Investment in Poland

2024

KPMG.PL

Contents

Introduction

Welcome to our comprehensive guide for investors contemplating opportunities in Poland. As the second-largest economy in Eastern Europe and one of the fastest-growing within the EU, Poland presents an attractive opportunity for investors.

Following the October election, the new government is set to embark on an ambitious reform programme, successfully unlocking up to EUR 137 billion in frozen EU funds. This will enable increased fiscal spending and drive economic growth. Economic policy will remain pro-business, with a heightened focus on tax reform and EU-driven investment, while also accelerating the green transition.

Poland offers convenient access to both Western and Eastern European markets, facilitated by a well-developed transportation infrastructure that includes road, rail, air, and sea routes, enabling efficient distribution networks.

Since transitioning to a market economy, Poland has sustained strong GDP growth above the EU average. Rising wages and consumption make it an appealing consumer market. Major sectors attracting investment include automotive, electronics, business process outsourcing, and renewable energy. With its strategic location, pro-business environment, and promising growth prospects, Poland offers outstanding opportunities for global investors looking to access European markets.

I encourage you to read our guide to better understand why our country is an excellent choice and preferred destination for foreign investment. Let's explore together the myriad possibilities and essential considerations for doing business in this dynamic environment.

Stacy Ligas

Senior Partner, CEO
KPMG in Poland

Condition of Poland's economy

Macroeconomic indicators

Poland's economic landscape stands as one of the most robust in Eastern Europe, and ranks among the fastest-growing economies within the European Union. Secured by macroeconomic stability, competitive labour costs, and strategic geography, Poland emerges as a magnet for foreign investment.

The country's economic recovery in 2024 is strengthened by accommodative fiscal policies, a resurgence in domestic consumption, and a promising investment outlook. Poland has demonstrated relative success in attracting foreign direct investment, particularly in key sectors such as automotive manufacturing. While the country has historically attracted significant FDI, the government is actively diversifying its investment portfolio by promoting the country as a hub for emerging technology-intensive business services.

Membership in the EU further amplifies Poland's investment attractiveness, providing access to EU markets and reinforcing its strategic centrality. Supported by favourable fiscal policies and expansionary measures, the zloty has strengthened against major currencies, instilling confidence among investors.

Despite past tensions, Poland's relationship with the EU is on an upward trajectory, with substantial funds allocated for cohesion and recovery initiatives. Additionally, Poland's proactive stance on geopolitical matters, such as Russia's invasion of Ukraine, underscores its commitment to strengthening defence ties with Western allies.

Poland stands out for its notable progress in narrowing the income disparity with Western Europe compared to other Eastern European nations. This achievement can be attributed to its highly skilled workforce and robust domestic market, which have played crucial roles in maintaining economic resilience amidst external challenges.

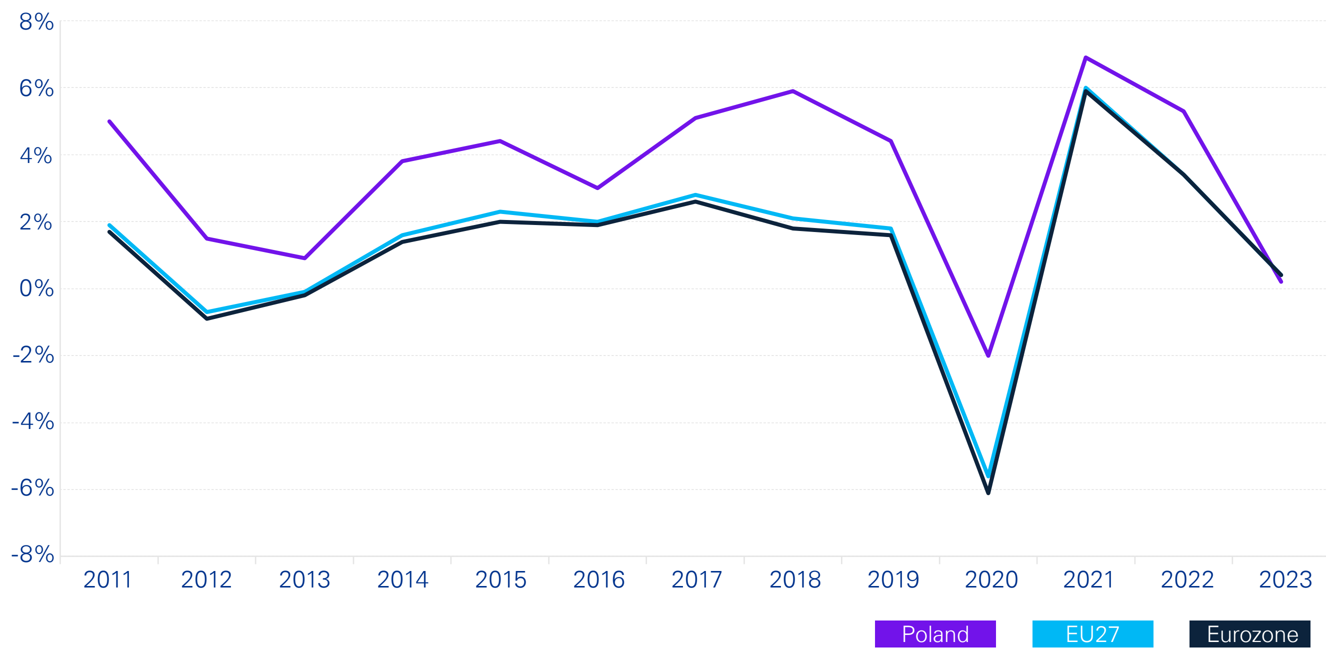
The government's fiscal agenda prioritizes social welfare enhancements, including child and maternity benefits and support for renters, while maintaining competitive taxation and growth-oriented policies. The business environment remains favourable, supported by Poland's strategic location, tax incentives, and growth potential.

According to the Economist Intelligence Unit (EIU), Central & Eastern European firms are poised to capitalize on nearshoring and green investment initiatives, with the EU's proposed tariffs on electric vehicles from China presenting opportunities for Poland's industrial and machinery sectors. Noteworthy investments by global automotive players, underscore Poland's attractiveness as a destination for electric vehicle production and technological innovation.

In 2023, the rate of growth in gross domestic product experienced a notable decrease, not only in Poland but in the whole EU. Economic growth was only 0.2% in Poland (vs. 0.4% in the Eurozone), a stark difference from the 5.3% recorded in 2022.

Economic recovery in the fourth quarter was significantly weaker than anticipated. Experts from the Polish Economic Institute forecast that the upcoming year will bring a clear acceleration in economic growth. GDP growth will be driven mainly by a rebound in consumption. The substantial increase in the minimum wage and indexation of the 500+ child benefit (currently, Rodzina 800+) have the potential to boost household expenditures.

GDP growth



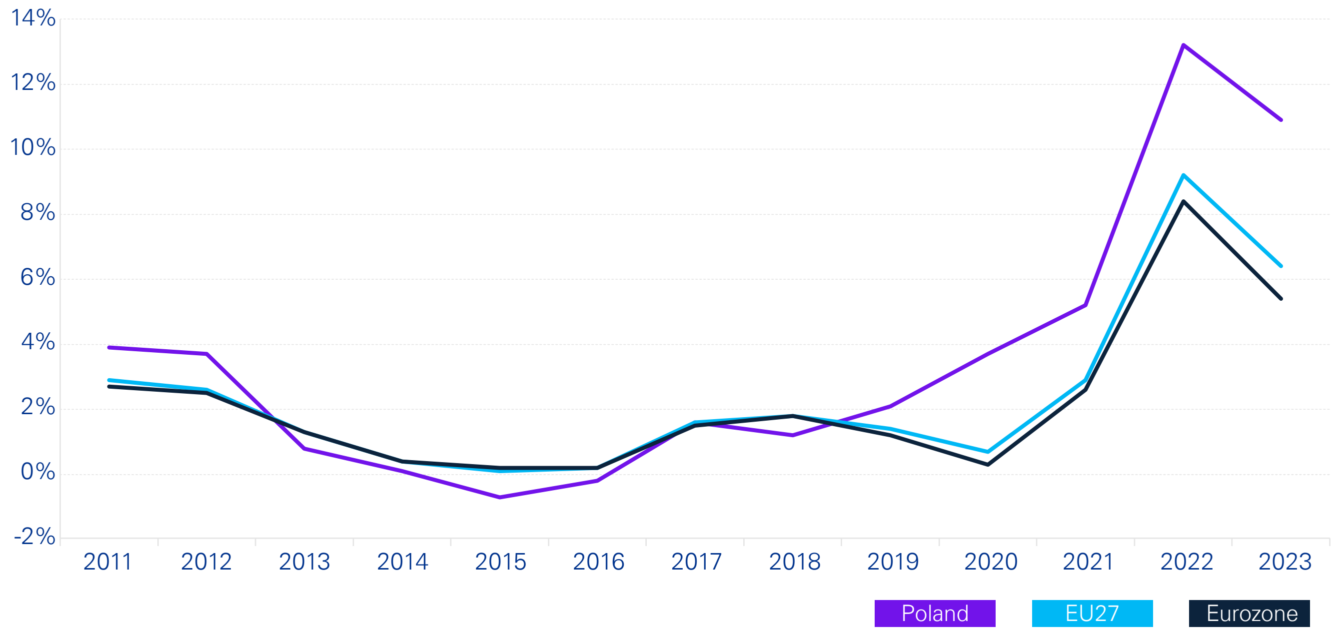
Source: KPMG in Poland, based on Eurostat data

According to the EIU, households are positioned to emerge as the primary catalyst of economic expansion in 2024, fuelled by robust private consumption resulting from positive real wage growth. Projections indicate that Poland's real GDP is set to increase at an average annual rate of 2.2% between 2023 and 2050, with real GDP per capita expected to grow by 2.7% annually. However, long-term GDP growth is anticipated to decelerate due to a combination of demographic decline and limited prospects for economic convergence with wealthier Western European nations.

According to Eurostat's methodology, inflation (the rate of growth in prices of consumer goods and services in Poland) dropped significantly from 13.2% in 2022 to 10.9% in 2023 (vs. 8.4% and 5.4% for the entire Eurozone), primarily due to energy prices.

Per EIU projections, inflation is forecast to fall within the National Bank of Poland's target range of 1.5–3.5% by the second quarter of 2024. Nevertheless, a resurgence is expected in October, with inflation potentially rising as high as 7%. This surge is linked to the ending of household cost-of-living support measures, including unfreezing of energy prices and reinstatement of VAT (5%) on food from mid-2024. NBP anticipates that inflation will remain above the bank's 2.5% (±1pp) target level until the fourth quarter of 2025.

Growth in prices for consumer goods and services



Source: KPMG in Poland, based on Eurostat data

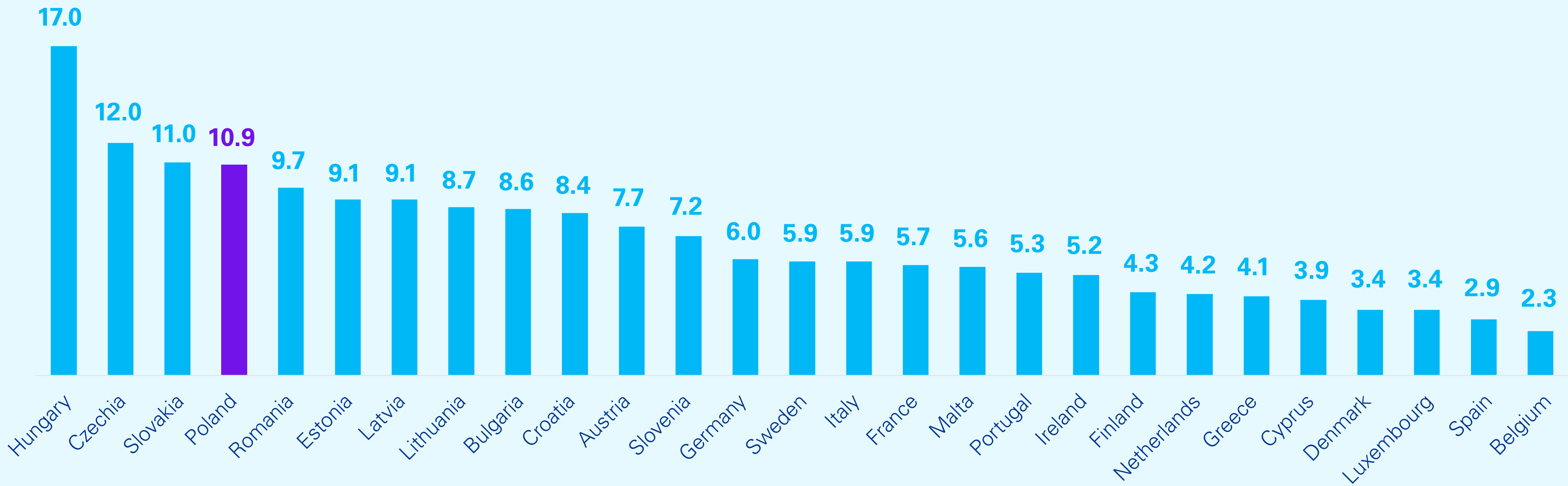
Inflation in the EU has been gradually and consistently falling since its peak at 11.5% in October 2022. In 2023, annual inflation in the EU was 6.4%, down from 9.2% in 2022, according to Eurostat (the EU's statistical office). At 10.9%, Poland ranked 24th out of 27 European Union countries, still very high.

Poland boasts one of the lowest unemployment rates in the EU, placing our country second among member states, following Malta. The labour market is currently facing challenges due to historically low levels of unemployment. The economic recovery projected for 2024 is expected to alleviate labour shortages by increasing wages, which will benefit households.

Poland has effectively integrated about 65% of the nearly 550,000 working-age Ukrainian refugees currently residing in the country, out of a total of roughly one million asylum seekers. This accomplishment exceeds that of other countries and has the potential to alleviate the strain on Poland's demographics and its consistently tight labour markets, notwithstanding certain skill mismatches.

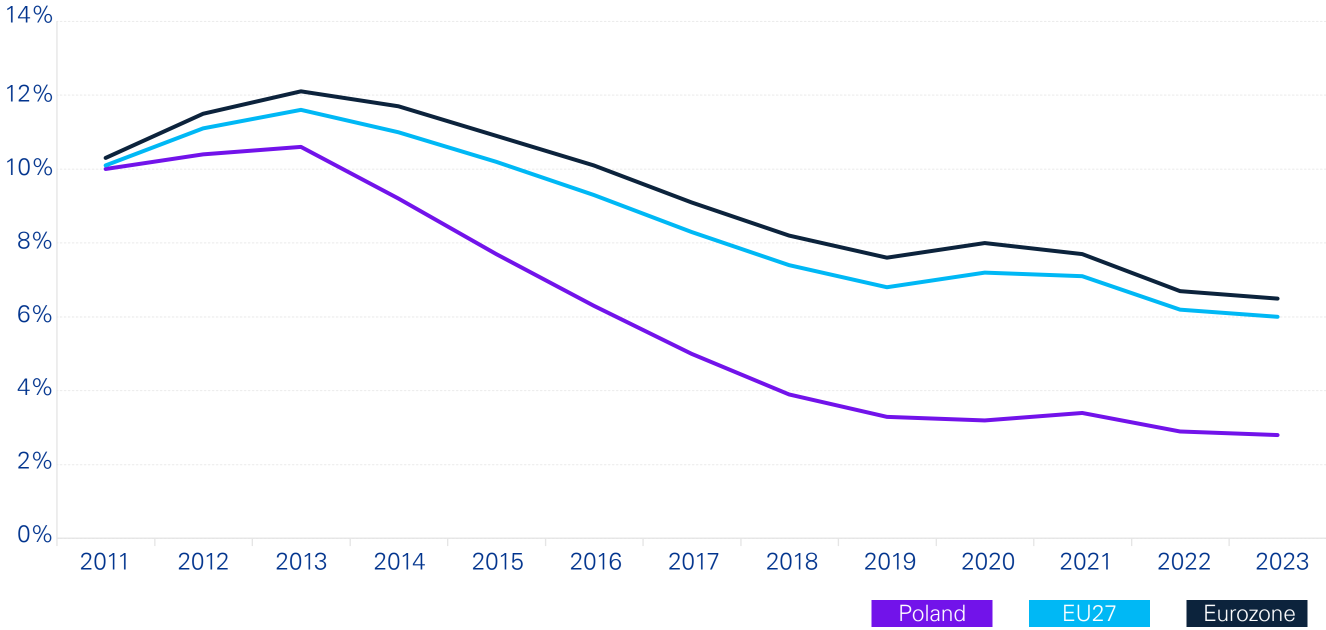
In January 2023 the government raised the gross minimum monthly wage to PLN 3,490, up from 3,010 in 2022 and 2,800 in 2021, with a second increase from July 2023 to PLN 3,600. The minimum wage is applicable uniformly across all sectors, regions, and occupations nationwide. In 2024, the minimum wage will increase in two stages. Starting January 1, the minimum salary will be 4,242 PLN.

Annual inflation rate in 2023 in EU countries



Source: KPMG in Poland, based on Eurostat data

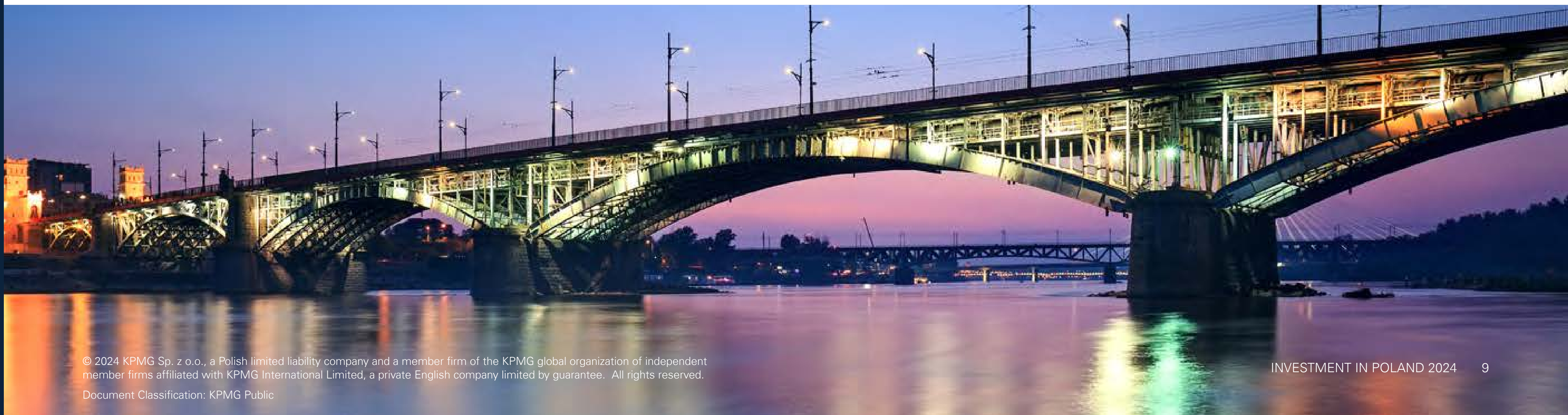
Unemployment rate



Source: KPMG in Poland, based on Eurostat data

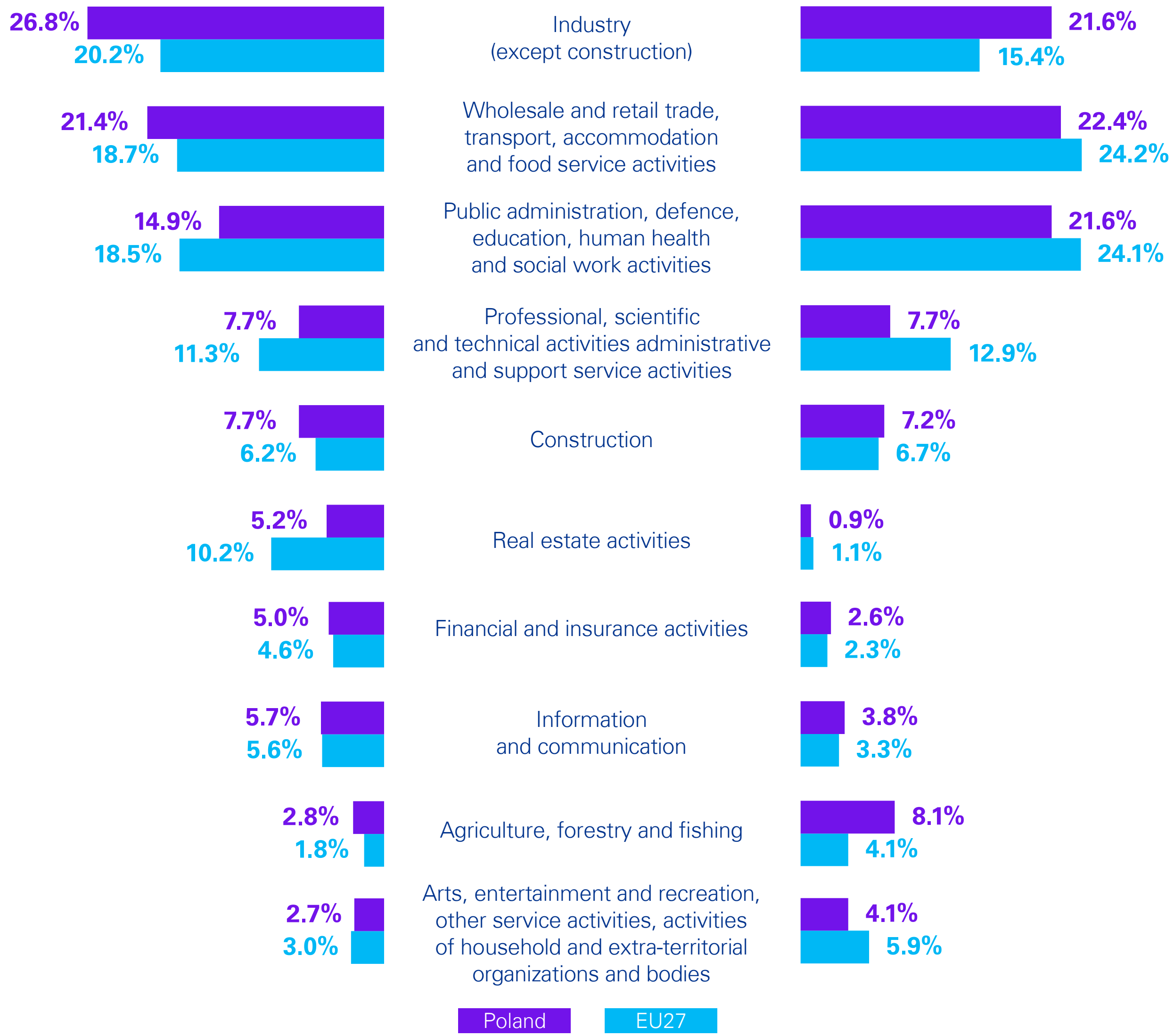
Despite improvements in life expectancy and repatriation from the UK, declining birth rates and a policy shift towards reducing the statutory retirement age pose challenges to the size of the working-age population. The Economist Intelligence Unit predicts an annual average decrease of 1% in the working-age population from 2023 to 2050, compared to a 0.5% decrease in the overall population.

In the medium term, improvements in living standards are expected to reduce emigration incentives, helping to mitigate the country's demographic decline and alleviate labour shortages. Additionally, increased labour market adaptability could boost the labour force participation rate, increase structural employment levels, and counteract the overall decline in the labour force. A gradual rise in the retirement age is also a possibility in the medium term. With real wages increasing, the shrinking household sector is expected to experience a revival in 2024.

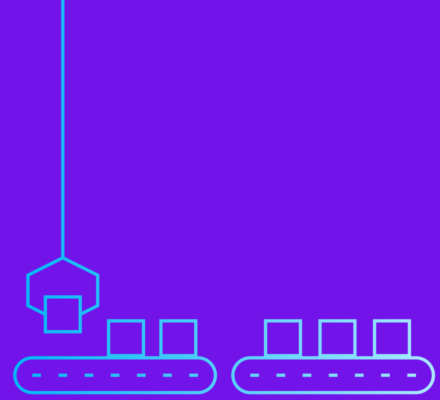


Share of sectors in generating gross added value in 2023

Share of sectors in employment in 2023



Source: KPMG in Poland, based on Eurostat data



The industry sector, along with the sector of wholesale, retail, trade, transport and HoReCa, consistently accounts for the largest share of Polish gross added value (value of goods and services produced, less materials and other directly related costs).

In 2023, these two sectors generated 26.8% and 21.4% respectively, slightly less than in the previous year.

The same two sectors are also the country's largest source of labour, totalling 44.0% of the working population. The third-largest sector in terms of gross added value and ex aequo second in terms of employment is the public sector. However, comparing Poland to the EU, it is noticeable that professional, scientific and technical, as well as administrative and support service activities, play a slightly smaller role overall.

The arts, entertainment and recreation sector has also developed with slightly fewer workers (4.1% in Poland and 5.9% in the EU). However, almost twice as many people in Poland as in the EU at large find employment in agriculture, forestry and fishing (8.1% vs. 4.1%).

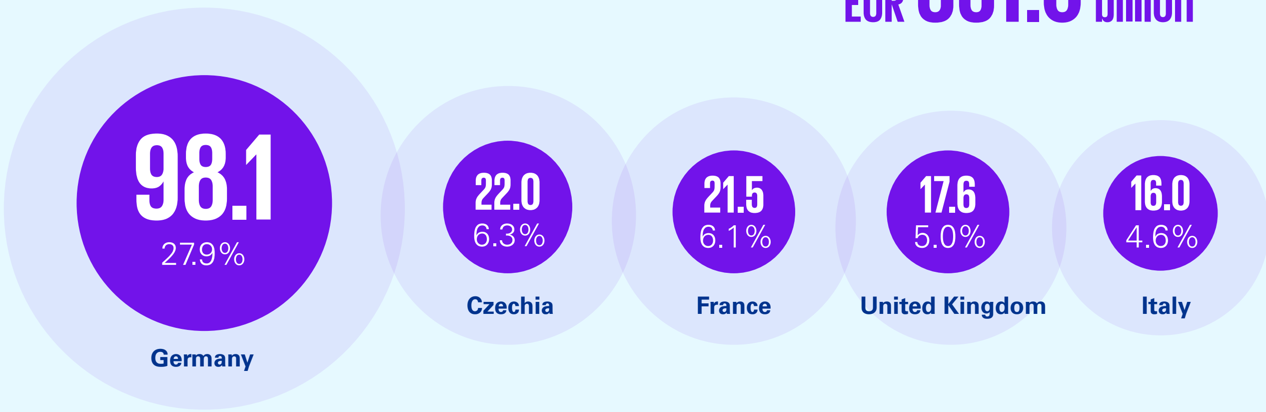
International trade in goods

In 2023 Poland exported goods worth EUR 351.0 billion. The value of imported goods was EUR 340.5 billion, giving a positive balance of EUR 10.5 billion. Compared to the previous year, the value of exported goods increased by 2% and imported goods fell by 6.4%. Most of the trade is carried out between Poland and other EU countries—74.7% of exports and 55.9% of imports in value terms. Poland exported EUR 98.1 billion worth of goods to Germany, which accounted for over a fourth of total revenues (27.9%). Goods worth EUR 67.5 billion were imported from Germany, which accounted for 19.8% of the total import market share. The positive balance of trade with Germany amounted to EUR 30.6 billion (over EUR 8 billion more than last year). Poland's next-largest partners in terms of exports in 2023 were Czechia and France, with a 6.3% and 6.1% share in Poland's export value respectively. The countries outside the EU receiving the largest share of Polish exports were the UK, the US, and Ukraine (together responsible for a 11.3% share). The goods that accounted for the largest share of both exports and imports were machinery, equipment, and means of transport. In 2023 Poland exported goods in this group worth EUR 135.2 billion, accounting for 38.3% of goods sold abroad. Imported products in this group were worth EUR 119.8 billion (nearly 35% of total import value). Industrial goods classified mostly by commodity were the next largest group of goods that Poland sells to and buys from other countries.

