



Invest in Poland

**A place for Qatari
investments in the EU**

December 2021

KPMG.pl





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Foreword by KPMG

The history of economic relations between Poland and Qatar is still in its early stages. The breakthrough was the beginning of cooperation to increase diversification of energy supplies to Poland. With increased deliveries of LNG, trade in other goods and services flourish, yet there is still much place for business cooperation. As one of the 27 European Union Member States Poland and companies incorporated in this country can leverage from free access to the single market, consisting of nearly 450 million inhabitants. Duty-free trade and common rules facilitate exchange of goods, services and capital allocation, giving the opportunity for higher revenues.

Foreign investors in Poland can increase their rate of return by reducing their costs with numerous available tax reliefs, as well as grants and loans from both national and EU funds. Poland is the biggest beneficiary of the former. Another key factor is the human capital. Poland with a population of more than 38 million can offer not only a large internal market, but also a well-educated workforce and a high level of entrepreneurship. The result is the biggest M&A market in Central and Eastern Europe and the third-largest market for greenfield investments on the entire continent.

Private capital investments have played an important role in supporting the continuous growth of the Polish economy over the last three decades, unprecedented in the region. During the global economic slowdown in 2020, many Poles experienced recession for the first time in their lives, yet it was still one of the slightest in the entire EU. A rebound seen in 2021 to date allows for positive forecasts on the future economic situation.

We are pleased to present the report, which is the result of cooperation between KPMG in Poland and the Qatar-Poland Business Council. We joined our knowledge and business experience to create a brief summary of key data and information on the state of mutual Qatari-Polish relations, as well as economic and business conditions in Poland.

We believe this report will support Qatari entrepreneurs considering investments in Poland in making their decisions on geographic expansion. I wish you an interesting read and only profitable investments.



Stacy Ligas
Senior Partner, CEO,
KPMG in Poland

Foreword by the Qatar-Poland Business Council

Poland and Qatar have both experienced dynamic growth over the last few decades becoming exceptionally attractive destinations for international commerce. They are very important business hubs connecting broader regions and even continents. Both countries are also wonderful places to visit offering a rich palate of tourist attractions.

As the President of the Qatar-Poland Business Council, it is my pleasure to present to you this report which is the fruit of our collaboration with one of the most prestigious consulting firms in the world, KPMG. Poland, being one of the largest economies within the European Union and also one of the largest economies globally offers tremendous investment opportunities.

The mission of the Qatar-Poland Business Council (QPBC) is to promote positive bilateral relations between both nations. We are a non-profit business organization registered at the Qatar Financial Center in Doha active in Qatar as well as in Poland. The QPBC is an open platform that welcomes anyone supporting our mission regardless of nationality. We pride ourselves in being open and diverse while promoting and protecting both Qatari and Polish interests. We welcome everyone to connect with us and treat us as a resource on various investment opportunities.

We are very confident that there is extraordinary potential for much closer economic cooperation between both nations. Poland is one of the fastest growing economies in Europe and it is a very safe place to do business. We hope that this report will encourage you to take the first step on the journey of unlocking opportunities.

We are here to support you, so please do not hesitate to use us as a resource.



Daniel Dybala
President,
Qatar-Poland Business Council

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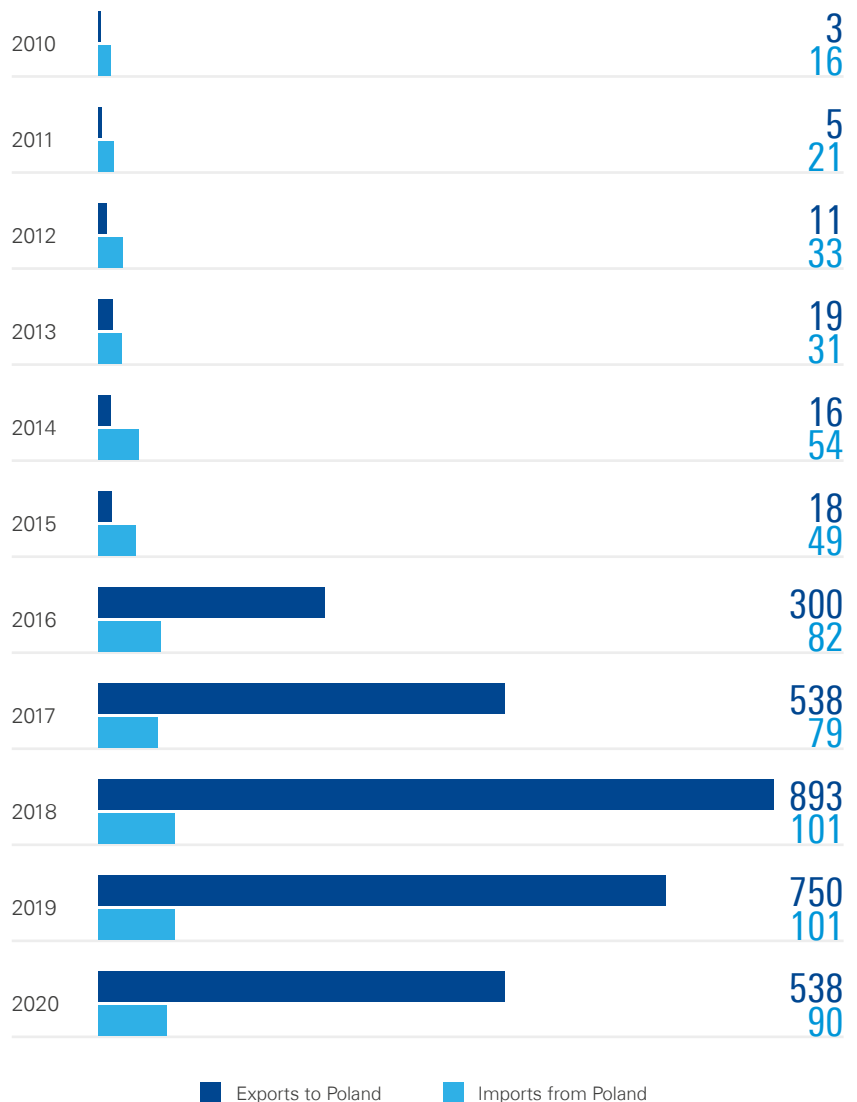
Qatari-Polish trade and investments

Bilateral trade

The Qatari-Polish trade relations intensified over the last several years. Until 2015, exports of goods to Poland included mainly polymer materials and the balance of trade between Qatar and Poland remained negative. The deliveries of liquified natural gas (LNG) to Poland, the first of which reached regasification terminal in late 2015, brought a complete change. The hydrocarbon trade was started based on a long term agreement between Qatargas and Polish oil and gas company PGNiG, signed in 2009. Since then, the value of goods sold to Poland clearly exceeds Qatar's import from this direction. The record level of nearly USD 893 million value of export was achieved in 2018 and in the pandemic 2020 it was 538 million, 28% less than in the previous year. LNG is of strategic importance for Polish natural gas supplies diversification efforts and Qatar continues to be the country's main source of this supply.

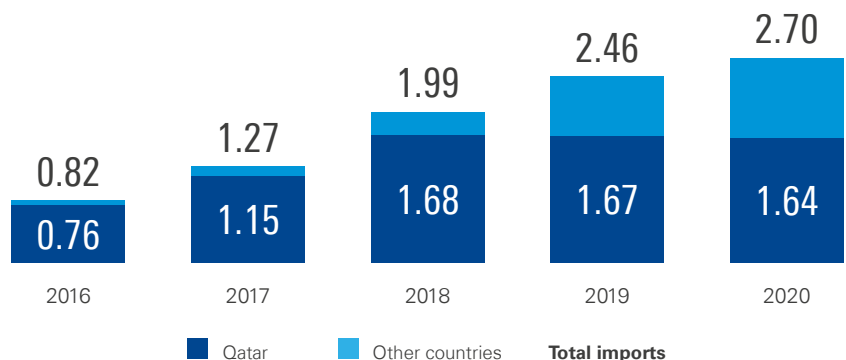
On the other hand, Polish export to Qatar is diversified in its structure. Among goods delivered to Qatar from this direction worth USD 90 million in 2020, 85% were manufactured goods, especially electrical machinery and apparatus, furniture, paper and paperboard. Poland is the world's 22nd biggest exporter, delivering mainly processed goods, rather than raw materials. Companies registered in Poland leverage from the access to a single market, common for 27 EU countries with nearly 450 million inhabitants and some other countries with various degree of participation. Single market eliminates barriers in the movement of goods, services, people and capital.

Qatari-Polish trade in goods (USD million)



Source: KPMG in Poland based on UNCTAD data.

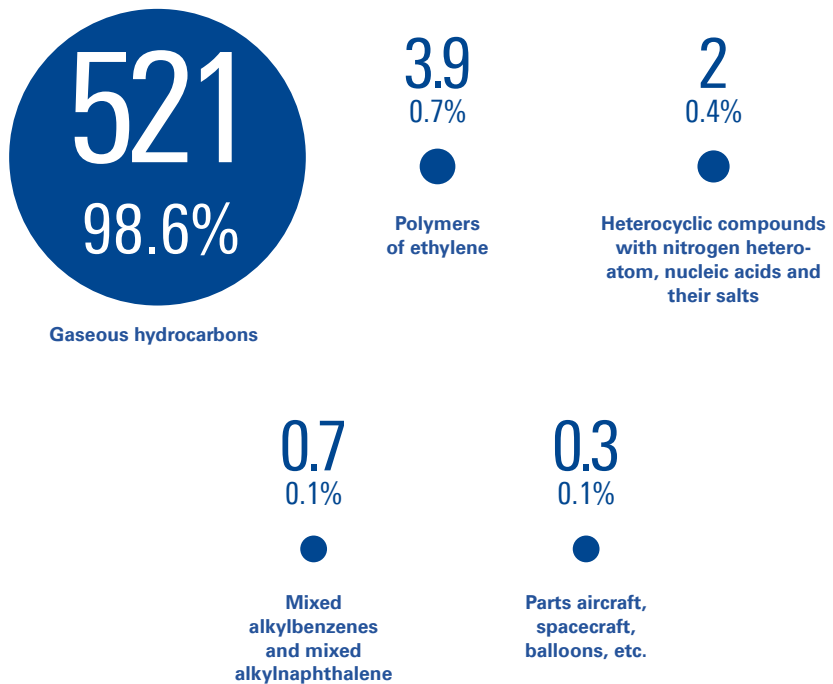
Poland's LNG import volume (million tonnes)



Source: GIIGNL, International Group of Liquefied Natural Gas Importers.



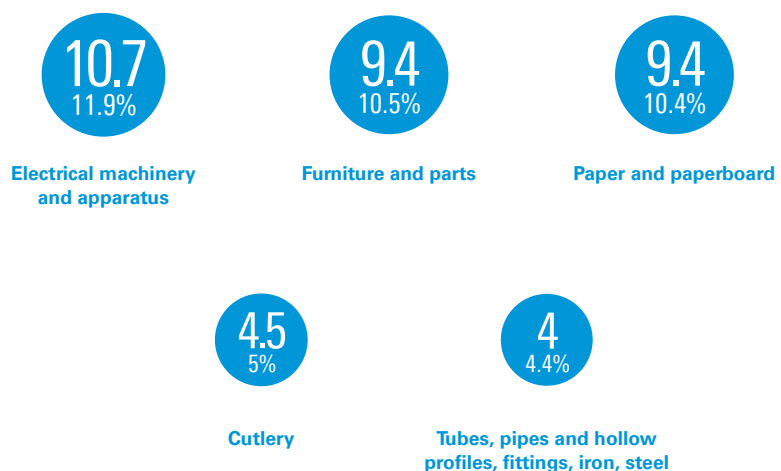
Top 5 most valuable categories of goods exported from Qatar to Poland in 2020 (USD million, % share*)



Source: KPMG in Poland based on Qatar Planning and Statistics Authority data, converted at the official fixed exchange rate of QAR to USD.

