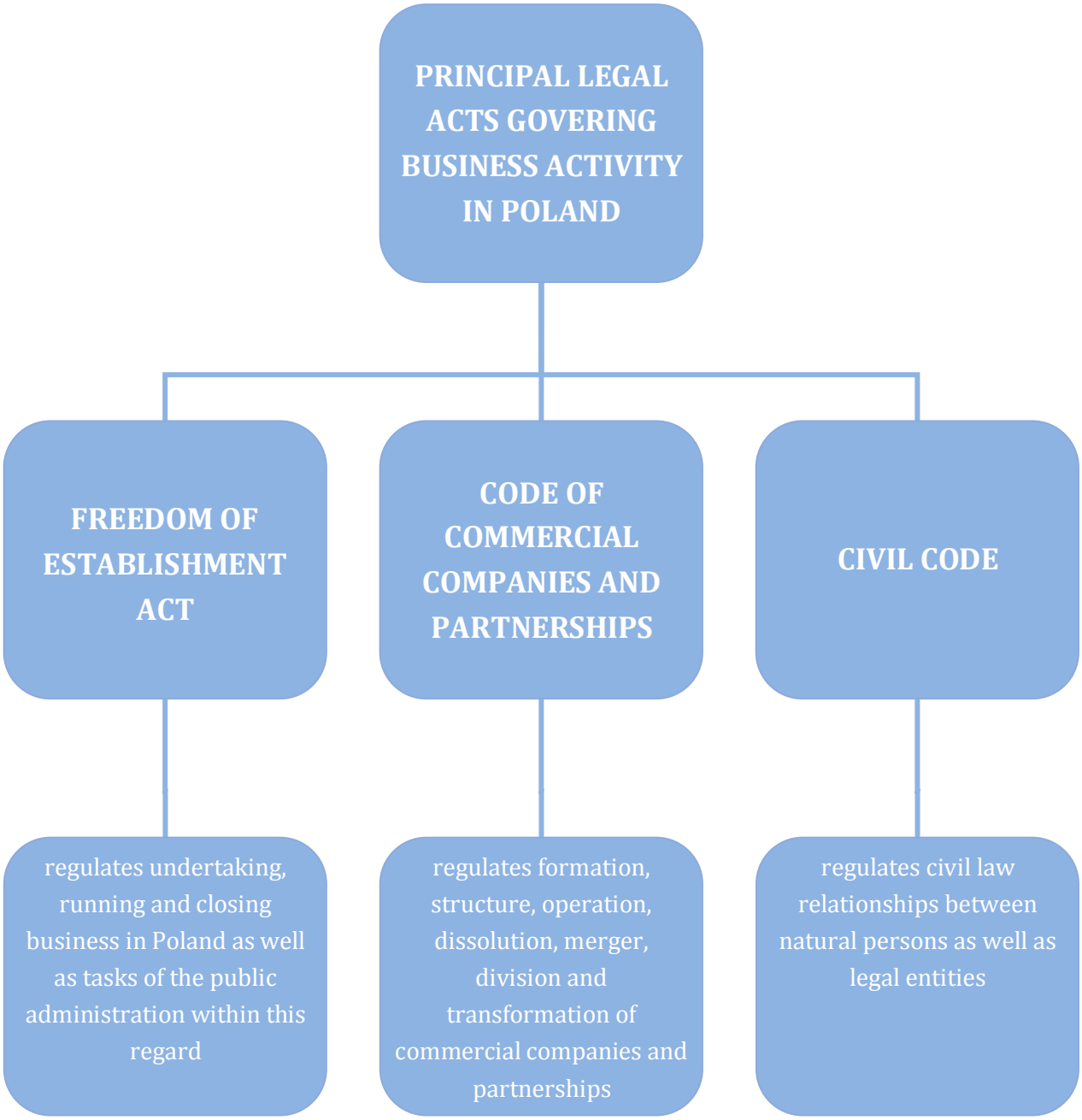
LEGAL BASIS


PRINCIPAL LEGAL ACTS GOVERING BUSINESS ACTIVITY IN POLAND
FREEDOM OF ESTABLISHMENT ACT
CODE OF COMMERCIAL COMPANIES AND PARTNERSHIPS
CIVIL CODE
regulates undertaking, running and closing business in Poland as well as tasks of the public administration within this regard
regulates formation, structure, operation, dissolution, merger, division and transformation of commercial companies and partnerships
regulates civil law relationships between natural persons as well as legal entities

FORMS OF DOING BUSINESS IN POLAND

OVERVIEW

Polish, as well as foreigners from the European Union and the European Free Trade Agreement (EFTA) zones belonging to the European Economic Area may undertake and run business activity under the following legal forms:

- Sole proprietorship *(jednosobowa działalność gospodarcza)*
- Civil law partnership *(spółka cywilna)*
- Registered partnership *(spółka jawna)*
- Professional partnership *(spółka partnerska)*
- Limited partnership *(spółka komandytowa; sp.k.)*
- Limited joint-stock partnership *(spółka komandytowo-akcyjna; s.k.a.)*
- Limited liability company *(spółka z ograniczoną odpowiedzialnością; sp. z o.o.)*
- Joint-stock company *(społka akcyjna; s.a.)*
- Branch office *(oddział)*
- Representative office *(przedstawicielstwo)*

The same rules apply also to foreign persons from outside of the European Economic Area who:

- have received a permit to settle in Poland,
- have received a permit to stay in Poland under the status of a long term resident of EU,
- have received a permit for tolerated residence,
- have a refugee status in Poland or enjoy supplementary protection,
- enjoy temporary protection within this territory,
- have a valid Pole's Card,
- have received a residence permit in Poland for a specified period of time due to circumstances in accordance with the Foreigners Act of 13 June 2003,
- have been married to Polish citizen residing in Poland and have received a residence permit in Poland for a specified period of time.

Other foreign persons may only undertake and conduct business under one of the following legal forms:

- Limited partnership *(spółka komandytowa; sp.k.)*
- Limited joint-stock partnership *(spółka komandytowo-akcyjna; s.k.a.)*
- Limited liability company *(spółka z ograniczoną odpowiedzialnością; sp. z o.o.)*
- Joint-stock company *(społka akcyjna; s.a.)*

FORM	INCORPO-RATORS	MINIMAL CAPITAL	LEGAL PERSONALITY	LIABILITY	TAXATION
Sole proprietorship	1	-	-	Liable for the debts of his/her sole proprietorship	PIT, VAT
Civil law partnership	2+	-	-	Each partner is jointly and severally liable for debts and obligations of the partnership without limitation to the extent of his or her entire property	PIT, VAT
Registered partnership	2+	-	-	Each partner shall be liable for the obligations of the partnership without limitation, with all his assets, jointly and severally with the other partners and with the partnership	PIT/CIT, VAT
Professional partnership	2+	-	-	In general a partner shall not be liable for the partnership's obligations arising in connection with the practicing of a freelance profession within the partnership by the remaining partners	PIT, VAT
Limited partnership	2+	-	-	In general at least one partner (general partner) shall bear unlimited liability towards the creditors for obligations of the partnership, and at least one partner (limited partner) shall bear limited liability	PIT/CIT, VAT
Limited joint-stock company	2+	50.000,00 PLN (+/- 11,750.00 EUR)	-	At least one partner (general partner) shall bear unlimited liability towards the creditors for obligations of the partnership	PIT/CIT, CIT, VAT
Limited liability company	1+	5.000,00 PLN (+/- 1,174.45 EUR)	+	The shareholders are not liable for the company's obligations, they incur risk up to the value of shares contributed. Members of the management board in some situations may be as well liable for the company's obligations when the execution against the company has proved ineffective.	PIT/CIT, CIT, VAT
Joint-stock company	1+	100.000,00 PLN (+/- 23,500.00 EUR)	+	The company is liable for its debts and obligations with the whole property without any limitation. The shareholders are not liable for the company's obligations, they incur risk up to the value of shares taken up.	PIT/CIT, CIT, VAT

SOLE PROPRIETORSHIP
(JEDNOSOBOWA DZIAŁALNOŚĆ GOSPODARCZA)

OVERVIEW

- A sole proprietorship is an individual who conducts business activity in his/her own name and on his/her own behalf (in short: an individual acts as an entrepreneur);
- Sole proprietorship is usually a small business and there are no legal requirements regarding the amount of initial capital;
- The legal status of sole entrepreneurs is mainly regulated by the Civil Code and the Freedom of Establishment Act;
- It is worth noting that the sole proprietorship may be transformed into limited liability company or a joint-stock company;
- Advantages include low costs for opening and running the business and the easiness of its establishing and dissolving.

REGISTRATION

- A sole entrepreneur may take up economic activity on the date of filing an application for an entry in the Central Economic Activity Register and Information (the CEIDG);
- The application must include certain information about the individual: the name of the business, the address and the field of activity;
- The CEIDG is kept in an IT system by the competent minister in charge of economy;
- Applications for an entry to the CEIDG, as well as information and other data, will be transferred to the CEIDG via electronic forms available on the CEIDG website, in the Public Information Bulletin of the competent minister in charge of economy, and on the electronic platform of public administration services.

LIABILITY

- The sole proprietor is liable for the debts of his/her sole proprietorship. This liability is unlimited which means that the sole proprietor is liable to one's obligations with all his/her assets including personal assets non intended to be used for pursuing business activity;
- It should be noted that situation of sole proprietors being married is associated with problems regarding an administration of common property and liability for non-performance or misperformance of contractual obligations. In this case sole entrepreneurs ought to be aware of regulations of Act of February 25, 1964 on Family and Guardianship.