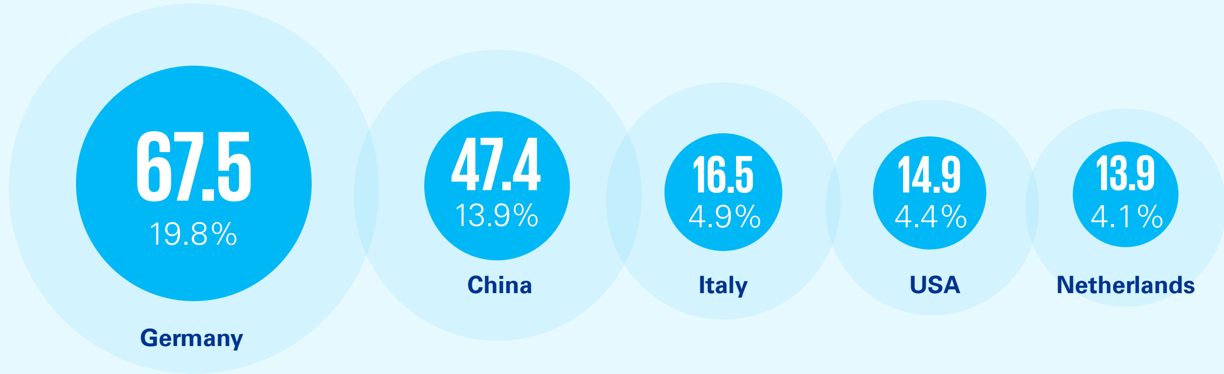
Goods exports from Poland in 2023 (EUR billion, % share)

TOTAL EXPORTS

EUR 351.0 billion



Goods imports into Poland in 2023 (EUR billion, % share)

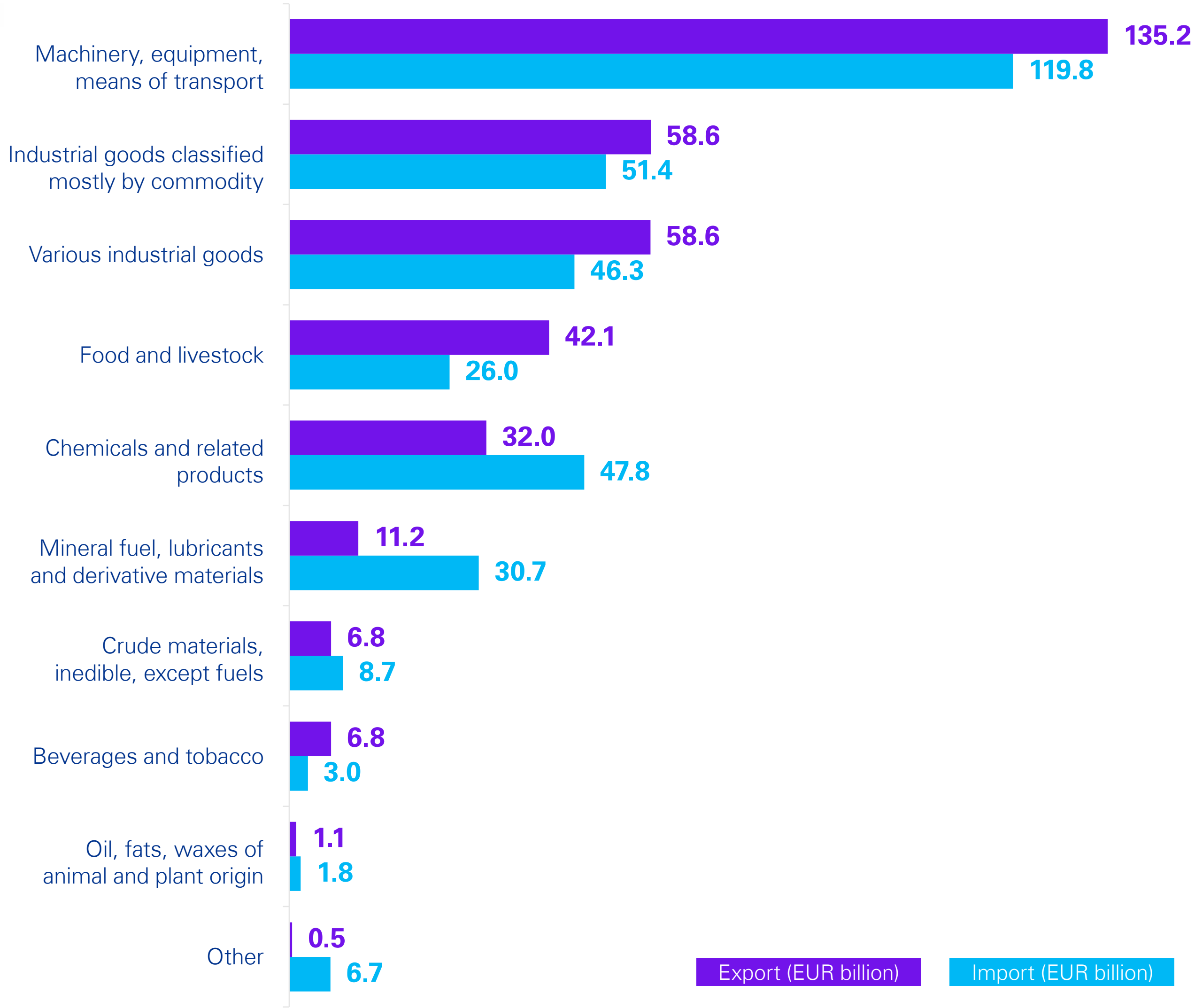


TOTAL IMPORTS

EUR 340.5 billion

Source: KPMG in Poland, based on Eurostat data

Poland’s foreign trade in 2023 broken down by groups of goods (EUR billion)

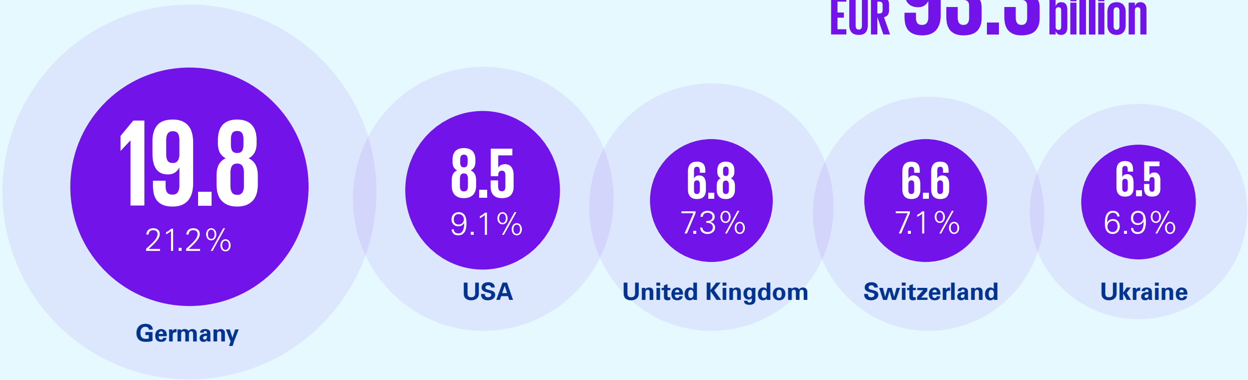


Source: KPMG in Poland, based on Eurostat data

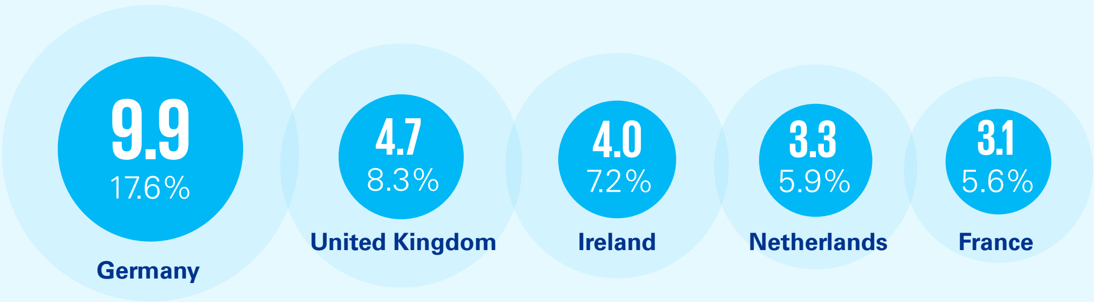
International trade in services

Exports of services from Poland in 2022 (EUR billion, % share)

TOTAL EXPORTS
EUR 93.3 billion



Imports of services from Poland in 2022 (EUR billion, % share)



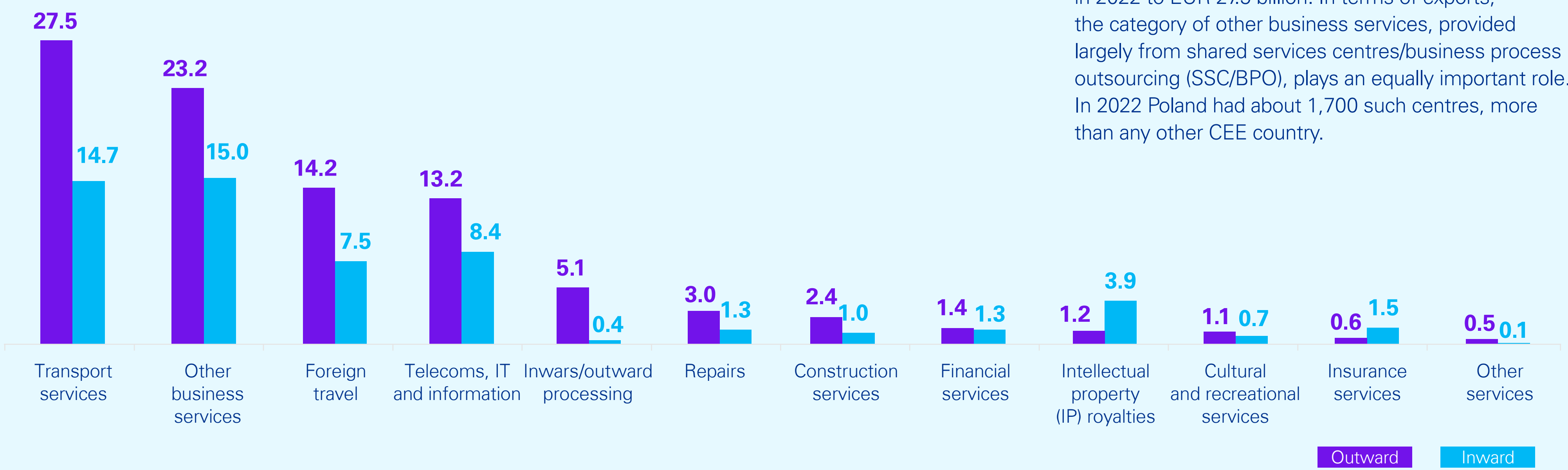
TOTAL IMPORTS
EUR 55.9 billion

Source: KPMG in Poland, based on National Bank of Poland data, converted at the average annual exchange rate for 2022.

The situation in the trade in services shows a somewhat different picture. The value of exports of services in 2022 was EUR 93.3 billion, 36% higher than in 2021. By contrast, the value of service imports was EUR 55.9 billion, up 33% y/y. A positive balance of EUR 37.4 billion was recorded. Of all exports of services, 60% were to EU countries. Poland's largest export partner was once again Germany. Polish companies received EUR 19.8 billion from Germany for services sold (21% of total exports), and paid EUR 9.9 billion for services bought from entities in Germany (18% of total imports). Other key partners in services trade are countries from outside the EU, namely the UK, the US, and Switzerland.

Condition of Poland's economy
Foreign Investment in Poland
Nearshoring
Business Services Sector in Poland
ESG trends and their influence on business in Poland
Forms of conducting business activity
Tax regulations
Statutory financial statements and reporting requirements
Which investment destination to choose?

Poland's foreign trade in 2022 by type of services (EUR billion)



Source: KPMG in Poland, based on National Bank of Poland data, converted at the average annual exchange rate for 2022.

Transport is the key category of services provided by companies based in Poland. The value of Polish companies' receivables sharply increased in 2022 to EUR 27.5 billion. In terms of exports, the category of other business services, provided largely from shared services centres/business process outsourcing (SSC/BPO), plays an equally important role. In 2022 Poland had about 1,700 such centres, more than any other CEE country.

Foreign currency long-term sovereign debt ratings of Poland*

Moody's	S&P	Fitch
A2	A-	A-
stable outlook	stable outlook	stable outlook

Source: KPMG in Poland, based on Polish Ministry of Finance news portal
*Ratings current for March 2024

Credit ratings

The current outlook for the credit ratings from all three agencies (Moody's, S&P and Fitch) has been described as "stable" for Poland. This perspective considers the potential risks in the short term due to weak external demand and lenient fiscal policy, despite the persistent high inflation. This is weighed against the favourable factors of manageable fiscal and external debt, as well as the potential for enhanced relations between Poland and the EU. Poland's economy is anticipated to experience a resurgence in 2024, primarily driven by the increase in real wages and the inflow of funds from the Recovery and Resilience Facility.

Poland's financial services industry is highly competitive, which means advisors must have a comprehensive understanding of pressing challenges such as heightened regulatory scrutiny, intensified competition, and rapidly evolving technologies. With a team of seasoned advisors, we offer tailored strategies to manage your financial risks while maximizing opportunities. KPMG in Poland boasts a wealth of experience in servicing businesses within various fields of the financial industry, including banking, insurance, savings, mortgages, and credit.

Iwona Galbierz-Sztrauch

Partner, Head of Financial Services, KPMG in Poland

How can we help you?

The multidisciplinary KPMG Financial Services team provides support to increase the value of financial institutions and strengthen their competitive position on the market.

- Credit risk: statistical model design and validation, scenario analysis, sensitivity and stress testing
- Market risk: financial instrument valuation
- Interest rate risk management
- Capital adequacy: CRR 3/Basel IV gap analysis, impact assessment, implementation
- Data science, machine learning and artificial intelligence
- M&A services: due diligence, VDR assistance, negotiations, post-M&A integration
- Accounting advisory services: IFRS implementation, PPA, finance function transformation
- Transaction structuring: synthetic securitizations, credit derivatives, financial guarantees and other forms of synthetic carve-out of specific portfolios
- Asset-based consulting: IFRS 9 tool, RWA tool, NDoD tool, Leasy tool
- Transformation and integration of the finance function
- Optimization, acceleration and automation of financial processes (e.g. Fast Close)
- ESG risk management and implementation of ESG regulations (EU Taxonomy, SFDR, TCFD)
- Sustainable finance: practical solutions for selection of green assets, design of green bond frameworks, support in creation of SFDR-compliant green funds
- Customer and sales management services: innovation and product management, CX management
- Operational excellence: target operating model, process design, and re-engineering
- Business strategy and transformation
- Financial statement audit
- Other assurance services

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Doing business in Poland

The institutional environment

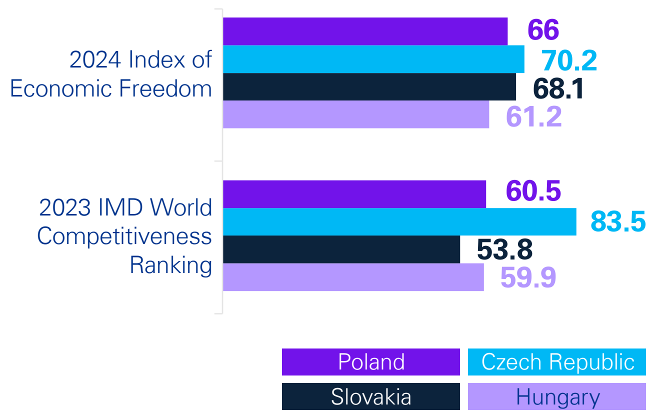
The ease of doing business is also dependent on good regulations as well as certainty of business transactions. Those are hard to measure, but international institutions try to take as many indicators as possible to do it.

The Heritage Foundation placed Poland 42nd in its 2024 Index of Economic Freedom, giving the country 66.0 out of a maximum 100 points. The ranking covers 184 economies. Our country excelled in investment freedom, achieving the highest rank among all twelve areas, scoring 80 out of 100 points.

The 2023 IMD World Competitiveness Ranking by the International Institute for Management Development considered 64 selected countries. In the 2023 Yearbook, Poland ranked 43rd in competitiveness overall, scoring 60.48 points, and thus improved its position by 7 spots compared to the previous edition. The country is recognized for its employment opportunities, price stability, and freedom in international trade. In these categories, Poland ranked 14th, 17th and 21st respectively.

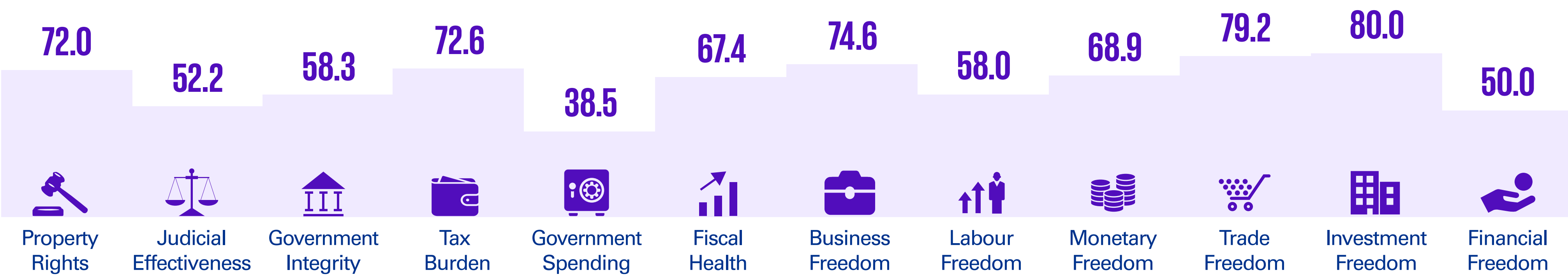
No duties are levied in trade between EU member states, and non-tariff barriers are also prohibited. In relations with third countries, trade policy is regulated by the European Commission. This way, the EU ensures uniform and consistent rules for trade in goods, foreign direct investments and intellectual property rights. Moreover, 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.

Countries' performance in global economic ratings



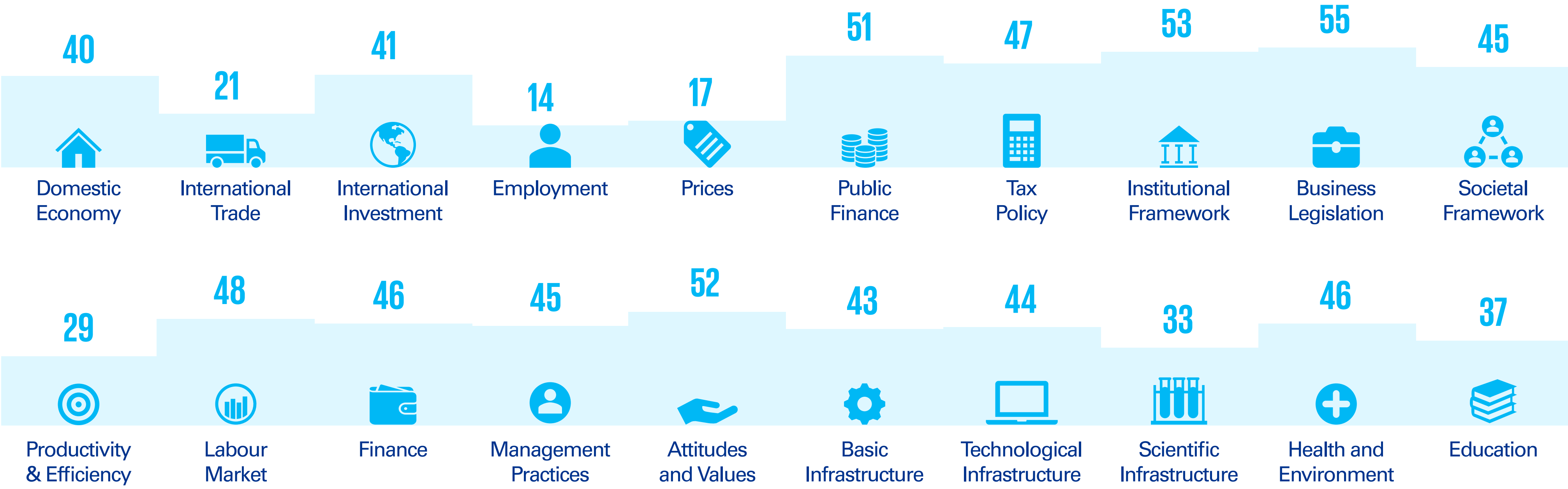
Source: KPMG in Poland, based on Heritage Foundation and International Institute for Management Development data

Poland's position in 2024 Index of Economic Freedom in various areas of business (score out of 100)



Source: KPMG in Poland, based on the 2024 Index of Economic Freedom, The Heritage Foundation

Poland's position in 2023 IMD World Competitiveness Ranking in various areas of business (place in ranking)



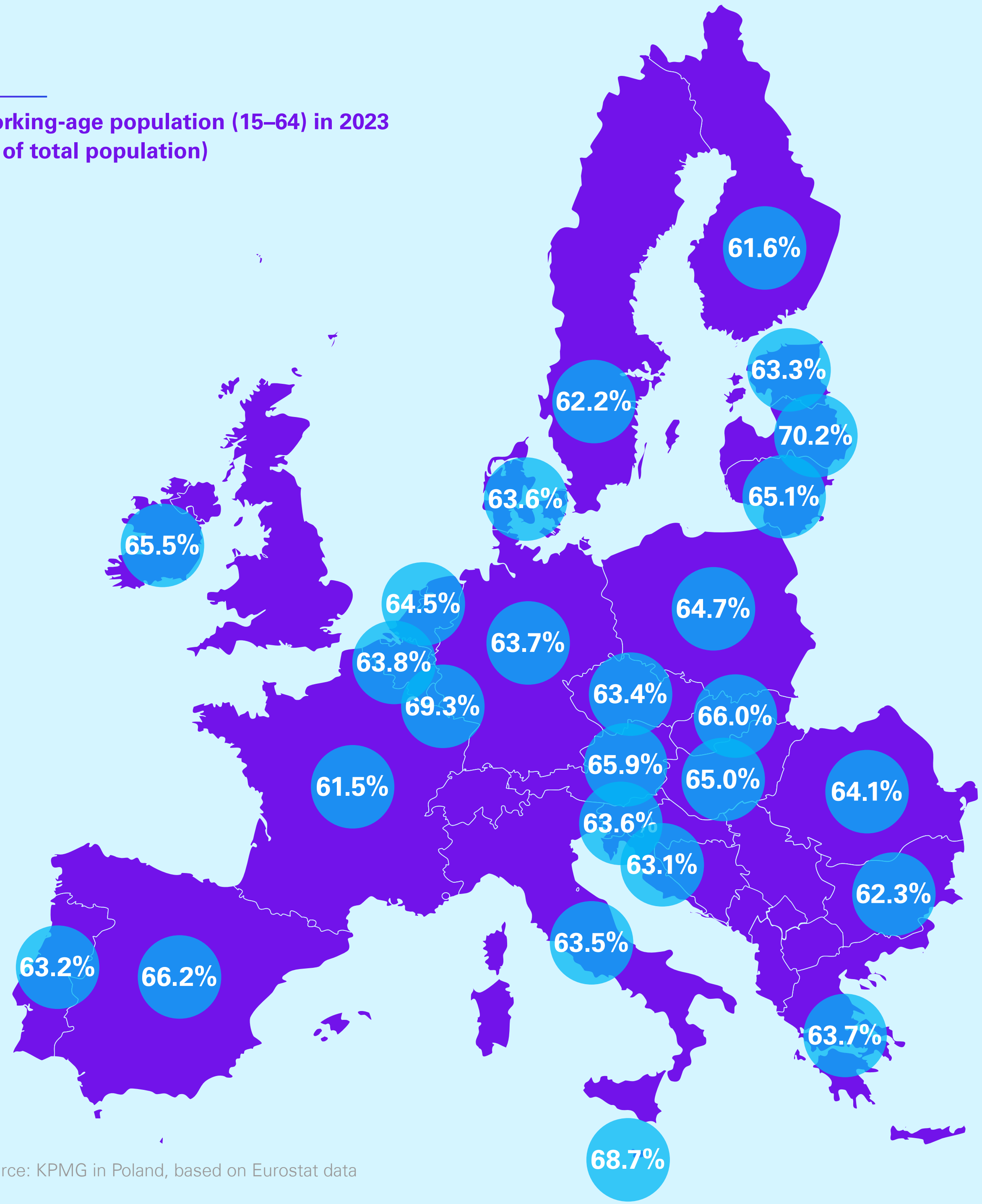
Source: KPMG in Poland, based on the 2023 IMD Competitiveness Ranking, International Institute for Management Development

Human capital

In 2023, Poland's population decreased by 131,000 year-on-year, to 37,635,000 at year-end. In 2023, the number of births in Poland was 272,000, a decrease of 33,000 (11%) from the previous year. This ranks Poland fifth in population within the EU, following Germany, France, Italy, and Spain. The population is relatively young, with 64.7% of Poles being of working age. Within the EU, in 2023 ten countries had a higher percentage of people in the 15–64 age group in 2023. According to the EIU, the population, and also the working-age population, is expected to decline in 2024.

More than 29% of Poles who fall into the working-age category have a college degree. According to Statistics Poland, the most popular subgroups of majors were business, administration and law, followed by health and welfare. A great emphasis is placed in Poland on learning English. It is a compulsory subject throughout education. According to the EF English Proficiency Index 2023, Poland ranks 13th in the world in English fluency, describing the level as "high proficiency."

Working-age population (15–64) in 2023 (% of total population)



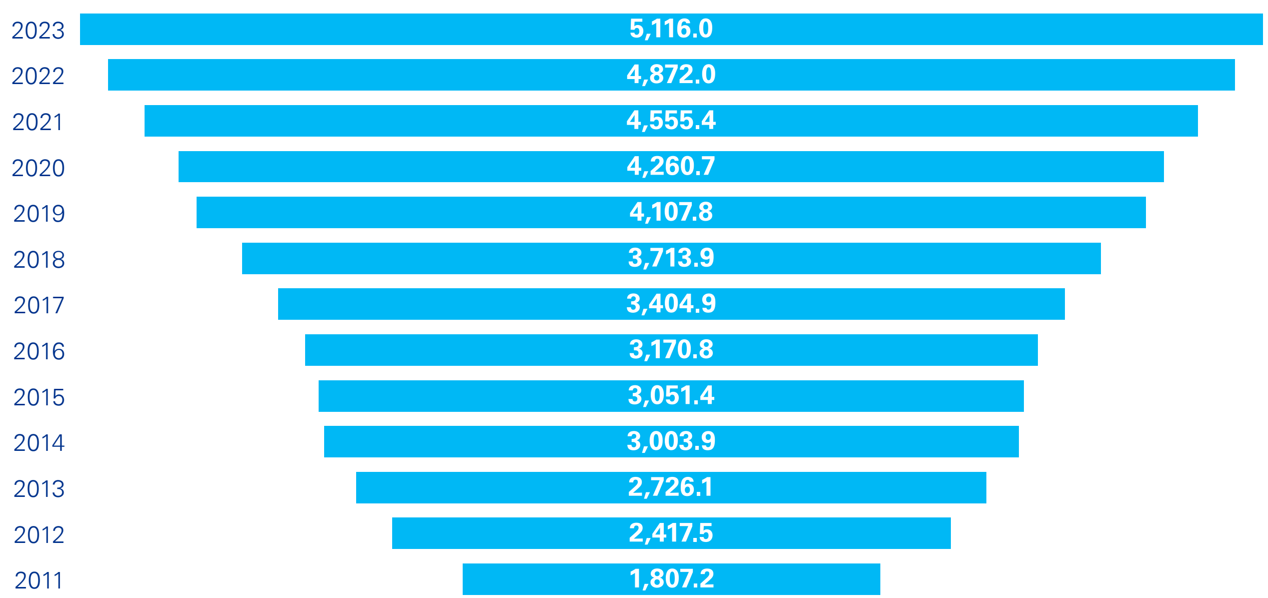
Source: KPMG in Poland, based on Eurostat data

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. Two out of nine corridors of the Trans-European Transport Network (TEN-T) of international importance run across Poland: the North Sea—Baltic Sea corridor and the Baltic–Adriatic corridor. Since joining the EU, Poland has rapidly expanded its network of road, sea, air and rail connections with support from EU funds.

According to the General Directorate for National Roads and Motorways (GDDKiA), in 2023 nearly 267 km of new roads were opened to traffic in Poland. Currently, drivers have access to 5,115.6 km of expressways, including 1,849.2 km of motorways and 3,266.4 km of express roads. Additionally, in 2023 tenders were announced for 42 road sections, totalling 530.6 km. GDDKiA is the largest beneficiary of EU funds. Within EU-funded projects for which financing agreements have been signed, over 2,127 km of national roads are slated for construction (including about 158 km of motorways and 1,765 km of express roads).

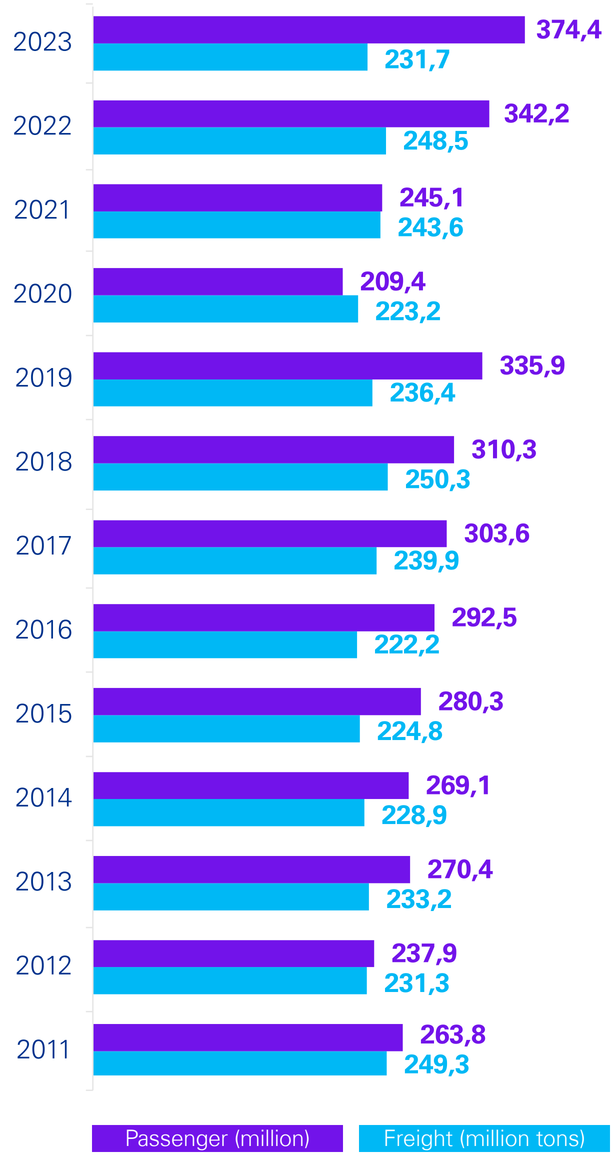
Length of express road and motorway network (km)



Source: KPMG in Poland, based on Statistics Poland (GUS) data

According to Eurostat data, Poland has the third-longest rail network in the EU, ranking just behind Germany and France. High-speed rail was launched in 2014 and is still being developed. In 2023, Polish railways recorded a record-high level of passenger transport, with over 374.4m passengers, a 9.4% increase from 2022 (the highest since 1999). In 2023, freight transport witnessed a decline, with 231.7m tonnes of cargo, a decrease of 6.8% from 2022. Freight work amounted to 61.6 billion tonne-kilometres, which is the second-highest result in the last decade, but still marks a decrease of 1.4% from 2021.