*The share is calculated based on Planning and Statistics Authority value of total exports, which is slightly lower than presented by UNCTAD.

Top 5 most valuable categories of goods imported from Poland to Qatar in 2020 (USD million, % share)



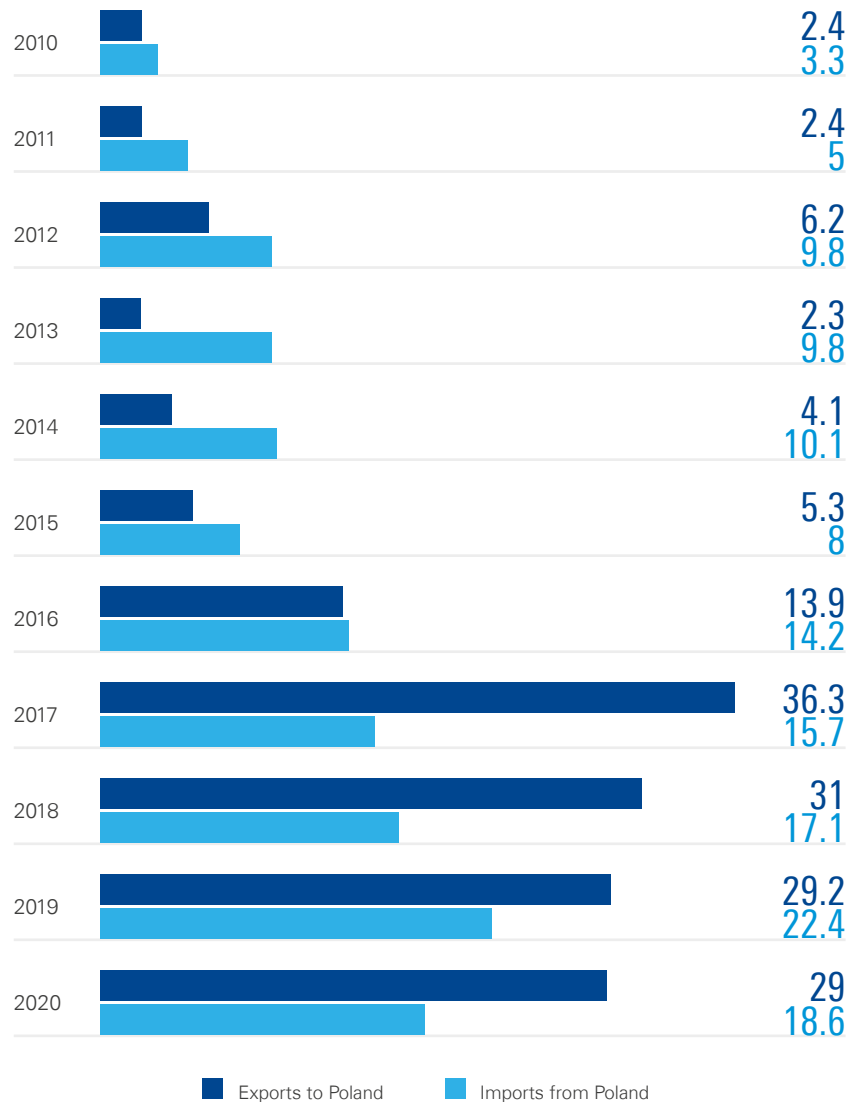
Source: KPMG in Poland based on UNCTAD data.

Along with the exchange of goods, trade in services between Qatar and Poland is under development. In 2020, services sold to Poland by Qatar amounted to USD 29 million and nearly USD 19 million flowed in the opposite direction. Doha maintains positive balance in trade in services with Warsaw since 2017.

The value of foreign direct investments (FDI) made by entities located in Qatar is still insignificant. Yet, in 2020 Poland received about USD 600 thousand worth of FDIs and the total FDI liabilities position to Qatari investors stood at USD 1.5 million.

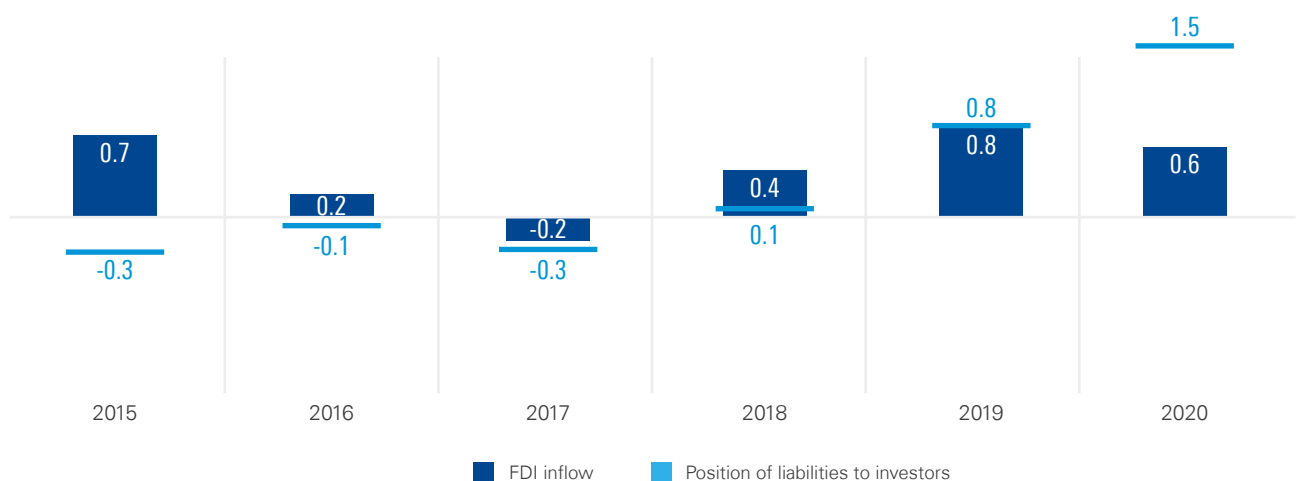
Recent meetings and agreements on political and business nature gives hope to further development of relations between the two countries. Qatari-Polish relations are based on several bilateral agreements, as well as cooperation on the EU scale, which Poland is a Member State since 2004.

Qatari-Polish trade in services (USD million)



Source: GIIGNL, International Group of Liquefied Natural Gas Importers.

Qatari foreign direct investments in Poland (USD million)



Source: KPMG in Poland based on National Bank of Poland data.



Development of bilateral economic cooperation with Poland

April 1998 – visit of the Qatari Minister of Foreign Affairs in Poland. **Agreements on Civil air transport and cooperation between chambers of commerce signed.**

November 2008 – visit of the Polish Prime Minister in Qatar, including i.e. talks on cooperation in the energy sector and proposals for the inclusion of Qatari capital to the proces of privatization of Polish economy. **Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income signed.**

June 2009 – Sales and Purchase Agreement between Qatargas and PGNiG on the supply of LNG signed.

October 2011 – visit of the Emir of Qatar in Poland. **Agreements on tourism cooperation and establishment of a Polish-Qatari Business Council signed.**

December 2012 – launch of a direct Qatar Airways connection between Doha and Warsaw.

December 2013 – visit of the President of Poland in Qatar.

May 2017 – visit of the Emir of Qatar in Poland, along with a series of high level meetings. **Agreement on economic cooperation signed.**

March 2019 – visit of the Deputy Minister of Entrepreneurship and Technology of Poland in Qatar to discuss the possibilities of developing cooperation, especially in the fintech sector.



Development of economic cooperation via multinational agreements

June 1988 – **EU-GCC Cooperation Agreement**, providing the framework for economic and political cooperation between member states of both organizations and establishing a Joint Council and a Joint Cooperation Committee.

May 2017 – **a dedicated Dialogue on Trade and Investment Issues launched by the EU and the GCC**, covering i.e. trade and investment-related issues, market access irritants, regulatory requirements and ways to encourage greater trade and investment flows.

July 2019 – **a Dialogue on Economic Diversification launched by the EU and the GCC** to develop connections and to build partnerships based on the exchange of EU experience and expertise to assist GCC countries in their economic diversification strategies.

October 2021 – **Comprehensive Air Transport Agreement between EU and Qatar**, which sets out a number of rules and raises the standards of flights between Qatar and EU members.





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Poland - a Brief Summary

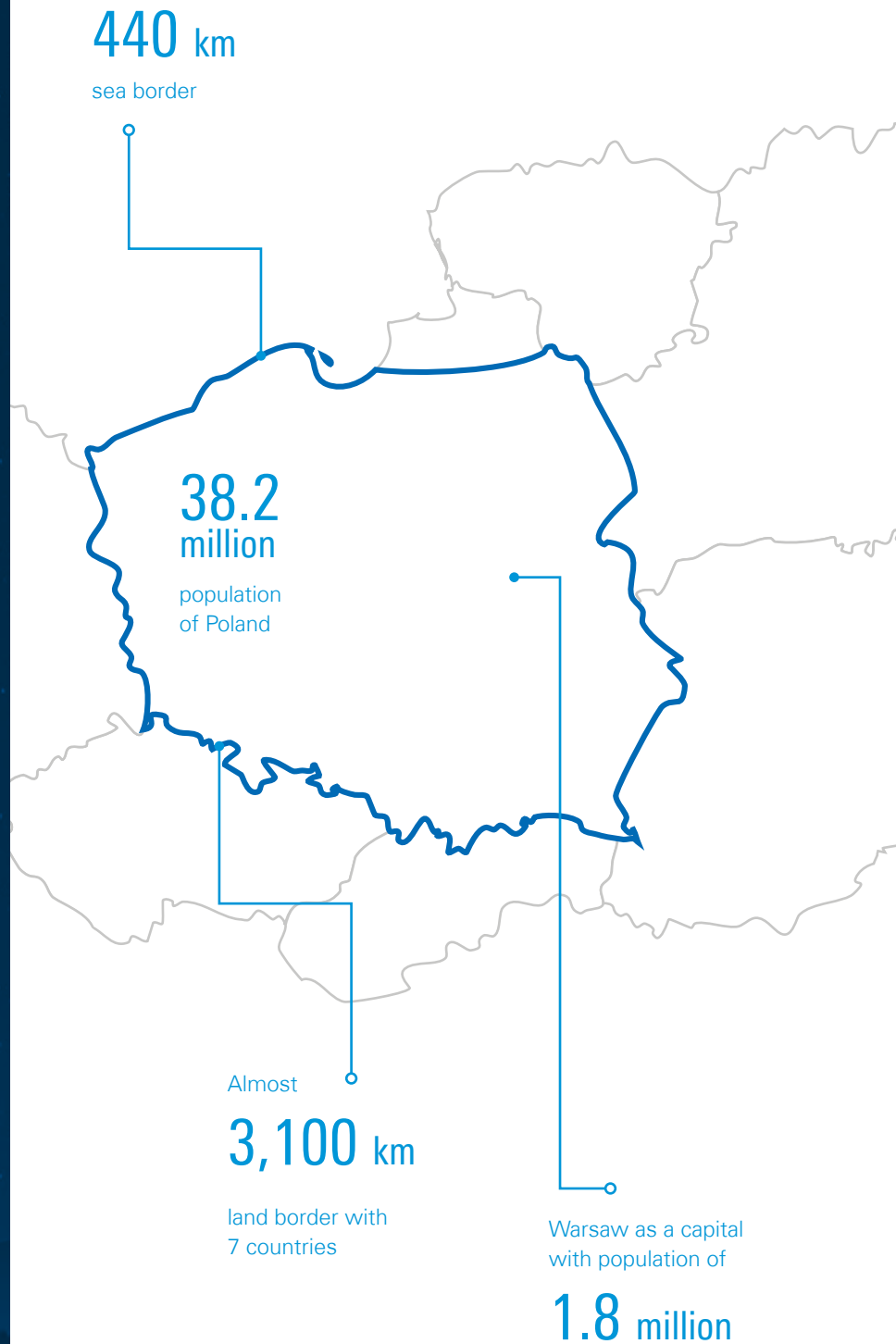


Geography and Climate

Poland is situated in the heart of Europe and is the ninth-largest country on the continent, with an area of 312,679 square kilometres and a population of 38.2 million.

