



łódzkie

integrated investment
offer of the 2017
łódzkie region



information about the region

Profile of the Lodzkie Region

Area: 12 219 km²

Population: 2.5 million people

Population density: 136 persons/km²

Economically active people: 1.2 million people

Unemployment rate (as of IX 2017): 7,3%

Capital of the region: Lodz

Districts: 24, including 3 cities with county rights: Lodz, Piotrkow Trybunalski, Skierniewice

Largest cities of the region: Belchatow, Kutno, Pabianice, Piotrkow Trybunalski, Radomsko, Tomaszow Mazowiecki, Zgierz

Number of municipalities: 177

Urbanisation rate: in 42 cities of the region is living 65% of the population

The main economic centre: Lodz Metropolitan Area including the city of Lodz and counties: brzezinski, laski, east Lodz, pabianicki, zdunskowolski, and zgierski

Gross Domestic Product (2015):
approx. PLN 109.3 billion

Number of business entities (2016): 240 000

Average gross remuneration (2016): PLN 3925

The budget of the region in 2017:

Forecast revenue: PLN 846 million

Forecast expenditure: PLN 792 million



Special economic zone: The Lodz Special Economic Zone and its sub-zones in municipalities of Aleksandrow Lodzki, Brojce, Kleszczow, Koluszki, Ksawerow, Opoczno, Paradyz, Slawno, Strykow, Tomaszow Mazowiecki, Ujazd, Widawa, Wielun, Wola Krzysztoporska, Wolborz, Wroblew, Zychlin and the cities of Belchatow, Konstanytown Lodzki, Kutno, Lęczyca, Lowicz, Lodz, Ozorkow, Piotrkow Trybunalski, Radomsko, Rawa Mazowiecka, Sieradz, Skierniewice, Tomaszow Mazowiecki, Zdunska Wola, Zgierz

Industrial and Technological Parks:

- Belchatow-Kleszczow Industrial and Technological Park
- Kutno Agro-Industrial Park
- Lodz Regional Science and Technology Park
- Boruta-Zgierz Industrial Park

International airport: Wladyslaw Reymont Airport in Lodz

Selected foreign investors: ABB, AIG Lincoln, Amcor, BSH Bosch und Siemens Hausgeräte, BSN Gervais Danone, Coco Kunststoffwerk, Corning Cable System, Dell, Business Support Solutions, Citoi handlowy, ECE Projektmanagement, Euroglas, Fuji Seal Group, Fujitsu, Foxconn, GE Power Controls, Gillette Poland International Ltd., Hutchinson, IKEA, Icopal, Indesit, LG Group, Mercedes, Merloni Elektrodomestic, Metro AG, Nibco, Nordea, Saint-Gobain, Philips, Procter&Gamble, South Western BPO, Stejin Design, Süd Wolle, Tate & Lyle, Toyota Boshoku, Veka

Countries of origin of investors: Austria, Belgium, China, Denmark, France, Ireland, Japan, Germany, Portugal, USA, Switzerland, Sweden, United Kingdom

Cooperation with other countries' regions: Styria (Austria); Vitebsk oblast (Belarus); South Moravia (Czech Republic); Department Nord (France); Murcia (Spain); Leningrad oblast (Russia); Örebro region (Sweden); oblasts: Chernivtsi, Odesa, Vinnytsia, Volyn (Ukraine); region of Csongrad (Hungary); West Midlands (United Kingdom); Piedmont (Italy)

Foreign representative offices: Belgium (Brussels), China (Chengdu)

administrative division into the districts and municipalities of the Lodzkie region



Information on the capital of the region¹

Lodz is a city of nearly 700,000 residents, which is a major academic centre in Poland and an intensively developing economic centre, a place of development of new technologies, a seat of modern financial institutions, but also a centre of culture and art. Lodz is also a dynamic and modern, open-to-change and undergoing transformations city - once the center of industrial production and currently, one of the leading outsourcing centres in Poland. Targeting its development for the coming decades, Lodz has set up priority industries, attracting investors to Lodz. Apart from TLS industry, which is a natural development direction for Lodz due to its central location, BPO/SSC, IT, R&D, manufacturing and electronics industries are also a priority. Trade and exhibition activities and tourism are also important, although the city also sees market prospects in traditional industries, particularly with regard to modern textile industry.

Lodz has a favourable geographic position enriched by convenient transport routes, a modern railway station and one of Europe's largest container terminal, Lodz Olechów,

servicing, among other things, the Lodz - Chengdu (Sichuan Province in China) route. Flight connections are provided by Lodz Airport, only 6 km away from the city centre. The airport serves medium-sized airplanes offering passenger and freight services in both domestic and international traffic (www.lotnisko.lodz.pl).

Apart from the advantages above, Lodz offers potential investors relatively low real estate prices compared to other Polish agglomerations such as Warsaw, Cracow, Wrocław, Poznan or Gdansk, and lower employment costs. This has been noticed by big international corporations (ABB, Bosch, Dell, GE, Gillette, IKEA, Philips, Siemens) and companies that have decided to set up their production factories, shopping centres and logistics centres in the city or the surrounding area. The latter were located largely in the vicinity of Stryków, but also in Tomaszów Mazowiecki, Piotrków Trybunalski or Kutno. These include the large international companies like Kaufland, Raben, Ikea, KERAKOLL, Gravelleau, Casino, LEK, ProLogis, SEGRO, Blackstone, Panattoni.

¹ On the basis of:

– Główny Urząd Statystyczny, „Bank Danych Lokalnych”.

– Instytut Gospodarki Nieruchomościami, „Analiza rynku nieruchomości miasta Łodzi”.

– Colliers International dla Urzędu Miasta Łodzi, „Łódzki Rynek Nieruchomości 2017”, <http://www.invest.lodz.pl/wgrane-pliki/2017-folder-nieruchom-colliers.pdf>



economy

Economic situation and development prospects¹

On the territory of Lodz region, there are about 240 thousand business entities, mainly small and medium-sized. These companies can be potential contractors and partners (subcontractors or component buyers) for foreign entrepreneurs. Over 97% of them are private companies. The number of commercial companies with foreign capital is about 3,380. Small enterprises are dominant in the structure of companies. Many of these companies are not only actively

engaged in foreign markets, but they are also subcontractors for large companies (also from the Lodz Region) producing, for example, household appliances.

The economy of the Lodz Region has been developing very dynamically in recent years. This is reflected in various economic indicators:



Growing employment in the enterprise sector



Decreasing unemployment rate (in September 2017 it amounted to 7,3%)



The increasing value of the sold industrial production



Year on year improving financial results of enterprises

Thanks to the activity of the region self-government, positive trends in the region's economy are likely to persist in the long run, creating conditions for current and future investors to conduct business activity.

Dominant sectors in the economy of the region²

Located in the very centre of Poland, the Lodz region has a long tradition in the production of clothing and textiles. Today, alongside these two pillars of economics, the most important industries in the region are the energy industry, household appliances, pharmaceuticals, agri-food processing, construction materials and the manufacture of medical equipment. In the Lodz region takes place almost 70% of the domestic production of ceramic tiles and terracotta. The Lodz region is also rapidly developing and in other areas such as financial services, accounting and research (BPO/SSC) and biotechnology. It is worth noting that Europe's largest industrial clusters of household appliances were established in the Lodz region.

Taking into account the business activity of the companies, almost one-third of the companies operating in the Lodz region deal with trade, about 13% are industrial enterprises, and over 14% are construction and real estate companies. These industries comprise more than half of the companies registered in the region. Next, we will find companies dealing with the provision of widely understood professional services (f.ex. consultancy, research and development, marketing) or logistic companies.

Specializations of the region³

The sector of innovative textiles and fashion (textiles, clothing and knitting)

The traditional type of industry for Lodz and the region, which focuses on producing high-quality, unique garments, cotton, woollen, synthetic, hosiery, towel fabrics and velvet, has the opportunity to further develop and cope with international competition, with, among other things, the existing potential offered by:

- the sector of modern textile technology (HUMANO TEX Center for Advanced Human Textile Technologies);
- qualified staff with extensive professional experience;
- strong academic background, consisting of a number of universities, institutes and research centres (Lodz University of Technology, Textile Institute, Institute of Biopolymers and Chemical Fibers, Institute of Security Technology MORATEX or Central Research and Development Center for Textile Machinery).

Advanced building materials

More than half of the domestic production of ceramic products and building materials (ceramic tiles, terracotta, mortar and construction adhesives, glass) comes from well-known manufacturers in the region of Lodz such as Atlas Group, Paradyz Group, Opoczno Sp. z o.o., Tubadzin Group, Euroglas, CER-ART, CER-ROL, and Nova-Ceramica. In Działoszyn, in the south of the Lodz region, travertine is extracted, which belongs to the esteemed building finishing materials.

Medicine, pharmacy, cosmetics

These industries are increasingly using modern technologies, such as biotechnology. Thanks to it, living organisms are involved in creating new products or technological pro-

cesses. Biotechnology is one of the most dynamically developing disciplines of the technical sciences in the region, successfully used in medicine, pharmacy and cosmetics production. These industries are also increasingly based on the potential of nanotechnology, for example for the miniaturisation of certain medical devices.

The region has a large research and development potential focused on biological, medical and chemical sciences and medical facilities (Medical University, Polish Mother Health Institute, Institute of Occupational Medicine and Lodz Regional Science and Technology Park, which researches new forms of cosmetics, and nanomaterials). In these centres, research and development projects are being carried out which constitute a very good foundation for the development of biotechnology and nanotechnology sectors in the region.

The region is proud of a sizeable number of students and graduates of biotechnology, molecular biology, microbiology and chemistry, educated in three largest universities in Lodz: Technical University of Lodz, the Medical University of Lodz and the University of Lodz.

Power and renewable energy

Currently, the power industry is mainly Piotrkow-Belchatow Industrial District, where there are, among others, the Belchatow Brown Coal Mine and Belchatow Power Station, which supplies about 20 percent of electricity generated annually in Poland. Environmental protection requirements will force a systematic increase in the share of renewable energy sources in Poland's energy balance, which may create opportunities for the industry. For the decision to invest in "clean energy sources" and their use, the following advantage of the Lodz region the following assets may be of importance:

-  **Excellent location in the center of Poland, providing easy connection to every region in the country**
-  **Exceptional natural conditions, particularly beneficial for the development of renewable energy sources**
-  **Location providing favorable conditions for the development of wind energy**
-  **The agricultural character of the region guarantees the availability of sites for the construction of wind farms**
-  **Geothermal deposit, estimated at 10 837 million tonnes of contracted fuel, representing one third of Poland's resources**
-  **Large opportunities for biomass production (straw, energy crops)**
-  **Undeveloped agricultural land that can be used for potential energy crops**
-  **Significant possibilities of production and use of agricultural biogas for energy purposes, as well as biogas production from sewage treatment plants and landfills**

Innovative agriculture and food processing

Agriculture plays a significant role in the economy of the Lodz region. Farmland represents more than 48 percent of the region's area. Main crops are canola, colza, wheat, rye, sugar beet, potatoes. In the northern districts: Kutno, Lowicz, and Leczyca, chernozem, which is most fertile soil, makes it possible to grow fruit and vegetable crops. On the basis of this, agri-food processing, canning of vegetables, meat, concentrates, juices and beverages develop. This type of processing is also thriving in Skierniewice district, where is effectively supported by the famous Institute of Horticulture Crops founded by Professor Szczepan A. Pieniazek (www.inhort.pl).

In the Lodz region, there are producer groups offering high-quality bio-based foods, without preservatives and artificial dyes. The examples of such groups are RAJPOL Fruit Producer Group, Fruit and Vegetable Growers Association in Powicz, Polish Flowers - Group of Producers Sp. z o.o., Association of Fruit and Vegetable Growers in Lowicz, Elit, Sadex, Aplet, Aura.

Media, IT and telecommunications

For the Lodz region there are undertaken various initiatives aimed at creating favorable conditions for the development of the media industry in the region by helping developers and entrepreneurs in the implementation of media projects (film, TV, theater, the Internet) using the potential of the local economy and scientific background of Lodz Film School and other regional centers for education and research and development. One of the most popular film schools in the world is State Higher School of Film, Television and Theater of L. Schiller, which is one of the most popular film schools in the world (www.filmschool.lodz.pl).

Comprehensive technical infrastructure and modern facilities for filmmakers is provided by TOYA SOUND STUDIOS, which consists of a modern and innovative film, audio and live complex. The complex is unique in Europe and the only such facility in Poland. A strong academic centre in the field of IT, specializing, among others, in software and digital image processing, exists at such renowned universities as the University of Lodz, the Technical University of Lodz, the University of Computer Sciences and Skills, the School of Art and Design.

Mechatronics

This field is a combination of mechanical engineering, electrical engineering, computer engineering, automation and robotics, serving the design and manufacture of modern equipment. It is well represented in the Lodz Region, supporting the development of certain industries recognized as leading for the region, for example, power industry. In the Lodz region operates a large group of specialists experienced in the field of mechatronics. There are 10 vocational schools that teach mechatronics.

The first in Poland and one of the best training centres in the field of mechatronics is the Lodz Center for the Development of Teachers and Practical Training. In turn, the Technical University of Lodz has the Institute of Mechatronics and Information Systems, operating within the Faculty of Electrical Engineering, Electronics, Computer Science and Automation. Students in this field are taught how to apply the elements of technical knowledge, artificial intelligence and computer engineering in their work, which will be most useful for solving practical tasks in the design and implementation of mechatronic systems.

Financial services market⁴

Lodz is one of the main and the biggest outsourcing centre in Poland. Currently in Lodz, in the business services sector, there are about 10,000 people employed in 41 companies.

A guarantee of the business success in the city is attractive investment conditions offered to firms in the BPO/IT sectors, among which should be mentioned competitive business

costs, support from the local authorities, and low rent prices of Class A offices, ranging from 11 to 13.5 EUR/m². The city offers a number of investment inducements, including the exemption from corporate tax in the Lodz Special Economic Zone, a package of property tax exemptions, reimbursement of equipment costs or retrofitting of workstations or subsidising training for employees, among others, in the field of teaching niche foreign languages.

Major companies providing financial and accounting services:



¹ On the basis of:

– Główny Urząd Statystyczny, „Komunikat o sytuacji społeczno-gospodarczej województwa łódzkiego (luty 2017 r.)”, http://lodz.stat.gov.pl/download/gfx/lodz/pl/defaultaktualnosci/750/2/65/1/201703_s_komunikat201702.pdf

– Polska Agencja Informacji i Inwestycji Zagranicznych, „Łódzkie”, www.paih.gov.pl/files/?id_plik=11769

² Based on: Polska Agencja Informacji i Inwestycji Zagranicznych, „Łódzkie”

³ For: Strategia Loris 2030⁴ On the basis of: Outsourcing Portal, „BPO i IT trzonem łódzkiej gospodarki”

⁴ On the basis of: Outsourcing Portal, „BPO i IT trzonem łódzkiej gospodarki”



communication accessibility¹

Stolica The capital of the Lodz region is located in the heart of Poland and the centre of Europe. Within a 500 km radius from Lodz are 7 European capitals: **Warsaw, Berlin, Prague, Vienna, Bratislava, Budapest, and Vilnius.**

Road connections

The centre of the Lodz region is the point of intersection of the most important national and European transport routes. The large junction of the A-1 and A-2 highways in Strykow near Lodz provides a quick connection to Warsaw, Poznan,

Gdansk, Torun, and the proximity of S8 and S14 expressways give fast access to, among other things, the Silesian agglomeration and the Lower Silesia region.



The A1 highway / main road No.1 (E75) - North-South (Gdansk - Katowice)



The A2 highway / main road No.2 (E30) - East-West (Berlin - Poznan - Warsaw - Moscow)



The S8 freeway / main road No. 14 (E67) - Southwest-northeast (Wroclaw - Warsaw)



The S14 freeway-the western part of the beltway of Lodz consisting of A1, A2, S14 roads and S8 freeway in the average radius 20-30 km from the city center

In the Lodz region, there are two main transport corridors of the Trans European Networks (TEN), which are part of the European concept of space integration - corridor II: Berlin-Warsaw - Moscow and corridor VI: Scandinavia - Balkans.