Passenger and freight transport by rail



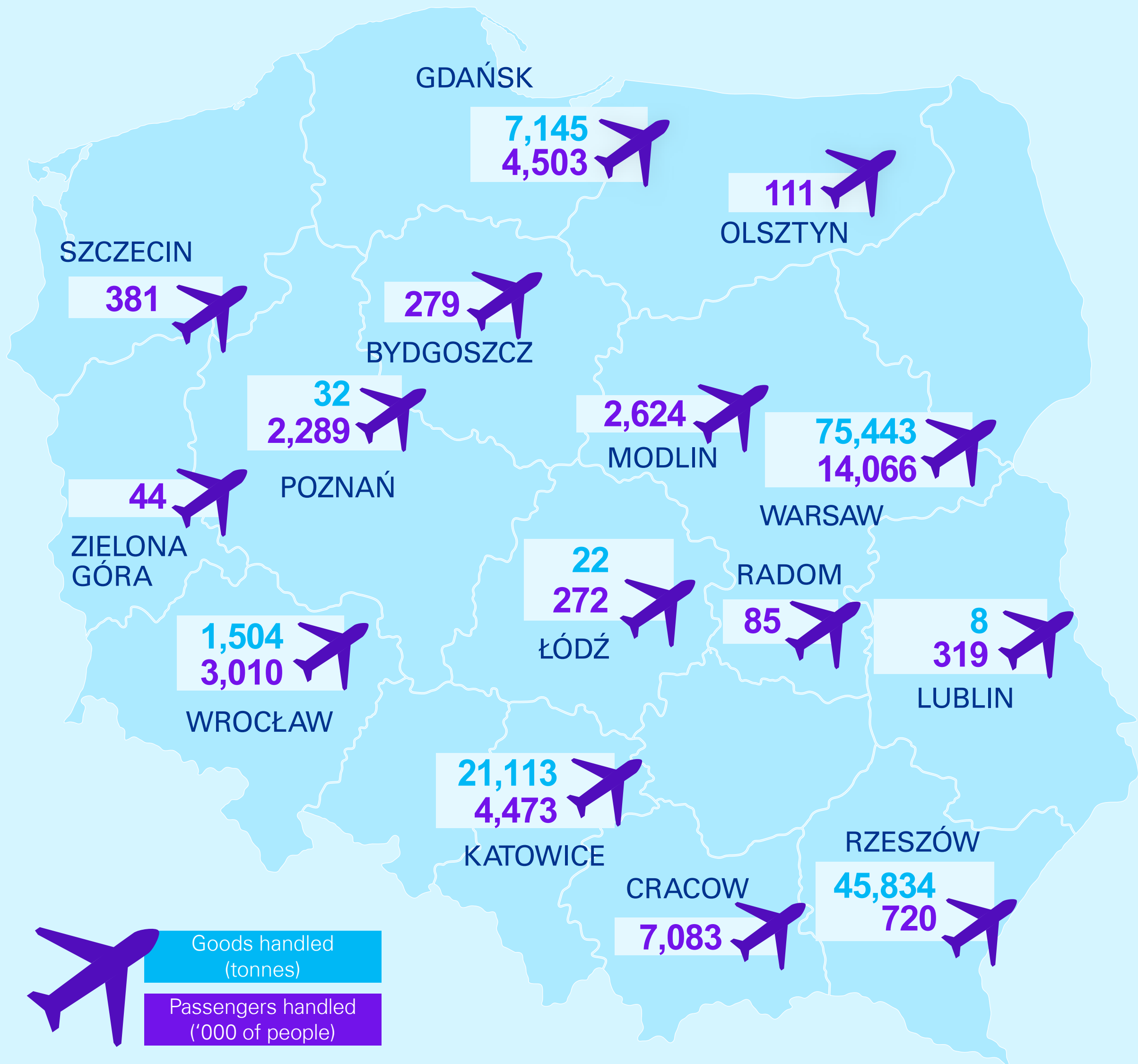
Source: KPMG in Poland, based on Office of Rail Transport (UTK) data

Air transportation in Poland continues to grow. There are currently 15 airports operating in the country. The largest, Warsaw Chopin Airport, is on the outskirts of the capital and is well connected to the centre of Warsaw, and from there transportation to other Polish cities is equally easy. The other major airports in Poland are in the other large cities (Kraków, Gdansk, and Katowice).

In the first three quarters of 2023, Warsaw Chopin served over 14m passengers in domestic and international traffic—almost as many as in the entire 2022, and 32% more than in the corresponding period in 2022. Warsaw Chopin is also Poland’s largest airport for cargo (over 75,000 tonnes in the first three quarters of 2023). The Solidarity Transport Hub (CPK), a planned interchange between Warsaw and Łódź aimed at integrating air, rail, and road transport in the country, is scheduled to open in late 2027 or early 2028.

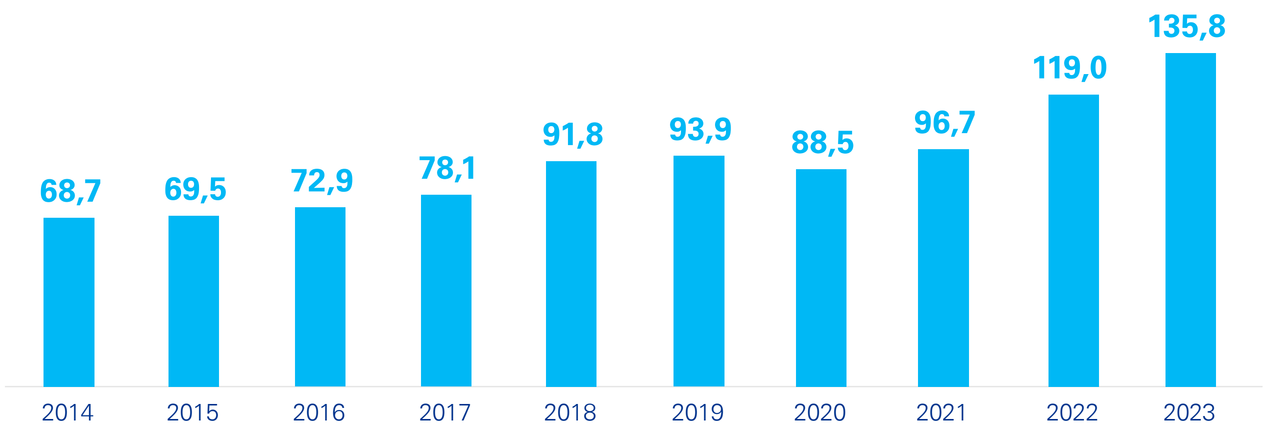
Through the Baltic Sea, Poland has access to markets all over the world, enabling it to directly receive and dispatch bulk goods and containers. The largest Polish port, which is also the third-largest port on the Baltic, is in Gdańsk. Considering container transport only, the Gdańsk trans-shipment terminal is the largest on the Baltic.

Passengers and cargo handled at Polish airports in 1–3Q 2023



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

Goods handled at Polish seaports ('000 tonnes)

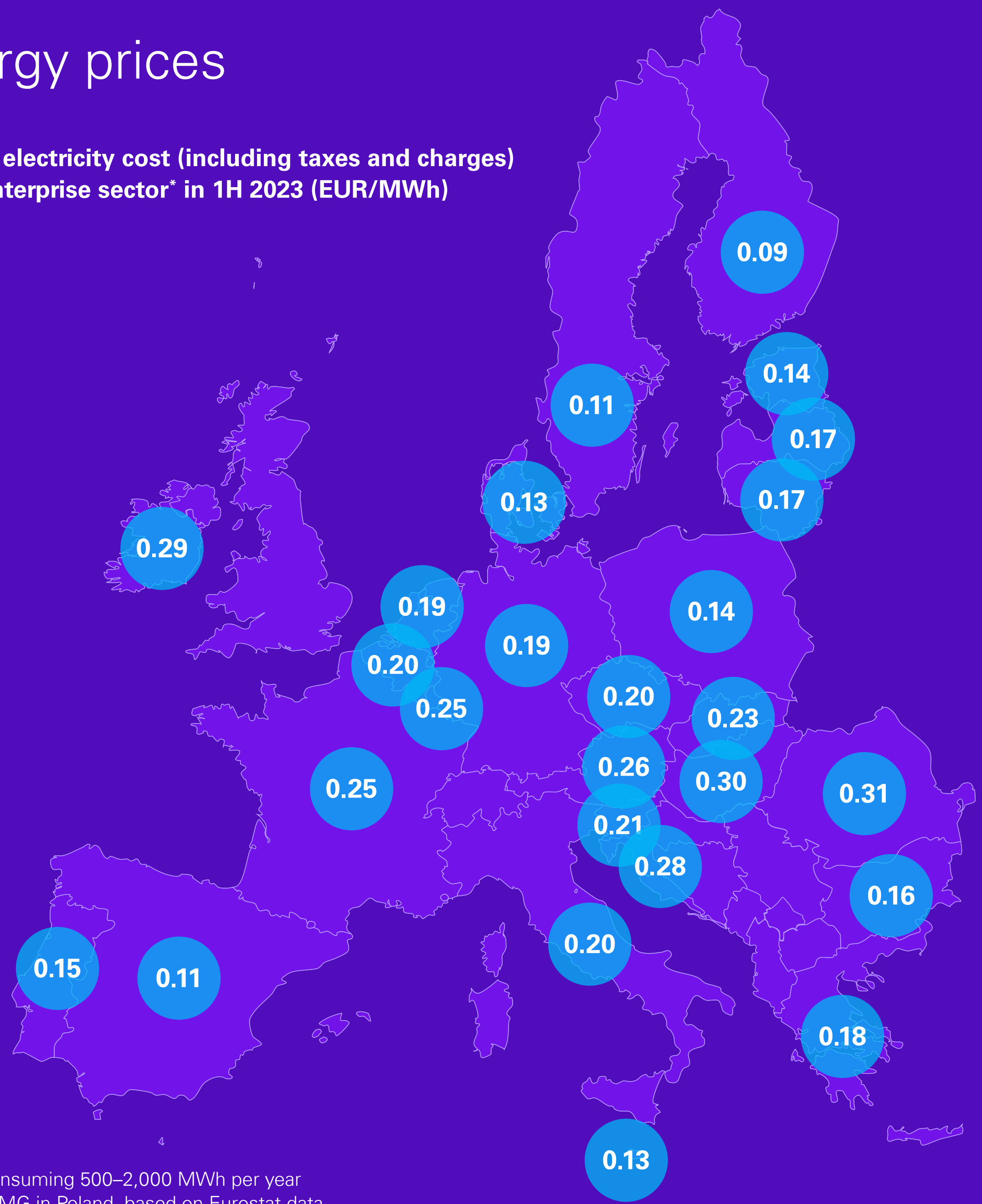


Source: KPMG in Poland based on Statistics Poland (GUS) data

In 2023 the volume of goods handled at Polish seaports was the highest ever, reaching nearly 136m tonnes. This was largely due to the war in Ukraine and the Russian blockade of that country's Black Sea ports. Polish sea terminals have become a window to the world for Ukrainian exports and imports.

Energy prices

Average electricity cost (including taxes and charges) in the enterprise sector* in 1H 2023 (EUR/MWh)



*Entities consuming 500–2,000 MWh per year
Source: KPMG in Poland, based on Eurostat data

Poland has fully adopted the provisions of the EU energy packages liberalizing the energy market. As a result, the country has a fully competitive electricity market, where both individual and institutional customers have the right to choose their electricity supplier freely, regardless of the power grid operator or generator of the power. Freedom of choice helps companies select the best price. The situation in commodity markets (coal and gas) is stabilizing, resulting in less volatility in wholesale electricity prices. Due to the decreases in wholesale market prices compared to contracts signed in 2022, approved by the President of the Energy Regulatory Office (URE), electricity prices in suppliers' tariffs for 2024 are 31.3% lower than tariffs approved for 2023.

Distribution tariffs are increasing slightly (about 2.9% year-on-year), due to the need for operators responsible for the network infrastructure in the country to incur capex for expansion and upgrading of the transmission and distribution networks. The level of distribution tariffs is also influenced by the increase in the tariff of the transmission system operator (Polskie Sieci Elektroenergetyczne SA), and inflation.

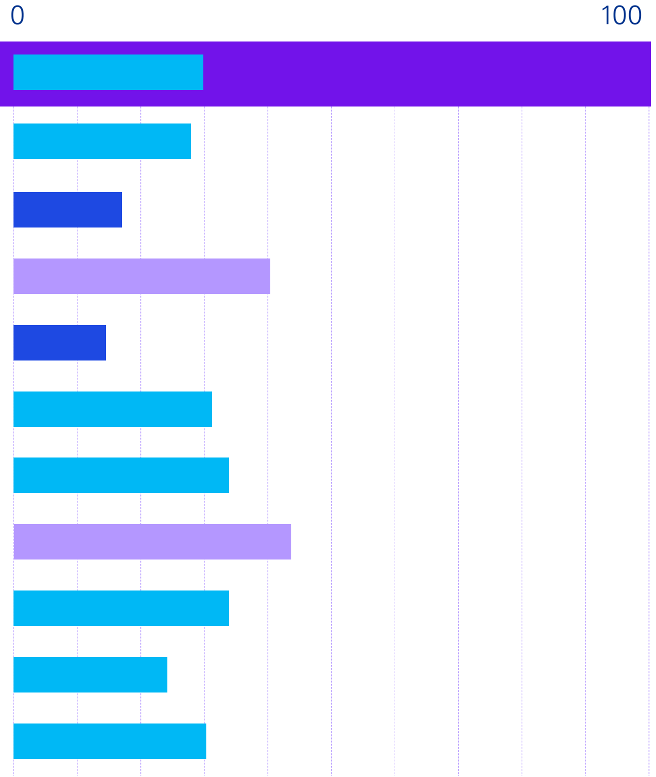
Operational risk

The Economist Intelligence Unit's operational risk assessment aims to evaluate and quantify potential threats to business profitability across 180 countries over the next two years. This analysis relies on 70 risk indicators spanning ten distinct criteria, encompassing economic, political, and regulatory risks. The assessment uses a combination of qualitative and quantitative factors to forecast future risks effectively.

According to the EIU, due to the recent election outcome in Poland, overall business risk is moderate. Economic policy maintains a pro-business stance, emphasizing tax reform, EU-driven investments, and promoting sustainability. With a robust and diversified economy, macroeconomic risks are minimized. Foreign trade and payment risks remain low, albeit with ongoing developments in equity and capital markets. Tax laws are under review, and addressing skills shortages through increased immigration is prioritized. While existing infrastructure suffices, further enhancements are needed.

Poland's risk overview

	Score	Change	Rating
Overall assessment	31	-2	B
Financial	29		B
Foreign trade & payments	18		A
Government effectiveness	41	-3	C
Infrastructure	15	-5	A
Labour market	32		B
Legal & regulatory	35		B
Macroeconomic	45	-15	C
Political stability	35	-5	B
Security	25		B
Tax policy	31		B

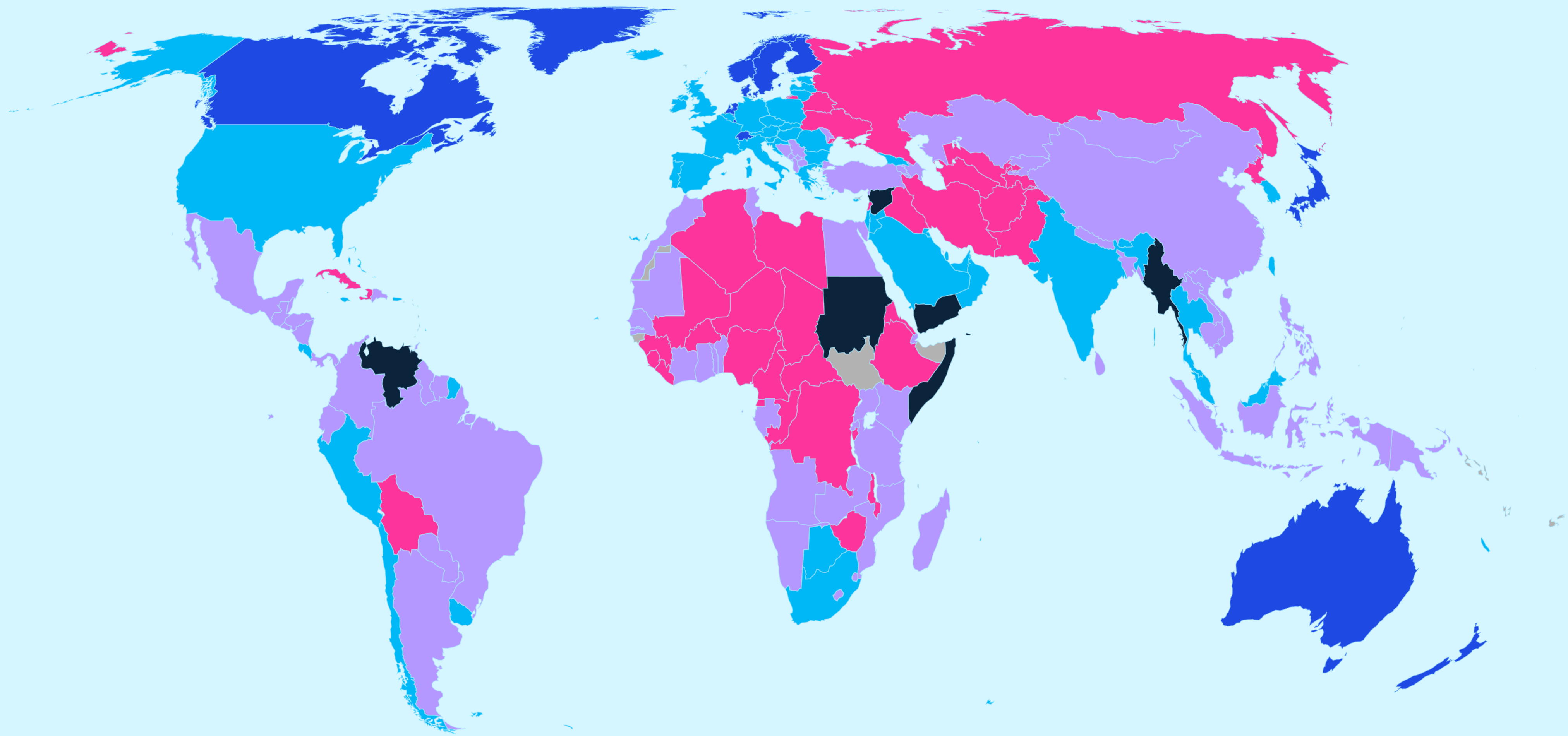


Risk level key

Very low	Low	Moderate	High	Very high
0-20	21-40	41-60	61-80	81-100
A	B	C	D	E

Source: EIU, November 2023

Global risk overview map



Risk level key

Very low	Low	Moderate	High	Very high
0-20	21-40	41-60	61-80	81-100
A	B	C	D	E

Source: EIU, November 2023

Poland's risk overview

- Government effectiveness is a concern, despite efforts to improve bureaucratic transparency and adherence to the rule of law.
- Legal and regulatory risk is moderate, with ongoing efforts to boost accountability and enforce intellectual property laws.
- Macroeconomic risk is elevated due to fiscal pressures, while foreign trade and payments risk remains low.
- Foreign trade and payments risk in Poland is generally low, with international investors having ease of access to foreign exchange and minimal threat of discriminatory tariffs, supported by Poland's commitments to the EU.
- Financial risk is rising, particularly regarding legacy issues in the banking sector.
- Tax policy risk is moderate, with plans to simplify the system under the new government.
- Labour market risk is moderate, with ongoing efforts to address skills shortages through immigration.
- Infrastructure risk varies across sectors, with improvements needed despite adequate facilities for most needs. Infrastructure risk varies across sectors, with improvements needed despite adequate facilities for most needs.

How can we help you?

KPMG in Poland offers consulting services aimed at improving companies' efficiency and tech application.

CFO advisory:

- Accounting advisory
- Governance and risk compliance
- Controlling and performance

Cybersecurity:

- Cybersecurity analyses of: applications, infrastructure, workforce
- Protection: Transformation of the cybersecurity function and support in selection and implementation of security systems
- Incident response—before, during and after a cyberattack
- Personal data protection

Data and analytics:

- Business intelligence
- Data quality
- Data governance
- Artificial intelligence
- Cloud computing

Since the early 1990s, Poland has gained a reputation as a fast-growing and resilient economy. No matter which political party was in power or whether the global economy was experiencing a boom or a bust, the Polish economy has consistently outperformed the EU economy and has been the fastest-growing CEE economy. This growth was fuelled by FDI ranging across various sectors, including business services, where Poland has become a default EU nearshore location. The war in Ukraine has opened another window of opportunity, as Poland has become a logistical hub for humanitarian, military and business support for Ukraine. And when the war is over, Poland will likely become a stable base for reconstruction of the Ukrainian economy. How can KPMG Poland help in tapping into this opportunity? First, we can help you find the optimal location for your investments. Second, once you hit the ground, we will help you transform your local operations by bringing business processes and technology up to the desired maturity level in areas such as CRM, ERP, business intelligence, and automation. Third, we will help you protect your newly acquired venture from cyber threats. And if you are not planning to invest but would like to benefit from the IT talent pool that Poland is so well known for, we are happy to help by putting our best-in-class technology resources at your disposal.

Grzegorz W. Cimochowski, *PhD*

Partner, Head of Consulting, ESG Leader, KPMG in Poland

How can we help you?

Technology:

- IT consulting
- Powered Enterprise—digital transformation
- SAP
- Microsoft
- ServiceNow
- Low-code and RPA
- ERP
- System and vendor selection

Business Consulting:

- Customer (CRM, CX, sales and service)
- Operational excellence
- Digital transformation
- Internal audit, risk and compliance
- Engineering project advisory

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Foreign Investment in Poland

The M&A market in Poland

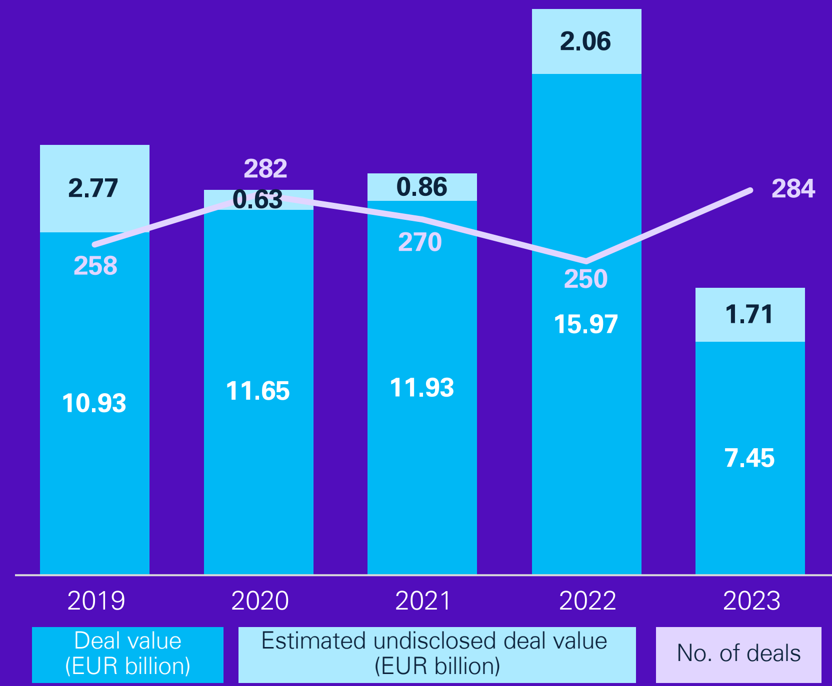
Poland's high appeal as an investment destination is also reflected in its well-developed mergers and acquisitions market. The number and value of M&A transactions in Poland was rising for years, until it fell during the coronavirus pandemic and accompanying economic uncertainty.

Despite encountering challenges, such as inflation followed by increased interest rates, M&A activity in emerging Europe has remained resilient. In 2022 the number of cross-border M&A transactions in Poland announced by foreign investors fell to 250, from 270 in 2021, but the 2023 data show an increase to 284, the highest figure since 2018. However, deal value dropped to a five-year low of EUR 7.45 billion, less than half the 2022 figure (which was mainly driven by the merger of state-owned energy firms PGNiG and PKN Orlen).

The largest deal in 2023 was the EUR 1.34 billion acquisition of Techland by Chinese buyer Tencent Holdings.

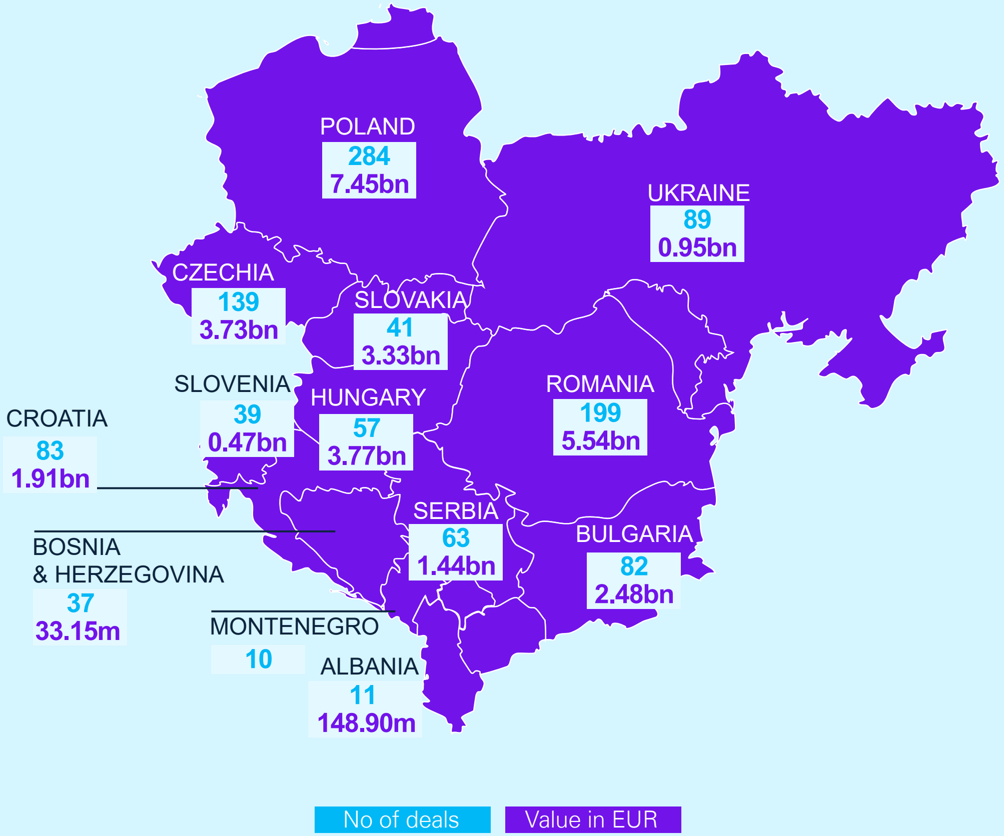
According to the website Emerging Europe, out of 13 emerging European countries, Poland was ranked the region's busiest market by overall deal value. The top three sectors in 2023 (by value) were telecoms & IT (EUR 2.14 billion), transportation & logistics (EUR 1.04 billion) and energy & utilities (EUR 970 million).

M&A deals by value and volume



Source: KPMG in Poland, based on DealWatch EMIS data

Dealmaking in emerging Europe



Source: KPMG in Poland, based on DealWatch EMIS data

Top 5 deals

	1	2	3	4	5
Value	EUR 1.34bn	EUR 871.4m	EUR 700m	EUR 510m	EUR 494.2m
Target	**Techland**	**STS Holding**	**Autostrada Wielkopolska; Autostrada Wielkopolska II**	**On Tower Poland**	**300 MW wind and solar portfolio**
Sector	Telecoms & IT	Other	Transportation & Logistics	Telecoms & IT	Energy & Utilities
Stake	67%	100%	n/a	30%	100%
Buyer	Tencent Holdings (Country of buyer: China)	Company founder(s); Emma Capital; Entain (Country of buyer: Czechia; UK)	Meridiam (Country of buyer: France)	Cellnex Telecom (Country of buyer: Spain)	Orlen (Country of buyer: Poland)
Value Source	Market estimate provided by EMIS and based on publicly available information	Official data	Market estimate provided by EMIS and based on publicly available information	Official data	Official data

Record investment in Poland

The European Bank for Reconstruction and Development made significant investments in Poland during 2023, totalling EUR 1.3 billion, a notable increase from the previous year's EUR 990m.