TAXATION

- The sole proprietor is obliged to pay personal income tax (PIT). It should be indicated that in general there are four forms of taxation of aforementioned activity ie 1) taxation according to general rules – progressive tax (a tax rate at a level 18% and 32%); 2 flat tax (a tax rate at a level 19 %); 3) tax card; 4) lump-sum on recorded revenues;
- In addition, the sole proprietor is subjected to Value Added Tax (VAT) if his/her annual turnover exceeds PLN 150,000.

CIVIL LAW PARTNERSHIP
(SPÓŁKA CYWILNA)

OVERVIEW

- A civil law partnership is usually established to conduct a small business. It is important to consider that civil law partnership may be transformed into registered partnerships based on unanimous decision of partners.
- The Civil law partnership is not a legal entity and does not possess legal personality - it is the partners, not the partnership itself that operate the partnership.
- The Civil Law Partnership is set up in accordance with general principles of the Civil Law.
- The contract of civil law partnership should be evidenced in writing.

By the contract of civil law partnership the partners undertake to strive to achieve a joint economic aim by acting in a specified manner, in particular, by making contributions. The partner's contribution may consist in contributing to the civil-law partnership ownership or other rights, or providing services.

Each partner is jointly and severally liable for debts and obligations of the partnership without limitation to the extent of his or her entire property. In addition, each partner is entitled to an equal share in profits and should participate in losses in the same proportion, regardless of the type and value of his contribution.

The partners' share in profits and losses may be set differently in the contract of the civil law partnership. Some of the partners may even be released from a share in losses. The partner, however, may not be exempt from a share in the profits.

If the civil law partnership has been established for an indefinite period of time, each partner may leave the partnership by terminating his share three months in advance at the end of the financial year.

For important reasons a partner may terminate his share without observance of the notice periods, even if the civil law partnership was established for an indefinite period of time (any reservation to the contrary should be invalid).

It is also worth noting that each partner may demand to have the civil law partnership terminated for important reasons by a court of law. Additionally, the partnership should be terminated upon declaring a partner bankrupt.

TAXATION

- In the case of civil law partnerships, partners are obliged to pay personal income tax (PIT).
- This type of partnership does not pay income tax, but it is obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

REGISTERED PARTNERSHIP
(SPÓŁKA JAWNA / SP.J.)

OVERVIEW

- A Register Partnership may be set up for the purpose of operating business under its own name on a larger scale;
- It has no legal personality;
- However, the Registered Partnership, unlike Civil Law Partnership, has legal capacity and may in its own name acquire rights, incur obligations, sue and be sued.

Each partner has the right to represent the partnership. However, the deed of partnership may provide that a partner is deprived of his right to represent the partnership or that he is authorised to represent the partnership only jointly with another partner or holder of a commercial power of attorney.
As a rule, each partner may, without a prior resolution of partners, conduct affairs within the ordinary scope of the partnership's business. All affairs beyond the normal course of the partnership's business should require the consent of all partners, including partners excluded from conducting the partnership's affairs.

It should not be forgotten that each partner is liable for debts and obligations of such partnership, without limitation, with all his assets, jointly and severally with other partners and with the partnership.

Each partner has the right to an equal share in profits and should participate in the losses in the same proportion, regardless of the type and value of his contribution. In addition, a partner has the right to request annually the disbursement of interest in the amount of 5 % of his share in the capital, even if the partnership sustained a loss.

A partner may terminate the deed of partnership six months prior to the end of the financial year if the duration of the partnership is indefinite. Termination should be made in the form of a written statement and be served upon the remaining partners or the partner authorised to represent the partnership.

TAXATION

- In the case of registered partnerships, partners are obliged to pay personal income tax (PIT) or corporate income tax (CIT) according to their legal status.
- Register partnerships do not pay income tax but they are obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

PROFESSIONAL PARTNERSHIP
(SPÓŁKA PARTNERSKA / SP.P.)

OVERVIEW

- This kind of partnership may be established for the purpose of practicing a free profession in the form of a partnership conducting business under its own business name;
- Partners in a partnership may be persons who have the right to practise the following professions: advocate, legal-advisor, pharmacist, architect, building engineer, certified auditor, insurance broker, tax advisor, securities broker, investment advisor, accountant, physician, dental surgeon, veterinary surgeon, notary, nurse, midwife, patent attorney, property appraisal expert and sworn translator;
- The partnership may be formed for the purpose of practising more than one freelance profession unless separate provisions of law provide otherwise.

The Professional Partnership does not have a legal personality. However, the Professional Partnership has a legal capacity and may in its own name acquire rights, incur obligations, sue and be sued.
A partner should not be liable for the partnership's obligations arising in connection with the practising of a freelance profession within the partnership by the remaining partners or for obligations of the partnership resulting from actions or omissions of persons employed by the partnership under an employment contract or on the basis of a different legal relationship, if those persons were reported to another partner when performing services related to the objects of the partnership.
Each partner has the right to represent the partnership individually unless the deed of partnership provides otherwise.
In the case when a partner loses the authorisation to practise a freelance profession, he should leave the partnership no later than at the end of the financial year in which he lost such authorisation.