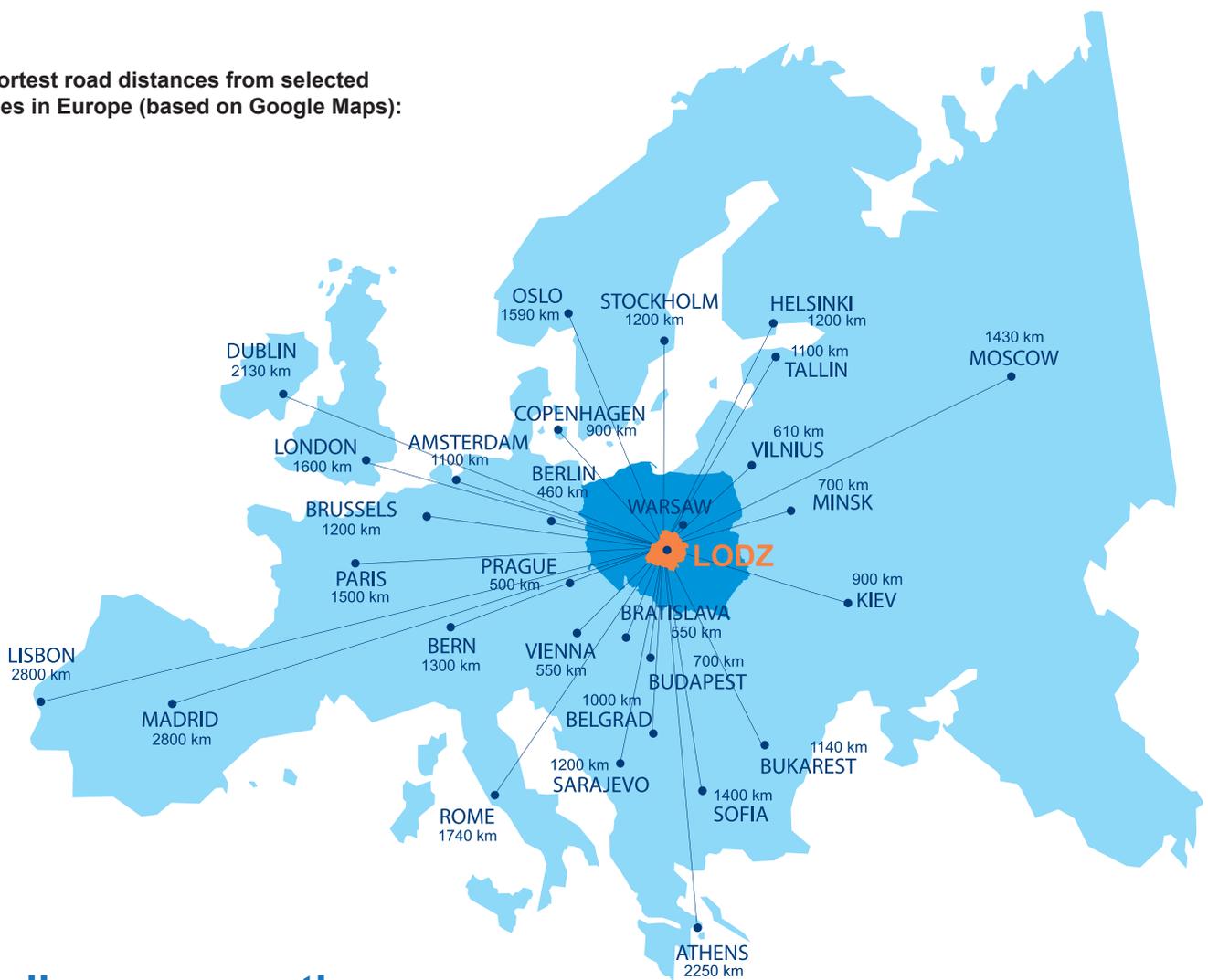
Air connections

The proximity of two international airports - Reymont Airport and Chopin Airport, the first of which lies only 15 minutes (6 km) from the centre of Lodz, is the unquestionable advantage of the city against other locations. The port is operating continuously since 1925. Its area is 24,000 m², and the annual capacity is about 2 million passengers. In addition to

regular connections to London, Dublin and Athens, the airport also operates charter flights, both holiday and private, which are increasingly popular with foreign investors and business travellers. Flights of this type are also used by music industry stars who come to Lodz for concerts at the Atlas Arena.

¹ On the basis of: Invest Łódź, „Dlaczego Łódź?”, <http://www.invest.lodz.pl/atuty-lodzi/dlaczego-lodz/>

Shortest road distances from selected cities in Europe (based on Google Maps):



Railway connections

Through the Lodz region run important railway routes, making Lodz an important hub for rail communication with one of the most modern railway stations in Europe - a new Lodz Fabryczna, completed in 2016. It has frequent and fast rail links to Warsaw. Rail links are also possible to other urban centres in the country. The Lodz Agglomeration Railway is important in the context of investment in the city, especially regarding the availability of qualified personnel from the Lodz

region, is (www.lka.lodzkie.pl). The Lodz Railway Agglomeration is destined to operate in the whole Lodz region.

On the outskirts of Lodz is located one of the largest container stations in Poland: Lodz-Olechow. From 2013, there is a container rail link on the route Lodz - Odessa (Ukraine) - Almaty (Kazakhstan) - Chengdu in Sichuan Province (China). The entire route is traversed in two weeks.





human resources

The Lodzkie region is inhabited by nearly 2.5 million people, of which about 60% according to Central Statistical Office data for 2016 are a working-age population at the disposal of employers (investors) planning to develop their businesses. The Lodzkie region is also a large scientific and research base and qualified personnel, largely consisting of graduates of regional universities. Owing to their activity, the region has a large number of educated employees in the areas desirable by employers, what, with competitive employment costs compared to other locations in Poland, makes Lodz an attractive place for potential investors.

To meet the expectations of employers, the Lodz universities offer studies in English, among other things, in the field of

American Studies and Mass Media or International Marketing Management, and French. Also, the local governments put a lot of emphasis on consolidating the positive relationship between business and science, and as a result of cooperation between the three parties, there are, for example, areas of study that educate specialists in areas desirable by employers in the SSC/BPO and IT.

Thanks to the Lodz Agglomeration Railway and the good communication between the cities, the Lodzkie region enables investors to benefit from a large base of employees from across the region.



science¹

Lodz is one of the most important academic centres in the country. The city has a total of 21 higher education institutions, including 6 state colleges. About 80,000 students are

studying in Lodz each year, and the diploma gets about 20,000.

¹ On the basis of: Invest Łódź, „Dlaczego Łódź?”, <http://www.invest.lodz.pl/atuty-lodzi/dlaczego-lodz/>

The biggest public universities in Lodz are:

- The University of Lodz - about 40,000 students
- Lodz University of Technology – about 20,000 students
- Medical University of Lodz – about 9,000 students

The biggest private schools in Lodz are:

- University of Social Sciences - about 15,400 students
- University of Computer Sciences and Skills in Lodz – about 3,200 students

Among the leading universities in Lodz and the Lodzkie region is the **University of Lodz** with 68 fields of study and more than 150 specialities. Thanks to the cooperation with foreign universities, after graduating from some fields of study, students can get diplomas of two universities. Under the Socrates/Erasmus program, students of the University of Lodz can continue their studies in 23 European countries.

The Lodz University of Technology has been one of the leaders in technical university rankings for many years. He is the winner of the competition “The most innovative and creative university in Poland in creating professional perspectives”. It is one of the most popular higher education schools - Polish and foreign employers recognise a diploma from Lodz University of Technology.

medical universities in Poland. It educates doctors, dentists, pharmacists, medical specialists and as the only university in Poland trains physician officers for the military health service in cooperation with the Ministry of Defense. The Medical University of Lodz occupies the top places in university rankings, and teaching, research and laboratory facilities are one of the most modern in Poland.

Education in Lodz is also centres of international cultural and scientific cooperation: the Alliance Française, the British Council, the Department of Germanic Studies, the Department of American Studies and Mass Media, and foreign language schools where international certificates can be obtained.

The research and development potential, important from the point of view of potential investors, is complemented by important research and development centers, including a representative of the Polish Academy of Sciences (Research Center of Molecular and Macromolecular Studies, Institute of Medical Biology, Center of Medical Biology and Microbiology), the Institute of Security Technology Moratex or the Institute of Occupational Medicine. Lodz is also a well-known research centre in chemistry, physics and technology of polymers and their use in the production of plastics and fibres.



advantages of the region¹

Why it is worth to invest in the Lodzkie Region

1. Favorable geographical location and communication accessibility, at the intersection of the main North-South and East-West transport corridors (A1 and A2) facilitating access both to neighbouring EU markets and Russia, Belarus and Ukraine
2. Regular rail freight connection to China / Lodz - Chengdu
3. Numerous higher education and vocational schools provide employees with the highest professional competence
4. Well-developed economic infrastructure of the capital of the region - Lodz
5. Large amounts of brown coal, which makes the voivodship the second largest producer of energy in Poland (after the Silesian region) and has a surplus of cheap electricity
6. Thermal water sources, which can be the basis for the development of renewable energy and the development of spa in the region (thermal spa in Uniejow and thermal water drinking station in Poddebice)
7. British International School of the University of Lodz – a school for international children and youth
8. Attractive investment offers for investors
9. The highly considered scientific and research potential of Lodz higher education institutions and scientific centres
10. Active economic policy of the regional authorities aimed at development of friendly administration for small entrepreneurship and creation of attractive employment conditions
11. Effective and entrepreneurial business partners, some of whom are subcontractors for parts and components for large foreign manufacturers



support instruments for investors and entrepreneurs¹

In the Lodzkie region operate a number of specialized entities supporting domestic and foreign investors. They include:

- Regional Investor and Exporter Service Center of the Marshal's Office of the Lodzkie Region
- Entrepreneur Service Center of the Marshal's Office of the Lodzkie Region
- Lodz Special Economic Zone S.A.
- Lodz Regional Development Agency S.A.
- Lodz Regional Science and Technology Park Sp. z o.o.
- Investor Assistance and International Relations Office in the City Hall of Lodz
- Bełchatow-Kleszczow Industrial and Technological Park Sp. z o.o.
- Kutno Agro-Industrial Park

Regional Investor and Exporter Service Center

ul. Tuwima 22/26, 90-002 Lodz
tel. +48 42 291 98 50
www.investin.lodzkie.pl

Regional Investor and Exporter Service Center, as the official partner of the Ministry of Economy and the Polish Agency for Investment and Trade S.A. is a direct partner in the Lodz region for investors and Polish exporters.

The Regional Investor and Exporter Assistance Center aims to increase the level of foreign investment in Poland, including the Lodz region, by accessing information on the conditions for undertaking business activity (investing) in our region. The Regional Investor and Exporter Assistance Center's offer also aims at increasing the activity of enterprises in the Lodz region on foreign markets by facilitating access to information necessary for the planning, organisation and execution of exports and/or sales on the Single European Market as well as for investing outside Poland.

The Regional Investor and Exporter Service Center accompanies investors from the initial presentation of invest-

¹ On the basis of: Invest Łódź, „Dlaczego Łódź?”, <http://www.invest.lodz.pl/atuty-lodzi/dlaczego-lodz/>

ment offers of individual municipalities and districts till the launch of an investment project. The Regional Investor and Exporter Service Center covers the following types of information:

- searching for the best investment location based on the needs and requirements of the investor (location, infrastructure, logistics, labour force, etc.);
- collecting data necessary to develop a project feasibility study (statistics, potential recipients and suppliers, legal framework, taxes, available labour resources);
- organisation of arrivals to the Lodzkie region for foreign investors, to the selected county/municipality (transport, an organisation of meetings, translations);
- support in the negotiation of the locations taken under consideration for investments, assistance in the preparation of the incentive package;

- Researching companies - searching for export companies from the Lodzkie region, the addresses of potential trading partners on foreign markets;
- organising free meetings and conferences for companies from the Lodzkie region interested in exporting to foreign markets;
- organising for companies from the area of the Lodzkie region trade trips abroad (for a fee) to foreign markets to find a trade or cooperation partner and foreign trade missions to the Lodzkie region.

All information provided by the Regional Investor and Exporter Service Center during the preparation of the investment project is confidential.

Central Information Point in Lodz

ul. Moniuszki 7/9, 90-101 Lodz
tel. +48 42 633 31 07
www.cop.lodzkie.pl

for allocating EU funds from the first axis I "Research, Development and commercialisation of knowledge" and the second axis "Innovative and competitive economy" of the regional program for the Lodzkie region. The main objective of the BSC is to provide beneficiaries with assistance in obtaining funding and then make the best use of EU funds allocated to the development of a competitive and innovative economy in the Lodzkie region.

The Business Service Center (BSC) is a regional, self-governing organisation that has been operating since March 1, 2008. In the current financing period 2014-2020, the BSC acts as the Intermediate Body - IB, which is responsible

To effectively reach potential participants, BCS runs information and consultation points located in the following locations in the Lodzkie region.

Consulting Center of the Entrepreneurial Service Center, ul. Moniuszki 7/9, 90-101 Lodz
Phones to consultants: tel. +48 42 230 15 55, +48 42 230 1556

Local Information Point in Belchatow ul. Kosciuszki 17, 97-400 Belchatow
Phones to consultants: +48 44 633 34 63

Local Information Point in Brzeziny, ul. Sienkiewicza 16, 95-060 Brzeziny
Phones to consultants: +48 46 874 31 54

Local Information Point in Łowicz, ul. Swietojanska 1, 99-400 Lowicz
Phones to consultants: +48 46 837 52 67

Local Information Point in Sieradz, ul. Kosciuszki 6, 98-200 Sieradz
Phones to consultants: +48 43 678 40 80

Lodz Special Economic Zone S.A.

ul. Tymienieckiego 22/24, 90-349 Lodz
tel. +48 42 676 27 53/54
www.sse.lodz.pl

The Lodz Special Economic Zone S.A. covers an area of 1339 ha in three regions: Lodz, Mazowieckie and Wielkopolskie. Great location, tax benefits, rich industrial traditions, far-reaching substantive help in implementing the investment process make the LSEZ an ideal place for investors interested in developing their business.

Lodz Special Economic Zone S.A.

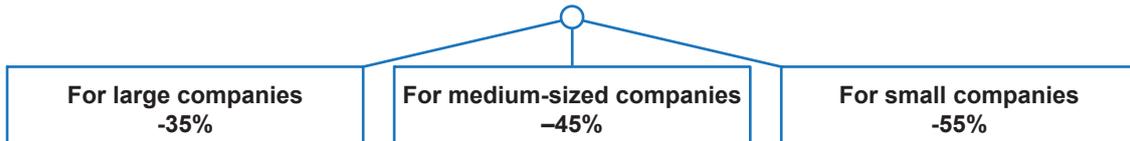
a high level of public aid	attractive investment areas	excellent location in the center of Poland	very good communication network	comprehensive investor service	professional team	cooperation with educational institutions and universities
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Public help

Entrepreneurs who want to start a business in the Lodz region can benefit from public help granted in the form of corporate income tax exemption or personal tax. There is also the possibility of exemption from property taxes. Public help is granted for:

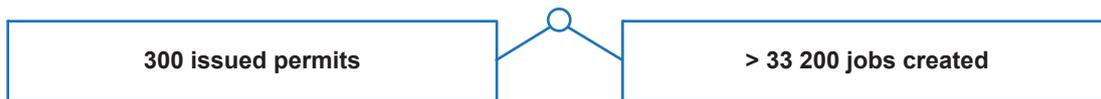


The level of public help depends on the size of the enterprise and the region. In the Lodz region, the level of support related to eligible investment costs or two-year labour costs is as follows:



Team support

Each investor gets a patron in the LSEZ, who guides him through the entire process of issuing a permit for conducting business activity in the LSEZ. The patrons also serve to help entrepreneurs already operating in the Zone.