The country borders Russia, Lithuania, Belarus and Ukraine in the north and east, the Slovak and Czech Republics in the south and Germany in the west. Its borders extend for 3,511 kilometres including 440 kilometres on the Baltic coast. The capital, Warsaw has a population of 1.8 million. Poland's largest cities besides Warsaw are Cracow, Łódź, Wrocław, Poznań and Gdańsk.

Poland consists mainly of lowland areas with 75% of the land less than 200 metres above sea level. The climate of Poland is temperate, typical for this part of Europe. There are four seasons. Average temperatures are between -5 and 0°C in January to 17-20°C in July with minimum and maximum temperatures ranging from -20 to 35°C.





Population and Language

Poland has 38.2 million inhabitants, 52% of which are women.

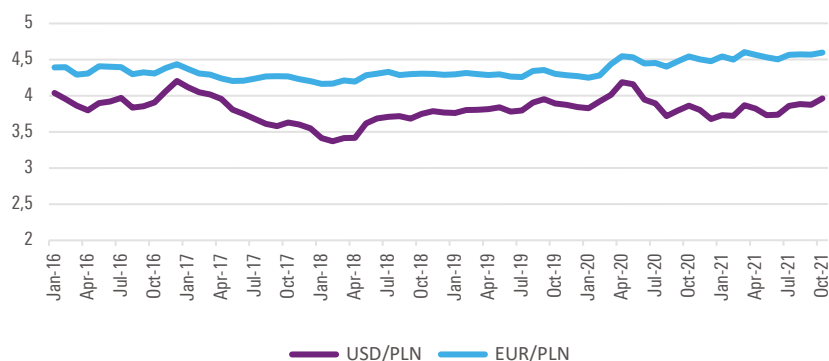
Poland's population for decades has remained a nationally homogeneous state with Poles representing average over 95% of the population. However, in the last few years it has become an attractive destination for economic migration for Ukrainian citizens, estimated to be as much as 5%. More than 60% of Poland's population lives in cities of which almost a half live in communities of over 100,000 inhabitants. Polish is the official language.



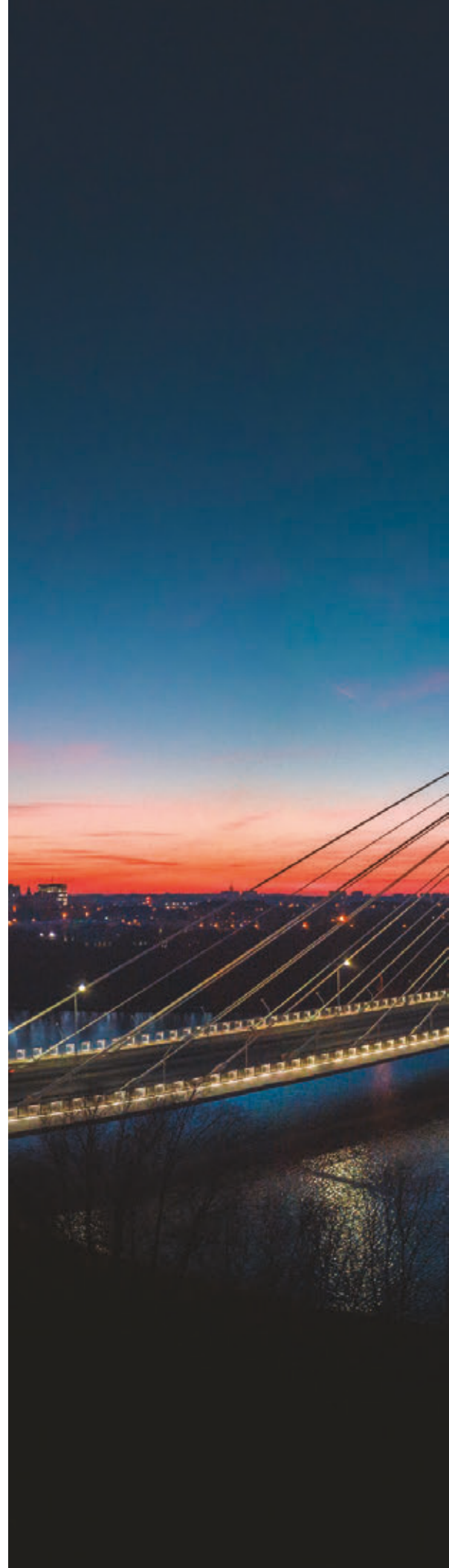
Currency

Poland's official currency is the zloty (PLN) which is subdivided into 100 groszy. The PLN is subject to a floating exchange rate applied to foreign currencies. The acceptable fluctuation range of the market rate towards the central one as quoted by the Central Bank of Poland (NBP) is not restricted and is determined solely by market mechanisms. The 2020 average NBP exchange rates were: USD 1 = PLN 3.90; EUR 1 = PLN 4.44 PLN.

USD/PLN and EUR/PLN exchange rates 2016-2021



Source: KPMG in Poland based on National Bank of Poland's data.





Contemporary history of Poland in a brief

In 1945, after World War II, Poland was in the Soviet sphere of influence until 1989. Although it retained formal independence, its independent political and economic decisions were limited and subordinated to the doctrine of the entire Eastern Bloc headed by the USSR.

According to the prevailing Soviet doctrine, all large farms and banks and nearly the whole of industry, commerce and transport were nationalised and centrally managed.

In 1989, the ruling party, in the wake of general economic collapse and social discontent, was effectively forced to step aside in favour of the opposition following the "round table" negotiations. As a result, Poland became a sovereign state with a parliamentary democracy and a free market economy.

Since the collapse of communism in 1989, Poland has dramatically transformed its economy and has enjoyed unsurpassed success in terms of economic growth, financial stability and investment attractiveness.



Member of the key regional and global international organizations



One of the 27 EU Member States



NATO military alliance member



WTO founding member

Poland became a Member State of the European Union in 2004 joining to a Common Market, without trade barriers across 27 countries (currently). Earlier it joined NATO military alliance in 1999 to ensure its security. Back in 1945 Poland became one of the United Nations founding members. Other key international organizations for economic cooperation joined by the country include: World Trade Organization, International Monetary Fund, World Bank and the OECD.

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An aerial photograph of a river winding through a dense forest, with a blue color overlay. The river flows from the bottom left towards the center right, surrounded by lush green trees. The background shows a vast, flat landscape under a clear sky.

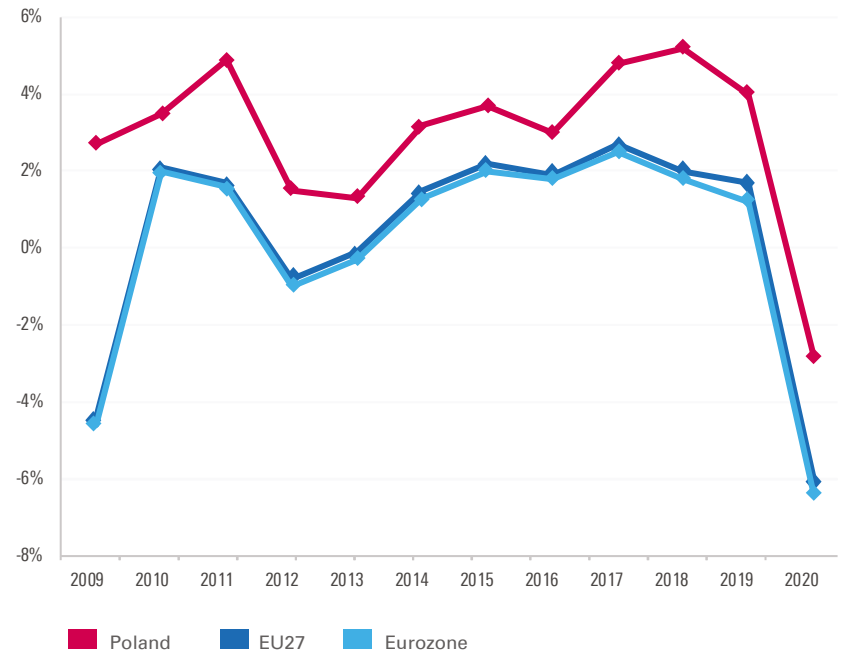
Economic situation of Poland

Economic growth

After Brexit, Poland has become the sixth largest economy in the European Union (EU). Over the decade before the pandemic (2009-2019), its GDP grew by 3.6% per year on average.

Poland's economy was growing not only quickly but also very steadily, as it was the only EU country not to be affected by recession during the previous global crisis. In 2009, at a time when the entire European Union saw a decline of over 4%, Poland's gross domestic product rose by 2.8%. In 2020, as a result of the COVID-19 pandemic, Poland recorded a recession of 2.5%, according to the GUS (Statistics Poland) data. This is the fifth best result in the whole of the European Union, while the eurozone and the overall EU economy shrank by 6.4% and 5.9% respectively in 2020. According to the European Commission November 2021 forecasts, Polish GDP will grow at similar pace as the entire economic bloc in 2021, by 4.9% and is expected to achieve even higher dynamic in the next year.

Gross Domestic Product growth rate

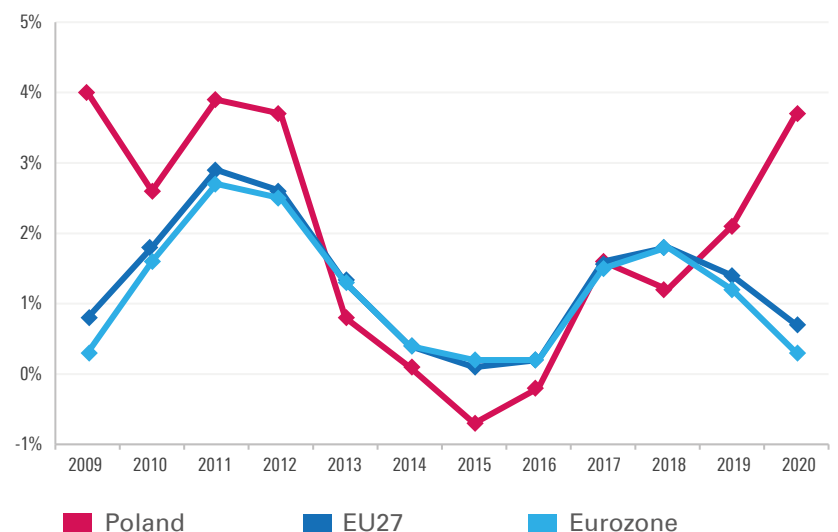


Source: KPMG in Poland based on Eurostat data.

Price level

Since 2013, inflation in Poland has been lower than in the EU as a whole. Only 2019 marked the beginning of higher inflation rates, mainly due to the rising energy prices and increased expenditure stemming from rapidly rising income levels. Fiscal stimulus was another factor that influenced the inflation in 2020. Prices grew by 3.7% throughout the year, which was 3 p.p. higher than in the EU as a whole, according to the Eurostat methodology. Partial data for 2021 indicates that inflation will still be on an upward trend in Poland.

Consumer goods and services prices growth rate*



Source: KPMG in Poland based on Eurostat data.

