

**Chandrawat
& Partners**

Doing business in POLAND



| A comprehensive guide

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Introduction

Poland is one of the EU countries with the largest economies there are many advantages for investors who are looking towards opening a business in Poland. The country is one of the most attractive investment locations in the center of Europe and it is also one of the few countries that has retained its stability throughout the economic crisis.

Poland offers a great geographical location, good workforce, a wide range of business incentives and numerous opportunities for investments. The most important government aids are granted to foreign investors who concentrate their activities in the research and development field, environmental protection, renewable energy, renewable energy. Training, logistics and other business sectors. Tax exemptions are granted for companies based in the Special Economic Zones.





Economic overview

In Poland, agriculture employs 9% of the active population and contributes about 2.2% of GDP (World Bank, latest data available). More than 60% of Poland's total land area is taken up by farming, and the country is generally self-sufficient in terms of its food supply. The sown area in 2021 was 10.9 million ha, the main crops being rye, potatoes, beetroot, wheat and dairy products. Poland also breeds pigs and sheep in livestock farming. The country is relatively rich in natural resources and the main minerals produced are coal, sulphur, copper, lead and zinc. According to the Polish Agricultural Market Agency (ARR), there are roughly 1.5 million small family farms of less than 9 ha in the country, and the average area of agricultural land of farms amounts to 11.1 ha. Around 20,000 farms use organic farming production methods (Statistics Poland – latest data).

The industry sector comprises 27.9% of GDP and employs 32% of the workforce. The World Bank estimates that the manufacturing industry's value-added accounts for 17% of the Polish GDP (latest data available). The country's main industrial sectors are machine manufacturing, telecommunications, environment, transport, construction, industrial food processing and IT. Some of the traditional sectors have been in decline, such as the steel and shipbuilding industries. The Polish automobile industry is mainly export-oriented and had been highly resistant to the effects of the 2008 economic crisis; however, it has been the worst-hit domestic sector in the coronavirus pandemic (also due to the chip shortages). In recent years, the country has diversified its manufacturing industry, developing sectors.

Foreign Direct Investment Policy



Poland figures among the most attractive countries in Europe in terms of FDI. According to UNCTAD's 2022 World Investment Report, FDI inflows to Poland reached a record-high level of USD 24.8 billion in 2021, compared to USD 13.8 billion one year earlier and 83% above the pre-COVID level.

According to the state-owned think tank Polish Economic Institute (PIE), Poland was 14th globally and third in the EU in terms of the value of FDI inflows in 2021. In the same year, the total inward stock of foreign investments stood at USD 269.2 billion (+7.8% y-o-y). Data by fDi Intelligence show that in the period 2019-2021, foreign investors in Poland contributed to the creation of 339,000 jobs.

Overall, greenfield FDI to Poland has remained resilient and has been increasing since 2015. The largest investor in the country during 2021 in terms of capital investment was South Korea (USD 1.9 billion), followed by the U.S. (USD 364 million) and Germany (USD 155 million). In terms of regional breakdowns, the Masovian voivodeship received 28% of inward FDI for 2021, followed by Lower Silesian (15%), the Lesser Poland and Silesian voivodeships (10% each – Investment Monitor).

The majority of stocks are held by Germany (21.2%), France (10.8%), the Netherlands (10.4%) and the U.S. (9.7%- OECD, by ultimate investing country); with investments directed mainly towards the manufacturing (31.3%), wholesale and retail (14.8%), financial and insurance activities (14.2%), and real estate sectors (10.4%). According to the latest figures from OECD, in the first half of 2022 FDI inflows to Poland totalled USD 19.6 billion, up by 43.4% compared to the same period one year earlier (when FDI inflows stood at USD 13.6 billion)

Advantages of doing business in Poland

A solid economy

Poland has a solid economic foundation and it was the only European country to record a GDP growth during the global economic crisis. Having avoided recession, the country continued to progress and some of the factors that have contributed to the recent economic performance can include private consumption, significant export values as well as the competitiveness shown by Polish companies.

Attractive investment sectors

Poland is a popular investment destination in Europe and companies find that there are many business opportunities to explore here. Among the top sectors, we can mention food processing, automotive and aerospace, electronics and business services. Poland is also an increasingly popular destination for IT companies from Northern and Western Europe. The outsourcing sector in Poland has also recorded constant growth.

Business incentives

An important advantage for investors who start a business in Poland is that they have access to a variety of tax grants and incentives. The maximum level of investment aid depends on the size of the company and the region in which it will be based. Some of the types of costs incurred by companies that can be eligible for aid are those referring to purchasing land, buildings or machinery, technology transfer costs, and leasing costs, in some cases.