Representatives of the LSEZ:

- work closely with local authorities to streamline the investment process
- support investors in their dealings with media companies
- organize trainings for investors
- advertise investors in the media
- provide support in contacts with the government administration

“Bionanopark” Sp. z o.o.

ul. Dubois 114/116, 93-465 Lodz
tel. +48 42 280 76 76
www.technopark.lodz.pl

Lodz Regional Science and Technology Park Sp. z o.o. (Technopark) is a science and technology park with an attractive research, investment and incubation offer addressed to companies and institutions operating in the area of advanced technologies.

The Bionanopark implementation centre and Lodz Technological Incubator plays a key role in Technopark. Also, Technopark has attractive investment areas and modern conference facilities for the companies dealing with new technologies. The investment offer is especially attractive for companies which do not want to create their R&D department because they can research their products in BioNanoPark, which is one of Europe’s best-equipped bio- and nanotechnology deployment centres. The Lodz Technology Incubator supports young innovative companies. Companies using its services are very successful and win many prestigious awards. The LTI has taken its first steps by helping such companies as W4e Wind Energy Center, Analytical R&D, MobileMS, LIW Care Technology, and Gecos.

Lodz Regional Development Agency SA

ul. Narutowicza 34, 90-135 Lodz
tel. +48 42 208 93 11
www.larr.lodz.pl

The Lodz Regional Development Agency SA is a business-related institution providing its clients with services including financial consulting, legal and business consulting, export and import support, preparation of strategic documents for business and the public sector. Since 2001, LRDA is the Regional Financing Institution (RFI), responsible for the operation and implementation of programs designed to finance investment in new technologies, specialist consultancy services, the improvement of the qualifications of employees and the development of exports. At present, LRDA performs the RFI function by implementing selected actions of the Innovative Economy Operational Program.

Investor Assistance and International Relations Office in the City Hall of Lodz

ul. Piotrkowska 104a, 90-926 Lodz
tel. +48 42 638 59 39
www.um.lodz.pl

Investor Assistance and International Relations Office in the City Hall of Lodz is a separate organisational unit, within which operates the Investor Acquisition and Servicing Division. The purpose of the unit is:

▶ **The acquisition of investors in priority sectors (BPO, household ap research and development centers)**

▶ **Organizational support for investors during the project preparatio the project**

▶ **Development and preparation of investment offers of the City**

▶ **Presentation of investment offers of the City at trade fairs**

Belchatow-Kleszczow Industrial and Technological Park Sp. z o.o.

ul. Ciepłownicza 5, 97-400 Belchatow
tel. +48 44 733 11 65
www.ppt.belchatow.pl

Belchatow-Kleszczow Industrial and Technological Park is an important entity activating the economy of the Belchatow district. The park has a separate area utilising the local infrastructure and enabling conducting economic activity under preferential conditions. The park offers separate investment areas, office space for rent and training and consulting services. The Park also offers assistance in raising funds, including EU funds.

Kutno Agro-Industrial Park

Pl. J. Piłsudskiego 18,
99-300 Kutno
tel. +48 24 253 12 19
www.um.kutno.pl

Kutno Agro-Industrial Park (KAIP) was established in 1998. Located at the intersection of the A-1 highway and then the E-30 main road is an excellent location for investment. It occupies an area of several hundred hectares, and within its boundaries, there are over 60 companies with Polish and foreign capital. Currently, nearly 6000 people are employed in this area. Investment areas offered under KAIP are owned by the City and have a regulated legal status. Some of them are included in the Lodz Special Economic Zone. The offer also includes private land, intended for industrial or service purposes. In relation to urban land, it is possible to sell plots adjusted to the individual needs of the investor.

In the area of the Kutno Agro-Industrial Park, investors can use the following support instruments:

- ▶ exemption from property tax (up to 5 years), reasons for the size of the exemption depend on the number of new jobs created
- ▶ income tax exemption in the area of the Kutno LSEZ sub-zone up to 55%
- ▶ help of Labor Office in the recruitment and training of the newly-hired employees



investment potential of municipalities

The Lodz region offers investors a range of investment opportunities, both within the existing industrial infrastructure and through the use of the land available for potential investment. Investors have two options to reach existing investment offers:

- ▶ Direct contact with the organizational units of municipal offices dealing with the handling of investors
- ▶ Contact with the Regional Investor and Exporter Service Center (RIESC)
- ▶ Contact with the Lodz Special Economic Zone (LSEZ)

Regional Investor and Exporter Service Center

ul. Tuwima 22/26, 90-002 Lodz
tel. +48 42 291 97 78
www.investin.lodzkie.pl

The Lodz Special Economic Zone

Ks. Biskupa Wincentego
Tymienieckiego 22G
90-349 Lodz
tel. +48 42 676 27 53
+48 42 676 27 54
www.sse.lodz.pl

Municipalities with land or industrial infrastructure offer potential investors the professional service of officials ready to provide the necessary support, from the initial presentation of investment offers to the launch of the investment project. The necessary support in this regard is provided by the employ-

ees of the Regional Center Investor and Exporter Service, which, as an official partner of the Ministry of Economy and the Polish Agency for Investment and Trade is a direct partner for investors and Polish exporters in the Lodz region.

Investors interested in the Lodz Region may also benefit from the professional offer of the Lodz Special Economic Zone - its advantages include great location, tax benefits, rich industrial

traditions and far-reaching substantive assistance in implementing the investment process.

The LSEZ's investment offer

The Lodz Special Economic Zone offers a wide range of investment services, including class A office spaces, ideal for BPO and IT businesses, as well as greenfield sites for plant construction. The LSEZ is open to small and medium-sized enterprises. They represent 50% of all companies concentrated in the Lodz SEZ. For the SME sector companies we offer:

- **Investment areas and small offices:** The LSEZ offers plots starting from 0.5 hectares located in different sub-zones of the Lodz region. It also offers office space with the Zone status, where you can conduct activities in such industries as BPO or IT.
- **Business support:** during the implementation of the project, the employees of the LSEZ help in contacts with network representatives and in preparation of applications for connection, f.ex, to the gas or energy network. Within the LSEZ has been established a Partner Program - a honest, proven partners in various industries ranging from technical design, through construction, supervision, equipment and staff recruitment, as well as other services (financial, advisory, etc.).

- Entrepreneurs who want to start a business in the LSEZ can benefit from public help granted in the form of corporate income tax exemption or personal tax exemption. There is also the possibility of exemption from property tax. Entrepreneurs interested in starting a business in the LSEZ can benefit from public help up to 55% of eligible investment costs or two-year labor costs.

Public help is granted for:

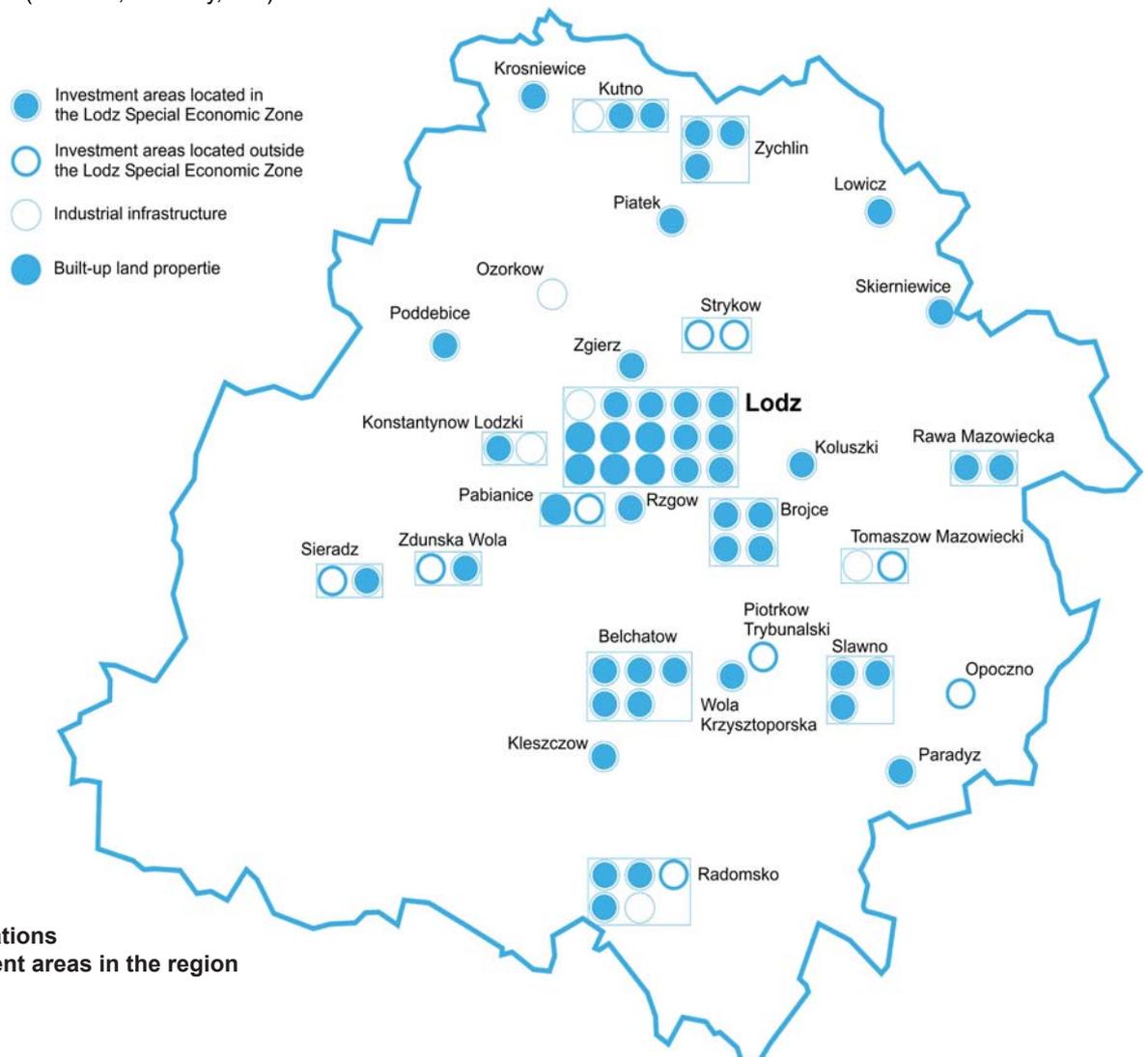
- New investment
- New workplaces

The level of public help depends on the size of the enterprise and the region.

35% for large companies;

45% for medium-sized companies;

55% for small companies.



Map of locations of investment areas in the region

basic legal conditions for foreign investors

Introduction to the legislation governing the conduct of business in Poland¹

In Poland, economic activity can be conducted in forms similar to those in other European countries. It is regulated by the Code of Commercial Companies or the Act on Freedom of Economic Activity. Among the available forms of activity are the following:

▶ **Trading companies - capital companies (limited liability companies and joint stock companies) and partnerships (partnership, limited partnerships).**

▶ **Branch of foreign entrepreneur - an alternative to a commercial company; it is separated organizationally and materially part of the business conducted by a foreigner in Polish. Entrepreneurs from EU countries or the European Economic Area have full discretion in this regard, but for other countries, registration of branches is only possible if the country of origin applies the principle of reciprocity. The establishment of a branch requires its registration in the National Court Register.**

▶ **Representation of a foreign entrepreneur - structure created by a foreign entrepreneur for advertising and promotion purposes. The division requires its registration in the National Court Register. In the case of representations, there is no restriction on the nationality of the foreign entrepreneur's place of residence. The establishment of a representative office requires entry in the register of representative offices of foreign entrepreneurs maintained by the minister competent for the economy.**

Criteria for choosing the optimum organizational and legal form for conducting business²

Selection of the optimal organizational and legal form of the project should take into account a number of criteria that are largely related to the country of origin, the specific nature of the activity or the development plan.

Investor's country of origin - it is of particular importance here to register a foreign enterprise within or outside the European Economic Area (EEA) or European Union.

Type of activity - business activity can be conducted in any form prescribed by law. In certain cases, such as banks or insurance companies, it is possible to operate only as a joint stock company.

Scope of activity - the general rule is the allocation of partnerships (except joint stock limited partnership) for smaller business activities, and capital companies and limited joint-stock companies - for major business ventures. This is mainly due to the distribution of risk, which will be accepted by investors, the need for their personal involvement in running the company's affairs and the ability to raise capital from the market.

The investor's responsibility for the obligations of the entity with which it operates - the fundamental difference is between personal and capital companies. In the case of the personal company, responsibility of members is equal, depending on the form of organization. In equity companies, shareholders are not liable for the liabilities of the company - in the event of failure of the business their risk is limited to the contributions made.

The need for personal involvement in the management - in individual companies, each shareholder participates in the management of company affairs (except for limited partnerships and limited joint-stock partnership), while in capital companies, the burden of handling matters lies with a separate governing body, i.e. the board.

Capital acquisition opportunities - the most popular form of raising capital for doing business is financing the investment with a bank loan and the issue of shares or bonds. The issue of shares is described in the section on financing business activity. The issue of bonds is similar in nature to the borrowing, since the money raised from the market must be redeemed at a specified date. The main benefits of issuing bonds are the lower cost of obtaining capital compared

to the cost of the loan and the unchanged ownership structure of the issuer of bonds (the bondholder does not become

a shareholder and does not gain the ability to influence the company).

Since 2009 Catalyst bond market has started (www.gpwcatalyst.pl) – organized trading platform for debt securities, including bonds. The goal of the Catalyst market is to facilitate the acquisition of capital by entrepreneurs and increase their credibility in the eyes of investors.

Taxation of income - a significant difference between conducting a business activity in the form of a partnership and capital company is the method of taxation of income generated by the company. In personal companies (except joint stock limited partnership), only the shareholders of those companies who earn income from a corporation without legal personality are taxable persons. The income of a capital company (as well as limited joint-stock partnership) is taxable at the company level, although taxation is also subject to payment of any dividends.

Operating costs and the formalism of running a business - in capital companies and joint stock limited partnerships there is a requirement to pay share capital by

shareholders (PLN 5,000 in a limited liability company, PLN 100,000 in a joint-stock company, PLN 50,000 in a limited joint-stock partnership). In the case of private companies (excluding limited joint-stock partnership), in the absence of share capital the shareholders may freely determine the amount of their contributions. Moreover, they can also provide that their contributions will be based on the provision of work or services. The operation of capital companies, especially the joint stock company, is also characterized by greater formalism and a greater degree of complexity than partnership, which results in increased costs (e.g. the need to draw up a notarial document from each general meeting of shareholders or the costs of the bodies functioning).

Economic activity³

In Poland the principle of freedom of establishment is in force. It means that everyone, on equal terms, has the right to pursue an economic activity of his choice. The principle of economic freedom is not absolute - essential are restrictions relating to who may undertake economic activities (**objective limitations**) and the conditions that must be fulfilled for the activity (**subjective limitations**).

Objective limitations - have a relationship with the country of origin of investors. Under the same conditions as nationals of

Poland, business activity can be undertaken by investors (natural persons, legal entities or other legal entities) originating from the EU or the European Economic Area but also countries contracted with the European Union and its Member States.

Subjective limitations - the most important are those requiring the entrepreneur to obtain a prior administrative decision entitling him to undertake a given activity.

They may be:

 **Concessions** - issued in areas of economic activity of particular importance to the national security, citizens or other important public interest, such as the exploration, identification and extraction of minerals, the production and marketing of products and technology for military or police purposes, production, distribution and trading of fuels and energy, protection of persons and property or air transport.

 **Permissions** - administrative decisions giving the possibility to perform certain types of economic activity if the entrepreneur meets certain requirements. The necessity to obtain a permit may relate to the activity of various financial institutions (banks, pension funds, investment funds, insurance activity), manufacture or import of medicinal products, regular transport, but also economic activity in a special economic zone, which entitles to the use of public help.

 **Regulated activity** - in order to be able to exercise it, the entrepreneur is obliged to fulfill the requirements specified in the relevant law and obtain entry in the Regulated Activity Register. Regulated activity is not a business requiring concession or authorization. The regulated activity is, among other things, the organization of tourist events, postal activity or packaging or the placing plant protection products on the market.