TAXATION

- In the case of the professional partnership partners are obliged to pay personal income tax (PIT).
- Register professional partnerships do not pay income tax but they are obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

LIMITED PARTNERSHIP
(SPÓŁKA KOMANDYTOWA / SP.K.)

OVERVIEW

- A Limited Partnership is established for the purpose of conducting a business activity under its own business name.
- This partnership may be established by at least two natural or legal persons or organizational units without legal personality to which legal capacity on the basis of a separate act was granted.
- The Limited Partnership has no legal personality. Nevertheless, it has a legal capacity and may in its own name acquire rights, incur liabilities, sue or be sued.
- There is no requirement as to the minimum amount of the nominal capital.
- The deed of a limited partnership shall be executed in the form of a notarial deed.
- The death of a limited partner does not constitute grounds for the winding-up of the partnership. Under such circumstances, the heirs of a limited partner should designate one person to the partnership, who should exercise their rights.

LIABILITY

- In a limited partnership, at least one partner (general partner) should bear unlimited liability towards the creditors for obligations of the partnership, and at least one partner (limited partner) shall bear limited liability.
- A limited partner is liable for the obligations of the partnership towards its creditors only up to the limited liability amount.
- Any person who joins the partnership as a limited partner is liable for the partnership's obligations existing at the time when he was entered in the register.

REPRESENTATION

- The Limited Partnership is represented by the general partners who were not deprived of the right to represent the partnership under a memorandum of association (or articles of association) or by a valid court decision.
- A limited partner may represent the partnership only as a plenipotentiary.
- The Limited Partnership may be also represented by a holder of commercial power of attorney.

TAXATION

- In limited partnership, only its partners are subject to taxation, rather than the partnership itself. Partners are subject to Personal Income Tax (PIT) or Corporate Income Tax (CIT). Each of the partners is paying taxes separately.
- Limited partnerships do not pay income tax but are obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

LIMITED JOINT–STOCK PARTNERSHIP
(SPÓŁKA KOMANDYTOWO–AKCYJNA / S.K.A.)

OVERVIEW

- A limited joint-stock partnership is incorporated for the purpose of conducting a business under its business name.
- In a limited joint-stock partnership, at least one partner (general partner) should bear unlimited liability towards the creditors for obligations of the partnership and at least one partner should be a shareholder. In practise, it is usually a large scale business, for example a large family enterprise.
- It must be founded by at least two natural or legal persons or organizational units without legal personality which were granted legal capacity on the basis of a separate legal act.
- The limited joint-stock partnership has no legal personality, but it has been granted legal capacity by law, therefore, it may acquire rights in its own name, incur liabilities, sue or be sued.
- The statutes of a limited joint-stock partnership should be executed in the form of a notarial deed.
- The minimum nominal capital amounts to PLN 50,000.
- Termination of the statutes by a general partner and a general partner leaving the partnership is admissible if the statutes so provides.
- A shareholder is not vested with the right to terminate the statutes.

LIABILITY

- The general partners of the limited joint-stock partnerships bear unlimited liability for the limited joint-stock partnership's obligations.
- The enforcement against the general partner may be carried out only if enforcement from the limited joint-stock partnership assets is ineffective.
- As a rule, shareholders are not liable for obligations of the partnership. However, if a business name of the limited stock-joint partnership includes a name or a business name of a shareholder, this shareholder is liable for the obligations of the partnership without limitation.

REPRESENTATION

- Limited joint-stock partnership is represented by general partners who were not deprived of the right to represent the partnership under a memorandum of association (or articles of association) or a valid court decision.
- A shareholder may represent the partnership only as a plenipotentiary. The limited joint-stock partnership may be also represented by a holder of commercial power of attorney.
- A limited joint-stock partnership may appoint a supervisory board. Where the number of shareholders exceeds twenty-five persons, the appointment of a supervisory board is compulsory.
- Members of the supervisory board are appointed or removed by the general meeting. In addition, a general partner or his employee cannot be a member of the supervisory board.

TAXATION

- On 1 January 2014 major changes regarding the taxation of limited joint-stock partnerships came into force. Pursuant to the amendment of the CIT and PIT Acts, limited joint-stock partnerships have been subjected to Corporate Income Tax (CIT) and they are treated by Tax Offices the same as limited liability companies and joint-stock companies.
- Currently, limited joint-stock partnerships are taxed in two stages and they are no longer transparent for income tax purposes.
- Partners are subject to Personal Income Tax (PIT) or Corporate Income Tax (CIT) and the partnership is subject to Corporate Income Tax (CIT).
- In addition, they are obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

LIMITED LIABILITY COMPANY
(SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ / SP. Z O.O.)