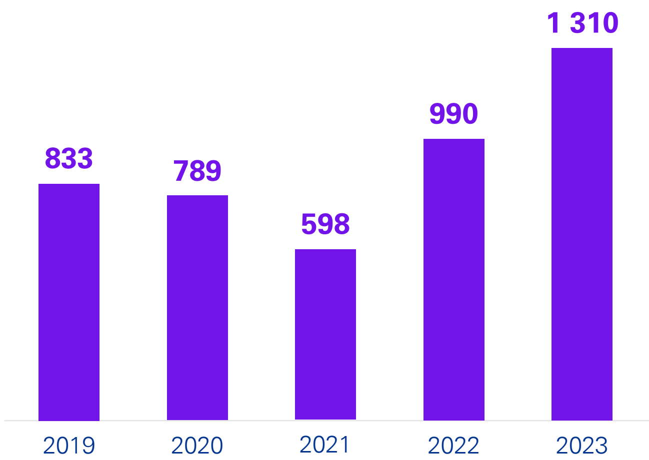
Poland ranked third among recipients of EBRD funding in 2023, behind Ukraine, which received over EUR 2 billion, and Türkiye, with nearly EUR 2.5 billion. A substantial portion of the investments in Poland, 75%, were directed towards green financing initiatives, surpassing the EBRD's minimum target of 50% for new investments.

In 2023 EBRD allocated EUR 140m toward the development of Poland's inaugural offshore wind farm, Baltic Power, among other projects. Additionally, the EBRD facilitated local debt financing from the capital market for systemic banks like Bank Pekao and Santander Bank Polska, participating in the issuance of their first PLN-denominated senior non-preferred bonds on the Warsaw Stock Exchange.

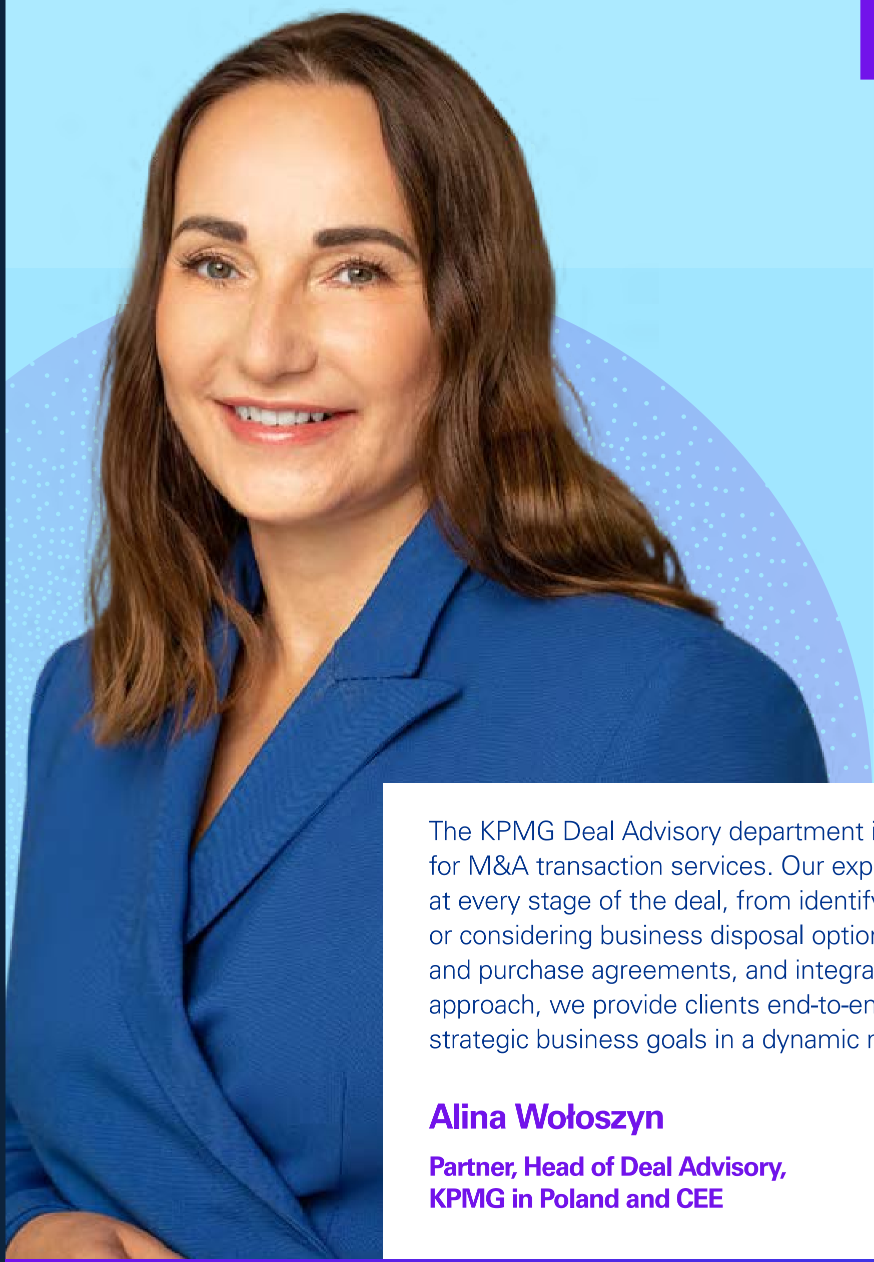
The EBRD also engaged in five direct equity transactions, including investments in prominent Polish entities such as Pelion, a leading pharmaceutical company (EUR 25m), R. Power, an integrated renewable energy developer (EUR 75m), and Vodeno, a banking technology provider (EUR 50m).

Since its establishment in 1991, the EBRD has invested EUR 13.9 billion in Poland, with 92% of the total directed towards debt or equity investments in private enterprises.

Annual EBRD investment in Poland (EUR million)



Source: KPMG in Poland, based on EBRD data



How can we help you?

KPMG supports clients in all aspects of the M&A process, both buy-side (investors) and sell-side (vendors).

- M&A advisory services for acquisition or sale of businesses
- Valuations for acquisition or sale of businesses
- Ownership changes: comprehensive legal support
- Financing
- Financial and tax due diligence
- Commercial due diligence
- Operational due diligence
- HR deal advisory and change management
- Post-merger integration (PMI) assistance
- Real estate M&A and valuation services
- Carve-out assistance
- Forensics
- Private equity
- Energy Transformation, Oil, Gas & Defence Advisory

The KPMG Deal Advisory department in Poland provides comprehensive support for M&A transaction services. Our experienced professionals offer assistance at every stage of the deal, from identifying potential transaction targets or considering business disposal options, to finalizing documents, signing sale and purchase agreements, and integrating acquired entities. With our integrated approach, we provide clients end-to-end support, helping them achieve their strategic business goals in a dynamic market environment.

Alina Wołoszyn

Partner, Head of Deal Advisory, KPMG in Poland and CEE

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Incentives for investors

Exemptions and grants for investments, R&D and other projects

Poland offers a broad system of support for businesses, covering both EU and national funds. The financial framework for 2021–2027 adopted by the European Parliament and the Council is promising: the budget for Poland is EUR 72.2 billion from the Cohesion Policy and EUR 3.8 billion from the Fair Transformation Fund (EUR 76.0 billion in total). Moreover, Poland will also receive EU support for its National Recovery Plan of EUR 58.1 billion to rebuild the Polish economy after the Covid-19 pandemic.

In addition to these resources, the Polish government offers support under other programmes and measures, e.g.:

- Tax relief for conducting R&D activities (not classified as state aid).
- Tax exemptions in the Polish Investment Zone (formerly special economic zones).
- Horizon Europe programme.
- Programmes operated by the National Fund for Environmental Protection and Water Management.
- Government programmes.
- New tax relief, e.g. for prototypes, innovative employees, and robotics.

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Investment phase

Investors can benefit from various types of incentives, such as grants and tax relief. Businesses can obtain funding for a single project from several sources simultaneously, combining the available sources of aid.

Tax exemptions in the Polish Investment Zone

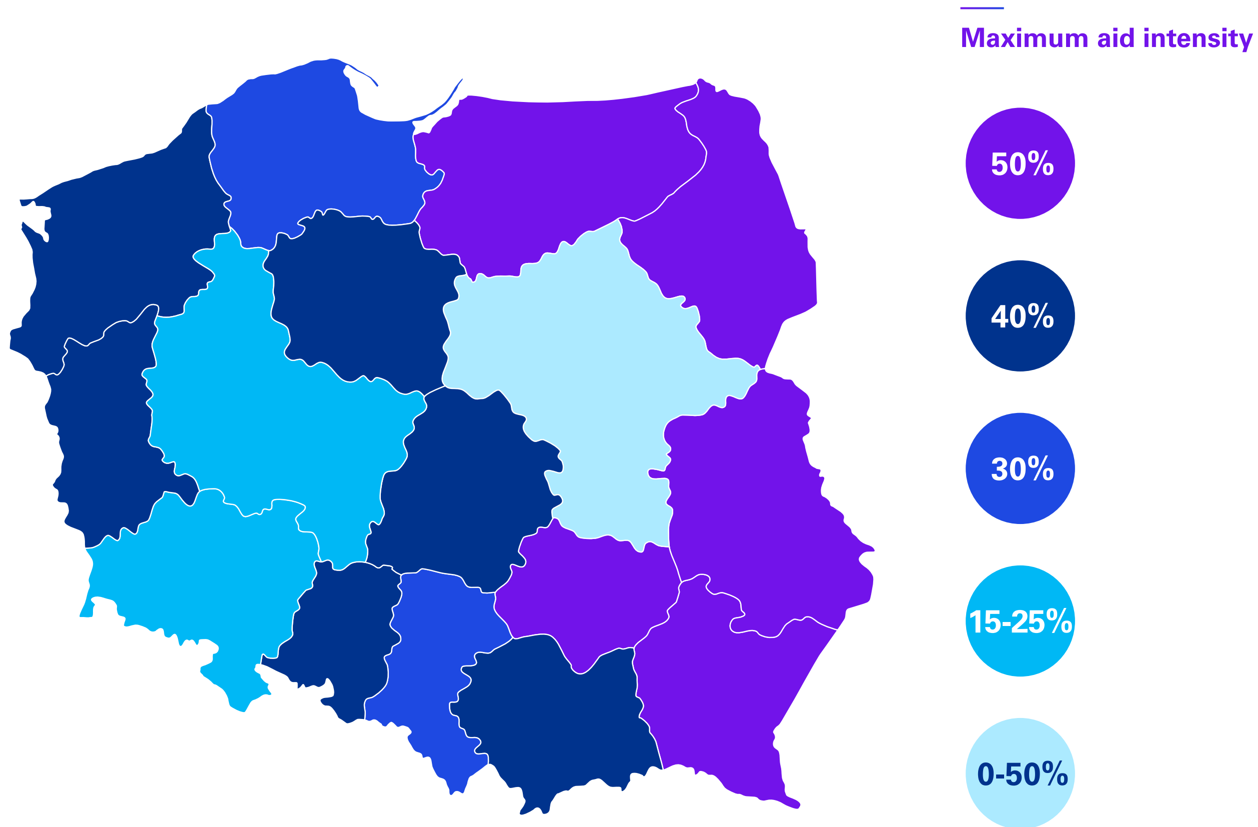
Since their establishment two decades ago, special economic zones (SEZs) have been an attractive solution for investors seeking to start operations in Poland.

Under the current rules (in place from 2018), investors can obtain corporate income tax or personal income tax exemptions in connection with new investments implemented throughout Poland. In practice, this means that the whole country has become one large special economic zone—the Polish Investment Zone (PSI).

The tax relief threshold, i.e. the amount of CIT/PIT not payable, is calculated as aid intensity (the maximum amount depends on the location and size of the business) multiplied by eligible costs (investment outlays or two years' worth of labour costs of new employees hired in connection with the investment).

Eligible costs to be supported under new investments include investment costs incurred during the validity of the relevant decision, for land, fixed assets, modernization of fixed assets, intangible assets, or lease of land or buildings. The amount of support depends on the location of the project and the size of the enterprise. The maximum thresholds of state aid intensity within the 2021–2027 perspective are shown in the accompanying map (certain subregions may be eligible for increased state aid intensity due to temporary measures).

A new investment may lead to creation of a completely new business or expansion of an existing one (e.g. diversification, a fundamental change in the production process, or a boost in production capacity). Increased employment related to the new investment is also important.



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To obtain an exemption, granted for a maximum period of 15 years, investors are required to meet certain quantitative criteria (e.g. minimum eligible investment costs) and qualitative criteria (certain rules relating to structural, scientific or human resources development).

It should be remembered that for an investment to be considered eligible for support, it must not begin before the application for project financing has been submitted or before a formal permit from the relevant institution has been received.

Following the change of legal regulations whereby the entire territory of Poland was in effect included in a special economic zone, new investments located within the borders of existing SEZs will receive support for 15 years.

Real estate tax exemption

Aid may be also granted by a municipal council in the form of a real estate tax exemption. In this case, support is often granted as a form of de minimis aid which is exempt from the European Commission notification requirement.

On this basis, the total amount of de minimis aid granted per member state to a single undertaking cannot exceed EUR 200,000 over a period of three fiscal years (EUR 100,000 for undertakings operating in the road transport sector), or EUR 300,000 beginning from 2024.

Government grant programme to support investments of significant importance for the Polish economy for 2011–2030

Form of support

Support is provided in the form of a grant based on an agreement between the minister for economy and the investor. The agreement lays down conditions for a cash grant, paid pro rata as the investor's investment commitments are fulfilled.

Who can apply for support?

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

Support is granted for the following:

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

Deadline for proposals

The programme will be implemented on a rolling basis until 2030, with grants available until the end of 2025.

Type of cash grants

Under the programme, support will be granted based on eligible costs for creating new jobs and eligible costs of investments. The amount of grants may be increased if training programmes are offered to employees.

Under the programme, support is granted based on:

1. Number of jobs created

Employment Grant

Type of investment	Minimum eligible costs (m PLN)	Minimum new employment	Other requirements	Maximum support (per new job, in PLN)
Business services centre	1	100	Medium and highly advanced processes	up to 7,500 or 15,000 [1, 2]
R&D Center	1	10[3]	Highly advanced R&D processes	up to 15,000, 20,000[1, 2], 30,000[4] or 40,000[6]

2. Investment costs

Investment Grant

Type of investment	Minimum eligible costs (m PLN)	Minimum new employment	Other requirements	Maximum support (as a percentage of eligible costs)
Strategic	160	100		up to 10% or 15%[1,2]
Innovative	7	20	Innovativeness to be confirmed	up to 10% or 15%[1,2]
R&D	1	10[3]		up to 15% or 25%[1,2]

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3. Supplement to the above cash grants

Training Grant
Maximum additional support (per new job created, PLN), up to PLN 5,000 or 7,000[1, 2] per employee.

Legend:

1. In medium-sized cities losing their socio-economic functions and in counties or cities with county rights where the unemployment rate is at least 160% of the national average
2. In five provinces in eastern Poland (Lubelskie, Podkarpacie, Podlasie, Świętokrzyskie, Warmia-Mazury)
3. Only university-level graduates

Higher levels of support are available for investment locations:

1. Investments in medium-sized cities losing their socioeconomic functions and in counties or cities with county rights where the unemployment rate is at least 160% of the national average
2. In five provinces in eastern Poland (Lubelskie, Podkarpacie, Podlasie, Świętokrzyskie, Warmia-Mazury)

Operational phase

Grants

During the operational phase, businesses can take advantage of incentives associated with their operations. The main areas of support under the 2021–2027 perspective include research and development, innovation, and environmental protection.

Businesses conducting R&D, i.e. work aimed at developing new products, services and technologies (or improving existing ones), will be eligible for support in the form of grants and repayable instruments offered under national and regional operational programmes, particularly within the European Funds

for a Modern Economy programme (FENG), with a budget of EUR 7.9 billion, or through regional programmes. Innovations consist of developing new or significantly improved products, processes, marketing, or organizational solutions for a company. Innovative solutions may be developed inhouse or acquired from other companies or organizations. The maximum support is 65% of eligible costs for large enterprises, 75% for medium-sized enterprises, and 80% for small and micro enterprises.

Businesses will also be able to apply for financial support for projects promoting clean energy, energy efficiency, and activities benefitting the environment. Support will be provided for projects involving the efficient use of resources (e.g. investments reducing the consumption of raw materials for production), creating an energy-efficient economy (e.g. replacement of old production lines with new ones consuming less energy), reducing emissions (e.g. modernization of boiler houses) and using renewable energy sources, as well as projects reducing the effects of coal transformation in strictly defined provinces.

Support for this type of activity can be obtained through the programme European Funds for Infrastructure, Climate and Environment (FEnIKS), with a budget of EUR 24 billion, or through regional programmes.

Special support instruments have been prepared for micro, small and medium-sized enterprises that play a special role in sustainable economic growth. These programmes aim to simplify the implementation of innovative technologies by such entities, strengthen cooperation between science and business, and implement environment-friendly solutions.

If a project is to be realized with the support of public funds, the investor must remember to monitor the dates of calls for proposals under individual programmes/measures. These schedules are dynamic and are updated several times during the year.

Businesses in Poland will benefit additionally from sources destined to revive economies after the Covid-19 pandemic, such as the National Recovery and Resilience Plan, with a budget of PLN 158.5 billion, which will co-finance projects in areas of digital transformation, climate change, or resilience and competitiveness of the economy.

Tax relief for R&D

Businesses can benefit from new tax relief for carrying out R&D activities. The bonus takes the form of an additional deduction of eligible R&D costs from the tax base, and beginning from 2022 amounts to:

- 200% of salaries of employees engaged in R&D activities.
- 100% of other related expenses on R&D activities (including R&D materials and R&D apparatus depreciation).

Eligible costs are to be declared in tax returns. Unlike grants, in the case of tax relief for R&D, a review of the eligibility for relief occurs only during tax inspections. Thus it is vital to:

- Ensure correct identification of R&D projects and eligible costs.
- Possess documents confirming the execution of R&D projects and the legitimacy of assigned costs.

Unlike R&D grants, tax relief covers incurred costs.

A taxpayer who conducted business in a special economic zone on the basis of a permit during the fiscal year or on the basis of a Polish Investment Zone decision is entitled to a deduction only for eligible costs not taken into account by the taxpayer in the tax-exempt income calculation on the basis of the permit or decision.

New tax relief

Businesses can take advantage of new forms of income tax relief:

Tax relief for innovative employees

(supplementing the tax relief for R&D)

The relief for innovative employees will allow businesses to reduce the amount of PIT advances on the salaries of their employees who spend over 50% of their working time in a given month on R&D. However, the relief applies only to the surplus that could not be deducted under the tax relief for R&D.

Tax relief for robotics

This relief enables taxpayers to deduct from the tax base an additional 50% of tax-deductible costs incurred for activities related to acquisition of industrial robots, along with machinery, peripherals and software necessary to operate them, in a given tax year. As defined by the law, an industrial robot is an automatically controlled, programmable, multitasking machine (stationary or mobile) with at least three degrees of freedom, with manipulation or locomotion properties for industrial applications. The relief applies to costs incurred in 2022–2026.

Tax relief for expansion

The expansion tax relief allows taxpayers to deduct from the tax base an additional 100% of expenses for expansion to new markets. This relief has a strictly defined catalogue of eligible costs, i.e. costs of participation in trade fairs, promotional and informational activities, packaging adaptation, preparing certification/registration documentation, and tender documentation. A condition for claiming this relief is an increase in revenues from the sale of products, or an increase in revenues from the sale of products not previously offered on a given market (domestic or foreign), within two years. The deduction is limited to PLN 1 million per tax year.

Tax relief for prototypes

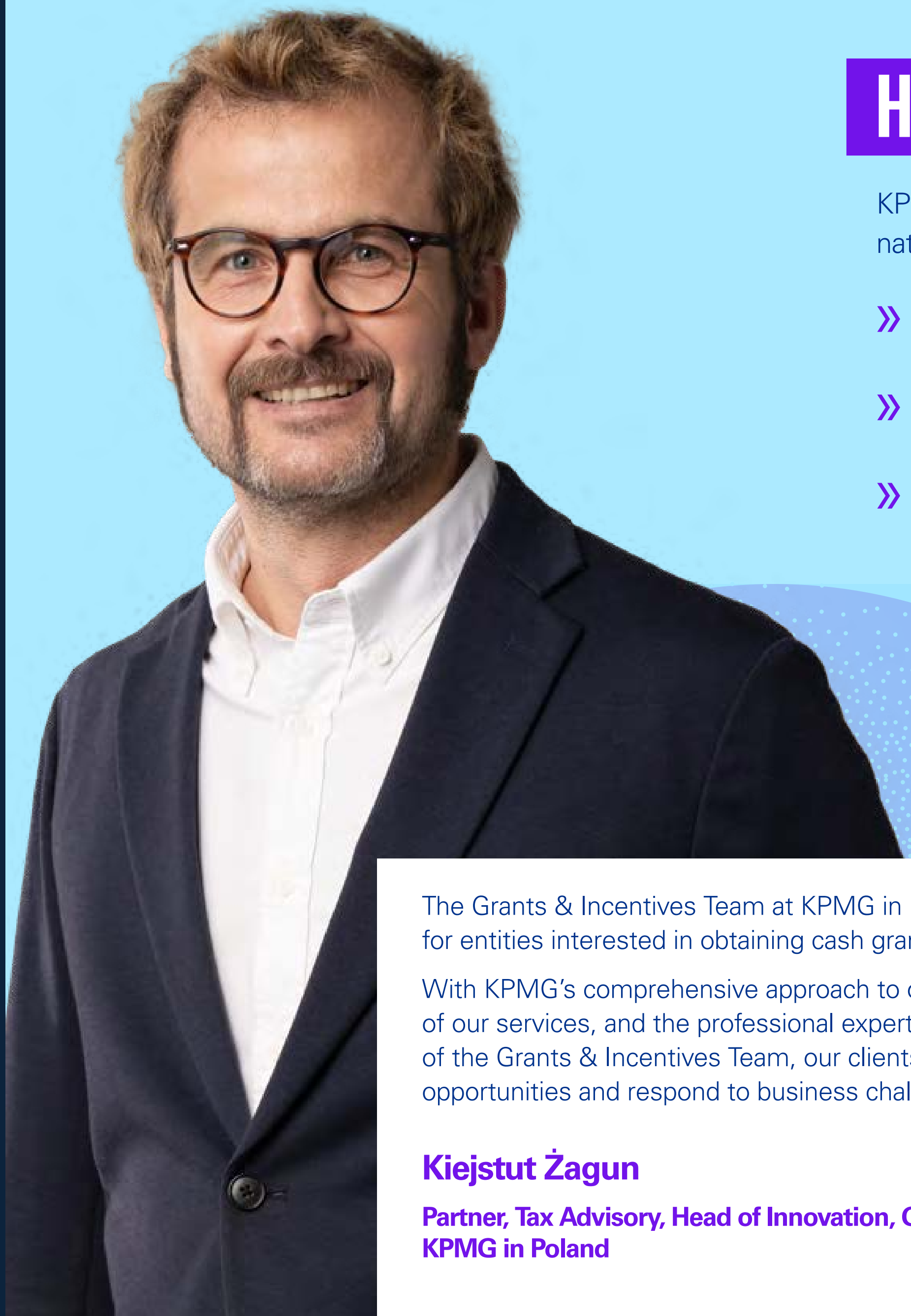
The prototype tax relief allows taxpayers to deduct from the tax base an additional 30% of costs (but not exceeding 10% of the amount of income derived from sources other than capital gains) of trial production of a new product and launch of a new product. The new product must be a result of the taxpayer's R&D activities. The prototype relief, like the R&D relief, has a strictly defined catalogue of eligible costs, e.g. purchase price or production cost of new machines, adaptation/improvement of fixed assets, materials, expertise (obtaining certificates, approvals etc.), and technology verification system (ETV) costs.

Innovation Box

Launched in 2019, the Innovation Box (aka IP Box) offers preferential taxation of income earned from intellectual property rights. Together with incentives already in force, they allow businesses to receive financial support at every stage of the innovation process, from concept to commercialization.

The Innovation Box should be regarded as a complementary element closing the chain of incentives. It is aimed at supporting businesses developing new products, processes and technologies, or improving existing ones, enabling them to derive additional tax benefits from R&D and implementation of R&D results.

Under the legislation, the Innovation Box allows taxpayers to apply a preferential 5% income tax rate to income earned from IP rights. The greater the taxpayer's involvement in producing, developing or improving the innovative solution (i.e. R&D activity concerning an intellectual property right), the greater the potential tax benefit. The preferential rate applies throughout the period of intellectual property rights protection. The Innovation Box is complementary to the possibility of tax deduction within the R&D tax relief.



How can we help you?

KPMG offers its support at all stages in obtaining tax incentives and cash grants from EU and national funds.

- Mapping of company's activities eligible for cash grants and tax incentives
- Development of funding strategies & roadmaps
- Implementation of European Green Deal incentives
- Assisting in obtaining financial support from EU funds and the state budget
- Identification and synchronization of Europe-wide funding activities
- Support in settlement of tax incentives and cash grants received

The Grants & Incentives Team at KPMG in Poland provides dedicated services for entities interested in obtaining cash grants and tax incentives for their business.

With KPMG's comprehensive approach to our clients' business, the high standards of our services, and the professional expertise, knowledge and experience of the Grants & Incentives Team, our clients can take advantage of development opportunities and respond to business challenges.

Kiejstut Żagun

Partner, Tax Advisory, Head of Innovation, Grants & Incentives, KPMG in Poland

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KPMG

Nearshoring

Drivers for change

Diverse global disruptions have prompted numerous companies to rethink their location strategies, leading to an increased interest in moving production closer to their countries of origin. Companies are seriously exploring ways to enhance the resilience of their operations, which may lead to a gradual redirection of production back to the home country or nearshoring. While some businesses choose to relocate their operations all the way back to their home countries, others are establishing new branches closer to their headquarters to minimize risks in their supply chains.

European companies must also focus on the sustainability and social impact of their operations to meet strategic, financial and regulatory requirements. This means reducing the embedded carbon footprint of their final products. That can be achieved by reducing transport distances and locating suppliers closer to key markets and by building new, efficient facilities in optimal locations to replace energy-inefficient buildings.

In the wake of this regional shift, Poland stands a chance of becoming one of the main beneficiaries, thanks to its status as a leading location for nearshoring. Its advantageous geographical location, business-friendly environment with expanded investment incentives, advanced transport and warehousing infrastructure, large talent pool and economic stability are likely to play a key role in attracting new investors.

Distortion of supply chain as a driver for change

The EU, like many regions worldwide, is navigating a complex landscape marked by the intersection of economic strategy and geopolitical tension.

The evolving dynamics of global trade and the intensification of major power rivalries have prompted a re-evaluation of supply chain strategies.

These changes are driven by the following key factors:

- geopolitical risks
- supply chain vulnerabilities
- decarbonization and environmental concerns
- need for strategic autonomy
- growing costs and need for oversight.

In response to these challenges, there is a growing trend towards:

- **Reshoring**
  (bringing production back to the country of origin).
- **Nearshoring**
  (moving production to neighbouring countries).
- **Friendshoring**
  (shifting production to politically allied countries).

These strategies are aimed at reducing dependence on distant suppliers, while simultaneously enabling faster and more flexible responses to potential disruptions.

EU countries' approach to navigating these challenges involves a combination of diversifying supply sources, investing in strategic sectors, and fostering international cooperation with partners from the region to ensure stability despite global uncertainty.

These dynamics are shaping a new paradigm in global trade and economic strategy, where security, sustainability, and strategic autonomy play central roles.

Nearshoring

Nearshoring is becoming an integral part of strategic planning for businesses seeking to build resilient, sustainable, and competitive supply chains in a rapidly changing global landscape.

More and more companies are trying to reduce their exposure to risk and ensure the resilience of their supply chains. Risk can be minimized by relocating production or bringing suppliers closer to manufacturing plants and customers.

Companies can mitigate the risk of supply shortages by diversifying the number of suppliers and geographical locations, thereby building greater agility and resilience in their supply chains.

Numerous studies and surveys of the largest manufacturing companies confirm that decision-makers are taking further steps to strengthen their supply chains.

92%
of managers express positive attitudes towards nearshoring, according to a Kearney report

67%
of global respondents reported purchasing more from suppliers in their home regions in the year to date, according to a QIMA survey

30% of European companies
expect to change manufacturing locations in the near future. European entities are looking at shifting their sourcing primarily as a risk reduction exercise according to Reuters & Maersk survey.

70%

of US manufacturing firms are planning to establish or relocate their production capabilities closer to their current or potential customers, bringing them closer to end consumers, according to ABB research

79%

of management overseeing manufacturing operations in China have already relocated part of their activities to the US or are planning to do so within the next 3 years, according to a Kearney report

60%

of European and American manufacturing firms expect to relocate part of their production from Asia. Respondents confirm that in the short term the majority of production will remain in Asia, and shifting production to, or closer to, Europe will be gradual, starting with small volumes of key parts and products, according to a BCI Global survey

71%

of 38 directors of purchasing in the fashion and textiles industry surveyed aimed to increase the quantity of products sourced from nearshore locations in the near future, according to a PAIH report

Benefits of nearshoring

Nearshoring can be a strategic approach for companies aiming to make their operations more efficient, responsive and resilient, while also supporting broader goals around sustainability and economic stability.