Legal regulations for export and import⁴

The rules governing the movement of goods should be seen in relation to trade between EU Member States and trade with countries outside the Community.

Intra-community exchange - free movement of goods in the EU internal market is governed by the provisions of the Treaty on the Functioning of the EU (TFEU). According to its provisions, quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States. Quantitative restrictions are measures taken by a Member State which would prohibit wholly or partly the importation or exportation of goods, or would impose restrictions on quantity, value or time, and measures having equivalent effect to all public authorities acting as obstacles or hindrances to trade exchange. EU Member States may,

however, apply measures to restrict intra-community exchanges with a view to protect citizens' health, public morals and cultural heritage.

Trade with third countries - rules of trade with non-EU countries are governed by the European Union customs law system, which consists of directly applicable Union law (treaties, regulations and decisions) and international agreements and customs legislation of the Member States. The most important piece of EU customs law is the Community Customs Code adopted on 9 October 2013. In Poland the most important act is the Act of 19 March 2004. - Customs law and regulations issued on its basis.

Distribution system and its forms

The production process is closely related to distribution, which in addition to promotion and advertising is a condition for reaching potential customers. There are two basic models of how to proceed in the distribution process:



Self-produced goods with the use of own sales network and distribution.



Use of intermediary services - distribution channels operated by outside parties on a commercial basis.

Regardless of the chosen type of distribution, it is essential to choose a supply path that will ensure timely deliveries of goods to potential customers. The optimal, from the entrepreneur's perspective, distribution channel provides effective access to consumers. Its choice depends on:



Available distribution channels:



Guarantee and statutory warranty in respect to the goods and services sold⁵

The trade turnover of goods and services causes the seller to sell a number of obligations to the purchasers. The purpose of the provisions of the law regulating these duties is to safeguard consumer rights. This is done by the guarantee and the statutory warranty.

The statutory warranty is a procedure for the liability of an entrepreneur in connection with a discovered physical (non-compliance with a contract) or legal defect of purchased consumable goods. If the consumer makes a complaint on the basis of the

statutory warranty, the seller is responsible for defects - and to him a complaint letter should be sent. His data are, among others, on a fiscal receipt, which the buyer should - in principle - release along with the goods. The statutory warranty is a regulated way of pursuing a claim. An entrepreneur cannot refuse to accept a complaint in any way unless it is explicitly stated by relevant law. **All consumer goods are covered by the statutory warranty.**

Guarantee is a voluntary statement about the quality of goods submitted by the entrepreneur, the guarantor. The contents of the

guarantee should be formulated in a clear and understandable language in the Polish language. The guarantee shall state the obligations of the guarantor and the consumer's right in the event when the goods sold do not have the characteristics specified in

the guarantee statement. In particular, it should include information on the guarantor, the duration and extent of territorial guarantee protection, or the rights of the consumer in the event of discovering a defect.

The guarantee does not exclude, limit or suspend the buyer's rights under the statutory warranty.

Protection of intellectual property⁶

Intellectual property is governed by the Copyright Act and the Industrial Property Law. These are legal acts consistent with

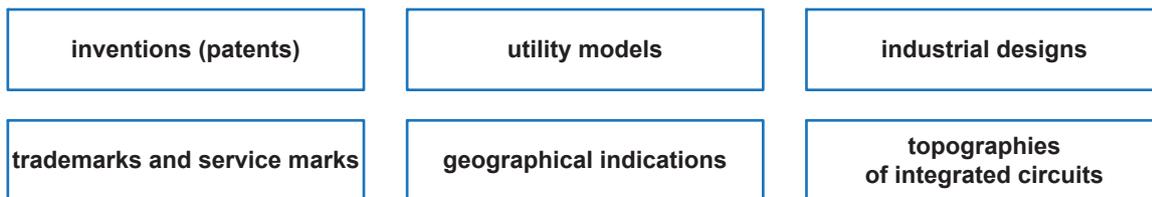
international standards for the protection of intellectual property. Protection extends to two categories of intellectual property:



Copyright protection - works of Polish citizens and citizens of EU member states and the European Economic Area are protected under the provisions of the Copyright Act. The protection of a work in Poland under the Copyright Act rules is also provided by the first publication of a work in Poland or simultaneously in Poland and abroad or the first publication in Polish, if the author originates from outside the EU and the EEA. Copyright is protected without registration (there is no special register in Poland) or any copyright notice included in the work.

- **Moral rights** protect the author's relationship with the work. They are closely related to the author and can not be sold, so the creator can be the only copyright holder (co-creator). The author may only be a natural person. Copyright protection of moral rights is unlimited in time.
- **Proprietary copyrights** are subject to transferring - the rights holder may also grant a license to use the work. Proprietary copyrights may therefore be applied to the creator or the original author (the producer or publisher of the collective work, the employer) or the purchaser of those rights. The duration of proprietary copyrights is limited. After a period of protection work enters the public domain. The time of protection of copyrights is 70 years and is calculated in principle from the death of the author, and in respect of co-authors 70-year period from the death of the last surviving contributor. The copyright owner may transfer (e.g. sell) or authorize another entity to use the work (license). The transfer of copyright and licensing takes place in the fields of operation indicated in the contract.

Protection of industrial property rights - it is relevant to such categories of industrial property rights as:



▶ **The patent** is granted for new solutions, which are inventive and usable for industrial use. The patent may be granted for the product of the invention or the method of producing the invention.

▶ **Utility models** are new and useful solution of a technical nature, non-inventions concerning the shape, construction or compilation of a permanent object, e.g. tools, the holders of which have a more ergonomic shape, facilitating their holding.

▶ **The industrial design** subject to protection is a new and individually designed form of a product or part thereof, which is given to it in particular by the features of the lines, contours, shapes, colors, structure or material of the product and by its ornamentation, e.g. different than the classic typography.

▶ **Trademarks and service marks** are symbols that can be represented graphically, which are suitable for distinguishing one company's goods from another.

▶ **Geographical indications** are the word signs referring directly or indirectly to the name of a place, a locality, a region or a country, which allow the product to be assigned a specific geographic origin.

▶ **Integrated circuit topographs** are solutions involving a spatial, expressed in any way, arrangement of the elements of which at least one is an active element and all or part of the integrated circuit connections.

Competition law⁷

Control of anticompetitive agreements between entrepreneurs, their abuse of dominant position and concentration is possible thanks to the **Competition and Consumer Protection Act** of February 16, 2007. The Act defines the main principles of Polish competition law, which include:

Prohibition of practices which are restricting competitors - Agreements, the object or effect of which is to eliminate, restrict or otherwise distort competition and to prohibit **the abuse of a dominant position**. This is the case if the economic power of a company enables it to take on the relevant market actions independently of the reaction of its competitors or indirect or final customers. It is assumed that a market share of 40% is so significant that it indicates that it occupies a dominant position. However, when considering the market position of an entrepreneur, one should take into account all the economic conditions prevailing on this market. It cannot be excluded that a trader, despite holding a 40 percent market share, will not have a dominant position in this market.

preventive Control of Concentration - it is undertaken to limit the risk of the occurrence of transactions that may cause a significant restriction of competition. In Poland, in principle, only such concentrations are banned, as a result of which competition on the market is significantly limited, in particular by the emergence or strengthening of a dominant position on the market. The procedure of supervision over transactions leading to the concentration of entrepreneurs is also governed by the provisions of the Act on Competition Protection. This law obliges entrepreneurs to obtain permission for certain concentrations of significant size:

the merger of two or more independent entrepreneurs (so-called fusions)

taking control over one or more entrepreneurs

creation of joint venture

acquiring part of property of another entrepreneur

The authorization requirement does not apply if:

the turnover of the company over which the control is taken or trading carried out by the acquired property exceeded, on the territory of Poland, **EUR 10 million** in any of the two preceding years;

no participant in a merger or joint venture transaction has reached in Poland in the past two years prior to the request **EUR 10 million** of turnover.

The obligation to notify the intention of concentration applies to all entrepreneurs whose total global turnover exceeds EUR 1 billion in the year preceding the reporting year, or whose total turnover on the territory of the Republic of Poland has exceeded the equivalent of EUR 50 million. These concentrations are subject to registration to the President of the Office for Competition and Consumer Protection, whose consent is necessary to finalize the transaction. In the other case.



¹ Based on: Kancelaria FKA Furtek Komosa Aleksandrowicz dla Polskiej Agencji Inwestycji i Handlu, „Formy prowadzenia działalności gospodarczej”, https://www.paih.gov.pl/prawo/formy_prowadzenia_dzialalnosci_gospodarczej

² Based on: Kancelaria FKA Furtek Komosa Aleksandrowicz dla Polskiej Agencji Inwestycji i Handlu, „Formy prowadzenia działalności gospodarczej”, https://www.paih.gov.pl/prawo/formy_prowadzenia_dzialalnosci_gospodarczej

³ Based on: Kancelaria FKA Furtek Komosa Aleksandrowicz dla Polskiej Agencji Inwestycji i Handlu, „Formy prowadzenia działalności gospodarczej”, https://www.paih.gov.pl/prawo/formy_prowadzenia_dzialalnosci_gospodarczej

⁴ Based on: Polska Agencja Rozwoju Przemysłu, „Warunki prowadzenia handlu z zagranicą w Unii Europejskiej”, Warszawa 2012; Ministerstwo Finansów, „Unijny Kodeks Celnny (UKC)”

⁵ Based on: Urząd Ochrony Konsumentów i Konkurencji, „Reklamacje”



financing of business activity

Acquiring another company¹

Acquiring another company may be carried out through fusion or a takeover.

In the case of fusion, two business entities are merged into one organisation.

The takeover may, however, involve the purchase of a such number of shares of one company by another, which gives the other the ability to control the first. Acquisition of the company directly, or part thereof, is a rarer variant of the takeover.

Legal regulations concerning a fusion are set out in the Act of September 2000 of the Code of Commercial Partnerships and Companies, article 491 and following.

The issue of the **purchase of shares** is regulated by the Code of Commercial Partnerships and Companies in the scope of the legal form of the transaction; in the scope of

the contract of sale and regulation of the acquisition of the company and its effects its regulated by the Civil Code. Also, the issue of the sale of shares in a limited liability company (in Poland - Sp. z o.o.) is governed by the provisions of the Code of Commercial Partnerships and Companies, supplemented by provisions of the Civil Code concerning the sale contract.

The process of disposing of shares

W of shares in a joint stock company (in Poland S.A.) depends on the type of shares. The sale of registered shares requires the written form of a statement and the transfer of ownership, but no physical issuance of share certificates is required. The shares may be in dependent possession, for example, shares can be deposited in a bank or brokerage

house. The transfer of ownership is by agreement between the parties and forwarding the information on the sale to the dependent holder. The purchaser should ensure that the company's management board will make an entry in the share register. Trading bearer shares is simpler, physical release of the document is required.



Limitations in the sale and disposal of shares

Possible restrictions **may result from the status or agreement of the company**, which provisions may require the consent of the company to sell or dispose of shares. However, this restriction does not apply to bearer shares. Another type of restriction is contractual restrictions, such as the pre-emption of shares under the rules laid down by law. The last type of restrictions is statutory limitations, which include both those that result in the invalidity of disposals of shares in certain situations or are related to restric-

tions on the acquisition of immovable property by foreigners, the application of The Protection of Competition and Consumers Act or The Act on Freedom of Business Activity.

A foreigner is not only a natural person who does not have Polish citizenship, but also legal entities and does not have legal personality if they meet the following criteria:

-  a natural person who does not have Polish citizenship or a legal person established abroad;
-  unincorporated company of the persons above established abroad, established in accordance with the legislation of foreign countries;
-  legal entity and commercial company without legal personality, having its registered office in Poland, controlled directly or indirectly by persons or companies listed above.

Restrictions concerning foreigners and capital concentrations do not apply to citizens or businessmen from the EU, Switzerland, Iceland, Norway and Liechtenstein (non-EU countries belonging to the European Economic Area).

The fusion of companies can be made in two ways:

-  by transferring all the assets of the acquired company to the acquirer - the shareholders of the company will then receive the shares or shares of the acquiring company and the company being acquired as a result of this process loses its legal existence.
-  by establishing a new company to which the assets of the fused companies are transferred, and all the companies involved in the fusion will lose their legal existence. All rights and obligations of the acquired companies are taken over either by the acquiring companies or by newly established companies, and the shareholders of the acquired companies become partners in the acquiring or newly-established companies. The acquired rights and obligations also apply to any obligations to employees arising from the employment relationship that arose before the fusion. Both in the case of a merger by fusion and by the establishment of a new company, a new employer is created automatically but is bound by any existing conditions of employment contracts.

Requirements for fusion procedures of capital companies:

-  preparation of the fusion plan by the management board of each of the companies, and then reporting it and issuing the opinion about the plan by an expert,
-  adoption of resolutions on the fusion of the companies,
-  reporting the fusion of companies to the registry court.

W In the case of cross-border fusions, the regulations introduce an additional obligation in the form of the need for the Management Board to prepare a report justifying the fusion.

Debut on the Stock Exchange

For a company to debut on the Stock Exchange, a number of actions must be taken by the owners of the company.

STEP 1	Decision of the owners to enter the WSE
STEP 2	Transforming the company into a joint stock company
STEP 3	Adoption by the General Meeting of the Issue Resolution
STEP 4	Due diligence
STEP 5	Selecting the Offeror, Auditor, Offer Managers, and Councilors
STEP 6	Creation of an information document – the Prospectus
STEP 7	Approval of the prospectus by the Financial Supervision Authority
STEP 8	Submission of an application for registration of securities at the National Depository for Securities
STEP 9	Make a public offering
STEP 10	Application to the WSE for admission and introduction to trading of shares
STEP 11	Debut

STAGES OF ENTRY INTO STOCK EXCHANGE

Source: <https://strefainwestorow.pl/artykuly/debiut-ipo/20170804/debiut-na-gieldzie-gielda-ipo>

Step 1. The decision of the owners to enter the WSE. The most common reason is the willingness to provide an additional capital by selling shares, which may be used to finance existing operations or to develop a company, which may be particularly important for technology companies that are not always able to count on beneficial loans. Another type of factor behind a stock exchange is the improvement of brand recognition or the valuation of the company.

Step 2-3. Transformation of the company into a joint stock company. Subsequently, the General Meeting of the newly established joint stock company is obliged to adopt the Issue Resolution and other such as:

- a resolution to apply for admission of securities to trading on a regulated market,
- a resolution containing the authorisation of the Management Board to agree with the registration of securities in the National Depository for Securities,
- a resolution on the increase of the share capital (followed by submission of the application to the court of registration).

Step 4. Due diligence process, i.e. detailed and objective analysis of the company in commercial, financial, and legal terms, and the risks associated with its activity. The reliability and completeness of this analysis allow investors to make investment decisions about acquiring shares consciously. It is necessary to start the Initial Public Offering (IPO), the purpose of which is to obtain an offers to buy shares from the market (steps 5-10).

Step 5. Selection of several key entities: Offeror, Auditor, Offer Managers, and Advisors. The role of the offeror can perform only investment company, such as a brokerage house or a bank conducting brokerage activities. Offeror mediates the submission of the prospectus to the Financial Supervision Commission, prepares customer service centres to accept subscriptions in the frames of a public offering, accepts subscriptions and payments for the shares, participates in the process of preparing the prospectus.

Auditor carries out the due diligence process, and **offer managers** are responsible for the relationship with the market and investors. Moreover, in the process of preparing the prospectus should be involved **legal advisors**, who are responsible for the legal part of the due diligence and preparation of other documents. Market planning and media planning are the domain of **specialised public relations and investor relations consultants**. These specialists are also responsible for printing the prospectus and distributing it.