OVERVIEW

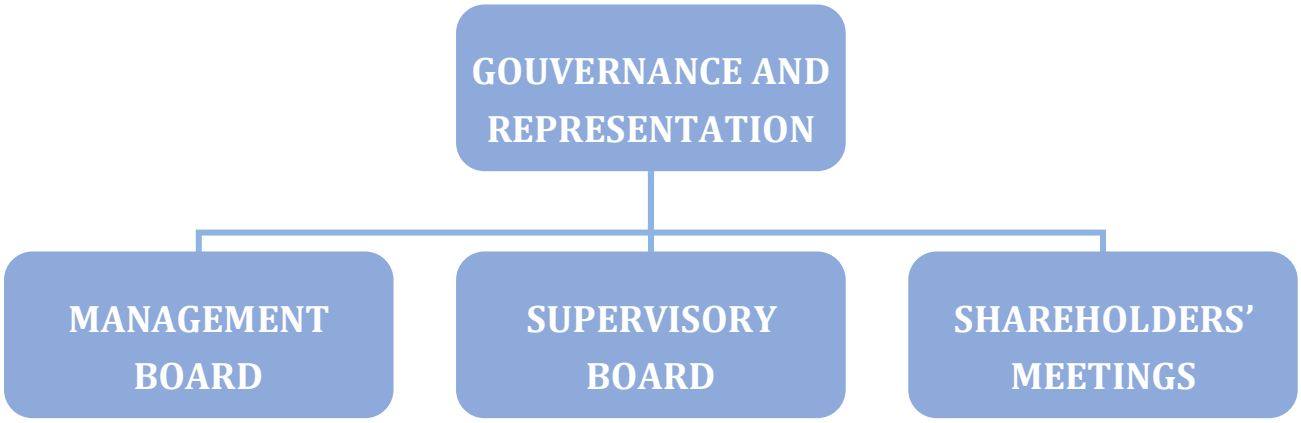
- A limited liability company is the most popular form of conducting business activity in Poland and may be established for any purpose allowed by law.
- It may be established by one or more natural or legal persons (as long as it is not incorporated solely by another sole shareholder limited liability company) or organizational units without legal personality which were granted legal capacity on the basis of a separate legislative act.
- The limited liability company has a legal personality, which makes it a separate legal entity.
- The minimum nominal capital amounts to PLN 5,000.
- The nominal value of one share may not be less than PLN 50.
- The articles of association should state whether a shareholder may hold one or more shares. If a shareholder may hold more than one share, all shares in the share capital should be equal and indivisible.
- Since 1st of January 2012 there is a possibility to register limited liability company via Internet ("24-hours Company").
- The form of the articles of association and other forms are available on-line and shall be authorized using an electronic signature. There is no need to register Company before a notary, but still every change of the articles of association shall be attested by a notary.

LIABILITY

- The shareholders are not liable for the company's obligations, they incur risk up to the value of shares contributed.
- Members of the management board in some situations may be as well liable for the company's obligations when the enforcement of claims against the company has proved ineffective.

GOVERNANCE AND REPRESENTATION

Unless the law or the articles of association of the company provide otherwise, the shareholders have equal rights and equal duties in the company.



THE MANAGEMENT BOARD

- The management board represents the company and manages its affairs. It is composed of one or more members appointed from among the shareholders or from other persons.
- A member of the management board may be removed at any time by a resolution of shareholders. This does not deprive the removed member of the right to raise claims related to his employment or any other legal relationship concerning the performance of the function of a management board member.
- The power of a member of the management board to conduct the affairs of the company and represent the company embraces all actions of the company, whether in court or out of court.

THE SUPERVISORY BOARD

- The supervisory board is composed of at least three members appointed and removed by a resolution of shareholders.
- Members of the supervisory board are appointed for a one-year term of office, unless the articles of association provide otherwise, and they may be removed at any time by a resolution of shareholders.
- The supervisory board exercises permanent supervision over the company's activities in all aspects of its business. However, the supervisory board does not have the right to issue any binding instructions to the management board in respect of managing the company's affairs.

SHAREHOLDERS' MEETING

- The shareholders' meeting is a superior authority of the company. Resolutions of shareholders are adopted at a shareholders' meeting. An annual shareholders' meeting should be held within six months of the end of each financial year.
- The shareholders' meeting shall be convened by the management board and it should be held at the company's registered office, unless the articles of association provide for a different place in the Republic of Poland.

TAXATION

- The limited liability company is taxed in two stages which means that shareholders are subject to Personal Income Tax (PIT) or Corporate Income Tax (CIT) and the company is subject to Corporate Income Tax (CIT).
- In addition, company is obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

JOINT–STOCK COMPANY
(SPOŁKA AKCYJNA / S.A.)