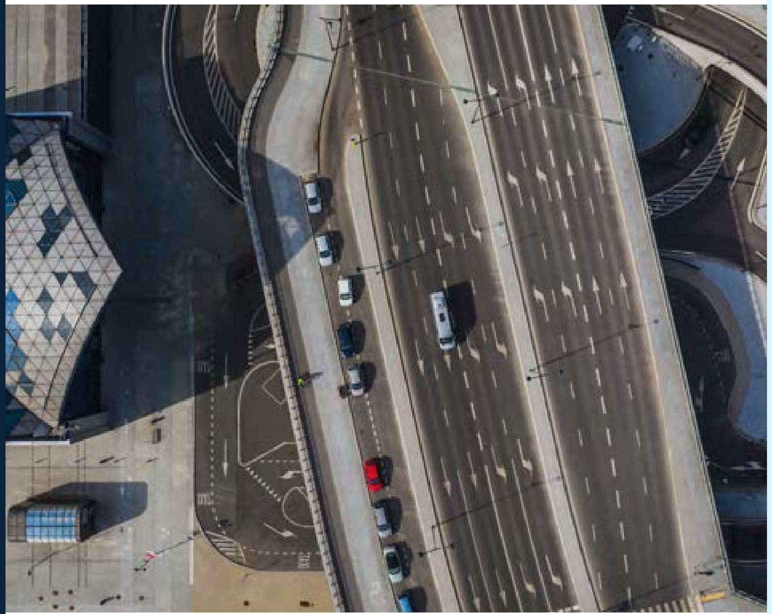
Given the pressure to improve sustainability and avoid disruptions, shortening supply chains can increase agility and cost efficiency while reducing emissions. This adaptation is in line with the shift from "just-in-time" to "just-in-case," and may signal a wider paradigm shift in addressing today's logistics challenges.

Key benefits of nearshoring include:

- reduced transportation costs and time
- improved supply chain resilience
- support for sustainability goals
- increased flexibility
- access to well-educated talent and innovation
- enhanced quality control
- alignment with consumer preferences
- strengthened economic and political stability
- cost predictability.

Nearshoring—global trends

With increased geopolitical risk, trade sanctions, an energy crisis, rapidly changing climate patterns, high inflation, high financing costs, and weakened consumption, the scale of challenges is extraordinary. In the next few years, climate change, trade wars and geopolitical conflicts are also expected to exacerbate supply chain disruptions. As a result, manufacturers are seeking solutions to mitigate the impact of these factors and build resilience into their supply chains.



Technology and automation in supply chains

Process automation is a key priority, but automation at the factory and warehouse level is increasingly visible. Applied technology solutions focus on understanding and predicting supply chain behaviour. Rising costs are driving industry to make more efficient use of existing assets and contracts, making investment in monitoring, analysing and automating decision-making in the supply chain critical.

Optimization and sustainability

Rising costs are driving the search for solutions leading to more efficient use of resources. At the same time, sustainability is a priority of major companies, with a particular focus on reducing energy consumption and shortening the distances goods have to travel.

Agility of supply chain

Companies are doing their best to increase organizational resilience by redesigning their supply chains to be more flexible, agile and responsive to market changes. Flexible and agile supply chains allow companies to respond quickly to market signals, in particular projected and actual changes in customer demand, and to adjust production levels, requirements for commodities and materials, and the direction and type of transportation.

Diversification for inventory protection

Many forward-looking companies are hedging their bets by locating close to sources of supply, to mitigate risk and diversify product sources. Increasingly common strategies include a geographically broader network of suppliers with higher inventory levels, diversified production locations through the creation of regional hubs, and investment in technology. Just-in-time (JIT) inventory management is gradually being replaced by just-in-case (JIC), which involves holding larger inventories closer to customers or creating additional production facilities

Europe towards nearshoring

Supply chain resilience in Europe

European organizations are considering changing their sourcing primarily to reduce risk. The constant pressure on supply chains has led to a shift away from seeking places where production costs are the lowest, instead prioritizing flexibility, reliability, proximity, and sustainability.

By shortening supply chains, European companies hope to introduce flexibility, ensure more secure access to materials, and increase control over their operations, all of which are aligned with the concept of sustainability. In a 2023 study by Reuters and Maersk, sustainability is cited as one of the key factors influencing the new supply chain strategy for European manufacturing firms—a significantly higher priority than for manufacturers from other regions.

The European Union has been one of the most proactive governmental bodies worldwide in introducing legislation related to sustainable supply chain development, and this clearly shapes the perspective. Flexibility, risk reduction, and efforts to cut costs often align with sustainability in supply chains. This combination, backed by legislation, strengthens the argument for reshoring sourcing back to countries within Europe or on its peripheries.

Changing sourcing strategy in Europe

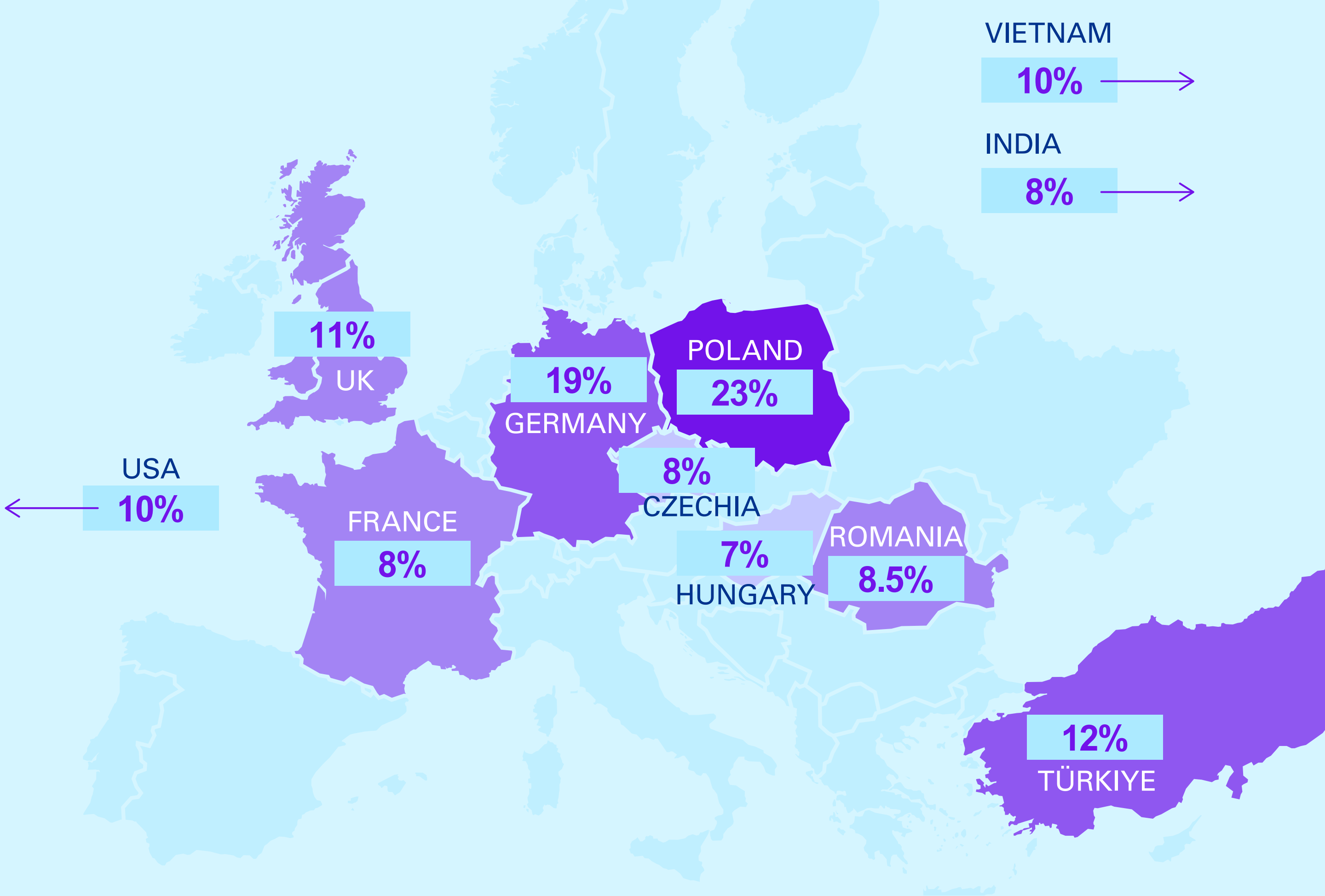
European companies are seeking solutions within the continent with the aim of balancing their supply chains. This is part of their efforts to reduce risk in supply chains, increase oversight, and improve sustainability.

According to the Reuters and Maersk survey, Poland (chosen by 23% of respondents) and Germany (19%) are favoured as attractive locations for nearshoring high-value manufacturing capabilities. As manufacturing processes become more automated and products more complex, there is a need for locations with the appropriate infrastructure and diverse skills, bringing these two countries to the forefront.

In addition, this realignment is likely to boost the economies of Eastern European countries. The CEE region offers lower transportation costs, labour costs, and energy prices than Western Europe, so by leveraging its capabilities the region can increase its market share and boost exports to Western Europe.

Poland in particular can benefit due to its well-developed transport and logistics infrastructure, extensive road and rail network, modern ports, and fuel prices lower than the European average.

Most popular sourcing and reshoring lacations for European companies



Source: Reuters Events & MAERSK "A generating shift in sourcing strategy" report

Protection of EU competitiveness

Given the increasing rivalry between global economic powers, the European Union is taking further steps to protect the competitiveness of the European economy in global markets.

Changes to EU legislation aim to help the clean technology sector to remain competitive and innovative, and other industrial sectors to transition to lower emissions and keep production within the EU. To protect the competitiveness of the EU economy, the Green Deal Industrial Plan and selected legislation aim to support semiconductor production, secure supply chains for critical raw materials and provide support for new manufacturing plants, including by easing state aid rules. Additionally, through RePowerEU, the European Commission is addressing local challenges related to the security of supply of traditional energy feedstocks and the low-carbon transition.

The EU is intensifying efforts to safeguard the competitiveness of its economy against the challenge of growing global economic competition. Recent changes in EU law are geared towards strengthening the clean technology sector's competitiveness while aiding other industries in shifting to lower emissions.

The Green Deal Industrial Plan and related regulations are designed to support the achievement of a climate-neutral EU by 2050. With these proposals, the Commission has responded to current challenges: the need to support low-emission industries, to diversify supply chains for energy and critical raw materials, especially for zero-emission technologies, and to support an independent source of microchips, the backbone of new technologies.

Why Poland?

Poland as a nearshoring destination

9th

Nearshoring Index

Poland ranks 9th across the world in the Nearshoring Index according to Savills. Among EMEA countries, Poland ranks 6th.

28th

Logistics Performance Index

Poland ranks 28th out of 160 countries according to the World Bank's Logistics Performance Index.

4th

Supply production relocation

According to Maersk and Reuters Events, Poland is the fourth most attractive country for supply production relocation.

USD 82 billion

FDI inflow

Between 2022 and 2023, foreign enterprises allocated more than USD 82 billion for manufacturing projects in 15 nearshoring locations in Central & Eastern Europe and North Africa (a 62% increase compared to the pre-pandemic years of 2018–2019), as reported by FDI Markets research.

USD 14 billion

Manufacturing investments

Poland saw manufacturing investments reach USD 13.85 billion between 2022 and 2023, a significant increase from the USD 5.65 billion recorded in 2020–2021. These figures represent all FDI investments in manufacturing, excluding the energy sector (according to FDI Intelligence).

Drivers of nearshoring to Poland

- **Reduced length and vulnerability of supply chains**—operational reliability from minimizing the risk of disruptions and delays, allowing businesses to respond more swiftly and effectively to market demands and changes.
- **Competitive labour costs**—Poland offers lower operating costs with access to a skilled and educated workforce, making it cost-effective for businesses.
- **Higher level of investor oversight**—proximity improves control and quick resolution of issues, ensuring quality and operational efficiency.
- **Lower transport costs**—shorter distances reduce shipping costs and delivery times, improving market responsiveness.
- **Reduced CO_2 emissions**—shortening the supply chain reduces carbon emissions, aligning with sustainability goals.
- **Flexibility in site selection and location**—a wide range of location options across Poland, from urban centres to special economic zones, allows for strategic site selection based on business needs.
- **Sustainable specification of manufacturing and logistics facilities**—new facilities often meet high environmental standards, appealing to companies committed to sustainability.
- **Financial incentives and public support**—various grants, forms of tax relief and subsidies at both the local and EU levels make Poland an economically attractive investment option.

How can we help you?

KPMG supports clients in all aspects of relocation and nearshoring:

- Feasibility studies
- Tailor-made legal and tax advisory
- Search and selection of site or existing facility
- Assistance in acquisition of land or existing facility
- Securing debt financing or public subsidies
- General contractor tendering process management
- Due diligence services—ESG, commercial, financial, legal, tax
- ESG advisory and HR advisory
- Advising and assisting in the process of selecting general contractors and subcontractors for the construction process
- Supervising preparation work on the construction site and monitoring the progress of works
- Monitoring construction of manufacturing or logistics facilities
- Assistance with selection of property and facility managers
- Technical and financial audits with operating cost reviews
- Guidance on HR processes to be incorporated

Always at the forefront of new business trends and market changes, KPMG meets the needs of clients by preparing a NEARSHORING PACKAGE—a supportive response to the growing need of the logistics, warehouse and manufacturing sectors of the economy. KPMG assists clients at all stages of the nearshoring process, starting from the project preparation phase and ending at the launch of operations or exit from the investment in a sale-and-leaseback formula.

Monika Dębska-Pastakia

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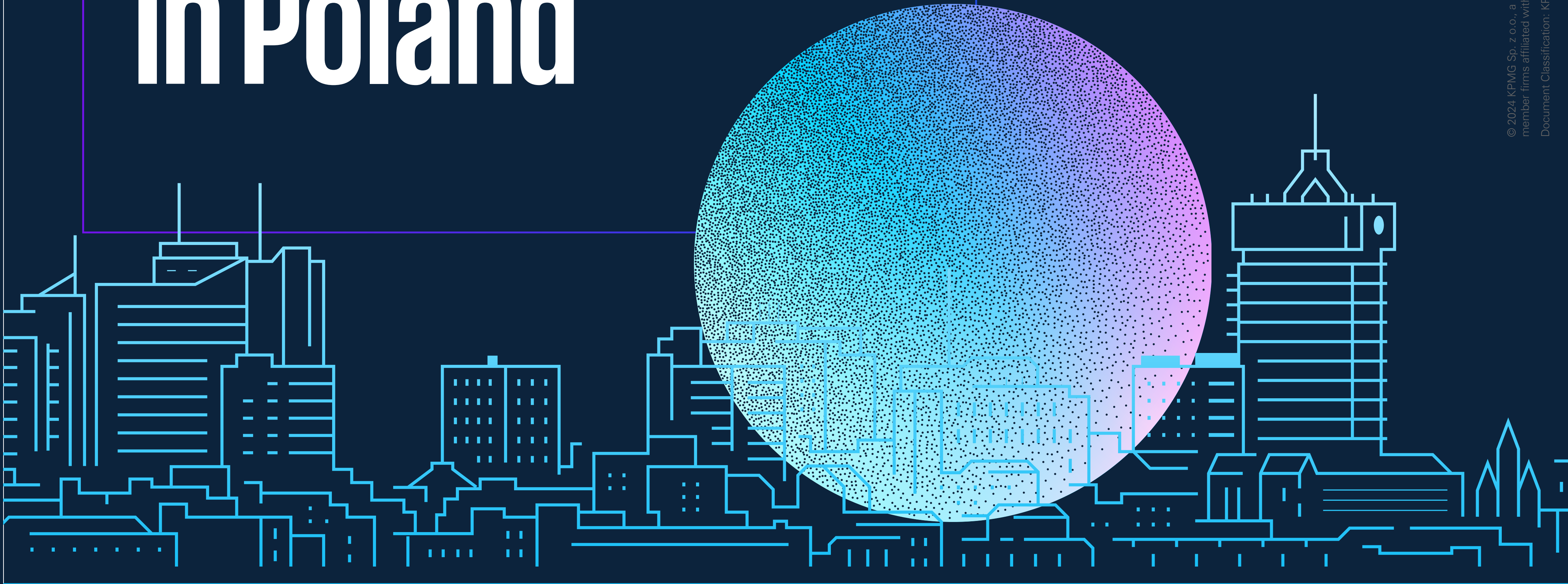
Business Services Sector in Poland



Poland remains the leader in the business services sector in Central & Eastern Europe.

In the industry's over two decades in Poland, the sector has constantly and steadily grown in size (e.g. headcount, number of centres), span (e.g. diversification of services, share of knowledge-intensive processes) and quality (e.g. introducing innovations, increasing automation).

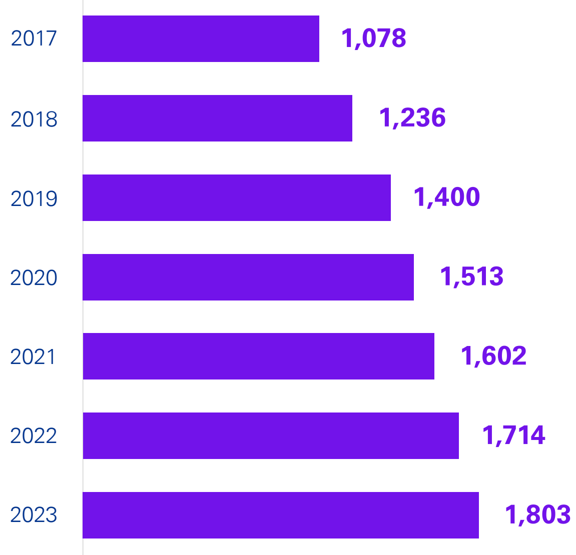
With over 1,800 centres employing over 430,000 people, Poland remains the largest in the region. This scale undoubtedly has become a competitive advantage for the country, as it builds vast and diversified experience at the many centres.

The Polish business services sector delivers a broad range of services to clients from all over the world. The top five foreign markets serviced by business centres in Poland are Germany (73.8% of respondents have top clients originating from this country), the UK (57.0%), France (44.2%), the US (40.7%) and Italy (20.9%).

What has allowed Poland to achieve this unique and strong position in the industry? A few factors have played into this:

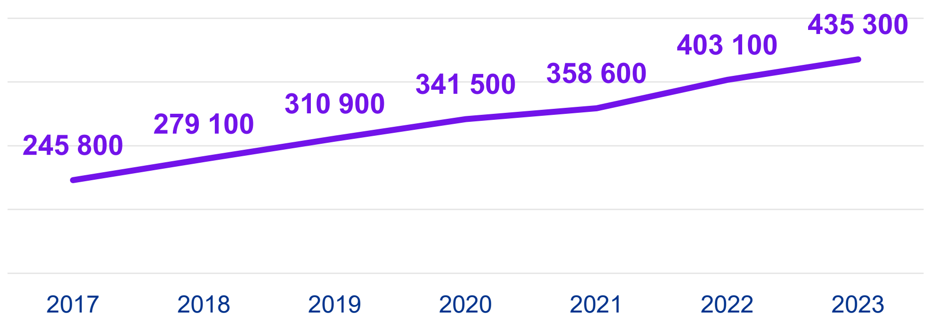
- cost advantage against Western Europe
- geography and time zone
- large talent pool
- adaptability to handle increasingly advanced processes
- good access to information
- flexibility to meet the needs of the market.

Number of business services centres operating in Poland



Source: KPMG in Poland based on ABSL "Business Services Sector in Poland" data

Employment in the business services sector in Poland

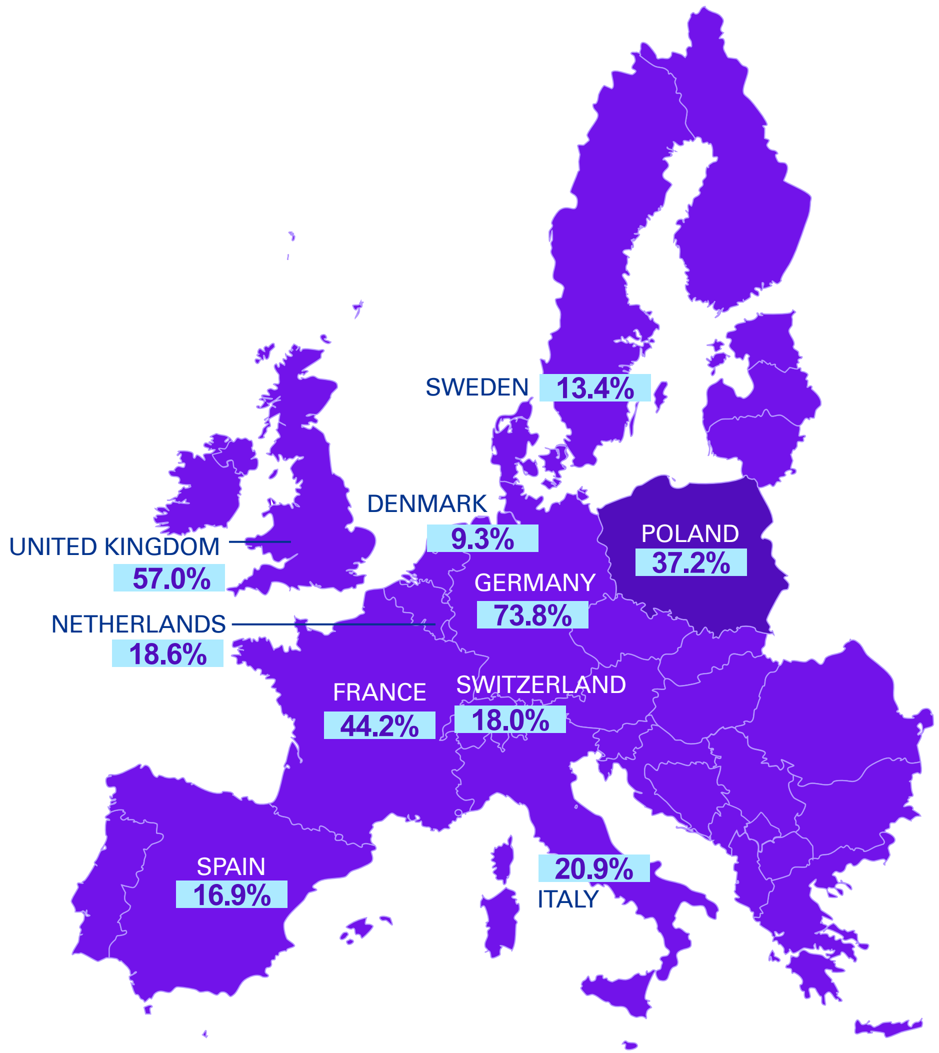


Source: KPMG in Poland based on ABSL "Business Services Sector in Poland" data

While seemingly no longer a low-cost labour location, Poland should not be overlooked when considering business service centres. It is easy to fall into the trap of thinking that the cost of running a function is much higher here now than it was at the beginning of the industry in Poland. When judging cost advantage, it is not only nominal cost that must be considered, but also that the function is more complex than it was years ago and requires much higher competence and talent than in the beginning.

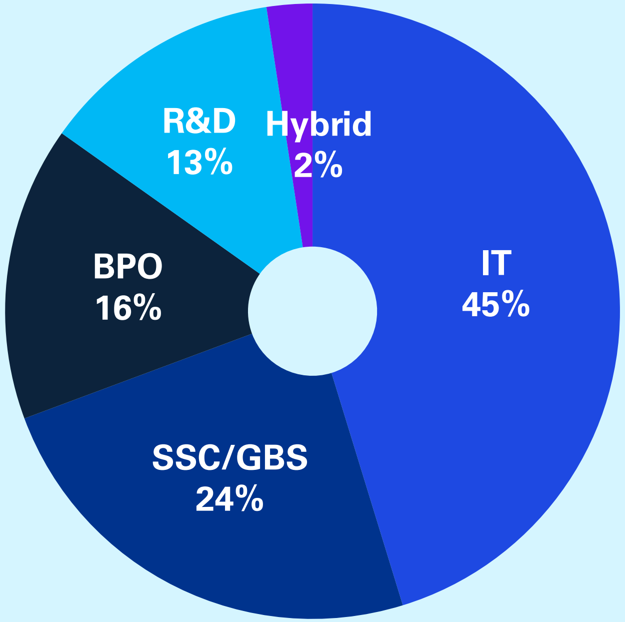
While there are market trends (e.g. automation and AI) that can be considered a threat to certain jobs and tasks that have been delivered so far by centres in Poland, this doesn't necessarily mean that the industry is on a path towards collapsing. Quite the opposite.

Location of the top European clients served by centres in Poland



Source: KPMG in Poland based on ABSL "Business Services Sector in Poland" data (percentages of respondents identifying each country as the origin of some of their top clients)

Number of business services centres in Poland by type



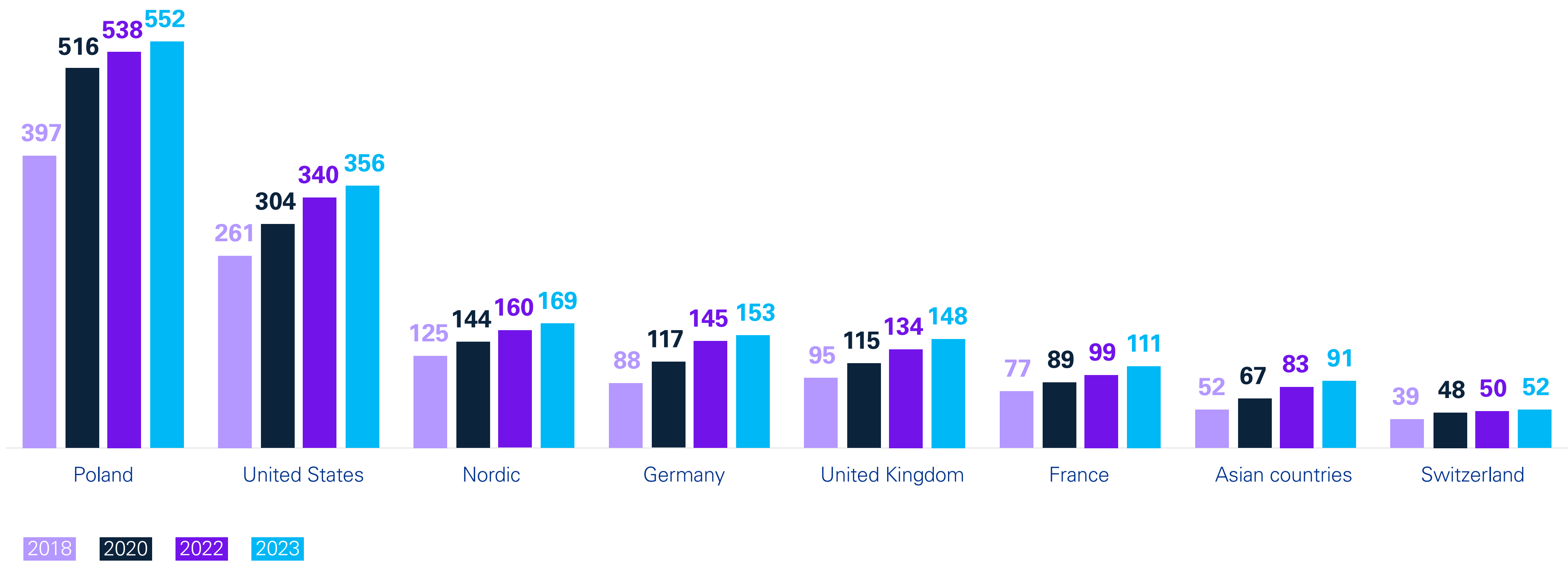
Source: KPMG in Poland based on ABSL "Business Services Sector in Poland" data

For years we have observed that centres in Poland are increasingly involved in the delivery of services end-to-end, with increased complexity and higher value-add. Most of the services provided in centres are knowledge-intensive business services (KIBS), which go well beyond the standard go-to services and more and more frequently cover areas such as supply chain, or intelligence and insights. Currently, nearly 57% of processes at business service centres in Poland are knowledge-intensive—an all-time high.