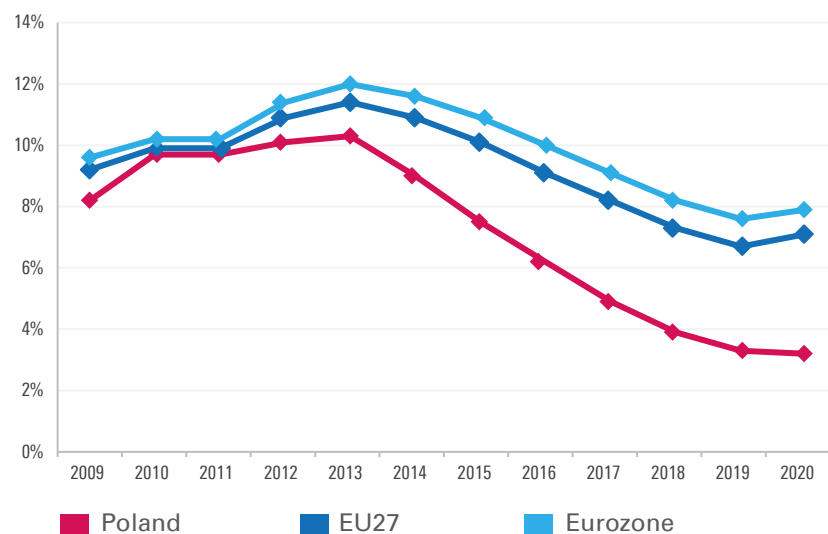
*HICP harmonised data, with 2015 as the baseline year.



Employment and wages

From a level of well over ten per cent in the early 21st century, the unemployment rate fell below the EU average, to 3.3% in 2019 and despite the pandemic it declined further to 3.2% in 2020. The net income earned by average Poles has been rising over the last five years (2015–2020) at an average annual rate of 4.7%. In the early 2021, the minimum wage was raised by 7.7% nominally to approx. USD 756 per month.

Unemployment rate



Source: KPMG in Poland based on Eurostat data.

Structure of the economy

Almost a half of the gross added value (value of goods and services produced minus materials and other directly related costs) in Poland is produced in wholesale and retail trade, transport and HoReCa and in the industrial sector. These sectors also generate the largest share of all jobs. Compared to the average figures for the EU as a whole, the public sector has

clearly lesser impact on overall GDP. Real estate activities are responsible for 11.4% of the value added in the whole of the EU, and only 6.1% in Poland, with employment close to the EU average (1%). In comparison with the EU, Poland is characterised by a greater role of agriculture, forestry and fisheries, with 9.5% of Poles employed in this sector.



Share of sectors in gross value added and employment in 2020

SHARE OF SECTORS IN GENERATING GROSS VALUE ADDED

SHARE OF SECTORS IN EMPLOYMENT



Source: KPMG in Poland based on Eurostat data.

International trade in goods

Poland recorded a goods trade surplus in 2020, exporting products worth USD 273.9 billion. At that time, imports were lower by over USD 12 billion, amounting to USD 261.7 billion. While the value of goods imported to Poland fell by 3.2%, exports slightly increased (+0.7%) in 2020, compared to the previous year. Since 2013, Poland had a negative balance of trade only in 2018. In 2019, as much as 74% of Polish exports and 55% of Polish imports were within the EU. Germany is the most important partner in both directions of trade, with Poland having a highly positive balance of trade with that country. Further on, the Czech Republic, United Kingdom and France were responsible in total for 17% of Polish exports (in value terms), with Russia and the USA being the most important destinations outside the EU. Vehicles, machinery and equipment represent the largest share of exports. In 2020, Poland exported USD 102.7 billion worth of goods in this category.

International trade in goods



Goods exports from Poland in 2020 (USD billion, % share)

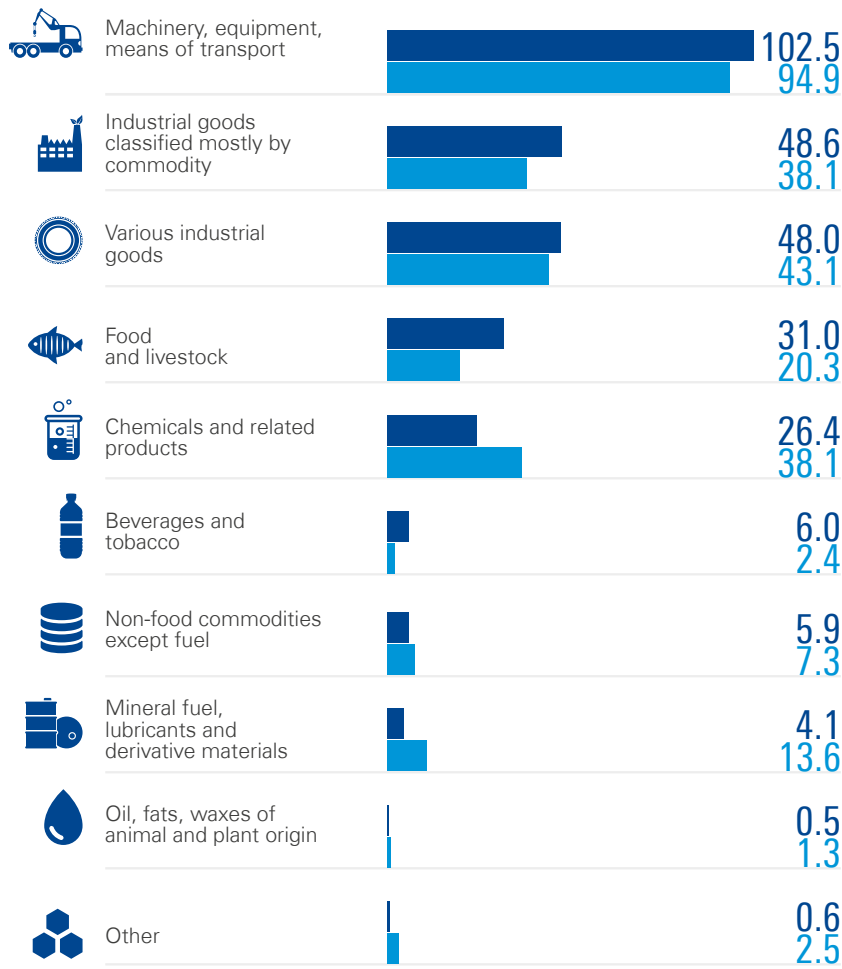
Goods imports into Poland in 2020 (USD billion, % share)



Source: KPMG in Poland based Insigios, Ministry of Economic Development of the Republic of Poland.
Preliminary data.

The situation is different for Poland's purchases abroad. In 2020, the second largest import partner after Germany was China (14% share in imports). Among main trading partners, China, along with South Korea noted the highest increase in the value of goods sent to Poland in 2020, by 13% and 9% accordingly compared to 2019. The structure of imports is similar to that of exports. The value of heavy industry and vehicles purchased by Polish companies abroad totalled USD 94.7 billion in 2020.

Poland's foreign trade in 2020 broken down by groups of goods (USD billion)



■ Exports ■ Imports

Source: KPMG in Poland based on Eurostat data.

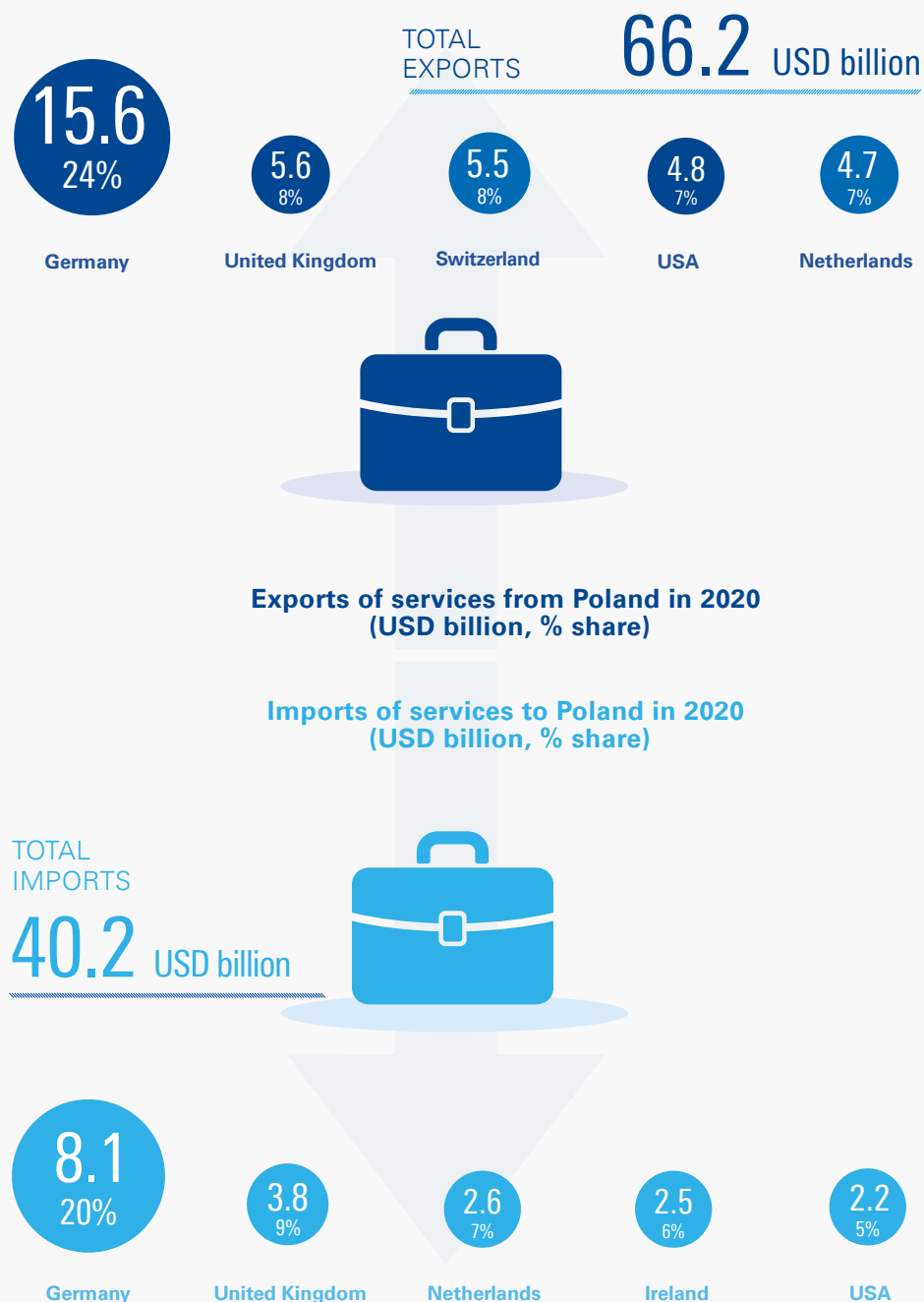


International trade in services

The situation in the trade in services shows a somewhat different picture. In 2020, a total of 64% of services exported from Poland went to EU countries. In turn, the EU is responsible for 70% of the Polish imports of services in terms of value. In the case of imports and exports of services, however, two non-EU partners play an important role: Switzerland and the United States.