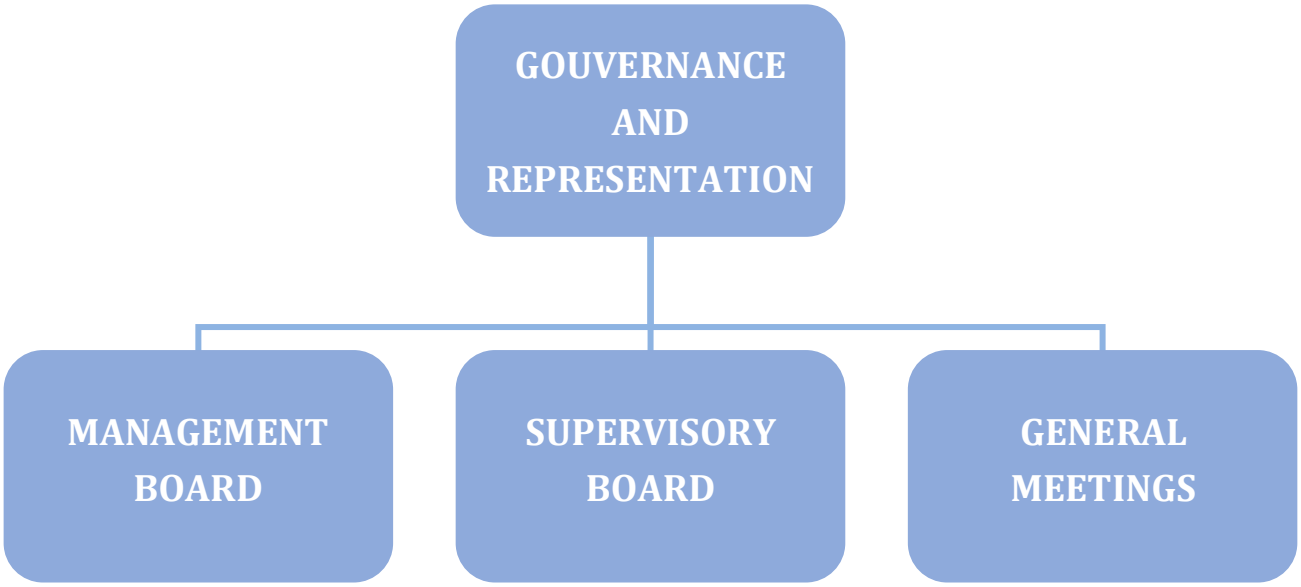
OVERVIEW

- A joint-stock company may be established for the purpose of operating business under its own business name on a large scale. The capital may be accumulated by issuance of shares.
- This form of business may be founded by one or more persons. However, it may not be established solely by a sole shareholder limited liability company.
- Joint-stock company has a legal personality, which makes it a fully separate legal entity.
- In a single-member company, the sole shareholder exercises all powers vested in the general meeting.
- The minimum nominal capital amounts to PLN 100,000.
- The nominal value of a share may not be less than PLN 0.01.

LIABILITY

- The company is liable for its debts and obligations with the whole property without any limitation.
- The shareholders are not liable for the company's obligations, they incur risk up to the value of shares taken up.

GOVERNANCE AND REPRESENTATION



THE MANAGEMENT BOARD

- The management board manages the company's affairs and represents the company. It is composed of one or more members which are appointed from among the shareholders or other persons.
- Members of the management board are appointed and removed by the supervisory board unless the statutes provide otherwise. A member of the management board may also be removed or suspended from the management board by the general meeting.
- A member of the management board should not hold his office for more than five years. Reappointment as a member of the management board is permitted for terms of office each time not exceeding five years.
- A member of the management board may be removed at any time.

THE SUPERVISORY BOARD

- A supervisory board is obligatory at a joint-stock company. The supervisory board exercises permanent supervision over the company's activities in all aspects of its business.
- The supervisory board is composed of at least three members, and in public companies of at least five members, elected and removed by the general meeting. The term of office of a member of the supervisory board should be no longer than five years.

GENERAL MEETING

- The general meeting is convened by the management board. The supervisory board may convene an annual general meeting if the management board fails to do so. In addition, shareholders representing at least one-half of the share capital or at least one-half of the total votes in the company may convene an extraordinary general meeting and elect the chairman of the meeting.
- The general meeting should be convened through a notice made at least three weeks prior to the date of the meeting.
- Both in Join-Stock Company and Limited Liability Company only a natural person with full capacity for acts in law can be a member of the management board, the supervisory board, the audit commission, or a liquidator.

TAXATION

- The joint-stock company is taxed in two stages which means that shareholders are subject to Personal Income Tax (PIT) or Corporate Income Tax (CIT) and the company is subject to Corporate Income Tax (CIT).
- In addition, company is obliged to pay VAT (Value Added Tax) and should be registered for VAT purposes.

BRANCH OFFICE
(ODDZIAŁ)

OVERVIEW

- The business activity of a branch office must overlap with that of the foreign entrepreneur.
- However, its objectives do not have to be as extensive as those of the foreign entrepreneur's business activity carried out abroad: the business done by the branch office may constitute only a part of the entire business operations conducted by the foreign entrepreneur.
- The Branch Office does not have legal capacity.