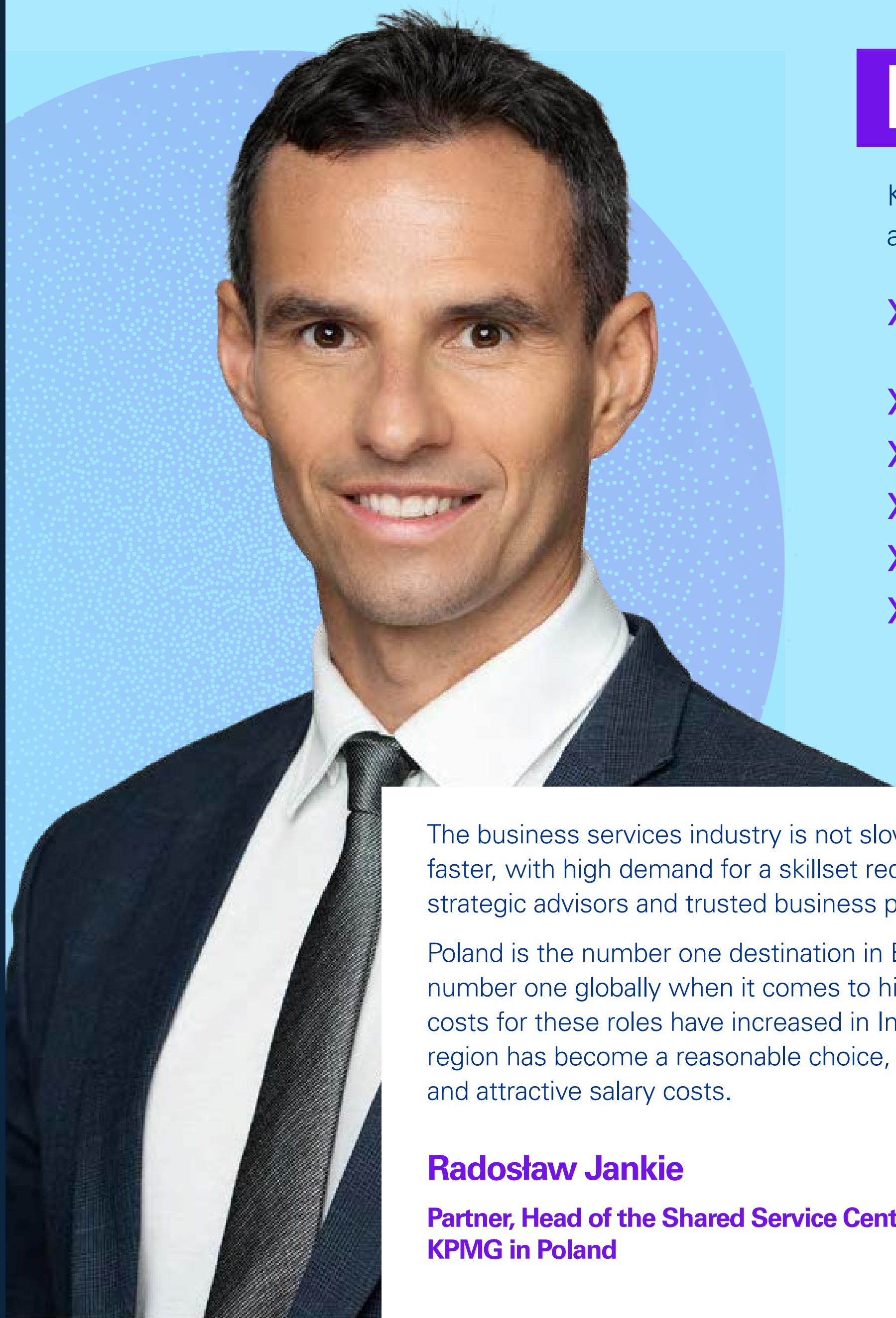
This work attracts university graduates, which is distinctive for the sector in Poland, and not necessarily the case in other countries. This is becoming a strength of the sector in Poland: it can easily support even more advanced processes, or deliver functions that require a high degree of creativity and intricate conceptual thinking. Also when speaking of technological potential, Poland ranks remarkably high—even against tech-inclined Asian countries—and can well support the new jobs that AI development will spawn

The future will reveal if companies, including those that already have centres in Poland, miss out on tapping into this accumulated potential. One thing is certain: this is by no means a time to stand still.

Number of business services centres in Poland by country of origin



Source: KPMG in Poland based on ABSL "Business Services Sector in Poland" data



How can we help you?

KPMG offers its support at all stages in obtaining tax relief and subsidies from EU and national funds.

- Setting up shared services centres (SSC) or global business services (GBS)
- Feasibility study and strategy design
- Target operating model design
- SSC to GBS transition
- Change management and communication
- Migration strategy and transition management
- Process standardization and optimization
- Operational excellence
- Control towers
- Supply chain
- Working capital optimization
- Managed services and operational support

The business services industry is not slowing down but is accelerating even faster, with high demand for a skillset required to fulfil the roles of digitally capable strategic advisors and trusted business partners.

Poland is the number one destination in Europe and has a big chance to also be number one globally when it comes to high-level, complex services. As salary costs for these roles have increased in India over the last few years, the CEE region has become a reasonable choice, since it offers the required talent pool and attractive salary costs.

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ESG trends and their influence on business in Poland

Poland is to a significant extent a recipient of ESG standards and regulations—mainly EU practices. The country is also set to receive significant funds from the EU, which will represent a potential influx of capital that could be directed towards ESG-compliant projects.

The following part of the report highlights Poland's specific needs and opportunities for foreign investment in ESG-related sectors. For investors and businesses looking to align with environmental, social and governance criteria, these sectors offer a roadmap to where their investments can contribute to sustainable development in Poland.

Interactions between the national and European level

The most important short-to medium-term consideration were the outcomes of the elections to the European Parliament, that took place in June 2024. While the results did not represent a huge shift towards a more climate action-sceptic outcome they nevertheless led to a drop of seats for some of the more climate action-oriented European parties.

The farmers' protests that swept across Europe in the winter of 2024 showcase the possibility of a clash between competing priorities (e.g. food sovereignty, production costs, cost of living after a period of high inflation, climate and biodiversity) that may influence the appetite for further sustainability regulations.

Agriculture is a significant part of Poland's economy, but it faces challenges such as soil degradation and inefficient water use. Investments in sustainable agriculture can help improve food security, protect biodiversity, and ensure the sustainable use of natural resources. Poland (like many other countries) also faces a set of social challenges, such as regional disparities and urban/rural divides. Investments in social enterprises and community projects can help address these issues, promoting social inclusion and equitable development across the country.

Political and economic outlook

The recent change of government in Poland raises the prospect of policy shifts on the national level, for example through much-discussed liberalization of their law regulating onshore wind projects and their minimum distance from households.

By continuing the active modernization of its security inventory and a focus on infrastructure, including smart city networks, the country may be looking for investments that not only enhance its defence capabilities, but may also have a side effect of contributing to the development of sustainable urban environments.

The Polish Investment and Trade Agency provides an optimistic economic outlook for Poland in 2024, emphasizing the importance of conscious management, investment, and sustainability. This suggests that there will be opportunities for investments that align with sustainable economic growth, including sectors such as renewable energy, sustainable agriculture, and green technology. This could also indicate a potential for recovery in investment levels (compared to 2023) thanks to new investment opportunities—especially in sectors that align with ESG principles and bolster Poland's economic resilience.

Fit for 55

The Fit for 55 package was launched in December 2020 to help the EU meet its target of reducing greenhouse gas emissions by at least 55% by 2030 in comparison to 1990 levels. It is a comprehensive set of measures including funding and support for businesses to help them transition to a carbon-neutral economy.

Renewable energy

One of the key aspects of Fit for 55 is an increased share of renewable energy sources. Poland has historically been reliant on coal for its energy needs, which has raised environmental and health concerns. Investments in renewable energy not only align with EU directives but also help the country with its transition to cleaner energy sources, reducing pollution and improving air quality.

This creates significant investment opportunities for companies specializing in development and implementation of technologies such as solar, wind, and hydro power. Companies that already have an established position in the RES sector are to receive support in the form of stable financing and can count on growing demand for their goods and services. New entrants to the market will have the opportunity to create new niches and products in a still underdeveloped market.

Energy efficiency

Fit for 55 also includes measures to improve the energy efficiency of buildings and transport. The Polish commercial property market in 2024 will be significantly influenced by increasing ESG regulatory pressure. This suggests a growing need for sustainable real estate development, green building practices, and investments that prioritize environmental sustainability and social responsibility within the property sector.

This represents an opportunity for companies specializing in energy-saving solutions such as smart home systems, insulation products and low-emission vehicles. EU strategies show the importance of energy savings and efficiency in heat and electricity use. Market analysis confirms a great lack of energy efficiency in manufacturing, but also for example in construction, which is identified as one of the main sources of emissions.

Low-carbon technologies

The package includes support for implementation of low-carbon technologies, including research and innovation funding and tax incentives. Poland has a growing tech sector and a strong base of scientific and engineering talent. Investments in sustainability-focused technology and innovation can help Poland become a leader in green technologies, creating jobs and driving economic growth in high-value sectors.

This creates investment opportunities for companies specializing in development of technologies such as carbon capture and storage, electric vehicles, and clean energy storage solutions. Financial incentives (including tax relief) will be available in Poland to increase innovation and enable the introduction of new technological and process solutions.

EU ETS reform

One of the key aspects of the package is reform of the EU Emissions Trading System, with the goal of an overall 61% reduction in emissions by 2030 compared to 2005 levels in covered sectors. Reforms should mean a new allocation of allowances between countries, which has so far rewarded countries with the greatest emission reductions the most.

It is assumed that the new distribution will increase the pool of allowances granted to Poland. As part of the EU ETS reform, it is also proposed to introduce a carbon price in the buildings and transport sectors. These sectors will most likely be covered by a separate emissions trading system, due to possible increases in fuel costs and maintenance costs for existing buildings.

Renovation of buildings and transport

Improvements in energy efficiency of buildings and transport include introduction of minimum energy performance standards for vehicles and renovation of public buildings. Poland's urban and rural areas can benefit significantly from sustainable infrastructure investments aligned with this trend.

Green buildings and sustainable transportation systems can help reduce the environmental footprint of Poland's growing cities and improve the quality of life for citizens. This policy goal represents an investment opportunity for companies specializing in energy-efficient building solutions: insulation products, energy-efficient lighting, and smart home systems.

Construction and transport are becoming a priority for transition funding programmes. They are also an area of increasing regulation, setting criteria for desirable activities, such as the EU taxonomy for sustainable activities. The ongoing legislative process at the European level brings forward a possibility of phasing out fossil-fuel heating solutions (coal and gas boilers) in buildings by 2040, and cutting public funding for their installation by 2025. This will lead to growing interest in investing in heat pumps and enhancing access to district heating, which will also be forced to decarbonize.

Carbon Border Adjustment Mechanism (CBAM)

This policy tool launched on 1 October 2023 with a transition period focused on fulfilling reporting requirements. Its goal is to change the shape of global trade by creating a mechanism that includes the costs of GHG emissions in products imported to the EU, creating a level playing field for European companies required to follow the EU ETS.

In the coming years it will shift from a reporting mechanism to a requirement to pay the difference between the carbon price in the original market and the one in the EU. In its initial phase it will include products from emissions-intensive sectors such as iron and steel, cement, fertilizers, aluminium, electricity, and hydrogen.

Corporate Sustainability Reporting Directive

The CSRD aims to be the basic information tool for sustainable investments. It introduces obligations for investors to ensure that companies report their impact not only on climate and the environment, but also on employees, the local economy, and society. It is aimed at presenting investors with the most comprehensive overview of the company's opportunities and threats which are not reflected in traditional financial statements.

The criteria for application of the CSRD will be determined by the level of turnover and employment of enterprises. It will apply to companies that meet at least two of three criteria: an average number of employees above 250 people, balance sheet total of more than EUR 20 million, or annual turnover of more than EUR 40 million. This initial wave of ESG reporting will expand in the following years, potentially transforming Polish business practices towards greater sustainability and transparency. This regulatory shift could open opportunities for investments in companies leading in ESG compliance and innovation.

The CSRD aims to improve the transparency and quality of reporting on sustainable development by companies and to allow their performance to be compared on a European scale. Poland should comply with the CSRD by July 6th, 2024, but the project of legal changes connected with the directive is (at the moment of writing this material) still not ready to be sent to the parliament. The CSRD applies from 1 January 2024 for fiscal years starting on or after that date, and therefore the first reports aligned with this regulation (prepared by companies that were previously covered by the Non-Financial Reporting Directive and employing over 500 people) will be presented to the market in 2025.

The development of sustainable finance mechanisms (including green bonds) can provide the necessary capital for large-scale investments in sustainable projects across Poland. This can help finance the country's transition to a sustainable economy, supporting projects from renewable energy to sustainable urban development.

These investment types are tailored to Poland's specific needs, such as energy transition, environmental protection, social cohesion, and economic modernization. By aligning foreign investments with these areas, Poland can leverage the CSRD and ESG frameworks to address its unique challenges while contributing to broader EU sustainability goals.

Onshoring and reindustrialization efforts

In response to concerns that targeted incentives for companies contained in the USD 369 billion Inflation Reduction Act of 2022 in the United States will cause the EU to lose its competitive advantage in clean technologies, the European Commission presented its Green Deal Industrial Plan on 1 February 2023. It aims to provide a more supportive environment for innovative, sustainable industrial activities, and to increase the EU's production capacity for net-zero technologies and products needed to meet Europe's ambitious climate goals.

This plan is based on four pillars:

- A predictable, consistent, and simplified regulatory environment for zero-carbon industrial activities striving to achieve net-zero emissions.
- Faster access to national and EU funding, facilitating development and implementation of clean technologies in Europe.
- Increasing digital skills and environmental awareness in the economy.
- Open trade and strengthening the resilience of supply chains.

By reducing dependence on imported raw materials and promoting sustainable use of resources, the EU aims to ensure that it has access to the materials it needs to achieve its grand vision of a Green Recovery and become independent not only of Russian fossil resources, but also other scarce commodities beyond the control of EU industries.

Adoption of the Productivity Strategy 2030 by the Polish government, which covers industrial policy with a focus on creating a digital economy, including automation, robotics, and digitization of enterprises, indicates a move towards more sustainable and efficient industrial practices. This could attract foreign investments in sectors that align with these goals. With increasing concerns about waste management and recycling, investments in circular economy projects can help Poland reduce waste, promote recycling, and move towards a more sustainable consumption model.

National Recovery Plan

Poland aims to utilize significant EU funding earmarked for green energy development in the coming years. This presents a substantial opportunity for foreign investors interested in contributing to Poland's transition to a more sustainable energy landscape. The country is looking to diversify its energy mix and reduce air pollution, with investment and export opportunities in the immediate term (natural gas) and longer term (nuclear, hydrogen, energy grid upgrades, photovoltaics, and offshore and onshore wind). This aligns with ESG goals by focusing on sustainable energy sources and infrastructure.

The government is also supporting high-tech investments to expand the economy, which includes increasing productivity and foreign trade, and fostering entrepreneurship, scientific research, and innovation through domestic and EU funding. This could attract investments in green technology, sustainable innovation, and digital transformation projects that contribute to environmental sustainability and economic growth.

A crucial element of future regulatory changes and national investment priorities stems from the milestones of the National Recovery Plan agreed between the Polish government and the European Commission. The plan aims to use a mix of grants and preferential loans to restart post-pandemic economic development by investing in areas of EU interest, such as creating a resilient, competitive, green and digital economy.

Achieving the agreed policy goals will be a requirement to receive European funding from the EU recovery fund NextGenerationEU. The negotiations between the new Polish government and the European Commission led to unlocking the funds. Due to a short time frame to use these funds their final absorption levels remains uncertain.

Climate- and energy-related measures and milestones set to be translated into legislative proposals or financial tools include:

- Support scheme for energy efficiency and renewables in companies, including those covered by the EU ETS.
- Investment in energy transmission networks, smart electricity infrastructure, and energy storage systems.
- Unlocking onshore wind farm development and offshore wind construction in the Baltic Sea.
- Improving conditions for development of hydrogen technologies.
- New legislation enabling trade in secondary raw materials in the spirit of the circular economy.
- Legal framework and financial support for green urban transition thanks to a law on sustainable urban development and creating the Green Urban Transformation Instrument.
- Fighting air pollution by amending the Energy Efficiency Act and the Clean Air programme provided by the National Fund for Environmental Protection and Water Management.
- Investment in district heating systems, replacing heat sources, and improving energy efficiency in residential buildings (thermal modernization and installation of RES).
- Focus on energy-efficient housing for low- and mid-income households and raising energy efficiency in schools.
- Supporting green and smart mobility by requiring cities above 100,000 inhabitants to purchase only low- and zero-emission buses as of 2025, and modernization of 478 km of rail lines by 2026.

Energy Policy of Poland through 2040

In March 2022, the Polish government set forth principles for an update of its main strategic document on energy policy. EPP2040, adopted by the government in early 2021, was seen as requiring revision due to the changed geopolitical context, with the Russian aggression against Ukraine and subsequent shifts, such as the view on using natural gas as a transition fuel.

The government added a fourth pillar, energy security, to its previous three pillars of a just transition, zero-emission energy system, and good air quality. While in the short term it accepts the possibility of increasing the use of existing coal-fired units to limit gas investments, it plans that about half of electricity generation in 2040 will come from renewable energy sources. The current document puts the RES share for 2040 at about 40%.

The new government led by Donald Tusk plans to update the document further, connecting it with the update to the National Energy and Climate Plan presented to the European Union—the Polish government sent in its initial plan at the end of February. It also noted that it plans to present two scenarios of decarbonization pathways: one more conservative and one reflecting more ambitious climate policies. Both scenarios will put into consideration shifts in the Polish energy market, such as stronger than predicted growth in renewable energy capacity and possible delays in timetables for planned nuclear power plants.

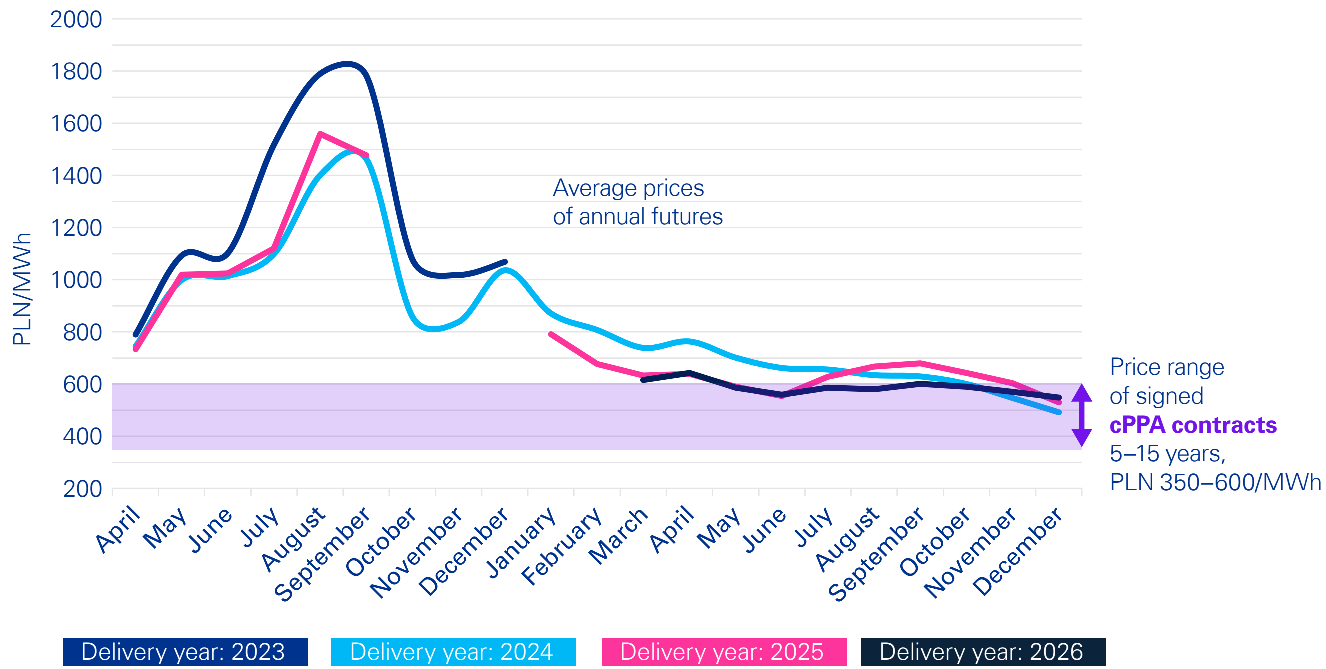
Corporate power purchase agreements in Poland

Against a backdrop of energy crisis and EU-wide decarbonization plans, corporate power purchase agreements (cPPAs) are gaining momentum in Poland. These are long- term electricity supply agreements between two parties (usually an electricity producer and a customer), typically for 5 to 15 years. cPPAs are commonly used as a tool to finance construction of renewable energy plants (investment costs), enabling development of new low-carbon energy sources.

The growing popularity of cPPAs in Poland is strongly related to the constantly decreasing costs of energy (levelized cost of electricity—LCOE) generated by renewable power plants, as well as increasing costs of power generated from conventional sources, as at coal-fired power plants. cPPAs set long-term electricity prices with lower-than-market price volatility. The cPPA formula allows companies to reduce or eliminate risks and challenges related to energy prices that companies have struggled with recently. Average prices of one-year futures concluded in recent months on the Polish Power Exchange are expected to outpace the average price under cPPAs over the next three years.

There are several regulatory changes that may push the growth of the cPPA market in Poland—some already adopted (direct line, cable pooling) and some planned (liberalization of the distance law for wind power plants). There are several sources of information for estimating the volume and number of cPPAs signed. The exact number is hard to pin down, as companies (especially trading companies) often do not disclose this information publicly. It may be assumed that most wind or solar generation assets within the groups described earlier have some kind of cPPA (mostly physical).

Average prices of annual futures contracts concluded in recent months vs. average prices of cPPA contracts



Source: Polish Power Exchange

How can we help you?

KPMG offers its support at all stages in obtaining tax relief and subsidies from EU and national funds.

In 2024 sustainability policies and practices are in full swing. We also observe the same trends that KPMG experts across the globe point to, such as tensions on the question of who pays for the green transition and how to make this process a just one. We also see growing interest and stronger focus on new frontiers of the ESG journey, such as biodiversity and supply chains. The coming years will be crucial for the transformation of the global economy towards a green and digital future. It is important to keep up to speed with these trends in order not to lose market share and comply with the evolving legal landscape.

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A shift towards sustainability in corporate business models is no longer a 'nice-to-have,' but an economic necessity. With both scientific knowledge and regulatory oversight strongly supporting the green economic shift, robust ESG reporting requirements and financial institutions cutting their lending for fossil fuel investments are leading to market shifts of impressive magnitude. This means that to stay competitive, companies will need to look at their carbon footprints and take part in reducing the pressure global economic activity exerts on nature. Think globally, act locally.

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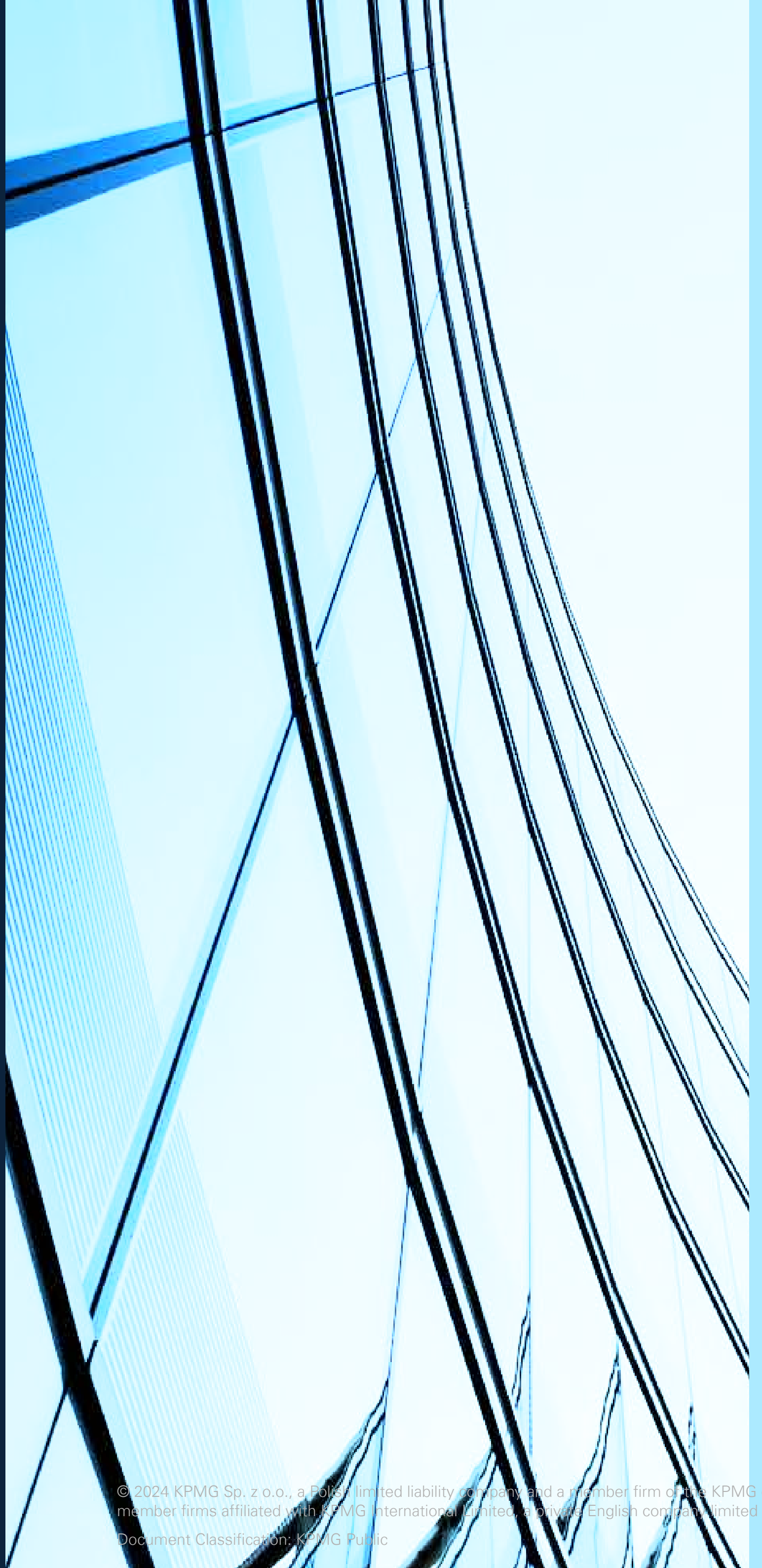


How can we help you?

- ESG reporting under the CSRD and ESRS
- ESG risk management and implementation of ESG regulations (EU Taxonomy, SFDR, TCFD)
- ESG strategy and connected services (double materiality assessment, stakeholder dialogue)
- Sustainable finance—selection of green assets, design of green bonds frameworks, support in creation of SFDR-compliant green funds
- Attestation of ESG-related disclosures
- Decarbonization strategy, carbon footprint calculations, and climate risks
- Carbon Border Adjustment Mechanism (CBAM) advisory
- Energy strategy and transformation
- Power purchase agreements (cPPA) and voluntary carbon markets (VCM)
- Circular economy and biodiversity
- Sustainability-as-a-service
- ESG Toolbox—IT solutions for sustainability

Forms of conducting business activity

Forms of conducting business in Poland available to foreign entities

Legal status

For purposes of doing business in Poland, Polish law distinguishes between three groups of foreign entities:

1. Foreign entities from member states of the European Union and member states of the European Free Trade Association who are parties to the Agreement on the European Economic Area, as well as foreign entities from countries that are not part of the European Economic Area but enjoy freedom of establishment based on agreements signed by those countries with the EU and its member states.
2. Citizens of countries other than member states who, for example, have obtained a permanent residence permit in Poland, a temporary residence permit, a tolerated stay permit, refugee status granted by Poland, or other permits specified in Polish law.
3. Foreign persons other than those specified in points 1 and 2 above.

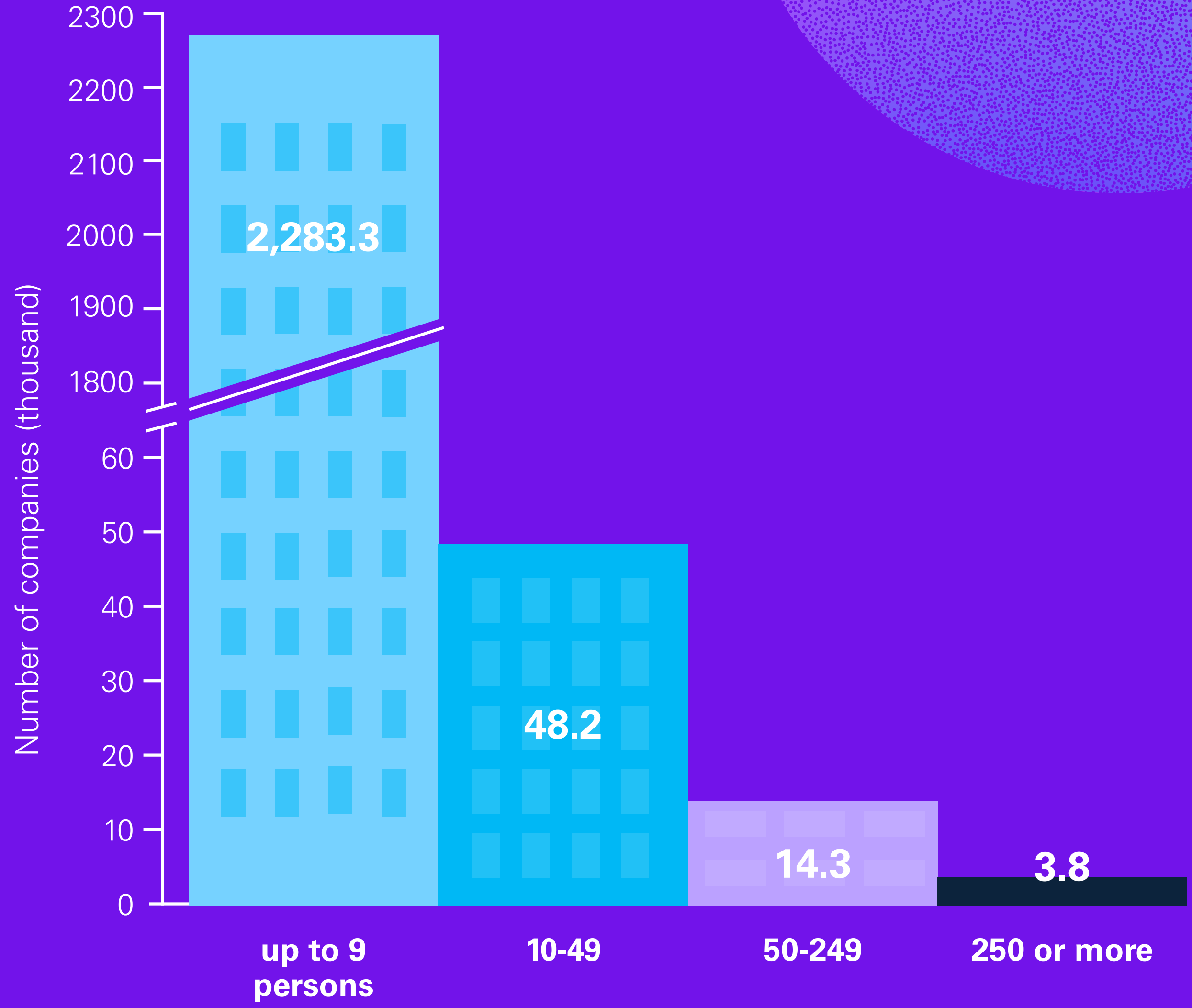
The first two groups benefit from the same legal options of doing business as Polish entities (i.e. sole proprietorship, partnerships and companies).