Low labour cost

Low unit labor costs, easy access to the EU market combined with a large internal market as well as the fact that Polish employees are talented and highly skilled are all advantages for investors who start a business, in addition to the stability and incentives that are available.



Minimum Eligibility Criteria for Company Registration in Poland

Capital requirements

In Poland, the government has set up a criterion for the required capital of a company's registration process. E.g., the LLCs or Limited Liability Companies must have around PLN 5000 as their minimum capital, and Joint Stock Partnerships that are limited in nature must have around PLN 50,000 as their minimum capital.

Similarly, PLN 100,000 minimum for Joint Stock Companies. Surprisingly, it is only PLN 1 for a start-up.

Minimum number of directors

There must be at least one Authoritative Director when it comes to a Joint Stock Company or a big Corporate. There aren't any constraints on the directors' citizenship or place of residence.

Minimum Number of Shareholders

There has to be a natural shareholder associated with the company. A minimum of only one shareholder is a must for this kind of organization because a workplace or an organization can't be a set shareholder.



How to set up a business?

Step 1- Sign the article of association

The initial step in creating the limited liability company begins with the completion of its articles of association as well as signing an incorporation instrument for a single shareholder the limited liability corporation. Articles of Association, or the instrument for incorporation of the limited liability corporation must be drawn up in a form that resembles a notarial document and a visit to the notary's office is thus required.

Step 2 – Share capital deposit of a Polish company

The second step is contributing towards the capital of the shares of the Polish Limited Liability Company. Contributions usually involve the depositing of an appropriate amount of cash into the company's banking account.

Step 3 – Appoint the management board

The third step in establishing a Polish Limited Liability Company involves the selection of the board of management.

It can be done by two methods:

- Through resolutions in the general shareholder's meeting or the decision of a single shareholder, the general shareholder's meeting is to be called and the minutes of the general shareholders' meeting do not need to be drafted in the form that is a notarial deed or a written form.
- Through a vote of the individual shareholders.

Step 4: Apply for business registration

The fourth stage is inscribing the company with limited liability in the National Court Register (KRS) i.e., the Company Register. This is done by filling out an application for entry of your limited liability business in the Registry Court.

Step 5: Obtain any necessary permit in Poland

The fifth stage of the creation of a limited-liability business is its registration in other registers, including, obtaining identification numbers (for instance NIP or REGON)..

Accounting rules

Tax Year

Taxpayers are allowed to choose a calendar year (1 Jan to 31 Dec of the same year) or another 12-month period.

Accounting Standards

All companies listed on the Warsaw stock exchange must prepare their consolidated financial statements in accordance with IFRS. All accounting documentation, records and reports must be prepared in the Polish language and Polish currency. Companies must apply the accounting principles specified in the Accounting Act to ensure a true and fair presentation of their economic and financial position, as well as their financial results. The basic accounting framework for SMEs is defined by the Accounting Act.

Accounting Regulation Bodies

Polish Accounting Standards Committee (KSR)

Accounting Reports

Companies are bound to draw up a balance sheet, a profit and loss account and notes. The accounts must be published in Polish, the unit of currency being the Zloty. Companies subject to audit must also prepare a statement of cash flows and a statement of changes in equity.

Professional Accountancy Bodies

PIBR , The National Chamber of Statutory Auditors

AAP , The Accountants Association in Poland (AAP)