OBLIGATIONS OF A FOREIGN ENTREPRENEUR

A foreign entrepreneur is obliged to:

- appoint a person who represents a foreign entrepreneur in the branch office;
- use the original name of the foreign entrepreneur, together with the Polish translation of the entrepreneur's legal form of operation and with the phrase '*oddział w Polsce' [trans. Branch in Poland]*;
- keep separate accounting books in the Polish language in accordance with the provisions of the Polish accountancy laws;
- notify the Minister of the Economy of any factual and legal changes (such as winding-up of the foreign entrepreneur which established the Branch Office or the loss of his right to conduct business activity) within 14 days following the occurrence of such changes.

REPRESENTATIVE OFFICE
(PRZEDSTAWICIELSTWO)

OVERVIEW

- The Representative Office is a subordinated organizational entity functioning for the purpose of advertising and promoting business activity of a foreign entrepreneur.
- The Representative Office may also be established by foreign persons appointed to promote the economy of the country of their seat, but the scope of activities of such a representative office may be limited exclusively to advertising and promotion of the economy of the aforesaid country.

OBLIGATIONS OF A FOREIGN ENTREPRENEUR

A foreign entrepreneur is obliged to:

- use the original name of the foreign entrepreneur, together with the Polish translation of the entrepreneur's legal form of operation and with the phrase '*przedstawicielstwo w Polsce' [trans. Representative Office in Poland];*
- keep separate accounting books in the Polish language in accordance with the provisions of Polish accountancy laws;
- notify the Minister of the Economy of any factual and legal changes concerning data included in the application for registering in the Register of Representative Offices, as well as of the commencement and termination of any proceedings conducted to wind-up the business of the foreign entrepreneur and of the loss of his right to conduct business activity or hold property, not later than 14 days from the time upon which such events take place.

FORMAL REQUIREMENTS

PARTNERSHIP AND COMPANIES

- The deed (agreement) of the registered partnership and professional partnership shall be in writing under paint of nullity.
- The deed of other partnerships and the constitutional documents of companies shall have the form of a notary deed.
- Partnerships and companies must be registered in the Central Statistical Office *(Główny Urząd Statystyczny GUS)* where they are ascribed REGON, a statistical number.
- They also have to be registered in the Register of Entrepreneurs of the National Court Register *(Krajowy Rejestr Sądowy KRS),* where they are ascribed a KRS number.
- Tax-paying entrepreneurs have to be registered in the Tax Office and be ascribed Taxpayer's Identification Number *(Numer Identyfikacji Podatkowej - NIP)*. Certain entities also are required to have a VAT certificate.
- In addition, it is also required to be registered in the Social Security Office *(Zakład Ubezpieczeń Społecznych – ZUS)*.

COSTS

- The cost of establishing a new partnership or a company vary depending on the form and the initial capital.
- Generally, the most expensive form in doing business is join-stock company and limited liability company.
- There are also formal requirements for the branch offices and the representative offices. The branch office has to be registered in the Register of Entrepreneurs of the National Court Register *(Krajowy Rejestr Sądowy KRS)*.
- The representative office has to be registered in the Register of the Representative Offices of Foreign Entrepreneurs, which is kept by the Minister of Economy.

TAXATION – GENERAL INFORMATION

The Polish tax system distinguishes 12 types of taxes, including:

DIRECT TAXES

- Corporate income tax (CIT),
- Personal income tax (PIT),
- Tax on civil law transactions,
- Property tax,
- Tax on means of transport,
- Inheritance and donations tax,
- Agricultural tax,
- Forestry tax,
- Tax on dogs.

INDIRECT TAXES

- Value Added Tax - VAT (tax on goods and services)
- Excise duty
- Game tax.

CORPORATE INCOME TAX – CIT

The CIT is, besides VAT, the most important tax on activities of legal persons in Poland. This is a flat-rate tax, generally imposed on income, irrespective of the source of revenue from which the income has been earned. The basis CIT tax rate is 19% of the tax base. This rate is also applicable to incomes from dividends and other incomes from participation in profits of legal persons having their seat in Poland.

Subjects of taxation: The following entities are subjects of the CIT:

- Legal persons (in particular: capital companies in organization),
- Partners being legal persons,
- Foreign partnerships, if in the states of their headquarters they are treated as legal persons and are subject to unlimited tax liability,
- Tax capital groups

PERSONAL INCOME TAX – PIT

Basically, natural persons in Poland are subject to income tax which is calculated in compliance with a progressive tax scale. At present, there are two general income thresholds: 18% and 32%.

VALUE ADDED TAX – VAT (Tax on goods and services)

The Polish VAT is harmonized with the common VAT system binding in the Member States of the European Community since May 1, 2004. This means that VAT is governed by the Polish Law as well as by the Community Law.