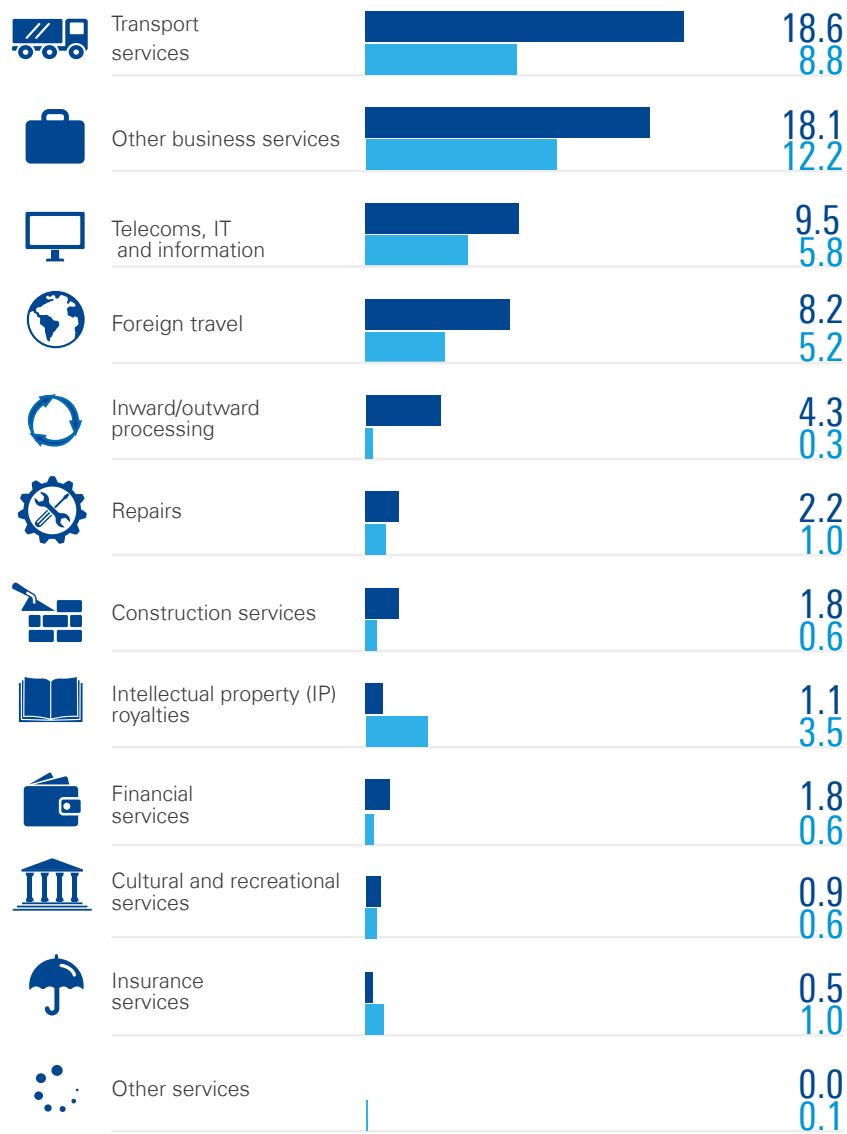
Transport is the key type of services provided by companies based in Poland. Poland is the EU leader, with about a 30% market share in terms of international transport performed, measured in tonne-kilometres (according to the newest available data for 2019). In terms of exports, the category of other business services, provided largely from shared services centres (SSC/BPO), plays an equally important role: in 2020, Poland already had approx. 1 500 such centres, more than any other CEE country.

International trade in services



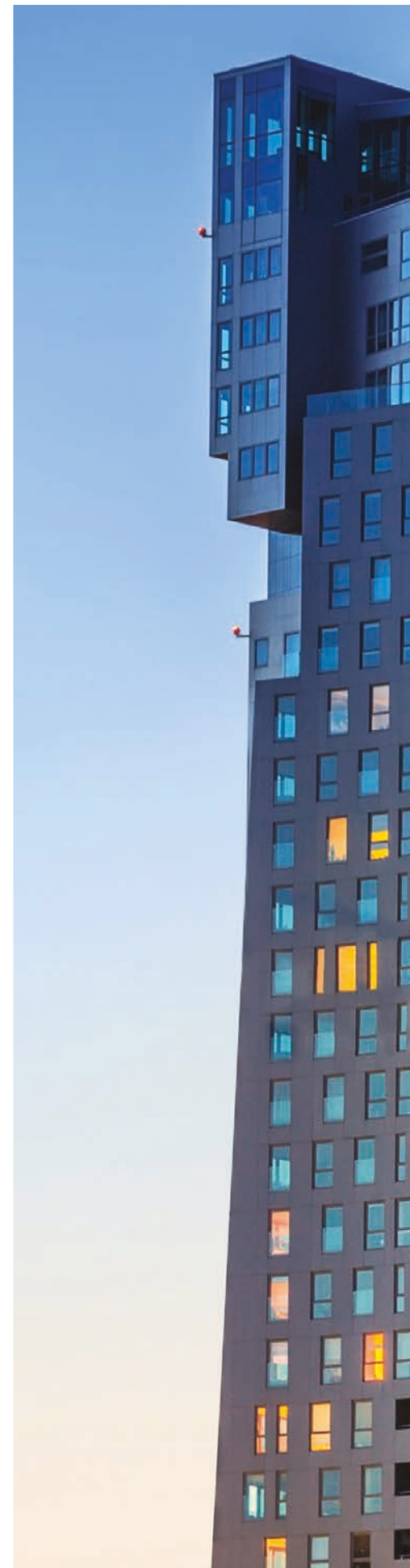
Source: KPMG in Poland based on National Bank of Poland's data, converted at the average annual exchange rate for 2020.

Poland's foreign trade in 2020 by type of services (USD billion)



■ Exports ■ Imports

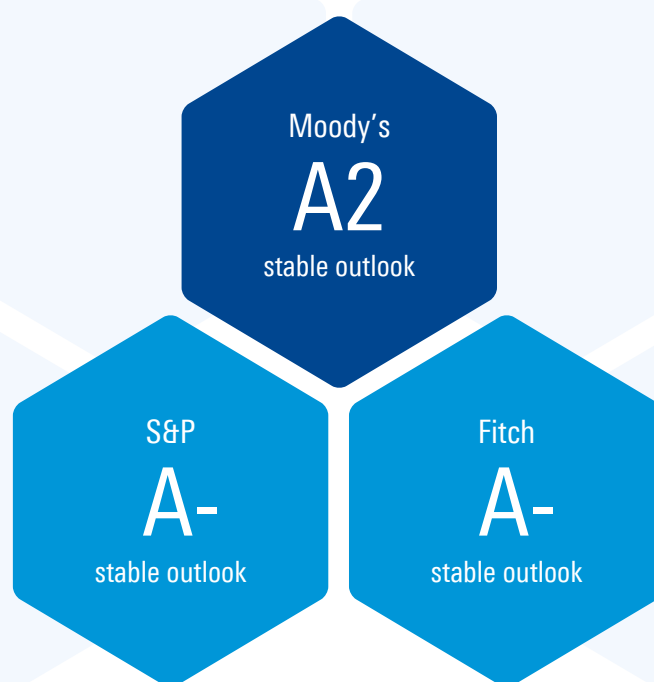
Source: KPMG in Poland based on National Bank of Poland's data, converted at the average annual exchange rate for 2020.



Credit standing

All three major rating agencies assess Poland's credit standing at the investment level and positively confirm Poland's economic resilience. They highlight the good performance of the country's economy and the stability associated with European Union membership. Moody's, S&P and Fitch affirmed their ratings for Poland during the COVID-19 pandemic, believing that the economic recovery would be relatively quick. The current outlook for the credit ratings from the three key rating agencies has been described as 'stable' for Poland.

Foreign currency long-term sovereign debt ratings of Poland*



Source: KPMG in Poland based on the Ministry of Finance of the Republic of Poland news portal.

*Ratings current for November 2021.



04

Doing business in Poland

The institutional environment

In its Doing Business 2020 ranking, updated annually and measuring the ease of doing business around the world, the World Bank awarded Poland a score of 76.4 out of 100. In this respect, Poland ranked 40th in the world, directly outperforming the Czech Republic and the Netherlands. Poland ranked higher, i.e. 37th, in the 2019 World Economic Forum ranking, known as The Global Competitiveness Index, which takes into account both micro- and macro-economic factors. In turn, the Heritage Foundation ranked Poland 41st in terms of economic freedom in its 2021 Index of Economic Freedom report.

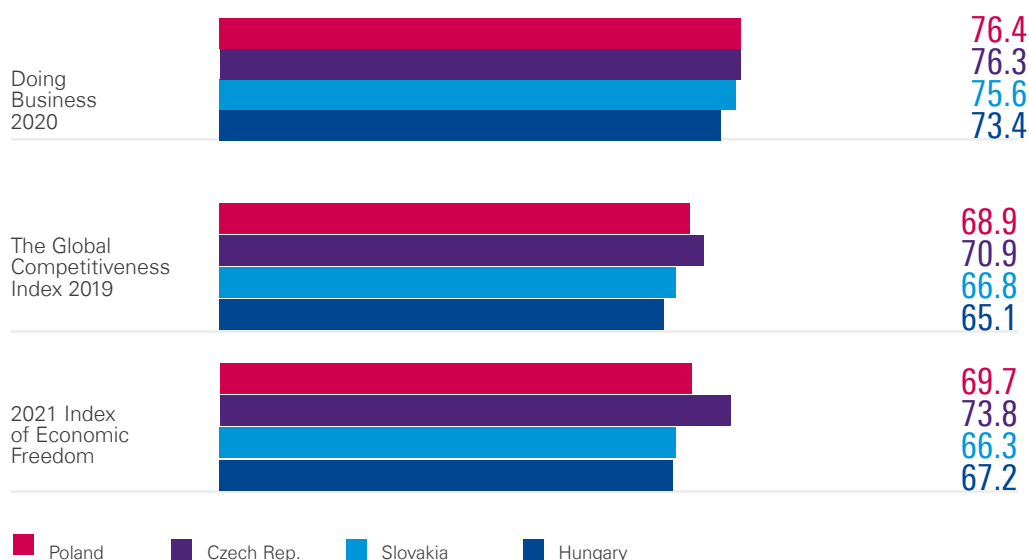
The World Bank appreciated Poland above all for its unproblematic cross-border trade, awarding the maximum number of points for this aspect. Likewise, in the 2021 Index of Economic Freedom, Poland obtained its best position in the area of freedom of trade. As a member of the EU, Poland

is one of the important players on the single market, which means that it has unlimited access to the markets of the 26 other countries.

No duties are levied in trade between EU Member States, and non-tariff barriers are also prohibited. In relations with third countries, trade policy is regulated by the European Commission.

In this way, the European Union ensures uniform and consistent rules for trade in goods, foreign direct investments and intellectual property rights. Moreover, the flows of services, capital and people are facilitated within the single market, allowing companies registered in one country to operate throughout the EU almost as freely as in a single country. In addition, Poland's presence in a large economic bloc helped it to gain the maximum score in terms of macroeconomic environment in the World Economic Forum ranking.

Countries' performance in global economic ratings



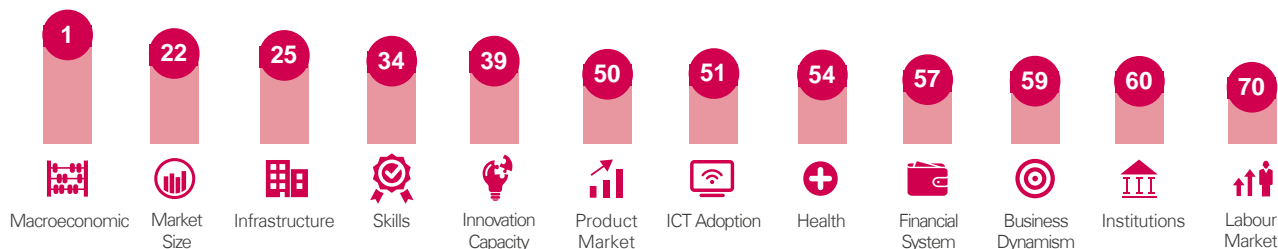
Source: KPMG in Poland based on Doing Business 2020, World Bank; The Global Competitiveness Report 2019, World Economic Forum; 2021 Index of Economic Freedom, The Heritage Foundation.

Poland's position in *Doing Business 2020* in various areas of business



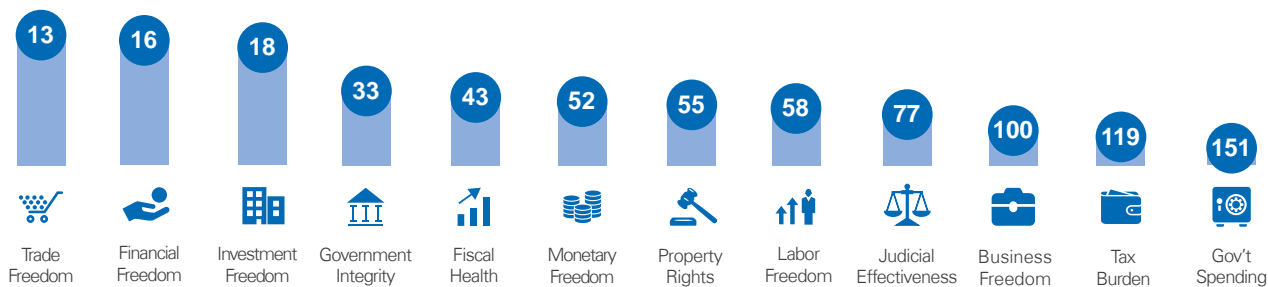
Source: KPMG in Poland based on *Doing Business 2020*, World Bank.