Entities in the third group may take up and pursue business in Poland, but only in the following forms:

- number of non-financial companies in Poland, by employment (2022)
- limited partnership (sp. k.)
- joint-stock limited partnership (SKA)
- limited-liability company (sp. z o.o.)
- joint-stock company (SA), which differs from a limited-liability company not only in the required minimum share capital and other features, but also in that it can issue bearer shares; companies listed on the Warsaw Stock Exchange must have the status of a joint-stock company
- simple stock company (PSA).

It is also possible to establish a representative office or a branch of a foreign business in certain sectors of activity.

Number of non-financial companies in Poland, by employment (2022)



KPMG in Poland based on Statistics Poland (GUS) data

Choosing the form of investment

The choice of the legal form of business activity (investment) in Poland within the framework outlined above depends on a number of business-related, practical, or formal factors.

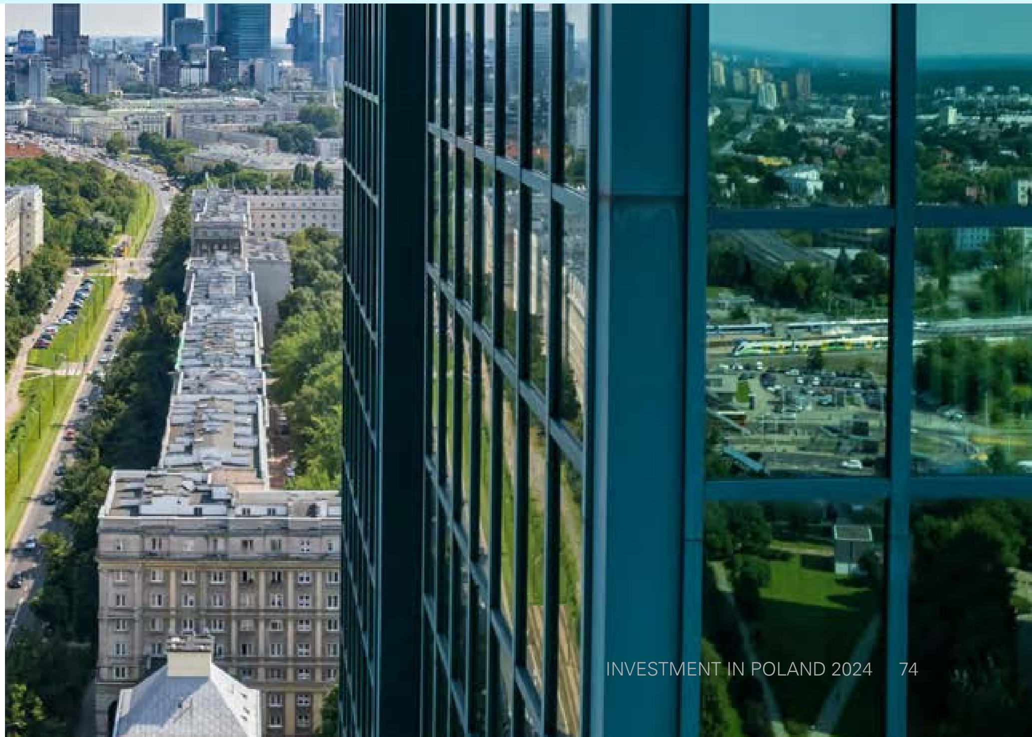
Taxation is among the main factors to consider before choosing the form of business in Poland. Other important criteria are the freedom of financial flows between the investor and the company in Poland (the investor's financing of the company's activity, payments from profit, exit from investment), as well as the scope of the investor's liability for the business in Poland, and the scope of protection for the investment, as defined by the generally applicable Polish regulations and international agreements. Another significant consideration is the degree of formalization of activities and the scope of formal obligations related to the selected form of business.

For the reasons outlined above, foreign investors clearly prefer the limited-liability company ("spółka z ograniczoną odpowiedzialnością") as the optimal formula for doing business in Poland, as illustrated in the table.

Business entities with foreign capital, by legal forms in 2022

Limited-liability companies	**93.0%**
Joint-stock companies	**3.4%**
Limited partnerships	**1.9%**
Branches of foreign undertakings	**1.1%**
Joint-stock limited partnerships	**0.1%**
Other legal forms	**0.5%**

Source: KPMG in Poland based on Statistics Poland (GUS) data.



Indeed, a limited-liability company has all the advantages and characteristics expected by investors. It is also a precise, clear and safe legal vehicle for conducting business in the form of a joint venture with other partners, whether Polish or foreign.

Unlike a joint-stock company, a limited-liability company is significantly deformalized, which makes it very easy for the investor to exercise control over the company.

In contrast, a joint-stock company is, by its nature, designed primarily for investments where the ownership structure is, or is expected to be, highly fragmented. Therefore, the legal format of a joint-stock company will be recommended if the investor plans to float the company on the stock exchange, as this legal form is required by law. Additionally, business in certain regulated areas (e.g. banking or insurance) must be conducted in the form of a joint-stock company, as long as such activity is not launched in the form of a branch of a foreign company.

From mid-2021 it is also possible to do business in Poland in the form of a simple stock company (prosta spółka akcyjna), which merges features of a limited-liability company and a joint-stock company. Simpler rules for creation and liquidation than in the case of a standard joint-stock company, as well as simplified rules for its operation and management structures (e.g. the possibility of appointing a unitary board of directors combining the features of the management board and the supervisory board, and greater freedom to adopt resolutions remotely), can make the simple stock company an attractive business form, especially for young entities or people planning to open their first business, such as a startup.

Establishment of partnerships and companies

Although the formalities required to start up a business in Poland have been greatly simplified in recent years, a number of steps and procedures still need to be completed.

Activity conducted by individual business operators (natural persons or civil-law partnerships) is subject to disclosure in the Central Registration and Information on Business (CEIDG), while partnerships and companies established under commercial law must be entered in the National Court Register (KRS). Both registers are centralized and can be universally accessed online.

Considering that the vast majority of foreign investments take the form of a company, the most important remarks related to the establishment of companies are presented on the next page.

In principle, no special permit is required to establish (or acquire) a company with the participation of a foreign owner. However, permits may be necessary if a foreign investor joins an existing company that owns real estate (including agricultural real estate).

Different rules apply if a company seeks to do business in regulated sectors, such as energy, banking, insurance, a range of other financial services, power generation, mining, etc. In such cases, a company with a foreign owner must obtain certain permits, licences and approvals from the competent authorities, issued on the same terms and conditions as those applicable to companies involving only Polish business owners.

The Commercial Companies Code regulates all issues related to the establishment, operation, and dissolution of companies and partnerships, including limited-liability companies, joint-stock companies and simple stock companies. The legal framework offers a lot of leeway for companies in framing their articles of association (umowa spółki in limited-liability companies or statut in joint-stock companies and simple stock companies). Some code provisions are not mandatory and may be modified by the incorporating documents.

The articles of association and any amendments must be drawn up in the form of a notarial deed. One exception is a limited-liability company or joint-stock company established online, where the articles of association are drawn up on an electronic form on the website of the Ministry of Justice.

The main differences between these three types of companies are specified on the next page.

	Limited - liability company (sp. z o.o.)	Joint - stock company (SA)	Simple stock company (PSA)
Purpose	To carry out business activities for any lawful purpose	To carry out business and non-business activity	To carry out any lawful activity
Number of founders (Polish or foreign)	At least one person (but if the sole founder is a limited-liability company the founder must have more than one shareholder)	At least one person (but if the sole founder is a limited-liability company the founder must have more than one shareholder)	At least one person (but if the sole founder is a limited-liability company the founder must have more than one shareholder)
Method of establishment	Simpler: signing the articles of association in the form of a notarial deed, or filling out online form + registering the company in court	More complicated: signing the articles of association+ signing the notarial deed on subscription for shares (if the share capital is to be collected via public offering, approval of the Polish Financial Supervision Authority is required) + registration in court	Simpler: signing the articles of association in the form of a notarial deed, or filling out online form + registering the company in court
Operating restrictions	Restricted operations (not allowed to conduct business in areas such as banking or insurance)	Unrestricted	Restricted operations (not allowed to conduct business in areas such as banking or insurance)
Minimum share capital	PLN 5,000	PLN 100,000	PLN 1 (not specified in the company's articles of association)
Shares	The initial capital may be divided into shares of equal or unequal value; preference shares entitle their holder to additional dividends or voting rights	Share capital is divided into shares of equal nominal value; types of shares: registered shares, bearer shares, preference shares, in-kind contribution shares, cash shares, silent shares or syndicated shares	Shares have no nominal value, do not form part of the share capital, and are indivisible
Minimum nominal value of shares	PLN 50	PLN 0.01	Not specified

	Limited - liability company (sp. z o.o.)	Joint - stock company (SA)	Simple stock company (PSA)
Valuation of in-kind contributions	Performed by the founders	By the founders, but they must draw up a report for examination by auditors appointed by the registry court (with some exceptions) *By the management board when a new share issue is covered with an in-kind contribution	Performed by the founders Contribution to be made within 3 years from registration of the company
Legal status of shares	Shares are property rights and are not securities; in principle, share certificates are not issued	Shares are securities. Since 2021, paper share certificates have been replaced by an electronic register of shareholders (*rejestr akcjonariuszy*) kept by authorized entities (e.g. brokerage house A registration certificate will be issued at the shareholder's request Entry of a shareholder in the register of shareholders authorizes the shareholder to vote at the general meeting	Shares are securities and are entered in the register of shareholders kept by authorized entities (e.g. brokerage house) or notary public Entry of a shareholder in the register of shareholders authorizes the shareholder to vote at the general meeting
Sale of shares issued in exchange for in-kind contribution	No restrictions; such shares may be sold after issuance provided no other restrictions apply	Such shares may not be transferred or pledged until the general meeting has approved the financial statements and accounts for the financial year during which the shares were paid for by in-kind contribution	
Trading in shares on the stock exchange	Not possible	Possible, subject to additional requirements	Not possible
Form for sale of shares	Written form with signatures certified by notary public	No specific form required (written form for evidence purposes recommended) The sale of shares is effective only upon entry of the new shareholder in the register of shareholders	Documentary form (no signature or notary assistance required) The sale of shares is effective only upon entry of the new shareholder in the register of shareholders

	Limited - liability company (sp. z o.o.)	Joint - stock company (SA)	Simple stock company (PSA)
Capital increase	Generally, approval of the shareholders' meeting (in the form of a notarial deed) by a 2/3 majority of votes is required, unless the articles of association lay down stricter requirements. The articles of association may also authorize an increase in the share capital without any amendment to the articles of association, in which case the form of a notarial deed is not required and a simple majority of votes is sufficient to increase the share capital	Generally, approval of the general meeting (in the form of a notarial deed) by a 3/4 majority of votes is required, unless the company's bylaws lay down stricter requirements, with the exception of capital increases made up to the amount of the target share capital, for which a resolution of the management board is required	The share capital is not fixed and can be flexibly changed (a capital increase does not require amendment of the company's articles of association) A capital increase can be made based on a resolution of the general meeting or by making actual payments for the share capital
Corporate bodies	Shareholders' meeting (*zgromadzenie wspólników*) Management board (*zarząd*) Supervisory board (*rada nadzorcza*) or audit committee (*komisja rewizyjna*), obligatory in companies where the share capital exceeds PLN 500,000 and there are more than 25 shareholders	General meeting (*walne zgromadzenie*) Management board Supervisory board	General meeting For executive bodies, model to be chosen by the general meeting: a) Management board + supervisory board, or b) Board of directors (*rada dyrektorów*) combining features of management board and supervisory board)
Mandatory audit	Only if certain conditions set out in Accounting Act are met	At all times	Only if certain conditions set out in Accounting Act are met
Obligation to convene the shareholders if the company suffers losses, to decide on going-concern status	If the losses exceed the sum of the supplementary and reserve capital and half of the share capital	If the losses exceed the sum of the supplementary and reserve capital and 1/3 of the share capital	N/A To cover losses, the share capital must be credited with at least 8% of the profit for the fiscal year, if this capital has not reached 5% of the company's total liabilities in the approved financial statements for the last fiscal year

	Limited - liability company (sp. z o.o.)	Joint - stock company (SA)	Simple stock company (PSA)
Personal liability of shareholders for the company's obligations	The Commercial Companies Code provides for personal joint and several liability of members of the management board for the company's obligations, including liabilities for tax and social security arrears, (subject to various restrictions) if enforcement against the company is ineffective	If enforcement against the company is ineffective, members of the management board are jointly and severally liable for tax arrears (subject to certain limitations); liability for other obligations is provided for under the general rules of the Civil Code, the Bankruptcy Law, and the Restructuring Law	The Commercial Companies Code provides for personal joint and several liability of members of the company's corporate bodies for the company's obligations, including liabilities for tax and social security arrears, (subject to various restrictions) if enforcement against the company is ineffective
Shareholders' right to share in profit	Enforceable by the shareholders' meeting's approval of the balance sheet and profit and loss account for the previous year, in the form of a shareholders' resolution on the payment of dividends (if articles of association provide for such a resolution), unless the articles of association or the resolution of the shareholders' meeting provides otherwise	Enforceable by the general meeting's approval of the balance sheet and profit and loss account for the previous year, in the form of a shareholders' resolution on the payment of dividends, unless the articles of association or the resolution of the general meeting provides otherwise	Enforceable by the general meeting's approval of the balance sheet and profit and loss account for the previous year, in the form of a shareholders' resolution on the payment of dividends, unless the articles of association or the resolution of the general meeting provides otherwise In addition to or instead of dividend payments, the shareholders also have the right to a distribution from the share capital on the same terms and conditions
Distribution of assets after liquidation of the company	Distribution of assets among the shareholders cannot take place until six months after the opening of liquidation was announced and creditors were invited to report claims	Distribution of assets among the shareholders may not take place until one year after the opening of liquidation was announced and creditors were invited to report claims	Distribution of assets among the shareholders may not take place before creditors are satisfied or secured (no minimum period that must elapse between announcement of the opening of liquidation and summoning of creditors to report their claims, and the distribution of specified assets)

In addition to concluding the articles of association discussed above, the newly established company must be entered in the National Court Register (KRS), obtaining a KRS number. At the same time, a statistical number (REGON) will be issued for the new company. Then the company must register for taxation, obtaining a tax identification number (NIP). Under EU law, when registering a company, it is also necessary to identify the ultimate beneficial owner(s) (UBO) of the new company. This must be done electronically through the Central Register of Beneficial Owners website within 14 days after the entity is entered in KRS. If the UBO information changes, it must be updated within 14 days of the change.

When a company starts hiring staff, it must make certain notifications and follow required procedures, including for social security of its employees. It must also obtain a work permit for employing foreign staff wherever required under the relevant legislation.

Only natural persons, either Polish citizens or foreign nationals, may be members of the company's governing bodies. These functions may be performed with or without compensation, and the individuals' physical presence in Poland is not required.

Members of the company's governing bodies must also be assigned a PESEL number (used in the Polish system of citizen registration) and hold an electronic signature, since the use of an electronic signature is required in certain procedures related to the management of company affairs (e.g. signing annual financial statements).

Representative offices and branches of a foreign business

Foreign natural and legal persons, including banks, insurance companies and foundations, may establish representation in Poland. The establishment and operation of any kind of representation is regulated by Polish law.

Foreign entities may establish two forms of representation: a representative office or a branch of a foreign undertaking. The scope of permissible activities for a representative office is much narrower than for a branch. Branches may do business of the same type as the foreign undertaking in its home country. A representative office may only engage in advertising and promotion of the foreign undertaking.

Branch

Business activity within a branch may commence after the branch is entered in the commercial register of the National Court Register (KRS).

A foreign undertaking which sets up a branch is required to appoint a person at the branch authorized to represent the foreign undertaking. The foreign undertaking must also:

- Operate the branch under the original name of the foreign undertaking together with the name of its legal form translated into Polish, adding the words "branch in Poland" (oddział w Polsce).
- Keep separate accounts for the branch, in Polish, in accordance with accounting regulations, as well as tax records required by Polish tax law.
- Report any relevant changes in the factual and legal situation to the minister for economy, e.g. if the foreign undertaking enters liquidation or loses the right to do business.

The provisions of the Commercial Companies Code pertaining to liquidation of a limited-liability company apply accordingly to the liquidation of a branch of a foreign undertaking.

A foreign undertaking operating a branch in Poland is subject to income tax in Poland with respect to income obtained in Poland, unless the relevant tax treaty provides otherwise.

Representative office

A foreign person doing business abroad, or a Polish person doing business abroad, is entitled to establish a representative office in Poland.

Representative offices are subject to entry in the register of representative offices kept by the Minister of Entrepreneurship and Technology (except for representative offices of banks and credit institutions). To register a representative office, it is necessary to enclose an excerpt from the foreign register together with a Polish translation, or other document specifying the registered office and rules of representation for the representative office. A person authorized to represent the representative office should be indicated, together with a statement by that person accepting the appointment. A representative office may be established for only two years, with the possibility to extend it by successive two-year periods.

A representative office may also be set up by foreign persons appointed by the competent authority of their home country to promote the economy of that country. A trade office of this type may only engage in promotion and advertising of the economy of that country.

The minister may refuse to enter a representative office in the register if not all requirements have been fulfilled. The minister may also delete a representative office from the register if it fails to comply with Polish law.

Joining existing companies

Foreign businesses may also acquire shares in existing Polish companies, either by purchasing shares from existing shareholders (including through buying a special-purpose vehicle company) or by subscribing for shares in the increased share capital of an existing company.

This type of investment may be subject to certain restrictions or procedures. In particular, it must be examined whether the investment would constitute a concentration requiring the approval of the antitrust authority—depending on the scale of the transaction, either a national antitrust authority (in Poland, the Office of Competition and Consumer Protection, UOKiK) or the European Commission.

Moreover, consent of the Polish authorities may be required if an investor from a non-EEA country acquires or takes up more than 50% of the share capital of a Polish company that owns real property. Specific restrictions and related procedures concerning consent or a pre-emption right of the National Support Centre for Agriculture will apply if the target company owns any agricultural real property.

It must also be verified whether the company to be acquired is subject to the regulations on control of certain investments, including rules introduced in connection with the Covid-19 pandemic protecting Polish enterprises operating in specific areas of the economy against acquisition by foreign businesses. Even though the pandemic has come and gone, these protective regulations will remain in force for some time to come.

Investment income and liquidation of operations

Funds for opening and conducting business activity in Poland may be invested as share capital of a company or in other forms, such as loans or additional payments to the company provided by a foreign investor. In those cases, it is essential to take into account the tax rules regarding thin capitalization.

Funds invested by the foreign owner may be recovered either as repayment of loans or additional payments, or as dividends paid and disclosed in the company's approved financial statements. Polish corporate law also provides for the possibility of paying advances against expected dividends.

Other transactions between a Polish company and foreign shareholders must comply with the tax requirements for transfer pricing.

In principle, investors can decide to dissolve and liquidate the company at any time. The liquidation (winding-up) procedure is conducted under court supervision. A number of formalities must be completed, including public notification of potential creditors, who will then have three months to lodge any claims against the company.

The corpus of funds remaining in the company after all creditors' claims and liabilities have been settled are paid out to the shareholders.

Foreign investors participate in the company's profits and receive the aforementioned payments on the same basis as Polish investors.

How can we help you?

We offer comprehensive legal advisory services in relation to M&A transactions as well as any corporate issues, from incorporation through comprehensive day-to-day legal services and company restructuring, to conclusion of the company's legal existence.

Poland's substantial financial investments are making it increasingly appealing to international investors. The changes underway create substantial investment opportunities across various sectors, with a significant increase in foreign investments anticipated in the future. The energy sector stands out as especially attractive for foreign investors. KPMG Law is well-equipped to offer comprehensive assistance and advisory throughout the investment process.

Anna Szczodra

Partner, Attorney-at-law, Co-Head KPMG Law in Poland, Head of Energy Sector in Poland and EMA Region

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Local legal peculiarities and ongoing changes in regulations may pose a challenge to foreign investors. We have many years of experience in helping our clients navigate around potential difficulties. Our highly qualified legal advisors are oriented to finding practical solutions. We always take an interdisciplinary perspective into account, working closely with KPMG experts from other fields to fully understand the business background of each project and guarantee the highest quality of service. This allows us to provide our clients seeking to do business in Poland with comprehensive legal services tailored to their individual needs.

Adam Stopyra

Partner, Advocate, Co-Head KPMG Law in Poland

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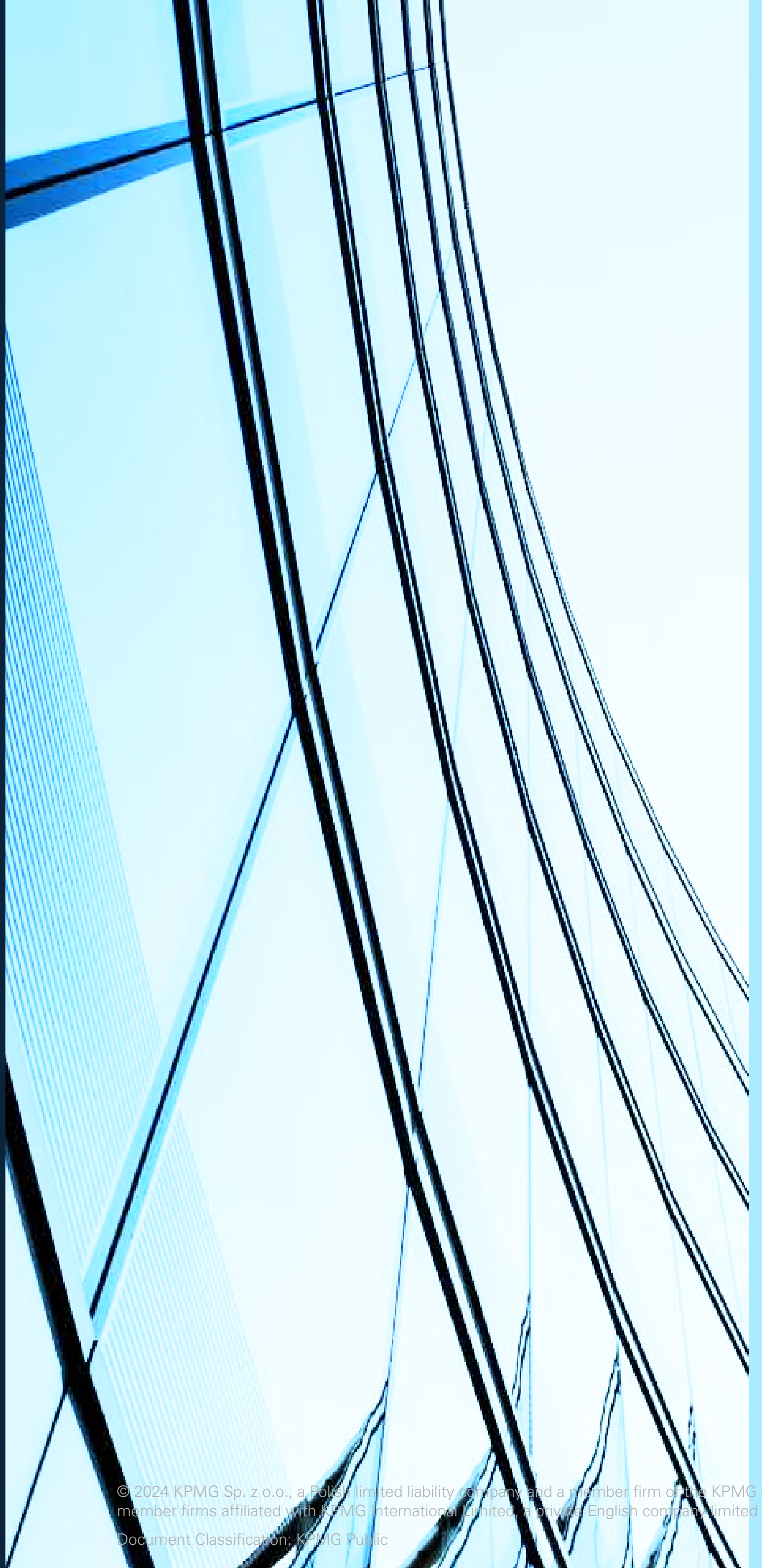


How can we help you?

- Mergers and acquisitions
- Corporate law and services
- Banking and finance
- Energy
- Compliance and risk management
- Real estate
- Environment
- Employment
- Bankruptcy and restructuring
- Intellectual property
- Data protection/GDPR

Tax regulations

Polish taxation system

The Polish tax system is based on self-assessment. The Polish tax authorities have the power to undertake a tax audit in the five years after a tax liability arises and to reassess the amount of that tax liability. If a tax audit has been carried out and a decision is issued by the respective authorities, then that period is usually regarded as being effectively closed (it is difficult for the authorities to re-open periods once a decision is issued).

According to a resolution of the Supreme Administrative Court, this limitation period for corporate income tax (CIT) is also applicable irrespective of settlement of tax losses reported from previous periods.

Yearly CIT must be settled within three months after the end of the fiscal year, and the annual return for personal income tax (PIT) is due by 30 April of the following calendar year. Both taxes are paid in an advance payment system during the tax year, and after the end of the year the difference is paid or the tax overpayment is refunded. VAT and social security withholdings are paid in the following month. Interest on overdue tax can be levied on any unpaid amounts. As of October 2023 the general rate of penalty interest is 14.5% per annum. The penalty interest rates may be subject to change depending on the basic Lombard loan interest rate, which is variable and set in accordance with the provisions on the National Bank of Poland, calculated as 200% of the basic Lombard loan interest rate plus 2%, except that the penalty interest rate may not be lower than 8%.

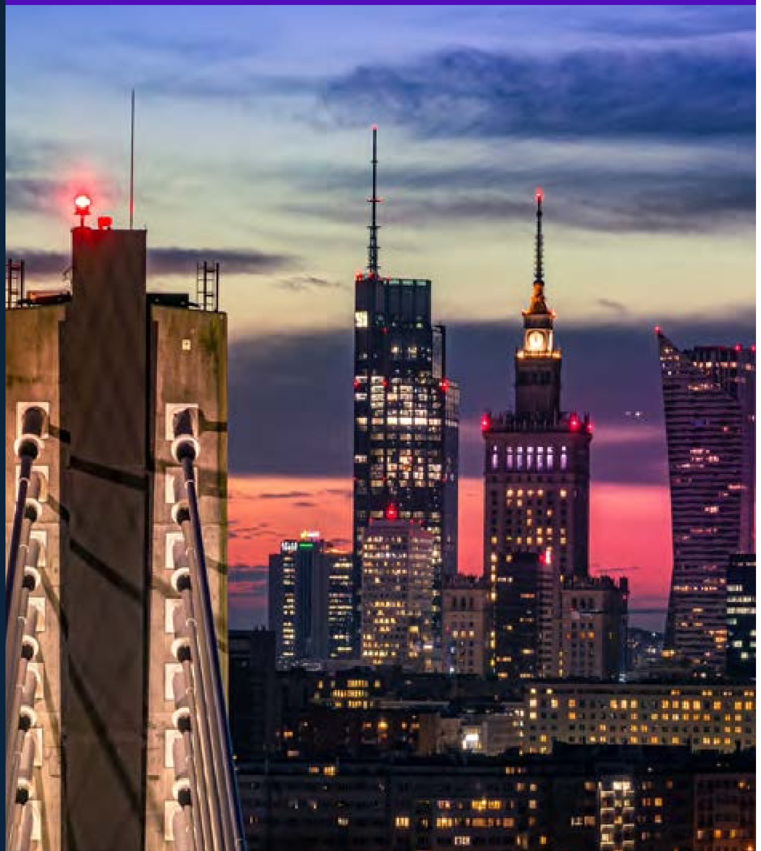
Polish tax law is subject to constant changes. New regulations are included in the report.

Tax rulings

Under Polish tax law, the taxpayer has the right to apply to the Director of the National Revenue Information Centre (KIS) for an interpretation of tax provisions. Such a tax ruling, if adhered to, should safeguard the position of the taxpayer filing the request as long as the background presented in the application for the ruling corresponds to the actual facts and the legal regulations based on which the tax ruling was issued are still binding in respect to the transaction.

If the tax ruling refers to future events, it protects the taxpayer against any future reassessments (i.e. payment of tax arrears, penalty interest and penal fiscal liability). If the tax ruling refers to past events, the protection is limited to penalty interest and penal fiscal liability.

The Minister of Finance may issue general tax interpretations of a similar nature, but they are addressed to all taxpayers.



Mandatory disclosure rules

Reporting obligations known as mandatory disclosure rules (MDR) have been imposed in Poland under the Tax Ordinance.

These provisions transposed EU Directive 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC6).

Based on the Polish MDR regulations, tax arrangements which satisfy certain criteria specified in the Tax Ordinance must be reported to the Head of the National Revenue Administration (KAS).

However, the Polish MDR provisions went further and extended the reporting obligations beyond DAC6. The Polish MDR provisions include additional domestic hallmarks that may trigger the MDR reporting obligation. As a result, the Polish MDR regulations cover not only tax arrangements that include hallmarks under DAC6, but also other transactions (including domestic and other cross-border transactions, as well as VAT transactions).