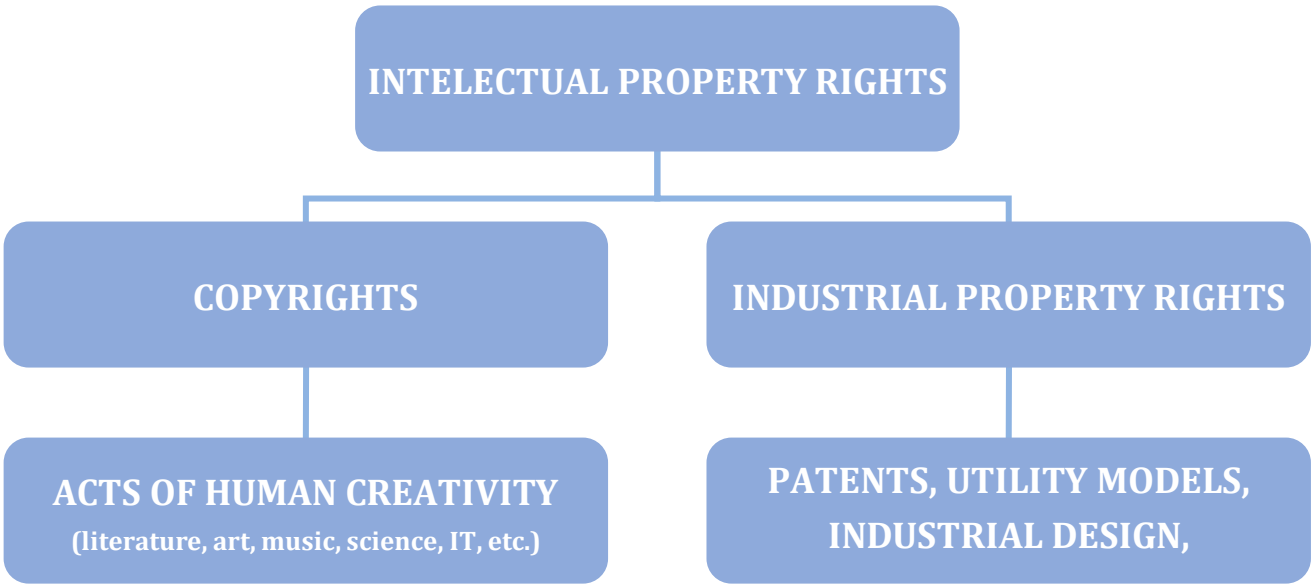
There are four tax rates:

- 23% rate is a basic rate; it applies to the majority of goods and services,
- 8% rate applies to specific goods and services (e.g. goods related to health protection, groceries and hotel services),
- 5% rate applies to the supply of some farm produce,
- 0% rate is a special rate; it applies mainly to export, intra-Community supply of goods and international transport services.

Subjects of taxation: The VAT is imposed on entities which professionally carry out the activities listed below:

- Supply of goods,
- Supply of services,
- Export of goods,
- Import of goods,
- Intra-Community supply of goods,
- Intra-Community acquisition of goods.

INTELLECTUAL PROPERTY RIGHTS



OVERVIEW

- IP rights are regulated by two principal acts: the Copyright Act and the Industrial Property Act. Acts of human creativity such as literary activity, music, science, IT and many other are covered by the Copyright Act.
- It is important to notice that this act does not provide any registration requirements, however, the Copyright Act provides the rules of transfer of rights, licensing, scope of use of copyrights and other related issues.
- The Industrial property Act provides the protection of the following instruments: patents, utility models, industrial design and trademarks.

PATENTS

- The invention granted by the patent should be new, involving and inventive. Invention is considered as new it the situation where it does not form a part of the state of the art.
- The state of the art contains everything that, prior to the date determining priority, was made available to the public by means of a written or oral description, by exhibition or disclosure in any other way.
- The protection of the invention starts in the moment of filling of the application to the Patent Office and the patent's protection can be granted for a maximum of twenty years.

UTILITY MODELS

- It is a new and useful technical solution which concerns the shape of construction. Utility model is considered as useful in the situation where it allows to produce an effect, while having a practical meaning in the procedure of manufacturing or using of products.
- This instrument is similar to the patent, but the registration procedure is less stringent.
- The protection of the utility model usually starts in the moment of filling of the application to the Patent Office and the utility models' protection can be granted for a maximum of 10 years.

INDUSTRIAL DESIGN

- It is a form of the product of its part which is new and has an individual character given to it by the characteristics of lines, contours, shapes, colours, product structure or material and by its ornamentation.
- The protection of the industrial design usually starts at the moment of filling of the application to the Patent Office and industrial design's protection can be granted for a maximum of 25 years.
- The procedure of its registration is relatively quick and it takes around 2 – 3 months.

TRADEMARKS

- The trademark constitute a word, phrase, logo, sound, tune, design, image, a combination of words and graphical elements, colours, holograms, spatial forms, as well as any other indication which can distinguish goods and services of one entity from goods and services of another one.
- The protection of trademark usually starts at the moment of filling of the application to the Patent Office and trademark's protection can be granted for a maximum of 10 years, however, it is possible to extend the protection by successive applications.

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