Poland's position in *The Global Competitiveness Report 4.0 2019* in various areas of business



Source: KPMG in Poland based on *The Global Competitiveness Report 2019*, World Economic Forum.

Poland's position in the 2021 Index of Economic Freedom in various areas of business



Source: KPMG in Poland based on the *2021 Index of Economic Freedom*, The Heritage Foundation.



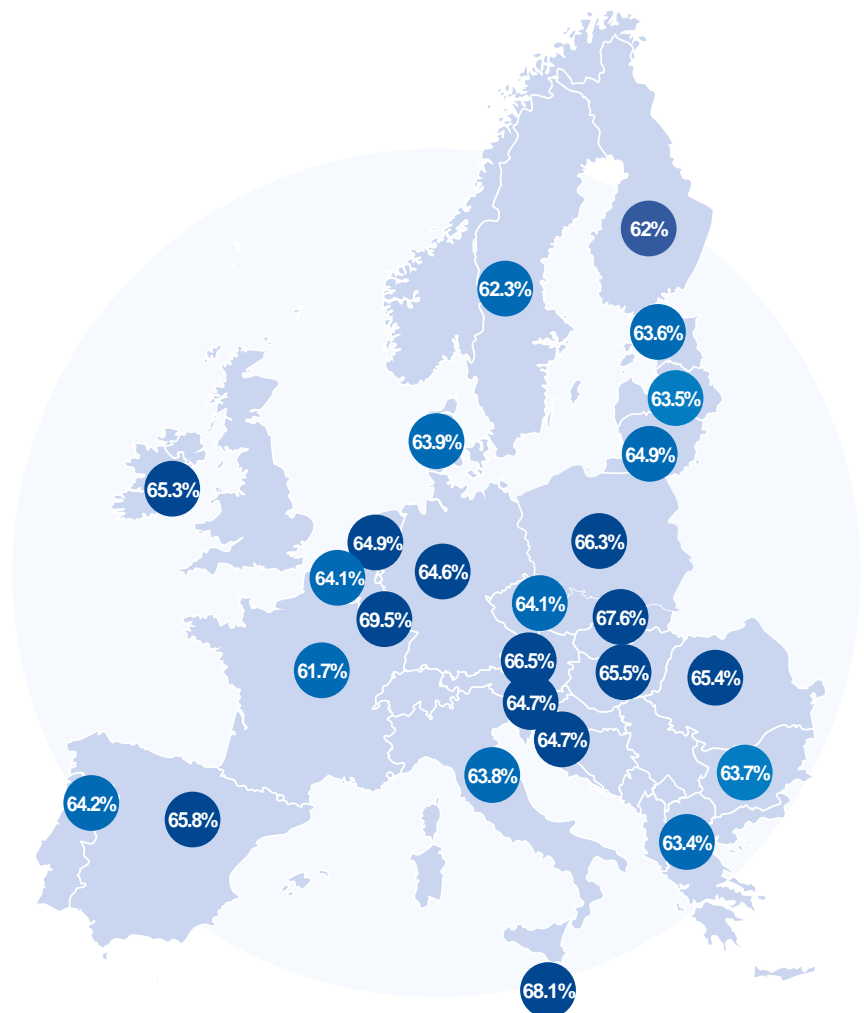
Human capital

Poland is the fifth largest EU Member State in terms of population. Also, its population is relatively young. As many as 66% of the 38 million of Poles are of working age. Across the European Union, only a few smaller countries can boast such a high proportion of people aged 15–64.

As many as 29% of Poles of working age have a university degree: they are a highly skilled personnel. At present, the most popular degrees include business, law and administration, as well as engineering, manufacturing technology and construction, studied respectively by 22% and 16% of students in 2018.

After many years of being part of the Eastern bloc, a large proportion of Poles speak Russian, which means it is easy for them to establish relations with partners from the East. Today, however, English is the most widely taught foreign language. In total, 67% of Poles know foreign languages, with 22% speaking two or more. The quality and effectiveness of language learning is also worth emphasising, since English proficiency is high, as confirmed by the EF English Proficiency Index 2020 report. Poles ranked 16th in the world in terms of proficiency in English.

Working age population (15–64 y.o.) in 2020 (% of total population)

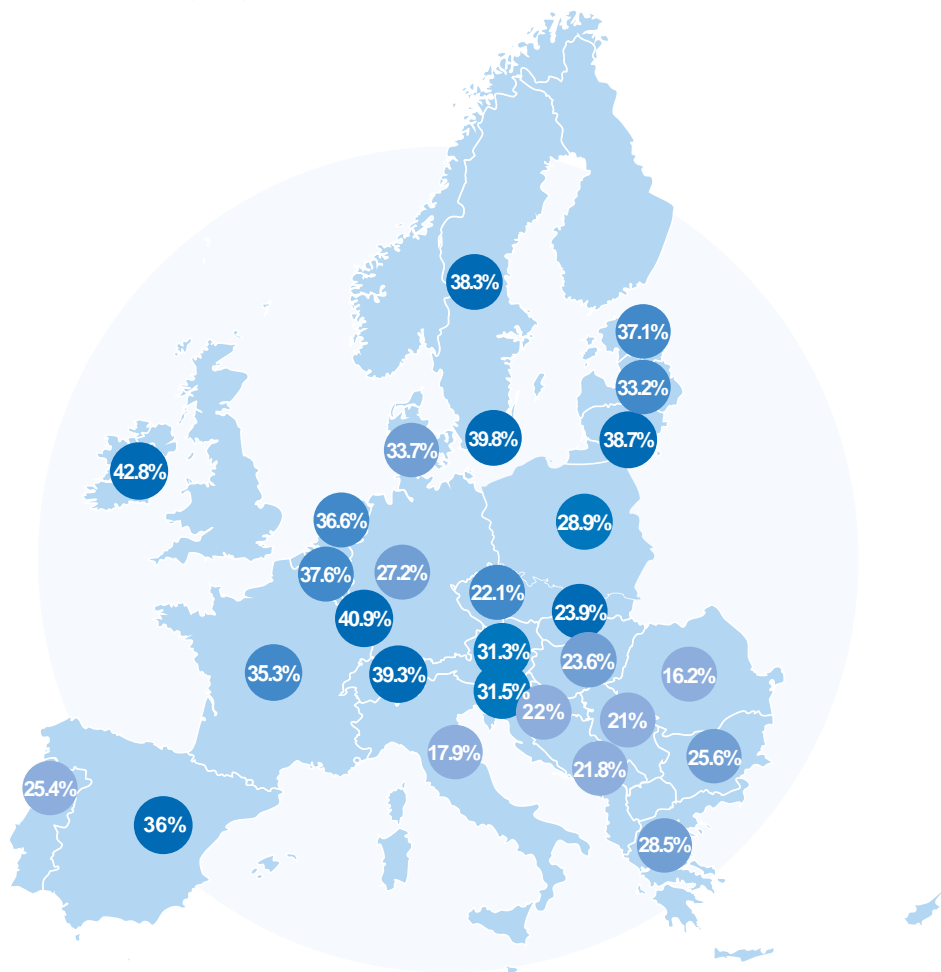


Source: KPMG in Poland based on Eurostat data.





Share of people with tertiary education in working age population (2020)



Source: KPMG in Poland based on Eurostat data.

Infrastructure

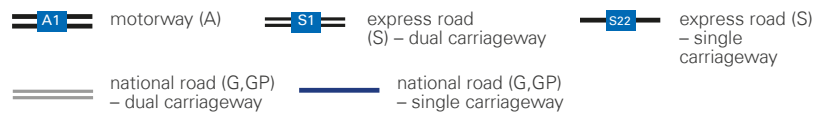
Poland's location at the heart of the continent and, at the same time, at the EU's border, means that major trade routes between Europe and Asia intersect within its territory. Since joining the European Community, Poland has been rapidly expanding its network of road, sea, air and rail connections with the aid of EU funds. In the current perspective 2021-2027, Poland will receive EUR 76 billion (about USD 90 billion) from EU funds, thus remaining the largest beneficiary of the EU budget. From that funds the largest part (33%) will be allocated to infrastructure projects, roads, railroads and public transport and environmental protection. Additionally, Poland is planning to allocate nearly EUR 7 billion (over USD 8 billion) of grants from the new EU Recovery and Resilience Facility for sustainable transport modes and related infrastructure. As recently as 2003, drivers had only 405 km of motorways and 226 km of express roads to use. After years of construction boom, the motorway network in Poland expanded to over 1 700 km, with as many as 2 643 km of express roads by the end of 2020. According to the Government's Road Construction Programme, another 6,500 km of highways and expressways are to be completed and built by 2030.

According to Eurostat data, Poland had the third longest rail network in the EU in 2019, ranking just behind Germany and France. High-speed rail was launched only in 2014 and is still being developed.

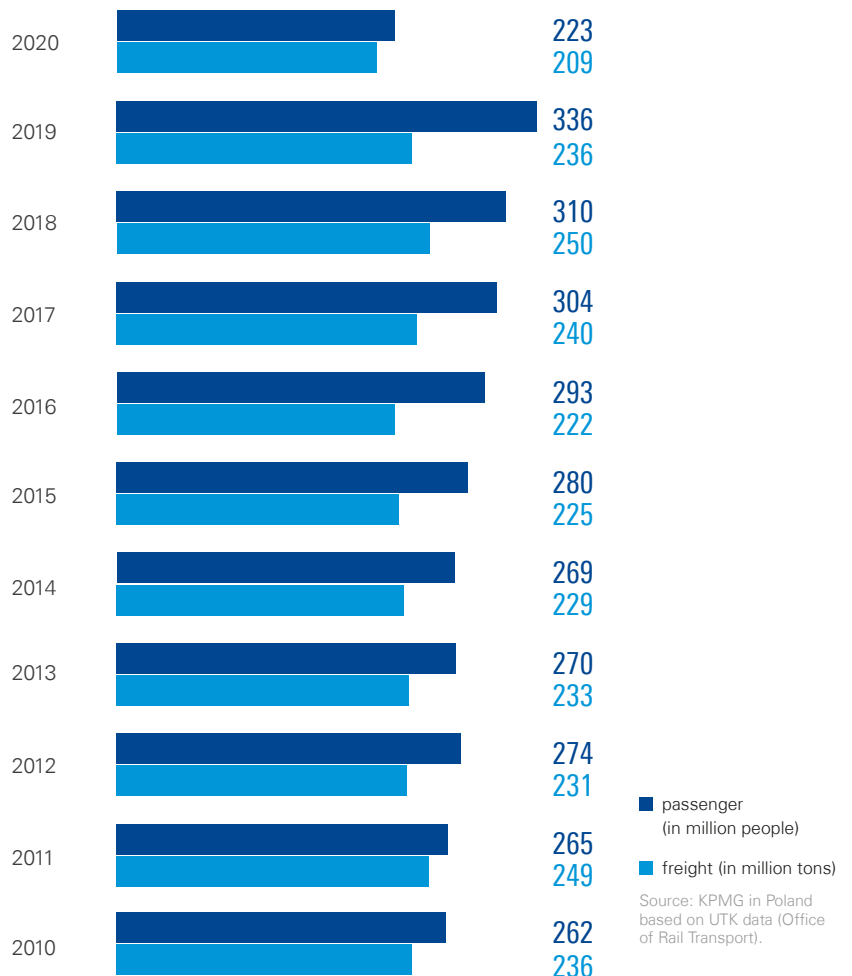
National road network (as of June 2020)



Source: KPMG in Poland based on GDDKiA data (General Director for National Roads and Motorways).