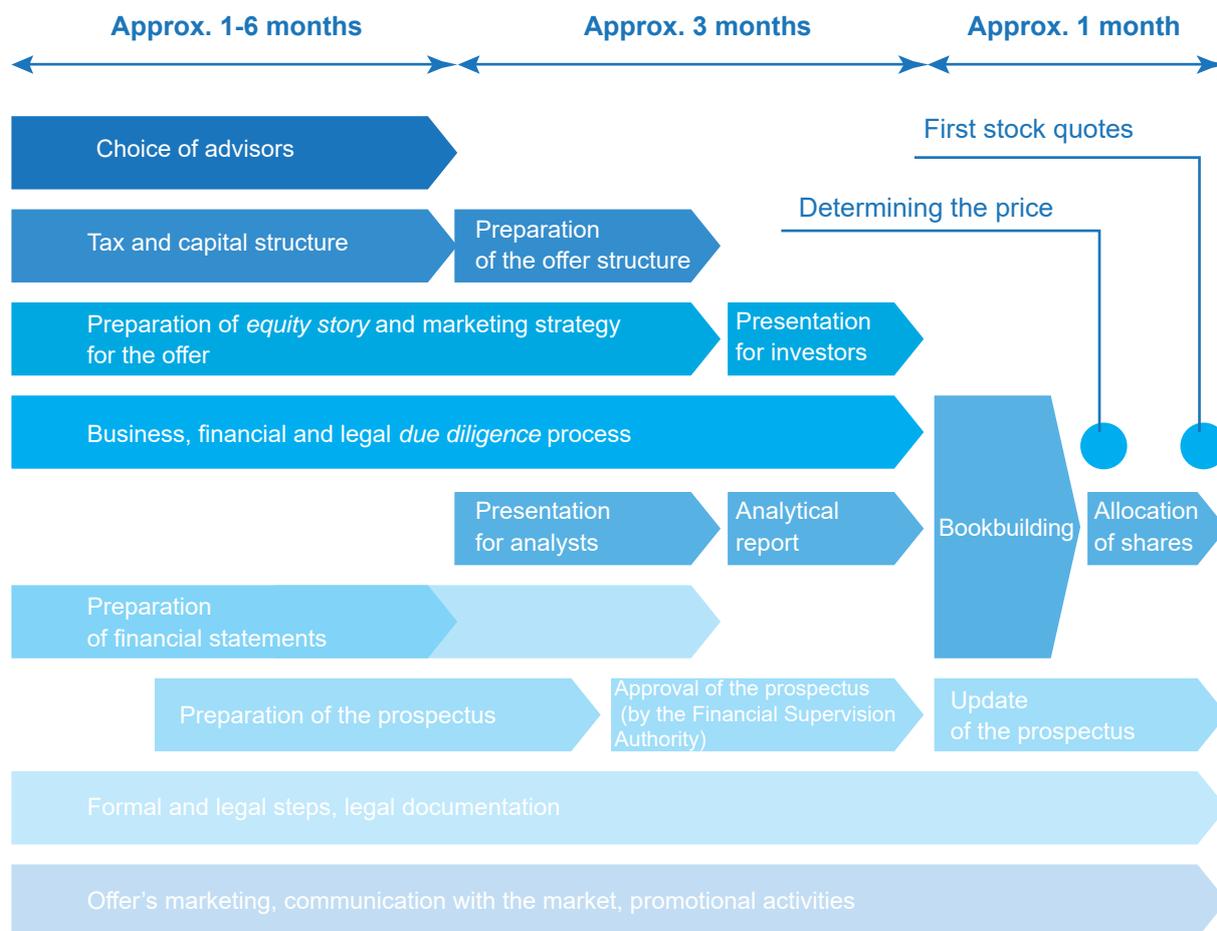
Step 6. Preparation of the Prospectus - an information document, preparation of which is a necessary formal condition of a public offering of shares, is subject to approval by the Financial Supervision Authority (**Step 7**) and is valid for 12 months.

Step 8. Applying for registration of securities in the National Depository for Securities. Securities registration by the National Depository for Securities results in their dematerialisation, i.e. replacing the document by computer records on the appropriate accounts.

Step 9. Conducting a public offering, under which the Company's Management Board holds a number of meetings with investors, analysts, the press and other capital market entities. Convincing investors to their interest in the offer is accompanied by book building, in which are accepted subscriptions for shares from individual investors. On the basis of a recommendation issued by the bookkeeper, the Management Board determines the issue price of the offered shares and their final number.

Step 10. Submission of the application to the WSE's Management Board for admission and introduction to stock exchange trading. The WSE Management Board is obliged to adopt a resolution on the admission of financial instruments to exchange trading within 14 days of the submission of a complete application.

As can be seen from the following schedule usually from the decision to launch the IPO process to the first listing of the shares on the regulated market passes 6 to 9 months (A road to the stock market (Droga na giełdę), PwC, 2014)



INDICATIVE TIMETABLE OF IPO PROCESS

Source: The road to the stock market (Droga na giełdę), PwC, 2014

Purchase of shares listed on the stock exchange³

To purchase the shares on the Stock Exchange, it is necessary to set up an investment account at a brokerage house licensed by the Polish Financial Supervision Authority. Buying shares directly on the WSE is not possible. Prior to setting up an investment account, a prospective investor is required to complete the financial instrument adequacy form and the Foreign Account Tax Compliance Act (FACTA), where the investor declares whether is or not a US tax resident (the purpose is to verify whether the person or entity avoids taxation in the United States.).

Investment account at the brokerage house is either free of charge or involves a small fee. The brokerage house charges a commission for each completed order. Orders are made by disposing of funds deposited on the investment account from any location via the Internet, but it is still a brokerage house that buys shares on the WSE.

Shares can be purchased at a price with a specified limit or at any price. Priority has the first type of transaction, but it involves uncertainty as to the final cost of acquiring the securities. Moreover, the WSE also offers other types of financial instruments, such as pre-emptive rights, rights to shares or debentures.



¹ On the basis of: dr Ewa Boryczko i Michał Włodarczyk, „Fuzje i przejęcia w prawie polskim”, Materiał przygotowany i opracowany dla Polskiej Agencji Informacji i Inwestycji Zagranicznych S.A., https://www.paih.gov.pl/prawo/fuzje_i_przejecia_w_prawie_polskim

² On the basis of: Anna Mazurek, „Debiut na giełdzie krok po kroku. Jak wygląda IPO spółki na GPW?”, August 08, 2017, 10:57, <https://strefainwestorow.pl/artykuly/debiut-ipo/20170804/debiut-na-gieldzie-gielda-ipo>

³ On the basis of: Krzysztof Kolany, „Jak kupować akcje. Giełda dla początkujących”, 2017-04-10, 06:00, <http://www.bankier.pl/wiadomosc/Jak-kupowac-akcje-Gielda-dla-poczatkujacych-7509041.html>



tax regulations

Review of the tax system in force in Poland¹

In the Polish tax system, the majority of taxes are direct taxes, such as personal income tax (PIT), corporate income tax (CIT), inheritance tax donation tax, tax on civil law transactions, agricultural tax, forestry tax, real estate tax, transport

tax, tonnage tax, mining tax, or lump-sum tax on so-called ship taxes.

Indirect taxes are VAT, excise duty and game tax.

The excise tax is subject to the following product categories:

-  **Energy products (all products used for propulsion or heating purposes),**
-  **Electricity,**
-  **Alcoholic beverages (beer, wine, intermediates, spirits),**
-  **Tobacco products (cigarettes, cigars, cigarillos, smoking tobacco).**

PIT (Personal Income Tax): Jeśli If personal income tax is settled by a tax scale, then the tax-free amount is PLN 6600. In the case of obtaining income up to PLN 85528, the tax rate is 18%, minus PLN 556.02, and if the income exceeds PLN 85528, the tax is PLN 14,839.02 plus 32% of the surplus over PLN 85 528. At the request of the taxpayer, it is possible to resign from this method of taxation in favour of a linear tax rate of 19% - this option applies only to natural persons conducting a business activity (being entrepreneurs).

VAT (Value Added Tax): The basic VAT rate in Poland is 23%. A reduced 8% rate can be applied to such sales categories as **some agricultural commodities** (e.g. seedlings, shrubs and fruit trees, seeds, firewood, ornamental fish, fertilisers, pesticides, garden soil), **newspapers and printed journals** (except specialized ones), **pharmaceuticals, and various medical devices or accommodation services** 5% is the VAT tax rate for the **basic food products** (including fruits, vegetables, spices, fish, meat and meat products, edible oils and fats, bread, eggs or juices) and **printed books or specialist magazines** .

In addition to the listed rates, there are also custom rates, such as:

-  VAT 0% - used in the intra-community supply of goods and the export of goods, some services related to air and sea transport or the supply of computer equipment to educational establishments,
-  VAT 4% - applicable to taxpayers providing taxi services,
-  VAT margin - used for the sale of collectors' services, tourism services or works of art (by using it the seller pays VAT only from the margin he charged when selling the goods or services).

CIT (Corporate Income Tax): This is a corporate income tax. CIT rates are 19% and 15% of the tax base. The second one applies to small taxpayers and taxpayers starting their activity in the tax year in which they started. The provisions

of the Act do not apply, among other things, to revenues from agricultural activities, forest management or revenue of shipping companies subject to tonnage tax

Basic legal acts regulating the tax system in Poland:

-  Act of July 26, 1991, on income tax from individuals
-  Act of March 11, 2004, on the tax on goods and services
-  Act of February 15, 1992, on corporate income tax
-  Act of December 6, 2008, on excise duty

Taxes for individual investment types²

The individual transaction types may include capital income including:

-  **Group 1:** interest from savings deposits and bank deposits (excluding money related to business activity), interest on bonds, Equity funds, dividends and other income from the share of profits of legal persons (including those established or resident in another country).
-  **Group 2:** income from the sale of shares in companies having legal personality, the disposal of securities and derivative financial instruments, the realization of derivative financial instruments, and the sale of all rights and obligations by the general partner of the limited partnership or shareholding company on the territory of the Republic of Poland and the exercise of derivative financial instruments. Revenue is generated when the buyer transfers ownership of securities, shares or all rights and obligations. Revenues are therefore the due amounts, even if not received.

Income from capital is taxed with 19% personal income tax. Depending on the type of income the tax is either levied by the payer (Group 1), or the taxpayer must self-report the

income on the tax return (Group 2). Tax evasion agreements are levied on income tax or income from abroad.

Avoiding double taxation³

The primary purpose of concluding double taxation agreements is to ensure that cross-border revenue received by residents of the contracting parties is not taxed in both countries. Poland has entered into double taxation agreements with 93 countries. Two double taxation avoidance methods can be

found in Poland's double taxation treaties: **the exclusion method** and the **proportionate deduction method**. The basic difference between these methods is that **the exclusion method** is for income, while **the deduction method** regards only tax.

The method of exclusion with progression is that the income derived outside the country of residence or place of residence of the taxable person is excluded in the country of residence from the taxable amount but is taken into account when determining the tax rate applicable in that country of residence for the remaining income of the taxpayer. The method of calculating the tax in the Personal Income Tax Act specifies, in the case of this method, Article 27, paragraph 8.

In the case of a method of proportionate deduction, the income earned outside the country of residence of the taxable person is taxed with income tax in the country of his residence, but the amount of tax due in the country of residence is deducted from the tax paid abroad. However, the deductible tax may not exceed the amount of tax due in the country of residence, which is proportional to the income earned in a non-residential country. The method of calculating the tax in Polish income tax law determines, in the case of this method, the provisions of Article 27, paragraph 9 of the Law on income tax from natural persons and Article 20, paragraph 1 of the Law on corporation tax.

Taxation of financial institutions⁴

The basic legal act governing the taxation of financial institutions is the Law of 15 January 2016 on the taxation of certain financial institutions. Institutions subject to tax are:

- ▶ **Domestic banks, branches of foreign banks, branches of credit institutions (these entities are strictly defined by the law on banking law).**
- ▶ **Cooperative savings and credit unions, national insurance companies, national reinsurance companies, branches of foreign insurance companies and foreign reinsurance - including their main branches - and lending institutions.**

In the case of national banks, branches of foreign banks, branches of credit institutions and cooperative savings and credit institutions, the tax base is the surplus of the value of assets of the taxpayer - resulting from the statement on turnover and balances, established on the last day of the month on the basis of entries in the ledger account of over PLN 4 billion.

In the case of domestic insurance companies, domestic reinsurance companies, branches of foreign insurance undertakings and foreign reinsurance undertakings, the main branches of foreign insurance undertakings and foreign reinsurance undertakings, the tax base is the surplus of the value of the taxpayer's assets in excess of PLN 2 billion. This value is calculated jointly for all dependent or indirect taxpayers directly or indirectly from one entity or group of related entities.

In the case of loan institutions, the tax base is the surplus of the value of the taxpayer's assets over the amount of PLN 200 million. Also, in this case, this value is calculated for all dependent or indirect taxpayers directly or indirectly from one entity or group of related entities. The tax is 0.0366% of the tax base per month.

Taxes on authors and athletes⁵

Revenue received by the authors is treated as income from personal activities, which also includes revenue from the performance of services, on the basis of a civil contract or specific work contract, obtained only from a natural person operating a business entity, a legal entity and its organizational unit, and organization with no legal personality. An important distinguishing feature is whether the author performs the work on the order, or transfers the property rights or grants permission to use the work previously created. In the first case, Article 13 (8) will be applied, while in the second case Article 13 (2) of the PIT Act will be applied.

The revenue earned can be reduced by the cost of obtaining it. When it comes to determining the cost of generating revenue, authors often have a problem with the rate that should be applied: 20% or 50%. It is not enough to use the 50% revenue-generating cost alone because of the fact of being an author. It is necessary to collectively meet two conditions: to create a work within the meaning of the provi-

sions of the Act of 4 February 1994 on copyright and related rights and to conclude a written agreement in which the author transfers the copyrights or authorises the client to use his work.

The issue of taxation of athlete's income until recently was the subject of dispute and was further specified in June 2015 by a resolution of the Supreme Administrative Court. According to this resolution, these revenues should be considered as income from non-agricultural business activities, and taxpayers have acquired the right to classify their earned income from sports activities as a "business" source and tax them with a 19% flat tax. Athletes are required to report to the tax authorities income that has not been obtained in the Republic of Poland to avoid double taxation. The solution is to settle taxes in the country in which the income has been earned. The tax liability of an athlete is thus established in the country in which the sports activity is performed.

Taxation of foreign board members and supervisory boards of companies operating in Poland⁶

If a resident of one country earns income as a result of being a member of the board of a corporation established in another country, the remuneration is taxed in the country of the paying company and not in the country where the work is carried out, as is the case for remunerated employment. In the light of the Polish regulations governing the issue is regulated by the Article 16 of the OECD Model Convention (MK OECD) applying to members of the management and supervisory boards and audit committees. If a Polish company would pay a remuneration to a board member, who is a resident of another country, the tax on income from the func-

tion of a member of the body in the company should be paid in Poland. It does not matter what title the job is performed (employment contract, appointment or other).

If a Polish resident receives such remuneration which has been taxed abroad, he may also be required to tax his income in Poland, subject to the method of avoiding double taxation contained in the relevant contract concluded with the country of residence of the paying company. These rules are general principles contained in the OECD MK.

Taxation of international transactions⁷

From the date of Poland's accession to the European Union, settlements related to the purchase and sale of goods and services between Poland and other EU countries have changed. The different types of VAT transactions are different in the case of intra-community trading and acquisitions

(intra-community delivery of goods) and the case of exports to non-EU countries. To determine the principles of the settlement of VAT, it is necessary to specify the country to which the goods will be sold.

Applying a 0% VAT rate in intra-community delivery of goods and export

In the case of commercial transactions carried out within the intra-community delivery of goods, the supplier of the delivery is entitled to apply the preferential VAT rate of 0%. The buyer in this situation is the entity obliged to calculate and deduct VAT at the rate applicable in his country for the type of goods. To export the goods, a VAT rate of 0% is necessary to document the export. Customs documents are used for this.

In the case of direct export, this is an IE-599, i.e. an electronic document received from an IT system used to handle export declarations or an original of a SAD 3 card, i.e. a paper export declaration. In the case of indirect exports, this is a copy of IE-599, i.e. a customs document printed by the IT system used to handle export declarations or a copy of the SAD 3 document confirmed by the customs office.