Certification and Auditing

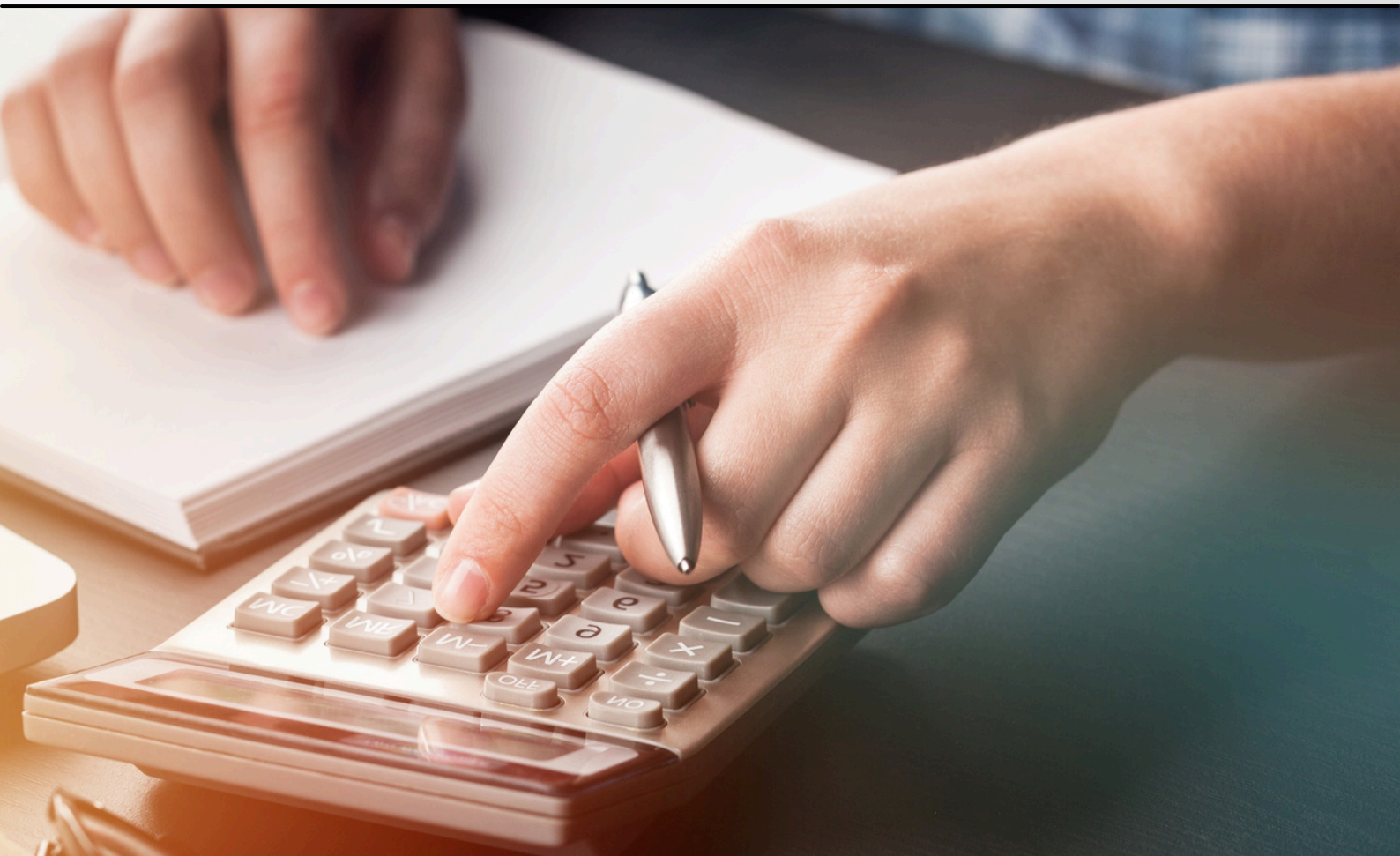
Companies have to seek a statutory auditor to conduct an annual audit of the financial health of their organization. You can contact the National Chamber of Auditors (PIBR).

Taxation

The CIT is the tax levied on corporate income. The standard CIT rate is 19%. The reduced CIT rate of 9% can be applied for income, other than capital gains, if the taxpayer:

- is a small taxpayer (i.e. taxpayer whose value of sales revenue, including the amount of VAT due, did not exceed the amount corresponding to the PLN equivalent of EUR 2 million, in the previous fiscal year) or
- started its business activity, provided the establishment of the company was not a result of transformation or merger (in the first tax year).

The lower rate does not apply to tax capital groups nor companies created as a result of certain restructuring operations (mergers, contribution of a going concern, etc.).



How we can help?

Our team of professionals can assist clients in developing a comprehensive business plan that outlines their goals, target market, products or services, financial projections, and marketing strategies which can help them articulate their vision and make informed decisions about their company setup.

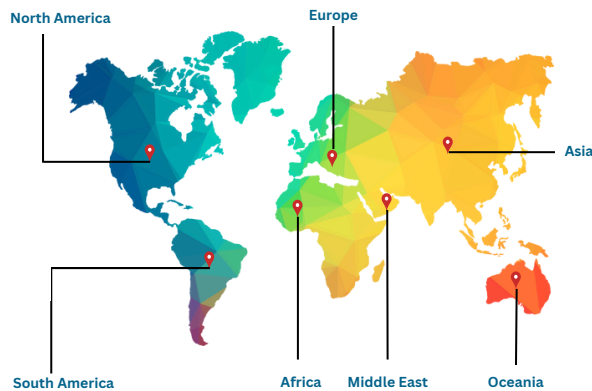
Our experts can conduct market research to help clients understand their industry, competition and potential customers and can provide insights into market trends, customer preferences and competitive advantages to support their business strategy.

Our team can guide clients in choosing the appropriate legal structure for their company, such as sole proprietorship, partnership, limited liability company or corporation and can explain the benefits and drawbacks of each option based on their specific needs and circumstances.

Our professionals can assist in facilitating connections between clients and potential business partners, suppliers or industry experts and assist them in expanding their network and explore collaborative opportunities.



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