Passenger and freight transport by rail

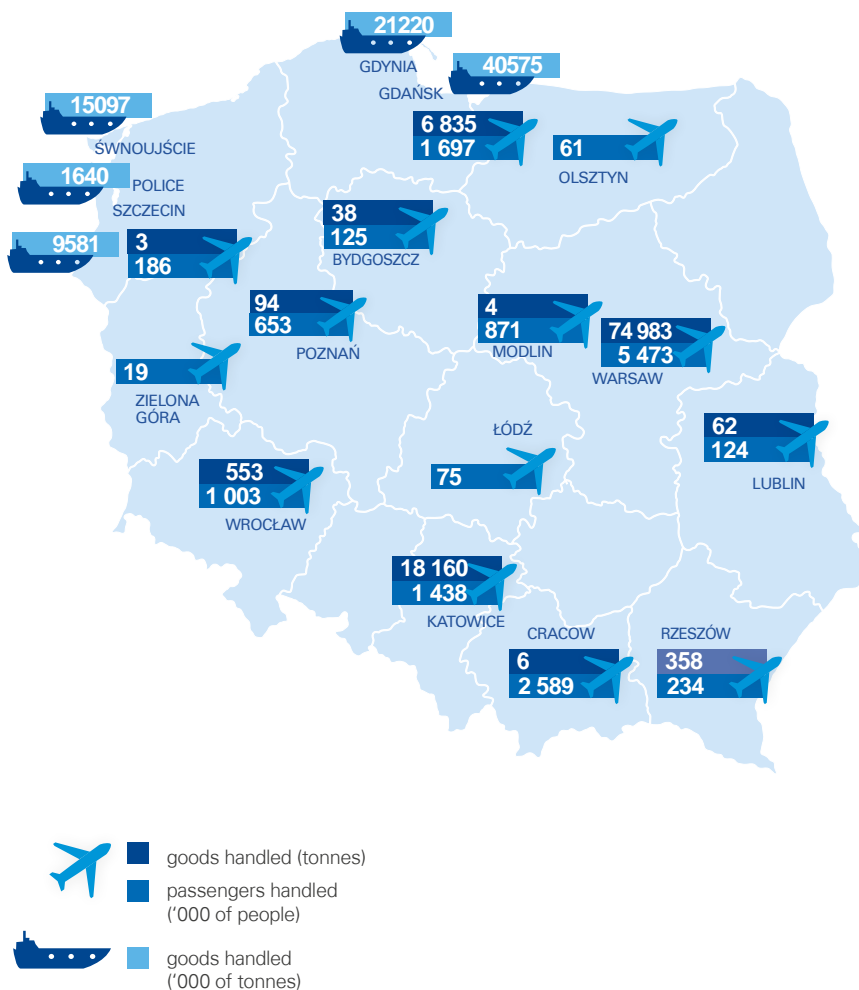




Air transport in Poland is constantly developing. At present, there are 14 civil airports around the country. There are plans to build a the Central Transport Hub, intended to become a reloading and passenger hub at the heart of the country. Until 2019, air traffic in Poland grew continuously in terms of the number of passengers carried. In just 2019, recording a 7% increase. In 2020, Poland maintained the highest percentage of pre-COVID-19 passengers in the region. Through the Baltic Sea, Poland has access to markets all over the world, enabling it to directly receive

and dispatch bulk goods. The largest Polish port, which is also the fourth largest port in the Baltic Sea, is located in Gdańsk. Considering container transport only, the Gdańsk reloading terminal is the second largest in the Baltic after St. Petersburg. Since 2015 Poland receives LNG deliveries through its terminal in Swinoujscie with capacity of 5 billion cubic meters per annum and further expansion in progress. New floating regasification unit is planned to be built in the city of Gdansk.

Passengers and cargo handled at Polish airports and sea ports in 2020



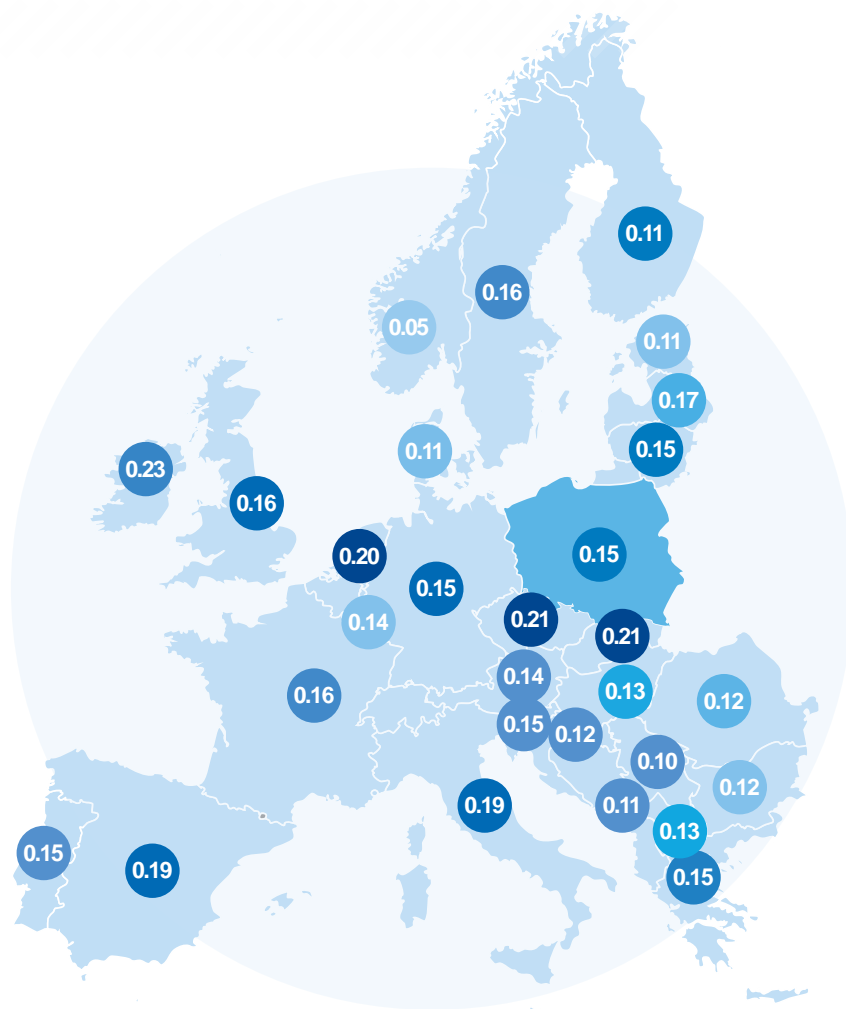
Source: KPMG in Poland based on ULC (Civil Aviation Authority) and GUS data (Statistics Poland).

Energy prices

Poland has fully adopted the provisions of the EU energy packages, which ensure liberalisation of the energy market. As a result, Poland has a fully competitive electricity market, where both individual and institutional customers have the right to choose their energy supplier freely, regardless of the power grid operator or energy producer. Moreover, energy-intensive

enterprises may decide to reduce energy prices by purchasing it from the Polish Power Exchange or signing a contract directly with a power generating company. Nominal electricity prices for companies consuming between 500 and 2000 MWh remain at a competitive level compared to Poland's EU neighbors - Germany, the Czech Republic, Slovakia and Lithuania.

Average electricity cost (incl. taxes and charges) in the enterprise sector in 2020 (in USD/MWh)*



*Enterprise sector covers entities consuming 500 - 2 000 MWh per annum.

Source: KPMG in Poland based on Eurostat data.



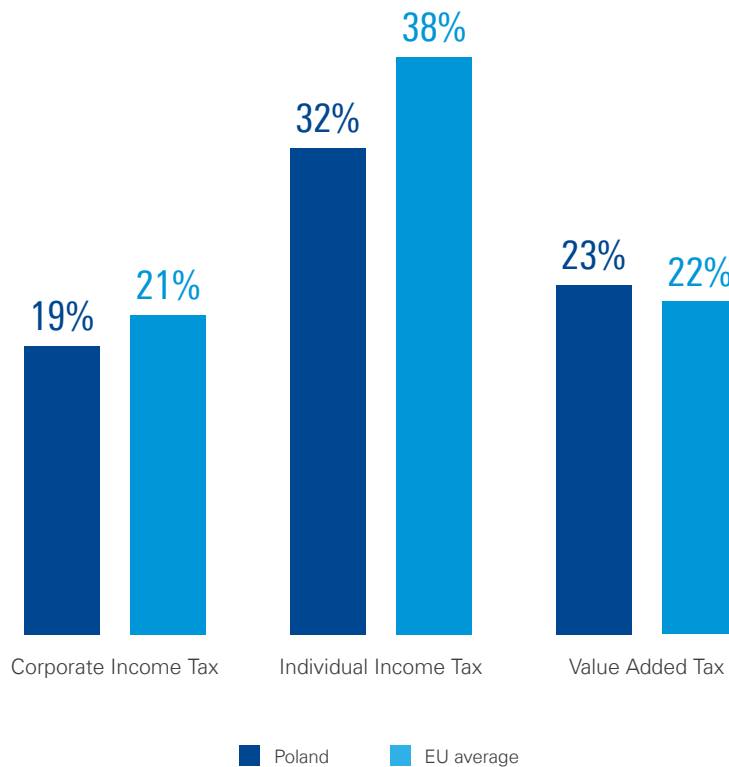
05

Polish tax system

General overview

Polish tax system is one of self-assessment. The Polish tax authorities hold power to undertake a tax audit in the five years after a tax liability arises and to reassess the amount of that tax liability.

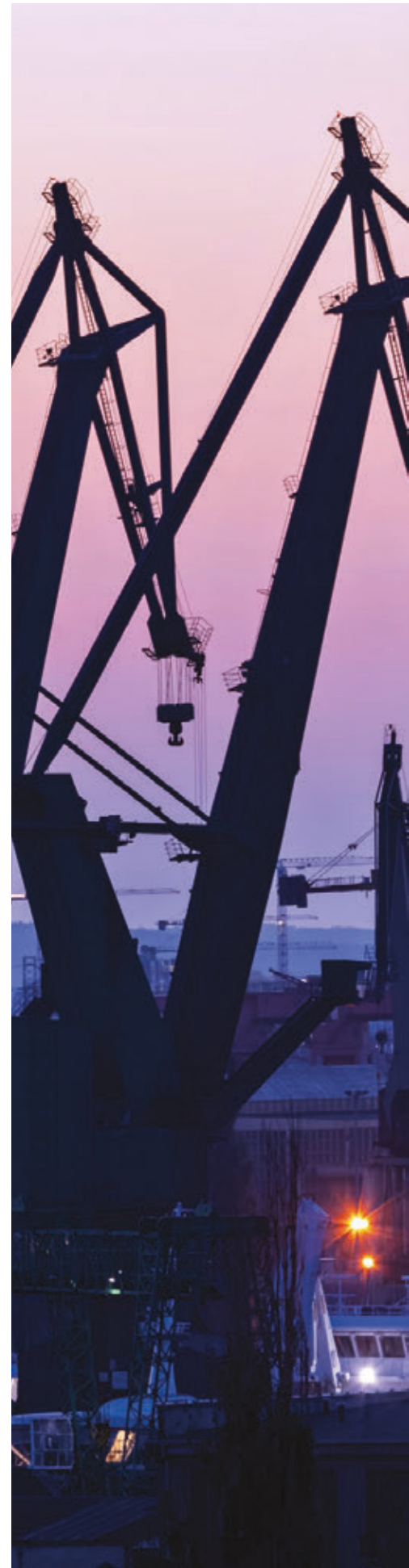
Top tax rates applicable in 2021



Source: KPMG in Poland based on Tax Rates Online, KPMG International.