Purchase of goods is a reflection of the delivery transaction. It also includes separate rules for VAT settlement in the case of intra-community acquisition of goods and importation of goods. In the intra-community acquisition of goods transactions, VAT is settled by the buyer of the goods - in the country of delivery. The Polish taxpayer will, therefore, be required to calculate VAT at the national rate. In addition to the goods, the taxable amount includes taxes, duties, fees and other charges, as well as additional expenses such as commissions, packing, transport and insurance collected by the supplier from the entity making intra-community acquisition of goods. The tax base is reduced by the amount of rebates, returns and refunds. The calculated tax should be shown on the sales VAT register, and if the taxpayer has the right to do so, it can be included in the VAT register of purchases. Then the transaction will become tax neutral, which is the main principle of VAT in intra-community transactions. This tax is to be debited only to the final consumer.

Import of goods is understood as the importation of goods from the territory of a third country into the territory of the European Union. The tax on the import of goods, in accordance with the provisions of the VAT Act, is the customs value increased by the duty due, and if the subject of import is goods subject to excise duty, the taxable amount is the customs value increased by the due duty and excise duty. VAT is settled on the basis of the customs documentation: SAD (Single Administrative Document) or electronic customs document. If the purchase was in a foreign currency, the exchange rate used in the SAD or customs document is used to convert to PLN. This is the exchange rate announced by the NBP on the penultimate Wednesday of each month and valid for the entire month following the month in which it was announced. In the general principle of VAT settlement, the tax is paid directly to the customs office. This rule allows the taxpayer to exercise the right to deduct input tax on imports of goods in the month of the occurrence of import transactions or settle for one of the following two accounting periods.

Local taxes, including real estate⁸

The Ministry of Finance distinguishes nine local taxes and fees: transport tax, property tax, agricultural tax, forest tax, fair trade fee, spa fee, local tax, dog and advertising

fee. From a business perspective, some of them seem to be applicable.

➤ **Taxes on transport vehicles include trucks, tractors and ballast tractors adapted for use together with a semi-trailer or trailer, as well as trailers and semi-trailers, with the exception of exclusively agricultural activities run by a taxable farmer and a buses. The rates of this tax are determined by the authority of the municipality, which may vary the rates, taking into account, for example, the environmental impact of the vehicle or the year of production.**

➤ **Real estate tax is levied on land, buildings or parts thereof and buildings or parts thereof connected with running a business. The obligation to pay real estate tax are applicable to the landlords, insolvent owners and, in some cases, the dependents of the real estate or their parts owned by the State Treasury or local government. Real estate tax rates are set by the authorities of the municipality, which may also introduce exemptions, for example in the case of land and buildings registered individually in the register of monuments (provided they are correctly maintained), research institutes or entrepreneurs having the status of a research and development centre. Real estate tax exemptions may also be granted for the conduct of business activities in special economic zones.**

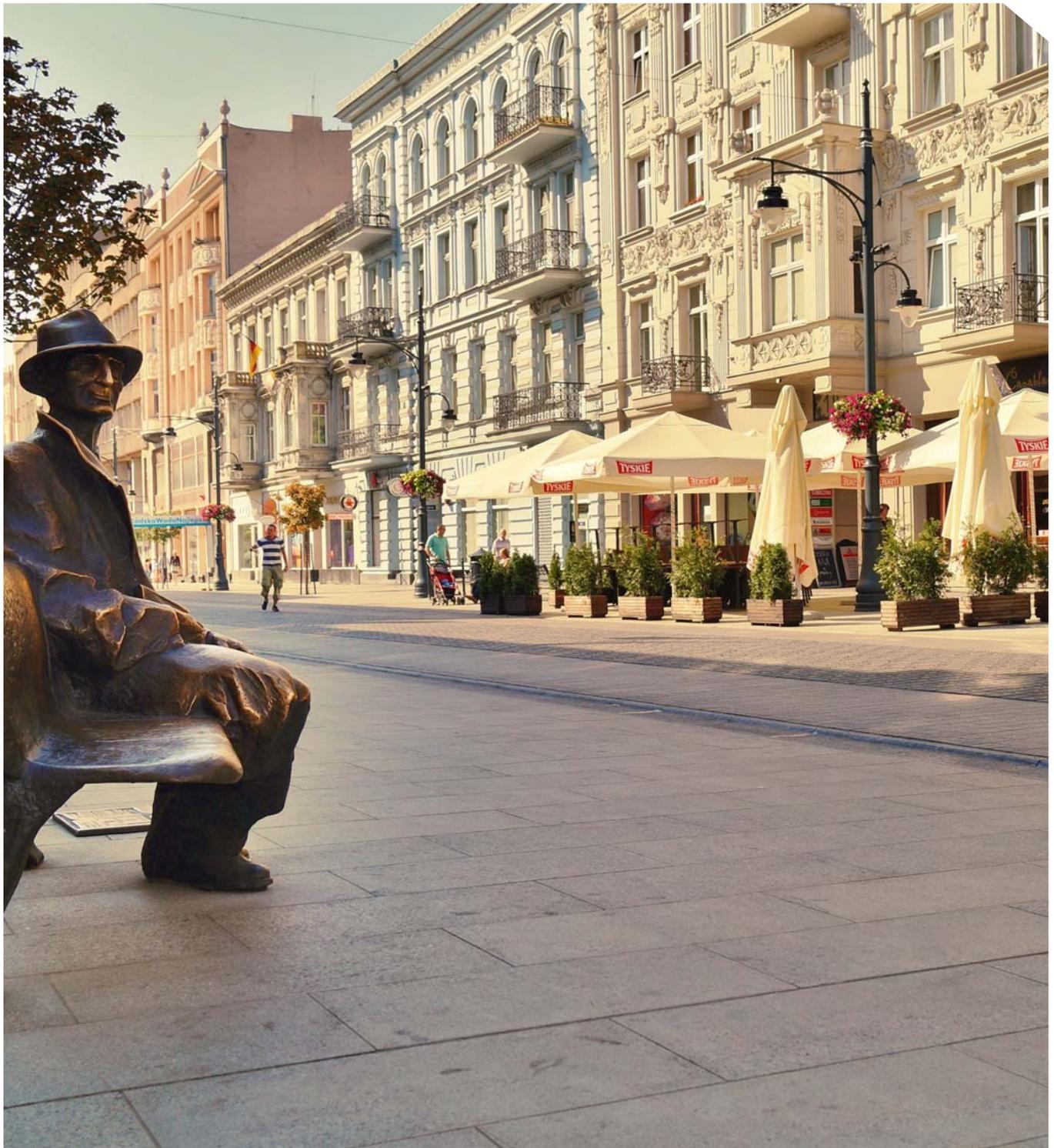
➤ **The subject of agricultural taxation is land classified in the register of land and buildings as agricultural land, except for land for business other than agricultural activities.**

➤ **The advertising fee may be introduced by the municipal council for the placed advertising boards or advertising devices. It may be collected only in areas where the principles and conditions of the placement of small architectural objects, advertising boards and advertising equipment and fences have been established by the municipal council.**

The upper level of all tax rates is announced annually by the Ministry of Finance, and for 2018 it is:

- 0.91 pln/m² per year for land
- 23.10 pln/m² per year for the buildings
- 2% of the value of the building determined by art. 4 sec. 1 pt. 3 and sec. 3-7 of the Act on Local Taxes and Charges





¹ Na Based on: Ministerstwo Finansów, 2017.01.26 15:06, <http://www.finanse.mf.gov.pl/abc-podatkow/informacje-podstawowe>

² Based on: Ministerstwo Finansów, „Opodatkowanie przychodów (dochodów) z kapitałów pieniężnych”, dostęp: 2017-10-09, www.finanse.mf.gov.pl/documents/766655/3187737/ULOTKA-opodat_kapital_2014.pdf&sa=U&ved=0ahUKEwjRsOqTKePWAhUIKsAKHW4IC34QFggEMAA&client=internal-uds-cse&usg=AOvVaw3RfyFaTfW7QMU2d2NMs5b

³ Based on: Tomasz Krywan, „Polska stosuje dwie metody unikania podwójnego opodatkowania”, 26.06.12, <http://www.podatki.abc.com.pl/czytaj/-artykul/polska-stosuje-dwie-metody-unikania-podwójnego-opodatkowania>

Ministerstwo Finansów, 2017.06.14 09:34, <http://www.finanse.mf.gov.pl/abc-podatkow/umowy-miedzynarodowe/wykaz-umow-o-unikaniu-podwójnego-opodatkowania>

⁴ Based on: Ministerstwo Finansów, 2016.04.08 08:25, <http://www.finanse.mf.gov.pl/finanse/inne-podatki/podatek-od-niektorych-instytucji-finansowych>

⁵ Based on: Izabela Rutkowska, „Opodatkowanie twórców z tytułu działalności wykonywanej osobiście”, 25.05.2012, https://www.podatki.biz/artykuly/opodatkowanie-tworcow-z-tytułu-działalności-wykonywanej-osobiscie_4_17593.htm?idDziału=4&idArtykułu=17593

Bartosz Nieścior, „Opodatkowanie dochodów sportowców”, 29 czerwca 2015, <http://prawno-naukowy.blog.pl/2015/06/29/opodatkowanie-dochodow-sportowcow/>

Artur Nowak, „Precedensowa uchwała NSA w sprawie opodatkowania przychodów sportowców”, 22.06.2015, <https://www.dzp.pl/aktualności-prawne/1858-precedensowa-uchwała-nsa-w-sprawie-opodatkowania-przychodow-sportowcow>

⁶ Based on: Hanna Czogalla, „Opodatkowanie dochodów zagranicznego członka zarządu”, 07.05.2014, <http://grantthornton.pl/publikacja/opodatkowanie-dochodow-zagranicznego-czlonka-zarządu/>

⁷ Based on: 2013-06-18, „Podatek VAT (cz. 7) - Transakcje zagraniczne w podatku VAT cz. I”, <https://poradnikprzebiejcy.pl/podatek-vat-cz-7-transakcje-zagraniczne-w-podatku-vat-cz-i>

⁸ Based on: Ministerstwo Finansów, 2016.01.26 09:11, „<http://www.finanse.mf.gov.pl/podatki-i-opłaty-lokalne>”



transfer pricing¹

The importance of transfer pricing in the economic activity of foreign investors

Transfer prices are the prices used in any transaction by entities between which there are equity or entity relationships. The transfer price, therefore, means the price charged by the company for goods, services and intangible assets to a

subsidiary or other related entity. In the Polish legal system, the concept of transfer price was defined solely to conclude a price agreement. The concept of transfer pricing should not be confused with tax avoidance or tax evasion issues.

Legislation governing the transfer of profits, dividends

Polish legislation defining the functioning of the Polish tax system is aligned with the guidelines of the EU Directive of 27 January 2015 on prevention of aggressive tax planning and the implementation of the BEPS guidelines under the BEPS initiative to prevent harmful tax practices.

Entities carrying out transactions with a related entity and entities carrying out transactions which result in the payment being transferred to a territory or a country employing harmful tax competition are obliged to carry out the specific documentation (reporting) on the application of transfer pricing.

An effective tool for businesses to reduce the risk of incorrectly set transfer prices for tax purposes is the Advance Pricing Agreement. This is an institution that minimises both the risk of price misalignment and the risk associated with tax control on transfer pricing. The Advance Pricing Agreement is concluded with the Minister of Development, in which the Minister confirms the correctness of the choice of the method of fixing transaction prices on terms recognised by the Authority. As a result, the domestic entity obtains official confirmation of the correct transfer pricing for tax purposes.

International regulations on transfer of profits

One of the international aspects describing the desirable behavior of multinational companies in other countries is the OECD Transition Rates for Multinational Enterprises and Tax Administrations, the OPSC and G20 Program, which deal with issues of taxpayers' focus on lowering the tax base and transfer of income to less taxed countries or the Resolution of the Council and the Representatives of the Governments of the Member States concerning the Code of Conduct for

Transfer Pricing Documents for Affiliated Companies in the European Union.

To limit the use of transfer pricing as a means of transferring income between related entities, the arm's length principle is introduced into the tax systems. This rule allows the tax administration of the country in which the related entity conducts its business to verify the correctness of the deter-

mined transfer pricing by comparing the terms and conditions established by the related parties to the conditions that would be established by the independent entities in comparable circumstances. In international terms, the agreement on the application of the arm's length principle in relations between two states is reflected in the content of the agreements on avoidance of double taxation. Poland has signed 93 agree-

ments of this kind that are consistent with the provisions of the OECD Model Convention, which give the tax authorities the right to adjust primary income between related entities (Article 9 (1) of the OECD), while specifying the extent to when this adjustment is possible and recommending a corresponding adjustment (Article 9 (2) of the OECD MK) to avoid double economic taxation.



¹ On the basis of:

Michał Piechocki, „Ceny transferowe jako obowiązek planowania aktywności gospodarczej w polskich przepisach podatkowych” [w:] Wojciech Bożek (red.), „System podatkowy w Polsce. Jego rola i znaczenie w procesie gospodarowania”, wyd. Uniwersytet Szczeciński, Szczecin 2016.
Jarosław F. Mika, „Ceny transferowe: komentarz do rozporządzenia, metody ustalania i szacowania cen transferowych, analiza porównywalności, przykłady”, Wydawnictwo C. H. Beck, Warszawa 2017.

Ministry of Finance, web sub-page „Ceny transferowe”, <http://www.finanse.mf.gov.pl/cit/ceny-transferowe1>



working – legal regulations and formal requirements¹

Legal regulations in Poland

The most important legal act regulating relations between employers and employees in Poland is the Labor Code. The provisions of employment contracts and other acts on the basis of which the employment relationship arises may not be less favourable to the employee than the provisions of labour law. If you work under civil law contracts, the provisions of the Labor Code are not applicable.

Under Polish legislation, an employee may be a person who is 18 years old or older. It is also possible to employ young people aged 16-18 (so-called juveniles) for light work (art.200 of the Labor Code). Light work is a job that does not pose a threat to life, health and psychophysical development, nor does it make it difficult for young people to fulfil their school duties. This kind of work can be, for example, distribution of various things, picking up fruit, but if it does not connect to carrying heavy loads. The rules do not fully specify whether for the work of a person aged 16-18 must agree his legal representative, but it is worthwhile to prepare such consent in writing.

The working time may not exceed 8 hours per day and an average of 40 hours on an average of five working days in a settlement period accepted by the employer, not exceeding four months. The Labor Code, however, provides for deroga-

tions from this principle, for example in work which, due to production technology, cannot be stopped (so-called continuous work), it may extend the daily working hours. Weekly working hours, including overtime, may not exceed 48 hours on average in the settlement period adopted by the employer.

The provisions of the **Civil Code** also apply as the basis for the employment contract. According to them, work contracts and contractual agreements may be concluded. However, the civil law contract should not be concluded on the terms of the contract of employment, i.e. there may be no direct subordination of the contracting party to the contracting authority. Thus, the title of the contract as a civil contract or specific work contract does not prejudice the fact that the parties have entered into a contract of employment. A person performing an activity/work can be both a natural person and another entrepreneur. The disadvantage of civil law contracts from the point of view of employees is the lack of the right of the contractor (as for civil contract) or the executor of the work (as for contract of specific work) for holiday leave, severance or protection against contract termination, by which is characterized the employment relationship based on the provisions of the Labor Code. When concluding a civil contract, the employer should also ensure the application of the minimum hourly wage.

Labor Code and social security system

The provisions of the Labor Code regulate some issues related to the provision of an employment relationship, including the question of the inability of the employee to work

and the amount of remuneration he is entitled to. In the event of inability due to :

▶ **illness or isolation due to infectious disease lasting a total of 33 days per calendar year, and in the case of an employee who has completed 50 years of age - lasting a total of 14 days in a calendar year - the employee is entitled to 80% of the salary paid by the employer;**

▶ **accident on the way to or from work, or illness during pregnancy of up to 33 days in a calendar year - the employee is entitled to 100% of the salary paid by the employer;**

¹ On the basis of:

– DZP dla Polskiej Agencji Inwestycji i Handlu, http://www.paih.gov.pl/prawo/prawo_pracy
– Zakład Ubezpieczeń Społecznych, „Zabezpieczenie społeczne w Polsce”, Warszawa 2016

being subjected to the necessary medical examinations provided for candidates for donors of cells, tissues and organs and subjected to the taking of cells, tissues and organs - lasting up to 33 days in a calendar year - the employee retains the right to 100% of the salary paid by the employer.

If the cases of inability to work last more than 33 days in a calendar year, the employee receives sickness benefit in accordance with the rules laid down in separate regulations.

The amount of payable holiday leave for employees employed on the basis of an employment contract is:

- 20 days - if the employee is employed for less than ten years,**
- 26 days - if the employee is employed for at least ten years. The duration of the study, depending on the type of school, is determined by the length of the period of employment.**

The Polish social security system includes:

- pension insurance - from which pensions are financed,**
- invalidity allowance - intended for the finalisation of incapacity pensions, care allowances or funeral allowances,**
- sickness insurance - from which sickness, maternity or rehabilitation benefits are financed. Compulsory sickness insurance covers all persons who work on the basis of a contract of employment. Voluntary sickness insurance, at their request, also covers people covered by compulsory pension insurance,**
- accident insurance - from which benefits are provided following accidents at work.**

Also, contributions are paid for:

- health insurance - transferred to the National Health Fund for benefits and public health expenses,**
- Labor Fund - set up to carry out actions to prevent unemployment and promote employment.**

In certain situations (illness, maternity, long-term incapacity or occupational disease) a person insured the Social Insurance Institution may have additional benefits.

Employing full-time employees or on a civil contract basis

An employment contract can be concluded:

for a probationary period

for an indefinite period

for a fixed period of time, including for the purpose of replacing an employee (during his or her justified absence from work)

An employment contract for a probationary period may be concluded to verify the qualification of an employee for a period not exceeding three months. Re-signing a probationary employment contract with the same employee is possible only in two cases, namely:

- 1) if the employee is to be employed for another type of work,
- 2) at least three years after the date of termination or expiry of the previous employment contract, if the employee is to be employed for the same type of work (in this case a one-time re-entry in the probation contract is permitted).

The duration of employment under one fixed-term employment contract, as well as the total duration of employment under fixed-term employment contracts, concluded between

an employee and a company, must not exceed 33 months and the total number of such contracts may not exceed 3. Exceeding the indicated limits results in the contract being converted into an indefinite contract.

The above restrictions do not apply to contracts concluded for a specified period. For, for example, replacing an employee during his or her justified absence from work, performing work of casual or seasonal nature or of performing work for a term of office.

The employment contract is in writing and should be signed no later than at the day when the employee starts work. The terms of the employment contract are required in writing. The employment contract should include additional written information about some employment conditions (e.g. the applicable daily and weekly working time, the amount of leave or the length of the notice period).

An employment contract can be terminated in several ways:



A fixed-term contract is terminated after the expiry of the time for which it was concluded (although it may be terminated earlier). Each employment contract may also be terminated at any time and on the initiative of either party by agreement of the parties. Please note that termination of employment contract in this procedure, at the initiative of the employer, the employee may sometimes be required to pay the employee severance pay.

Termination of a contract of employment is effected by giving a statement of will by the employee or by the employer about his intention to terminate the contract at the end of the period of notice. Termination of the contract of employment with notice given by the employer is permissible upon fulfillment of the conditions specified in the Labor Code.

The length of the notice period depends on the type of contract and the seniority of the employer.

Term of notice for use in probationary contracts	Term of notice for fixed and unspecified time contracts
1) 3 working days if the probationary period does not exceed 2 weeks; 2) 1 week if the probationary period is longer than 2 weeks; 3) 2 weeks if the probationary period is 3 months.	1) 2 weeks if the employee was employed for less than 6 months; 2) 1 month if the employee was employed for at least 6 months; 3) 3 months if the employee was employed for at least 3 years.

The employer also has the possibility to change the terms of employment laid down in the employment contract to less favourable for the employee - then we say the termination of working conditions or pay conditions, i.e. change notice. When declaring working conditions or pay conditions, the rules governing the termination of the employment contract

are applied. This means, among other things, that the employer should state the reason for the change. The termination of the employment contract may also be terminated if the employee does not accept the proposed new terms and conditions of employment.

An employer may terminate a contract of employment with an employee without notice, both due to the fault of the employee (the so-called disciplinary dismissal) and

without his fault. Termination of the employment contract due to the fault of the employee may occur as a result of:

- serious violations of basic employee obligations
- committing the crime
- culpable loss of permissions necessary to perform work at the position held

Termination of the employment contract without notice without the fault of the employee is permissible

when an employee is unable to perform his or her job due to:

- inability to work due to illness lasting more than 3 months, if the employee has been employed by the employer for less than 6 months
- incapacity for work due to illness lasting more than the total period of remuneration, benefit and rehabilitation allowance for the first 3 months under the terms of the Labor Code and separate regulations if the employee was employed by the employer for at least 6 months or incapacity for work was caused by an accident at work or occupational disease
- excused absence other causes than the above-specified, lasting longer than one month

Where work is provided on the basis of civil law contracts (civil contract, service contract, specific work contract and

agency agreement), the employee is not entitled to employment rights provided for by the Labor Code.

Remuneration and other rates in labour law

The minimum wage of an employee employed on a contract of employment in Poland from 1 January 2017 is **PLN 2000 gross**. On the other hand, in the case of civil con-

tracts or other service contracts from 1 January 2017, the minimum hourly rate is **PLN 13 gross**.

Interest rates and social security contributions in 2017

The Social Insurance Institution (ZUS) is responsible for the collection of social security contributions. The interest rate for pension, disability and sickness insurance contributions

is the same for all insured persons; the only difference is the basis of assessment of pension premiums. The accident insurance premium rate varies, and premium payers set it independently based on the accident rate attributed to the type of activity illustrating the risk level of the accident.

Warning!

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The basis for the calculation of pension contributions is the income earned from the employment under the employment relationship, but also civil contracts for work or specific work contracts, if the contract was concluded with the employer with whom they in the employment relationship. In this case, the declared amount of income that constitutes the

basis for calculation of contributions may not be less than the minimum wage of an employee employed on a contract of employment in Poland. In the case where an employee earns income in foreign currencies, the converted income is the basis of the premium.

SOCIAL INSURANCE RATES CONCERNING SPECIFIC TYPES OF SOCIAL INSURANCE

Type of insurance	Total contributions	Employer	Employee
	% of the basis for calculating the premium		
retirement	19,52	9,76	9,76
disability	8,00	6,50	1,50
health	2,45	—	2,45
accident	0,40–3,60	0,40–3,60	—
health	9%	—	9%
contribution to the Labor Fund	2,45%	2,45%	—

Source: Social Insurance Institution, Principles of social insurance and health insurance and determining the basis of contributions

EXAMPLES OF SOCIAL INSURANCE RATES BASED ON CALCULATION OF THE AMOUNT OF PLN 2557.8

	With voluntary health insurance	Without voluntary health insurance
Social insurance	812,61 zł	749,94 zł
Health insurance	297,28 zł	297,28 zł
Labor fund	62,67 zł	62,67 zł

Source: www.zus.pl

STRUCTURE OF COSTS BY EMPLOYER AND EMPLOYEE IN CONNECTION WITH MINIMUM SALARY PAYMENT

-  Minimum wage: PLN 2000 gross
-  Sum of contributions paid by the employer: PLN 412.20
-  Sum of contributions paid by the employee: PLN 429.52
-  The advance income tax (deducted by tax deductible costs, tax free amount and part of health insurance contribution): 111 PLN
-  Net amount to be paid: PLN 1459.48
-  The total amount paid by the employer in connection with the payment of the minimum wage: PLN 2412.20

Warning!

From January 2018 the minimum wage will amount to 2100 PLN gross (1530 PLN net for payment to the employee) - the total cost of the employer will then be 2532.81 PLN. The minimum hourly rate will increase to PLN 13.70.



accounting and financial reporting¹

Importance of accounting in the light of legal regulations

The basic legal acts regulating responsibility for accounting in companies operating in Poland include:

- 
Accounting Act - in details determines the organisational process of accounting in companies - contains regulations concerning the keeping of books, preparation and publication of financial statements,
- 
Tax Code - specify the method of arising of, for example, tax liability, tax audit and verification,
- 
Income Tax Act (from individuals and corporations) - determines the structure of taxes and the specific responsibilities of the persons responsible for maintaining the account books.

Issues regulated by particular legal acts		
Accounting Act	Tax Code	Income Tax Act
<ul style="list-style-type: none"> • adherence to accounting principles, • keeping books, • collecting and storing the required documentation, • preparation of financial statements, • study and publication of financial statements, • submission of the financial report to the audit, • publication of the financial statements, • submission of financial statements or activity report. 	<ul style="list-style-type: none"> • Tax calculation, collection and payment in due time, • Designation of the person responsible for the calculation, collection and timely payment of tax, • Filing and passing on tax information to specific authorities. 	<ul style="list-style-type: none"> • collection of tax or advances by payers, • Filing of declarations, financial statements to the relevant tax office.

Tax scale in 2017

Annual income in PLN	Tax amount	
to 85 528	18%	minus amount reducing the tax
ponad 85 528	PLN 15 395,04 + 32% from the surplus of over PLN 85 528	

- As of January 1, 2017, the amount of tax deduction in a given tax year is determined by the amount of income earned and is:
- PLN 1,188 - for the basis of calculation of the tax not exceeding the amount of PLN 6,600;
- PLN 1,188 minus the amount calculated according to the formula: $PLN 631.98 \times (\text{the basis of calculation of tax} - PLN 6,600) \div PLN 4,00$ - for the basis of calculating the tax from PLN 6,600 and not exceeding PLN 11,000;
- PLN 556.02 - for the basis of the calculation of the tax higher than PLN 11,000 and not exceeding PLN 85,528;
- PLN 556.02 minus the amount calculated according to the formula: $PLN 556.02 \times (\text{the basis of calculation of tax} - PLN 85,528) \div PLN 41,472$ - for the basis of calculating the tax from PLN 85,528 and not exceeding PLN 127,000.

Source: Ministerstwo Finansów, PIT: stawki podatkowe, <http://www.finanse.mf.gov.pl/pit/stawki-podatkowe>

Paying social insurance contributions

The basis for the calculation of pension contributions is the income within the meaning of the personal income tax provisions for employment under the employment contract or service. For companies conducting the non-agricultural activity and persons cooperating with them, the basis for the calculation of contributions is the declared amount, however,

not lower than 60% of the forecasted average monthly salary. The rates and amounts of contributions paid to each type of social security are described in the section: Salaries and other rates in labour law.

Objectives and forms of tax audits²

Audyt A tax audit is a service aimed at verifying the legality of keeping tax records and declaring and settling taxes. Its purpose is to check the legality and regularity of settlements and to recommend possible changes to avoid irregularities in the future. Tax audits are also intended to increase the legal and financial security of the taxpayer, the managers of the

taxpayer and those involved in tax settlements. The result of the procedure is the preparation **of the Tax Audit Report**. The entire work of the tax audit and the content of the Report are covered by the tax professional's professional secrecy.

Types of Tax Audits:

1. Comprehensive Tax Audit

This is a comprehensive examination of the correctness of the determination and settlement of tax liabilities and other

public taxes in all tax titles. The purpose of a comprehensive audit is to detect all the irregularities in the areas covered by the survey and to diagnose and minimize the effects of erroneous activities.

2. Contract Tax Audit

The essence of the Contract Audit is to carry out a detailed analysis of concluded or future contracts in order to adjust them to changes in tax burdens together with proposing solutions guaranteeing tax security in the next year. Its purpose is to prepare for annual changes in tax law, and consists in:

- ▶ Analysis of sales and purchase contracts for the next year,
- ▶ Diagnosing the company's interests regarding cooperation with contractors,
- ▶ Proposing solutions that secure the interests of the taxpayer from the perspective of the forthcoming changes in the tax law.

3. Tax Optimization Audit

The optimisation audit is intended to provide the best possible solution for the implementation of the business opera-

tions planned by the counterparty. Its purpose is to optimise the tax burden and to legalise tax liabilities at the lowest possible level.

4. Audit of the Financial and Accounting System

The task of Auditing the Financial and Accounting System is to examine the compliance of the financial and accounting program with tax law, in particular:

- ▶ verification of the procedures used in the accounting and financial system used by the taxpayer,
- ▶ Diagnosing and minimising the effects of errors in the accounting and financial program affecting the tax settlements of the entrepreneur,
- ▶ Examining the correctness of issuing sales documents and invoices.
- ▶ Providing guidance on detected irregularities.

Components of financial statements³

The financial statements are prepared as at the closing date of the accounting books and other balance sheet date. It consists of: **balance sheet, profit and loss account** as well

as additional information (introduction to the financial statements and additional information and explanations).

▶ In the balance sheet, the assets and liabilities are disclosed at the end of current and prior scal year. If, however, the balance sheet is prepared for a non-balance sheet date, the assets and liabilities status as at that date and at the end of the scal year immediately prior to that balance sheet date should be reported.

▶ In the income statement shows separately income, expenses, prots and losses and obligatory burden the nancial result for the current and previous scal year. Where the prot and loss account is prepared for another reporting period, the income, expenses, prots and losses and mandatory charges for the current reporting period and the corresponding reporting period of the previous scal year should be separately reported. If, however, an entity discontinues certain activities that have an impact on the revenues and expenses of future reporting periods, the corresponding revenues and expenses must be recognised separately from the revenues and expenses of continuing operations so that the continuation principle is maintained.

▶ Notes should include relevant information and explanations necessary to ensure that the nancial statements present fairly and accurately the nancial position and nancial performance. It is important to provide the introductory information to the nancial statements which describe the adopted accounting policies, as well as additional explanations to the balance sheet item, prot and loss account, statement of changes in equity and the cash ow statement for reporting periods covered by the nancial statements, distribution of prot or loss coverage, as well as basic information about employees and bodies of the entity.

Audit in the light of annual reports⁴

The audit of financial statements is designed to verify that the accounts and notes are free from misconduct as well as the reliability and transparency of the information contained therein. They are prepared by statutory auditors for compliance with accounting principles and are intended to provide credibility and ensure business security.

According to the regulations in force, the audit covers the financial statements of financial and insurance institutions, joint stock companies (with the exception of companies that are in the organization on the balance sheet date) and all other entities that in the preceding financial year for which financial statements were drawn up and fulfilled at least two of the following conditions:

-  average employment in full-time equivalents amounted to at least 50 people,
-  the total assets of the balance sheet at the end of the financial year represented an equivalent in the Polish currency of at least 2,500,000 EUR,
-  net revenues from sales of goods and products and financial operations for the financial year represented an equivalent of EUR 5,000,000 in the Polish currency.

The financial statements of the acquiring companies and the new companies drawn up for the year in which the merger took place shall also be examined.

Auditing the financial statements by an expert allows you to confirm the correctness of the reported data, but also serves to strengthen credibility and works to the benefit of the company when looking for external sources of funding.

Consolidated annual financial statements⁵

In the case of capital groups, it is possible to draw up the annual consolidated financial statements of the capital group. This includes the data of the parent and its subsidiaries at all levels, irrespective of their registered office as if the group was a single entity.

The consolidated financial statements consist of the following elements:

-  consolidated balance sheet, consolidated profit and loss account,
-  consolidated cash flow statement,
-  statement of changes in consolidated equity,
-  additional information and explanations.

The report on the capital group's activity may also be included in the report. They are prepared to take into account relevant information on the financial status and financial position of the entity together with an assessment of the results obtained and the indication of risk factors and the description of the risks. While it is important to assess the individual, in a report on the activities of the unit should be recognised and financial and non-financial indicators, including information on environmental and employment issues. It should also provide information on the owned shares or stocks, held by both the parent and the entities of the group and persons acting on their behalf.