Corporate Income Tax

Generally, CIT in Poland is levied on all taxable income. The standard CIT rate of 19% is payable on income. The taxable income is calculated as taxable revenues reduced by eligible tax-deductible costs. However, the Polish CIT Act provides for exceptions with respect to certain types of expenses that cannot be treated as tax-deductible costs even if incurred for underlying purpose of generating revenue. Reduced 9% CIT rate may be applied by the so called "small taxpayers", whose: 1) revenues for the current tax year do not exceed the PLN equivalent of EUR 2 million and 2) in the case of the entities continuing their activity – sales revenues, including VAT, for the previous tax year did not exceed the PLN equivalent of EUR 2 million.

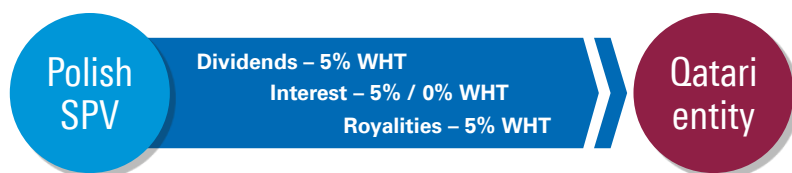


Withholding Tax

The Polish WHT system is harmonized with the EU law and is based on the Parent-Subsidiary Directive.

Under Polish domestic CIT rules, 20% WHT applies on interest, royalties and fees for certain types of intangible services paid abroad (such as advisory services, accounting services etc.) Dividends paid abroad are subject to 19% WHT. However, the domestic WHT burden may generally be reduced or eliminated under applicable Double Tax Treaties ("DTT") to which Poland is a party or based on provisions of the European Interest and Royalties Directive as well as the Parent-Subsidiary Directive being implemented directly in the Polish CIT law – however these EU provisions do not apply with respect to payments made to non-EU based entities.

In line with the Polish – Qatar DTT, the WHT rates may be reduced as follows:



In order to apply the treaty rates, the payment recipient should be considered as beneficial owner of the payment and provide valid tax residency certificate

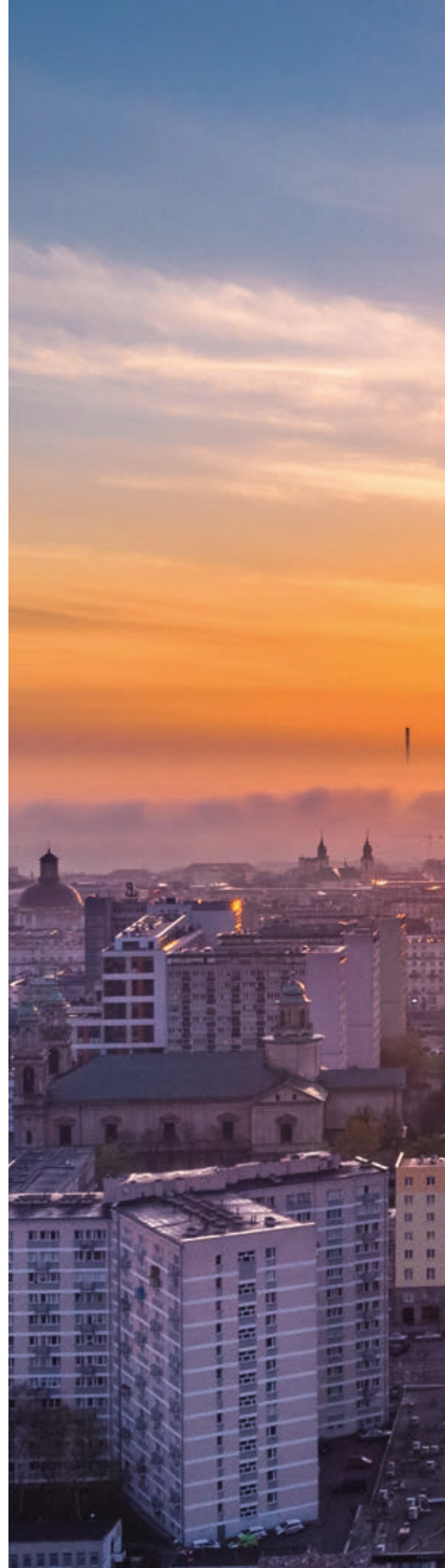
Polish – Qatar DTT does not provide for so-called real estate clause hence any capital gain reported by the Qatar resident on disposal of shares in a company which is real estate rich in Poland is not taxed in Poland. Starting from January 2021 new regulations regarding WHT collection for payments above PLN 2 million will come into force.

Personal Income Tax

As a rule, individuals may be subject to unlimited tax liability in Poland if one stays on the territory of Poland for a period exceeding 183 days during the given calendar year in aggregate. Income received by an individual under an employment contract concluded with a Polish entity is always subject to Polish PIT in accordance with progressive rates at 17% and 32%.

Value Added Tax

The Polish Value Added Tax (VAT) system is harmonized with the EU law and is based on Council Directive 2006/112/EC. VAT is charged on: supply of goods and provision of services within the territory of Poland, exports and imports of goods, intra-EU supplies of goods, intra-EU acquisitions of goods. Standard VAT rate imposed in Poland is 23%. There are also reduced rates 8% or 5%. The 0% VAT rate applies to exportation of goods and intra-EU supplies of goods, transportation services related to the imports and exports of goods (under certain conditions described in the VAT Act), as well as to inward processing services or supplies of aircraft or sea vessels. The Polish VAT Act provides also for VAT exemption with respect to specific services or goods.





06

Incentives for investors

General overview

Investors can benefit from a broad system of support from EU and national funds. Incentives are available for companies seated in Poland – both with domestic and foreign capital.

In the 2014-2020 financial framework, which is already coming to an end, Poland received the largest financial pool, exceeding EUR 82.5 billion, for the implementation of EU Cohesion Policy. The new financial framework for the years 2021-2027, adopted by the European Parliament and the Council, seems to be equally promising – the budget for Poland will amount to EUR 72.2 billion from the Cohesion Policy and EUR 3.8 billion from the Fair Transformation Fund (EUR 76 billion in total, i.e. about USD 90 billion). Moreover, Poland will also receive EU support for its National Recovery Plan of EUR 58.1 billion (about USD 65 billion) to rebuild its economy after the COVID-19 pandemic.

Support in Poland is available in the form of grants and

repayable instruments for both the investment phase and the operational phase of business. The state aid intensity can reach up to 80%, depending on the programme, business size and location of the project.

In addition to the aforementioned measures, support is offered also under other mechanisms, e.g.:

- tax relief for conducting R&D activities (not classified as state aid),
- tax exemptions in the Polish Investment Zone (formerly: in special economic zones),
- the Horizon 2020 programme,
- programmes operated by the National Fund for Environmental Protection and Water Management,
- government programmes,
- dedicated support to combat the effects of the COVID-19 pandemic,
- also new reliefs are planned, eg. for prototypes, innovative employees, robotization.

Entrepreneurs can obtain funding for a single project from several sources simultaneously, combining the available sources of aid.

Investment phase incentives

Tax exemptions in the Polish Investment Zone

Since their establishment two decades ago, Special Economic Zones have been an attractive solution for investors who seek to start their business in Poland. According to new rules, starting from 2018, the entire country's territory has become Polish Investment Zone (PIZ), which means, that investors can obtain CIT or PIT tax exemptions for new investment located throughout Poland.

The tax relief threshold, i.e. the amount of unpaid CIT/PIT, is calculated as aid intensity – from 10% to 50%, depending on the location of project (higher in underdeveloped regions) and can be increased by additional 10 or 20 p.p. for medium and small enterprises respectively. In summary, an investor can get up to 70% tax exemption. From 2022 thresholds are going to be modified, and according to a draft project of regulation, projects located in the capital city of Warsaw will not qualify for support.

Eligible costs to be supported include investment costs incurred during the validity of the relevant decision: land, fixed assets, modernization of fixed assets, intangible assets, lease of land/buildings. Exemption can be granted for a maximum period of 15 years.

Property tax exemption

Support may also be provided by local authorities as an exemption from property tax. In this case, support is often provided as de minimis aid, with no obligation to notify it to the European Commission.



Operational phase incentives

Grants from EU funds

During the operational phase, it is possible to benefit from business-related incentives. The main areas of support under the new European Union financial framework for 2021-2027 will include innovation, entrepreneurship, digitization, infrastructure, environmental protection, energy and education and social affairs.

Entrepreneurs conducting research and development activity, i.e. undertaking work aimed at creating new products, services and technologies (or improving existing ones), will be eligible for support provided in the form of grants and repayable instruments offered under national and regional operational programmes.

Investors who seek to implement a project with the support of public funds, need to monitor the timing of calls for proposals under individual programmes/ measures. Recruitment schedules are dynamic and are updated several times during the year. Additionally, dedicated support schemes are also available to combat the negative effects of the COVID-19 pandemic, including thematic R&D competitions, financial support for jobs, loans guarantees, etc.

Maximum support amounts to 65% of eligible costs for large enterprises, 75% of eligible costs for medium-sized enterprises and 80% of eligible costs for small and micro enterprises.

Government grants

Investors in Poland can also apply for grants from the country's budget. So far, this mechanism has been used mainly

by large foreign companies. The programme to support investments of significant importance for the Polish economy for 2011-2030 was updated in 2021 to reduce entry criteria and allow smaller entrepreneurs to apply for support.

Government grants are available for companies implementing investment projects that will boost the innovativeness and competitiveness of Poland's economy. Support is provided in the form of grants awarded in connection with the costs of creating new jobs and investment costs in the following types of projects:

- innovative investments and R&D,
- investments in regions at risk of exclusion,
- promoting specialised, highly paid and stable jobs,
- strategic manufacturing investments.

Government grants thresholds

	Employer grant – level of support				
Investment category	Large	Developing	Medium	Small	Micro
Business Services Centre	Up to 7500 PLN or 15 000 PLN per one newly created workplace				
R&D Centre	Up to 10 000 PLN or 20 000 PLN for one newly created workplace				

	Investment grant – level of support				
Investment category	Large	Developing	Medium	Small	Micro
Strategic or Innovative	Up to 5 or up to 15%	Up to 10 or up to 20%		Up to 15 or up to 25%	
R&D Centre	Up to 15 or up to 25%				

Tax relief for R&D and intellectual property

Entrepreneurs have the opportunity to take advantage of a tax relief for their R&D activities. Since 2018, the bonus, which takes the form of an additional deduction of eligible costs from the tax base, has been as follows:

- 100% of the salaries of employees involved in research and development,
- 100% of other expenditures (in SMEs and large enterprises) related to research and development (including depreciation write-offs).

The available bonus for entrepreneurs with the status of an R&D centre is up to 150%.

Unlike with R&D grants, the tax relief covers costs that have been already incurred, and eligibility for the R&D tax relief is only verified during tax inspection.

The use of preferential taxation of income generated by intellectual property rights (the so called IP BOX, or Innovation Box) in 2019, together with R&D tax relief and other available incentives, will enable entrepreneurs to receive financial support at every stage of the innovation process: from the idea to commercialisation.

The Innovation Box enable companies to apply for the preferential income tax rate of 5% on income generated by intellectual property rights. The preferential tax rate applies throughout the entire period during which IPR protection is granted for income generated from: sell of product or service including the qualified IPR cost, IPR related license fees, sell of IPR or compensation for infringement of IPR.



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Qatar-Poland Business Council Services

The Qatar-Poland Business Council is a non-profit organization based in Doha, Qatar. We are active in Qatar, as well as across the European Union.

The main objective of the QPBC is to be a unifying platform for both Qatari and Polish business interests, promote mutual understanding and enhance bilateral relations, particularly through:

- supporting Polish/EU investments in Qatar and Qatari investments in Poland and the development of commercial, scientific and institutional cooperation between the two countries,
- providing information about Qatar's and Poland's business environments and opportunities for bilateral cooperation.

We pride ourselves in being an open and diverse organization. We welcome anyone who shares our common vision of strengthening Qatari-Polish relations.



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