¹ Based on:
Joanna Góralska, „Odpowiedzialność za rachunkowość jednostki w świetle regulacji prawnych” [w:]
Finanse, Rynki Finansowe, Ubezpieczenia, nr 69 (2014), Szczecin 2014.
Ministerstwo Finansów, <http://www.nanse.mf.gov.pl>
Zakład Ubezpieczeń Społecznych, <http://www.zus.pl>
Zakład Ubezpieczeń Społecznych, „Zabezpieczenie społeczne w Polsce”, Warszawa 2016.
² Based on: <http://www.isp-modzelewski.pl/>
³ Based on: <http://ksiegowosc.infor.pl/>
⁴ Based on: Rödl & Partner, „Badanie sprawozdania finansowego – podstawowe informacje”
⁵ Based on: Infor, <http://ksiegowosc.infor.pl/rachunkowosc/sprawozdawczosc/697173,Skonsolidowane-sprawozdania-nansowe-grupy-kapitalowej.html>



investments in the real estate market

Real estate market in Lodz and the Lodzkie Region¹

Office Market

- The resources of modern office premises in Lodz at the end of 2016 amounted to 360 thousand sqm - apart from new investments, a significant part of the existing spaces are revitalised post-industrial buildings adapted for office functions
- Office space under construction - 130,000 sqm planned to be completed by the end of 2018 - third place in Poland after Krakow (278,000 sqm) and Tri-City (150,000 sqm)
- Supply for office space - 9% of the total regional supply, which makes Lodz 6th in terms of the size of the regional market in Poland
- Total amount of office space leased - 4th place in Poland, with the lowest vacancy rate at 6.2% at the end of 2016

The Lodz office market offers attractive financial rent conditions:

- Rates for space in A-class buildings - EUR 12-13.5/m²/month
- Rates for space in B-class buildings are approximately 25% lower - EUR 9-12.5/m²/month
- service charges incurred in addition to the rent in existing office buildings were at the level of PLN 10-18/m²/month
- - potential renters may additionally count on incentives in the form of rental holidays or an arrangement budget.

Commercial market

Regarding supply of retail space, Lodz is the sixth largest commercial market in Poland offering 554,600 m² GLA (Gross Leasable Area), located in 16 buildings. The commercial area density of 568 m² per 1000 inhabitants is placed in the fifth position in Poland.

In Lodz, there are two of the five largest shopping centres operating in Poland - Manufaktura (110,000 m² GLA) and Port Lodz (103,000 m² GLA). An important role is also played by the systematic expansion of the shopping complex in Rzgów. Ptak Fashion City consists of about 2,500 stores with accompanying infrastructure.

Apart from galleries and shopping parks, Piotrkowska Street is also an important commercial centre in Lodz, where at the end of 2016 there were over 300 shops, service points and food outlets.

Rent rates on the Lodz commercial market remain stable. Rents of premises with an area of approx. 100-150 m² (e.g. for the clothing industry) range from EUR 35 to 37/m²/month. Lower rates apply in shopping malls, where the average level of rent for the premises of 500-1000 m² is EUR 5-9/ m²/month. In the case of shopping streets, the rents depend on the location and prestige of the street, as well as the area of the lease, its location, layout, standard and arrangement possibilities. In Lodz, the highest rents are recorded for premises located along Piotrkowska Street - EUR 25-30/m²/month.

Warehouse market

The areas of Lodz, Strykow, Piotrkow Trybunalski and their surroundings make up the fifth largest warehouse market in the country. The resources of modern warehouse spaces in this region amounted to over 1.37 million m² at the end of 2016, of which almost 380 thousand m² was located in objects in Lodz.

At the end of 2016 the share of the Lodz Region in the total modern warehouse spaces in Poland was 12.3%. In 2016, over 172,000 m² of new warehouse space was put into

service. In the years 2013-2016, the vacancy rate dropped from 12.3% in 4Q 2012 to 2% at the end of 2016. This was one of the lowest vacancy rates in Poland among the main warehouse markets in Poland - just after Toruń and Bydgoszcz (1%).

At the end of 2016, the rent for the best warehouse spaces in the Lodz region was at the level of EUR 1.90-2.90/m². In addition to rent, tenants are required to pay a service charge (average rate for Class A objects is approx. EUR 1/m²), as well as incurring media costs (counter fees). VAT should be added to rental costs.

It is expected that further development of the analyzed market and the greatest activity of developers will be observed in the vicinity of Strykow, Piotrkow Trybunalski and also in the city of Lodz.

Land market

Lodz and the Lodz region have a large number of attractive investment areas, both for office investments and for

production and warehouse investments. The areas are characterised by considerable diversity - here you can find both offers with old red brick buildings (or their remains) and empty plots of land, which are the most popular among investors.

Legal framework for the acquisition of real estate²

The rules governing the acquisition of real estate property in Poland are laid down in the Act of 24 March 1920 and the Act of 11 April 2003 on the Formation of the Agricultural System. According to them, a foreigner intending to acquire

the title to the real estate or the right of perpetual usufruct is obliged to obtain a permit. He may also apply for a promissory note, which is a promise to issue.

Permit is not required if the alien is a citizen or entrepreneur of a Member State of the European Economic Area and also acquires undeveloped real estate for statutory purposes, which total area does not exceed 0.4 hectares in the urban are.

Specific rules apply when foreigners acquire shares or stocks in a commercial company based on the territory of the Republic of Poland. Every legal activity requires the approval of the Minister of Internal Affairs if, as a result of such action, a company which is the owner or perpetual usufructuary of a real estate on the territory of the Republic of Poland becomes a controlled company. Permit for the purchase of real

estate is issued upon the request of the foreigner by Ministry of Interior and Administration with the consent of the Minister of National Defense and in the case of agricultural real estate - also with the consent of the Minister of Agriculture and Rural Development. The permit is valid for two years from the date of its issue, and a final purchase transaction should be confirmed in the form of a notarial deed.

Construction law³

The Construction Law Act regulates the activity covering the design, construction, maintenance and demolition of buildings and defines the rules of operation of public administration bodies in these areas. The Act regulates the obligations of the investor, whose duties include the organization of the construction process, starting from the preparation of the construction design to the execution and acceptance of construction works performed under the supervision of a designated site manager with appropriate professional qualifications.

Construction work can only be started on the basis of a construction permit decision. The Investor is obliged to notify about the planned date of commencement of construction works, for which a building permit is required, notification of the construction or notification of the reconstruction of the construction supervisor and designer supervising the conformity of construction works with the project.

Investment process step by step :

Step 1: In the municipality ope competent for the planned investment, an extract from the local spatial development plan (LSDP) or - if the plot is not covered by LSDP - the development conditions should be obtained. Within 14-30 days, the decision on development conditions is issued by the mayor or president of the city. If the plot is covered by a zoning plan, the extract from LSDP is obtained much faster.

Step 2: Execution of the architectonic-building project.

Step 3: Submission of an application for a building permit in the relevant regional authority, which is issued in the form of an administrative decision. The application must be accompanied by 4 copies of the construction project.

Step 4: Obtaining the permit - relevant decision is issued within 65 days from the date of application submission..

Step 5: Construction commencement - should take place within 3 years after the nal approval decision.

Step 6: After the construction is completed, the building supervisory authority should be notified, which, after carrying out a mandatory inspection, issues a decision on the permission to use the building. Issuing a certificate entitles the investor to start using the facility.

Subsidies and public help⁴

One of the forms of public help for entrepreneurs is the exemption from property tax. This form is one of the basic investment incentives used in municipalities of which local authorities have the power to set tax rates and grant possible tax and fee exemptions. In order to be eligible for the exemption, certain conditions laid down by the municipality must be met and the intention to receive the aid notified.

Most often the municipal councils introduce exemptions on the basis of the ordinance of the Council of Ministers on the conditions of granting exemptions from real estate tax and tax on means of transport and in the frame of *de minimis aid*.

The Regulation lays down a framework of conditions which must be met in order for a taxable person to benefit from an exemption from property tax:

-  **prior to the commencement of the investment, the intention to notify the competent tax authority of the intention to use the aid in accordance with the provisions adopted by the authorities of individual municipalities,**
-  **a commitment to cover a minimum of 25 % of eligible costs (fixed and intangible assets that are linked to the implementation of a new investment) from own resources or external sources of financing but which do not come from public help,**
-  **maintenance of the investment in the relevant region for at least 5 years, and in the case of micro, small and medium-sized enterprises (SMEs) for at least 3 years from the date of its completion,**
-  **creation of new jobs no later than 3 years from the date of completion of the investment and maintaining employment at a level not lower than the average of the 12 months preceding the creation of jobs and maintaining new jobs for at least 5 years, and in the case of SMEs at least 3 years from the date of their creation.**

The municipal council may also grant tax exemptions in line with Community rules on *de minimis aid*. The basic legal act governing the granting of such assistance is the European Commission Regulation of 15 December 2006. The Regulation fixes the amount of *de minimis aid* at EUR 200,000 (EUR100,000 in the road transport sector), per business operator for three consecutive financial years. This aid is calculat-

ed in such a way that the aid received in the current year and the two preceding years is added, and the aid amount may not exceed EUR 200,000 (EUR 100,000 in the road transport sector). Resolutions on exemptions under *de minimis aid* may in principle apply to all local taxes and charges and may be adopted independently of resolutions providing for other types of aid.

Real estate taxes

Taxpayers of real estate are natural persons, legal entities, organisational units, including companies without legal personality, which are:

-  **owners or owner-like possessor (individuals who actually have possessions of a property or construction works property like the owner)**
-  **perpetual usufructuaries of land**
-  **holders of real property or construction facilities (or parts thereof) owned by the State Treasury or local government units**

The objects of taxation in the case of enterprises are land, buildings and structures related to the conduct of economic activity (land, buildings and structures owned by the entrepreneur or another entity conducting economic activity).

The tax base:

-  **for the land** - the size of the area listed in the land and building register kept by geodesic authorities;
-  **for buildings** - the useable area of the building or parts of it, measured in internal length of the walls on all storeys, except the area of staircases and lift shafts. Underground garages, cellars, basements, basements and utility attics are also considered to be the storey. Floors with a height of 1.4-2.2 m shall be counted in 50%, and if the height is lower than 1.4 m this area shall be disregarded.
-  **for constructions related to the conduct of business activity** - the value determined as at January 1 of the scal year, constituting the basis for calculation of depreciation in that year, and in the case of fully amortised constructions - their value as at January 1 of the year in which the last amortisation write-off was made. If no amortisation write-os are made on the structure - the tax base is its market value determined by the taxpayer as at the tax obligation date.

Forms and methods of investing in real estate⁵

With regard to businesses are possible three forms of legal investment in real estate:

- **sole proprietorship,**
- **limited liability company,**
- **limited partnership.**

 **Sole proprietorship has the advantage of being able to obtain favourable loans in just a few months. The disadvantage is the need to pay social security contributions, the risk of own assets and lack of access to tax optimisation. Sole proprietorship opens practically every opportunity to invest outside group investments. It is most often used for various types of rentals and subleases, as well as for the sale of ats and other real estates.**

 **A limited liability company is a company under commercial law, which allows for separation of private and corporate assets, limits the liability and risk bearing of its own assets, allows for inheritance, sale and purchase. Members of the management board and owners are not obliged to pay social security contributions. This legal form is most often used by medium and large companies which invest in land, tenement houses or other more expensive properties. It is advantageous for rentals and subleases. However, it should be noted that a credit on favourable terms can normally only be obtained after 2 years, unless some other security is in place.**

 **The limited liability company limited partnership is used for undertakings in which investors are to be protected. In this legal form there are two parties: a general partner and a limited partner. Usually a limited liability company. becomes a general partner, i. e. it is fully responsible for the company's obligations and manages the company. Investors become partners. Their role does not cause any risk and is related only to the fact of investing cash. Most often this legal form is used in the so-called "legal form". group investments.**

¹ Na Based on: Colliers International dla Urzędu Miasta Łodzi, „Łódzki Rynek Nieruchomości 2017”; Biuro Obsługi Inwestora UML we współpracy z OPG Property Professionals, „Pierwotny rynek nieruchomości mieszkaniowych 2017 w Łodzi”

² Based on: <https://bip.mswia.gov.pl/bip/sprawy-obywatelskie/15930,Nabywanie-nieruchomosci.html>;
<https://amw.com.pl/pl/nieruchomosci/zasady-nabywania-nieruchomosci/cudzoziemcy/zezwozenie>

³ Based on: Ustawa z dnia 7 lipca 1994 r. Prawo budowlane, Dz.U. 1994 Nr 89 poz. 414

⁴ Based on: Polska Agencja Inwestycji i Handlu, „Zwolnienie z podatku od nieruchomości”

⁵ Based on: Justyna Broniecka-Klim, „Cztery najczęściej występujące formy inwestowania w nieruchomości”

regulations concerning the employment of foreigners¹

Performing the work in Poland by foreigners is possible after fulfilling a number of conditions under the law, including the Act on Foreigners:

- ▶ the foreigner must hold a valid visa or other document allowing to stay on the territory of the Republic of Poland, e.g. a temporary residence permit, which is confirmed by a residence card (it cannot be, for example, a tourist visa);
- ▶ An employer wishing to employ a foreigner must obtain a work permit for him (issued by the competent region) unless the foreigner has a so-called uniform temporary residence permits and work permits;
- ▶ The foreigner's employment cannot be carried out under other conditions or on a different position than that specified in the work permit (except entrusting work of a different character or on a different position than specified in the permit for a period not longer than 30 days in a calendar year, provided that the regional authorities which have issued a permit will be notified of the fact within 7 days).

Warning!

Any person who holds the nationality of any of the EU Member States, the European Economic Area or Switzerland is entitled to employment in Poland without obtaining a work permit.

In the case of the so-called single permit for temporary residence and work, work on other terms or on a different position than that specified in that permit is permissible provided that the content of the permit will be accordingly changed at the request of the foreigner.

Before the employment of a foreigner, the employer is obliged to:

- ▶ request a foreigner to present a valid document entitling him to stay on the territory of the Republic of Poland (in particular a visa or residence card) before commencing work,
- ▶ Keep a copy of this document: in the case of employment under a contract of employment - in the personal file of the employee, on the terms and for the period of compulsory storage of these files, and in the case of the conclusion of a civil contract with a foreigner - throughout the duration of the work,
- ▶ within 7 days register the foreigner for insurance purposes, if such an obligation results from the provisions in force,
- ▶ check if the applicant is required to apply for a work permit,
- ▶ If the work permit is required, the employer should apply to the competent region governor for such permission for the foreigner (unless the foreigner has a so-called uniform permit for temporary).

The work permit is issued for a specific foreigner and determines the employer employing the foreigner, the position or type of work, and the period of validity of the permit. In the case of posting a foreigner to work in the territory of Poland, the work permit, in addition to the foreign employer, also specifies the entity to which the foreigner is posted. If the permit concerns the work of a foreigner in the character of a temporary worker, the employment authority shall, in addition to the temporary employment agency, also authorise the employer.

In certain situations, foreigners may work on the territory of the Republic of Poland without a work permit or a tempo-

rorary residence permit. These situations are strictly defined in the legal regulations governing the stay of foreigners on the territory of the Republic of Poland. Apart from EU citizens and EEA citizens (and their family members), the category of foreigners exempted from the need to obtain a work permit includes, among others, holders of a refugee status, permanent residence permit in Poland or a permit to stay for humanitarian reasons, but also students of full-time studies, athletes or persons participating in programs implemented within the framework of European Union activities or other international assistance programs. The full range of categories of persons exempted from the requirement to obtain a work permit is contained in the following legal acts:

▶ **the Act of December 12, 2013 on Foreigners,**

▶ **Act of June 13, 2003 on granting protection to foreigners on the territory of the Republic of Poland,**

▶ **the ordinance of the Minister of Labor and Social Policy of April 21, 2015 on cases where the assignment of a foreigner to work on the territory of the Republic of Poland is permissible without obtaining a work permit,**

▶ **Act of April 20, 2004 on promotion of employment and labor market institutions.**



¹ Based on: Państwowa Inspekcja Pracy, „Jak legalnie zatrudnić cudzoziemca?”; Ministerstwo Rodziny, Pracy i Polityki Społecznej, „Zatrudnianie cudzoziemców – praca bez zezwolenia”



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