Reporting obligations may be imposed on various entities participating in the arrangement: the entity developing the tax arrangement, the taxpayer itself, as well as an entity supporting implementation of the tax arrangement.

Poland is a country with one of the highest penalties when considering MDR obligations, as not submitting information subject to MDR reporting or submitting such information after the deadline may result in a penal fiscal sanction (imposed on individuals from within the taxpayer's financial/management structure) in the form of a fine up to about PLN 41.2 million (about EUR 9.5 million).

General anti-avoidance rule

A general anti-avoidance rule (GAAR) has been included in Polish tax law since mid-2016. On the basis of the GAAR regulations, activity undertaken, in particular, with the aim of achieving a tax benefit that is contradictory in the given circumstances to the subject and aim of the regulation of the tax act should not result in achieving such tax benefit, provided that the manner of action was artificial (tax avoidance). To confirm that the GAAR does not apply to the given action/operation/transaction, the taxpayer is entitled to obtain a protective opinion. However, so far application for a protective opinion under the GAAR has not been a common practice in the Polish market. Therefore, a strong business justification should be in place when performing any restructuring involving Polish entities.

Moreover, a further penalty sanction in the form of an additional tax liability resulting from application of the GAAR might be applied.

KPMG

Corporate income tax

Generally, CIT in Poland is levied on all taxable income. The standard CIT rate of 19% is payable on income. There is also a reduced rate of 9% CIT which may be applicable (with the exception of capital gains), but availability of this rate is limited to entities starting their activity and so-called "small taxpayers," whose:

- Revenues for the current tax year do not exceed the PLN equivalent of EUR 2 million, and
- In the case of entities continuing their activity, their sales revenues, including VAT, for the previous tax year, did not exceed the PLN equivalent of EUR 2 million.

Taxable income in Poland is calculated as taxable revenues reduced by eligible costs incurred to generate those revenues, or in order to retain or secure a source of taxable revenue.

However, there is a long list of exceptions, i.e. expenses that cannot be treated as tax-deductible costs despite the underlying purpose of generating revenue. Non-deductible costs include for example contractual penalties resulting from the supply of defective goods or services, entertainment costs, accrued but unpaid or written-off interest etc.

CIT obligations also apply to joint-stock limited partnerships, limited partnerships and selected general partnerships (in which the general partners are not only natural persons) having their registered office or place of management in the territory of Poland.

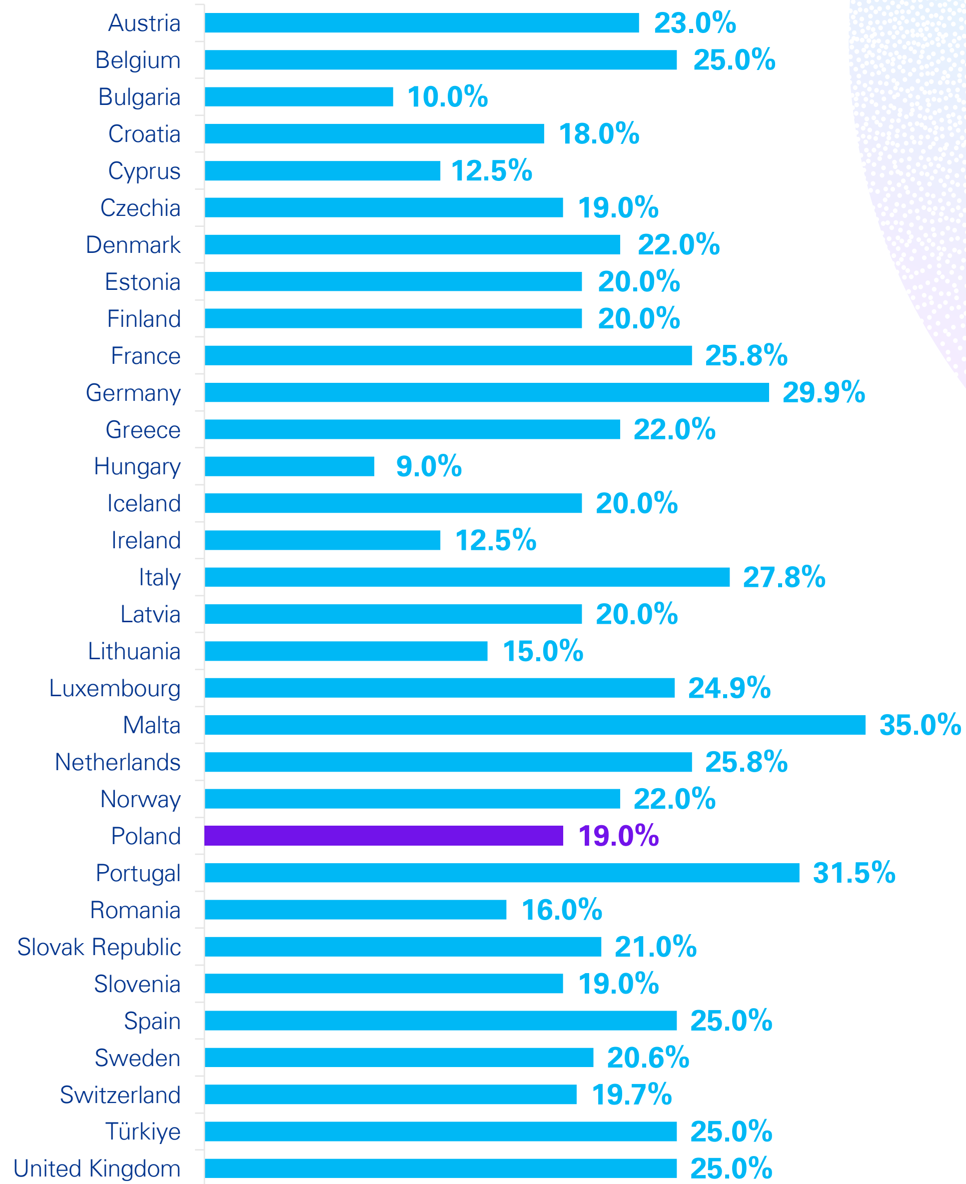
Essentially, this means that the income generated by the above partnerships, which were previously treated for CIT purposes as tax-transparent entities, are currently covered by CIT at the partnership level. Subsequently, there is also taxation on payments made to partners at the partner level. The regulations provide under certain conditions a tax exemption on the portion of revenue earned by limited partners due to participation in a limited partnership (up to PLN 60,000 of revenue annually) and also special tax exemption for general partners.

"Estonian CIT"

The main feature of the Estonian CIT model is that eligible CIT payers do not have to pay income tax until they decide to distribute the company's earnings.

The Estonian CIT scheme, envisaged only for limited partnerships, joint-stock limited partnerships, limited-liability companies and joint-stock companies, may be applied only by companies meeting a number of criteria, including that the company's shareholders are only natural persons, the company does not hold shares in other companies, and revenues from passive activities must constitute less than half of total revenues, along with conditions related to employment.

Corporate Income Tax Rates in Europe



Source: KPMG in Poland, based on 2024 Corporate Income Tax Rates in Europe | Tax Foundation

In general, the subject of lump-sum taxation, as a rule at the 10% or 20% rate, will be the income corresponding to the net profit designated for distribution, earned during the lump-sum taxation period, or the net profit transferred to cover losses reported prior to the lump-sum taxation period.

CIT rates in the EU

On average, the European countries analysed currently levy a corporate income tax rate of 21.3%. This is slightly below the worldwide average, which, measured across 181 jurisdictions, was 23.45% in 2023. The basic CIT rate in Poland of 19% is therefore lower than the EU average.

Two sources of income (business and capital)

There are two separate sources of income in the Polish CIT Act:

- Capital gains (e.g. income from participation in profits of legal persons, selected licence fees, profits from transfer of shares/partnership rights, disposal of receivables previously purchased).
- Income from business profits.

The two sources need to be settled separately for tax purposes. As a result, losses and costs can be settled only within each income source (business or capital respectively).

Corporate income tax settlement on the sale of shares in certain real estate-rich companies by a foreign shareholder is shifted to the Polish real estate company (if certain conditions are met). The foreign shareholder is obliged to transfer the amount of tax due to the real estate company before the tax payment deadline, i.e. by the 20th of the month following the month in which the income was generated.

Moment of settlement of tax costs

Costs directly relating to taxable income are, as a rule, recognized in the year in which the corresponding revenue was gained, even if such costs are incurred after the end of the tax year but before the date when the financial statement or annual tax return is filed. Other direct costs should be recognized in the subsequent tax year.

Costs indirectly connected to taxable income are deductible on the date they are incurred. They are deemed to have been incurred if they were entered into the accounting books on the basis of an invoice or other accounting document.

Foreign exchange differences

The CIT Act allows two methods of calculation of foreign exchange differences for tax purposes: the "tax method" and the "accounting method." Under the tax method (applicable by default), FX constitutes taxable income or tax-deductible costs only when realized. Under the accounting method, FX gains or losses crystalize for tax purposes when accrued in the accounts.

Tax losses

Reported tax losses may be utilized within the next five consecutive years. Generally, 50% of a tax loss may be utilized in a year, with the right to one-off utilization of PLN 5 million of a loss (the remaining part of the loss is subject to the 50% per year rule). Recently, additional limitations regarding utilization of tax losses were introduced when the taxpayer took over another entity or enterprise, or part of an enterprise is acquired or contributed.

Tax depreciation

Fixed assets and intangibles are generally expensed for income tax purposes by way of tax-deductible write-offs.

There are three depreciation methods foreseen by the provisions: straight-line depreciation, reducing balance depreciation, and depreciation based on individual rates.

Maximum depreciation rates under the straight-line method are set out in the CIT Act, e.g. 2.5% p.a. on buildings and, in principle, 4.5% p.a. on infrastructure.

Rates for each asset can be reduced (depreciation period extended) at the beginning of the depreciation period or at the beginning of each year (these can also be increased back to the maximum values later on, if desired). In some special cases foreseen in the CIT Act, the depreciation rates may also be increased by multiplying the statutory rates by a certain factor. Individual (higher) depreciation rates are also available for second-hand assets.

Land cannot be depreciated for tax purposes. Based on rules implemented in 2022, tax depreciation is additionally limited for real estate assets, and tax depreciation of real estate assets for real estate companies is limited to the value of accounting depreciation.

The chosen method of tax depreciation should be applied across the whole period of the asset's tax depreciation.

From 1 January 2023, taxpayers cannot charge depreciation write-downs on residential buildings and premises into tax-deductible costs.

For real estate-rich companies, write-downs of certain fixed assets (listed in the CIT Act) cannot exceed in a given taxable year the write-offs or write-downs on account of wear and tear of fixed assets made in accordance with accounting regulations and charged into the financial result of that company in the given taxable year.

Earnings-stripping rules

Generally, interest is tax-deductible in Poland when paid or capitalized to the loan principal (i.e. on a cash basis, not an accrual basis), subject to earnings-stripping rules and arm's-length restrictions.

Net financing costs are excluded from tax-deductible costs in the amount in which the surplus of debt financing costs exceeds the higher of 30% of tax EBITDA or PLN 3 million (safe harbour). Net financing costs cover all costs related to obtaining financial resources from other entities, including but not limited to interest, fees, commissions, penalties, and costs of hedging. Please note that the net financing costs included in the initial tax value of the asset and depreciated also need to be considered for the purpose of earnings-stripping rules.

The surplus of net financing costs is understood as the excess of debt financing costs deductible in the given tax year over the interest-like revenues subject to tax in the given tax year. Interest-like revenues include interest received or capitalized to the loan principal, positive foreign exchange differences, and other revenues economically equivalent to interest that could fall into the category of net financing costs.

The financing cost excluded from the tax-deductible costs in the given tax year is subject to deduction within the successive five years under the limits applicable in the particular year.

Interest deductibility is denied in case of financing provided by a related party for capital transactions (unless the financing was received before 2022).

Fiscal grouping

In Poland, a tax capital group may be formed by limited-liability, joint-stock, or simple stock companies with their registered office in Poland, provided that the following conditions are met:

- The average qualifying share capital of the companies in the group may not be lower than PLN 250,000 (about EUR 55,000).
- The Polish parent company must hold at least 75% of the Polish subsidiaries' shares directly.
- None of the group companies should have outstanding tax liabilities at the time of concluding the tax capital group agreement.

Any tax loss arising prior to formation of the tax capital group may be settled by the tax capital group if certain conditions are met: (i) if the company acting as an independent taxpayer could utilize the tax loss, (ii) the loss was incurred by the company no earlier than in the fifth tax year preceding the tax year of the tax capital group for which the deduction is made, and (iii) the company whose loss is deducted is in a tax income position in the year when the loss is deducted and the amount of such deduction is limited to 50% of the tax loss incurred and up to the taxable income of such company.

Upon dissolution of the tax capital group, a member company is able to carry forward the tax losses incurred before becoming a member of the tax capital group, if not utilized by the tax capital group (however, the five-year period when tax losses could be utilized also includes tax years in which the company was a member of the tax capital group).

From 1 January 2022, subsidiaries are allowed to hold shares in other companies forming a tax capital group.

Once the tax capital group is established, the following additional conditions must be met:

- The members of the tax capital group may not benefit from CIT exemptions.
- All transactions between members of the tax capital group and related non-group parties must be at arm's length.

If any of these conditions are not satisfied, the tax capital group is dissolved with retroactive effect, except for the situation where the profitability ratio is not met. The group must be established for at least three years, based on a written agreement. To extend the tax period of the capital group, a new agreement must be concluded, or the existing agreement amended, subject to notification and registration by the head of the competent tax office.

The companies forming a tax capital group are jointly and severally liable for their income tax liabilities for the period of validity of the tax capital group agreement.

The obligation to prepare a transfer pricing local file does not apply to controlled transactions between the members of a tax capital group.

From 1 January 2023, VAT grouping is also possible in Poland.

Minimum income tax on commercial real estate

Minimum income tax on commercial real estate is imposed on taxpayers who own buildings in Poland, leased, rented, or put to use under another contract of a similar nature. It is payable monthly at the rate of 0.035% of the taxable base (i.e. total revenue from all buildings, minus PLN 10 million).

Taxpayers can deduct the amount of the tax paid from their income tax advance. Importantly, the minimum income tax on commercial real estate is not payable when it is lower than the monthly CIT advance. A refund of the minimum real estate tax can be obtained at the taxpayer's request, provided that there are no irregularities in the amount of tax liability or loss calculated in the annual return and the calculated tax.

Controlled foreign companies rules

Certain income or gain derived by foreign subsidiaries owned by Polish taxpayers is taxed in Poland. Taxpayers may be obliged to pay 19% CIT in Poland on income derived by foreign entities if they qualify as "controlled foreign companies" (CFC).

The CFC rules apply if any of the following criteria are satisfied:

- The subsidiary is considered a CFC because its seat or place of management is in a blacklisted country (practising harmful tax competition), or in a country with which Poland has not concluded an agreement with an exchange of information clause.
- At least one-third of the income/gain derived by the subsidiary is passive, e.g. gain from the disposal of shares, interest income, IP income or provision of certain intangible services.
- Such income/gain is tax-exempt in the subsidiary country or the tax paid is lower than 25% of the liability to be paid if the foreign company were a tax resident in Poland, or
- No genuine economic activity is carried out by the subsidiary.

Still, if the foreign company conducts genuine economic activity in the country of its seat (an EU/EEA country) and it is taxed there on its worldwide income, then no CFC taxation in Poland would arise.

Minimum income tax

In 2022, a new levy, minimum income tax, was introduced into the Polish regulatory framework, but its applicability was suspended until 1 January 2024. This applies to entities with a tax loss (reported from business profits from operational activities, not from a capital source), or CIT taxpayers whose tax profit/taxable revenues ratio is below 2%.

In a nutshell, the rate of this new minimum tax is 10%, and the tax base is the sum of:

- 1.5% of the value of revenues other than from capital gains.
- "Excessive" costs of debt financing paid to related parties (generally exceeding 30% of so-called tax EBITDA).
- Costs of qualified services or intangible rights paid directly or indirectly to related parties exceeding 5% of tax EBITDA plus PLN 3 million.

The amount of the minimum income tax due will be deductible from CIT calculated according to general rules for three consecutive tax years after the given tax year for which the tax was paid.

Restructuring

According to restructuring provisions in force:

- Only the first exchange of shares could be neutral if the conditions for tax neutrality are met.
- The neutrality of mergers and demergers depends on whether the shares in the acquired or divided entity were acquired as a result of an exchange of shares or another merger or demerger.

Polish holding company

A Polish holding company and new taxation rules for such entities have been introduced into Polish tax law. The changes are intended to encourage foreign and Polish investors to incorporate holding entities in Poland.

The conditions to apply the new regime for a Polish holding company include the holding company holding at least 10% of the shares in the subsidiary for at least one year, not being part of a fiscal group, and carrying out genuine business activity.

If certain conditions are met, the Polish holding company will be exempt from tax on:

- Dividends received from its subsidiary.
- Capital gains realized on disposal of shares in the subsidiary to an unrelated entity.

However, this rule does not cover exemption of capital gains on the sale of shares in real estate-rich companies.

Profit-shifting tax

The rules limiting the shifting of profits to related entities in jurisdictions with low effective taxation constitute a new source of income subject to taxation at the source.

Profit-shifting is understood as costs paid directly or indirectly to a related entity, where:

- Income (revenue) of the related entity is taxable at a rate lower than 14.25% or exempt from tax.
- Such costs constitute at least 50% of the revenues earned by that entity.
- A related entity transfers at least 10% of its revenues to another entity.
- The sum of these costs incurred for related entities is at least 3% of the total tax-deductible costs for the year.

The regulations on profit-shifting tax will not apply to costs paid to a related entity that is subject to tax on all its income in an EU or EEA member state and conducts real economic activity in that state.

A taxpayer may choose a simplified method of determining the taxable base, which is an amount equivalent to 3% of the value of income earned by the taxpayer in the tax year under a source of income other than capital gains. However, the taxpayer must notify the choice of this method of determining the taxable base in its annual tax return (referred to in CIT Act Art. 27(1)) for the tax year covered by this election.

Withholding tax

Under Polish law, a 20% withholding tax (WHT) applies to interest, royalties and fees for services provided in the field of entertainment, show or sporting activities and fees for intangible services paid abroad (such as advisory services, accounting services, advertising, management and control services, data processing, employee recruitment, guarantees and sureties, and similar types of services). Dividends paid by Polish tax-resident companies to foreign entities are subject to 19% WHT in Poland.

However, the domestic WHT burden may generally be reduced or eliminated under tax treaties to which Poland is a party or based on the EU's Interest and Royalties Directive or Parent-Subsidiary Directive, implemented directly in the Polish CIT Act. Nevertheless, to apply the treaty rates or WHT exemption provided in the CIT Act, according to the CIT Act the payer should hold the relevant documentation, i.e. a valid certificate of tax residence of the recipient, and in the case of payment of dividends and interest, an additional statement confirming that the recipient is subject to CIT on its worldwide income in its country of establishment.

In the case of interest and royalties, the statement should also confirm that the recipient is the beneficial owner of the interest received. If the payer does not possess such documentation, the statutory WHT rates should be applied.

Changes to WHT regime in Poland

WHT obligations depend on whether a payment relates to passive income and is made to a related party, and whether the PLN 2 million threshold of those payments has been exceeded:

- Below the threshold of PLN 2 million, the Polish WHT remitter may apply the WHT relief, provided that all conditions are met (in particular, holding a tax residency certificate and performing due diligence procedures).

- Above the threshold of PLN 2 million, the basic concept is that the Polish WHT remitter should collect and pay WHT at domestic rates (20% or 19%, depending on the particular payment type). However, this regime applies to passive income payments made only to related parties (e.g. interest and royalties) and may be eliminated (and the WHT relief at source might be applied) if a WHT clearance opinion is obtained or the WHT remitter's statement is submitted.

The payee or remitter may apply to the tax authority for an opinion on WHT relief in respect to interest and dividends based on the relevant EU directives or tax treaty. The opinion should be issued within 6 months of the application. The opinion is valid for 36 months and is subject to a fee of PLN 2,000.

Another solution is the WHT remitter's statement which needs to be submitted to the tax authorities prior to payment of the tax and should confirm that (i) the tax remitter possesses the documents required by law justifying the application of the particular tax preference, and (ii) having verified the documents, the tax remitter is not aware of any circumstances excluding application of the given WHT relief. The statement is valid until the end of the given tax year. It is filed electronically. By the last day of the month following the year in which the first statement was submitted, for confirmation purposes a second statement needs to be provided to the tax authorities.

A taxpayer qualifying for relief who paid WHT in Poland at domestic rates is entitled to seek a refund.

Beneficial ownership, genuine business activity, substance requirements

As indicated in the section above, the remitter is obliged to demonstrate due diligence when applying preferential withholding taxation. Therefore, the Polish remitter is obliged to examine the status of the beneficiary of the payment as the actual recipient of the receivables, including its business substance.

Furthermore, with the new WHT regime in Poland, new provisions on beneficial ownership, genuine business activity and substance requirements have been introduced. The beneficial owner is understood as an entity fulfilling all the following criteria:

- It receives payments for its own benefit and decides on its own on further use of the payments.
- It bears the economic risk of loss of all or part of the receivable.
- It is not an intermediary, representative, trustee or other entity obliged to transfer all or part of the receivable to another entity.
- It conducts genuine business activity in the origin country, and the receivables are connected with that activity.

Support in WHT reporting

When evaluating whether business activity is genuine, a number of detailed criteria should be taken into account.

On one hand, the concept of substance of foreign companies has not yet been clearly established in the Polish tax authorities' practice. However, given the recent developments in Polish tax law, from the Polish perspective it is increasingly becoming essential to ensure certain functions and assets at the level of the holding company that is the recipient of income derived from a Polish source. The economic substance of such an entity may be tested by the Polish tax authorities.

Based on a warning issued by the Ministry of Finance, for an entity not to be considered a shell company, a number of criteria will be taken into account (this list is generic and not exhaustive, and the tax authorities may expect different prerequisites to be met in different cases):

- The entity should have premises at its disposal enabling business operations, i.e. not employing domiciliation or fiduciary services.
- The entity should not employ exclusively administrative staff.
- The entity's bank account should be operated by a bank in its state of residence and handled by staff there.
- If needed, the entity should seek advice from local advisors before foreign firms.
- Accounting, corporate and legal records should be kept at the entity's premises in the state of tax residence.

Transfer pricing

The transfer-pricing provisions affect a wide group of obligated taxpayers. The threshold of at least a 25% stake, based on which entities can be considered related parties, also applies to instruments other than shares that determine ownership dependency. Thus, relations will be determined e.g. by the proportion of participation units or investment certificates held, and thus the catalogue of affiliated entities additionally includes, among others, investment funds. The new regulations also address the issue of personal relations.

There are transfer-pricing documentation obligations in Poland. The purpose of preparing the documentation is evidencing that the transfer prices in intra-group transactions are in line with those that would have been set by unrelated parties.

There are thresholds for transactions to qualify for the documentation requirements:

- PLN 10 million for goods and for financial transactions
- PLN 2 million for services and other types of transactions
- PLN 500,000 for tangible, service and other transactions with an entity with its residence, registered office or management board in a tax haven
- PLN 2.5 million for financial transactions with an entity with its residence, registered office or management board in a tax haven.

The Polish documentation rules follow the concept of local file and master file documentation.

Transactions between two local related parties may be exempt from the obligation to possess transfer-pricing documentation if, in a given tax year, neither of the parties benefits from a tax exemption or declares a tax loss.

Significantly, each transaction subject to the documentation obligation should be accompanied by an analysis of compliance with the arm's-length principle. In other words, in Poland such transfer-pricing analysis now constitutes an obligatory element of the documentation for each transaction described in the local file (except for those to which safe harbours apply). From 2021 onwards, taxpayers in Poland that are micro or small enterprises are not obliged to prepare transfer-pricing analyses.

KPMG

Pursuant to the amended regulations, the benefit of safe harbours in transfer pricing is applicable to two categories of transactions, that is, low value-adding services and certain categories of financial transactions (loans, credit and issuance of bonds).

The Polish transfer-pricing provisions directly oblige related entities to fix the conditions of transactions at an arm's-length level at the stage of price-setting. There is an obligation for taxpayers to file a statement with the tax authorities in which the responsible persons must certify not only that the taxpayer possesses the transfer-pricing documentation, but also that the conditions applied in transactions with related parties are consistent with the arm's-length principle.

Taxpayers are required to provide information on transactions with related parties in an electronic form called TP-R. TP-R requires a wide range of information, including presentation of the results of transfer-pricing analysis in a structured and specified manner. The obligation to provide information on the TP-R form also applies to local transactions that meet the criteria for excluding them from the obligation to prepare transfer-pricing documentation. Starting from FY 2022, the management board statement on completion of documentation and the arm's-length character of settlements is an integral part of the TP-R form.

Specific transfer-pricing penalties, in the form of an additional tax liability, are imposed in the event of a decision on incorrect pricing in a controlled transaction. The penalty is equal to 10% of the overstated loss or understated income. In certain cases, the additional tax liability may double or triple, and thus amount to up to 30% of that figure.

The dispute resolution mechanism relies on the act adapting the Polish provisions to the EU regulations on settlement of double-taxation disputes (implementation of Council Directive (EU) 2017/1852). This act also contains an amendment of regulations regarding advance pricing agreements, and systematizes the current mutual agreement procedures (MAP) based on the EU Arbitration Convention or tax treaties.

Advance pricing agreements

Taxpayers can apply to the Minister of Finance for an advance pricing agreement (APA). The APA procedure should be completed within 6, 12 or 18 months respectively for unilateral, bilateral and multilateral procedures. The APA can be concluded for a maximum of five fiscal years and expires at the end of the applicant's fiscal year. If key elements of the agreement have not changed significantly, the APA may be renewed. The APA application fee is 1% of the value of the transaction that is the subject of the agreement. Depending on the type of APA, the fee is no less than PLN 5,000 for unilateral agreements concerning only domestic entities and no more than PLN 200,000 for bilateral or multilateral agreements.

Besides the primary purpose of the APA, which is to eliminate the risk of the transfer-pricing method being questioned in a related-party transaction (transfer-pricing risk), the APA allows taxpayers to avoid limitations on tax deductibility of certain fees for intangible services during the period covered by the APA.

ICAP

In 2021, Poland joined the International Compliance Assurance Programme (ICAP), a voluntary, cooperation-based risk analysis scheme between multinational enterprises (MNEs) and tax administrations. ICAP is a multilateral initiative to review a broad range of intercompany transactions and permanent establishment risks. It enables identification of low-risk transactions in cooperation between the MNE and the tax administration. However, ICAP does not afford the MNE group the legal certainty that can be achieved, for example, through an APA.

Family foundation

General information

In principle, a family foundation is an entity set up to manage a family company's assets and secure property for the group of individuals indicated by the founder, most often members of their family, providing for more efficient family business succession.

Family foundations have legal personality and are required to have their registered office in Poland. A family foundation is established through a notarial memorandum of association or a will including a declaration establishing a family foundation. A family foundation may be established only by an individual with full legal capacity or a group of such individuals, who are jointly referred to as founders (a family foundation established under a will can only have one founder).

The family foundation must be entered in the family foundation register.

The set of beneficiaries of the foundation, and the rights they enjoy, is determined by the founder. A family foundation beneficiary can be either a natural person or a non-governmental organization conducting public benefit activities. A founder may also be a beneficiary.

It should be noted that the foundation is precluded from conducting business activity, but may be involved with operational activity, understood as activity aimed at passive increase of its assets.

Taxation

The family foundation income of the founder and beneficiaries is subject to personal income tax, and therefore is not subject to inheritance and gift tax.

Importantly, property passed and payments made to a natural person as a result of the foundation's dissolution are subject to personal income tax, the amount of which depends on the degree of kinship between the beneficiary and the founder. Only a portion of property passed and payments made to a founder or founder's relatives belonging to the closest kinship group as a result of the foundation's dissolution is exempt from personal income tax. This corresponds to the founder's pro rata share specified in the inventory of property.

Family foundations enjoy a subjective exemption from corporate income tax. This means that the exemption covers acquisition of assets without consideration, e.g. from the founder (providing assets to a family foundation is tax-neutral), as well as income obtained by the family foundation from the activities it carries out, to the extent permitted by the Family Foundation Act.

However, no exemption is available for income tax on payments made by the foundation to a beneficiary or a founder, as well as on property transferred in connection with dissolution of a family foundation. The tax is set at 15% of the value of the benefit rendered or made available by the foundation, directly or indirectly, to the beneficiary or founder, or of the revenue corresponding to the value of property transferred to support development of the family foundation.

It should also be noted that hidden profits are taxed at 15% CIT, and income from rental and lease of an enterprise, or organized part of an enterprise, or assets used to conduct business activity by the founder, beneficiary or entities associated with them, is taxed at 19% CIT.

Personal income tax

Residency

As a rule, according to the Personal Income Tax Act, individuals may be subject to limited or unlimited tax liability in Poland, depending on whether their place of residence for tax purposes is in Poland.

The term "place of residence" is defined in the PIT Act. According to these provisions, an individual should be considered a "resident" (having a place of residence in Poland) if:

- They have their centre of personal or economic interests in Poland (i.e. the person's "centre of vital interests" is in Poland), or
- They stay in the territory of Poland for a period or periods exceeding in the aggregate 183 days during the given tax year (which in Poland is the same as the calendar year).

Only one of these conditions needs to be met for an individual to be considered a tax resident of Poland.

However, it should be pointed out that the Polish regulations determining tax residency should be applied taking into consideration the provisions of tax treaties concluded by Poland. An individual who has their place of residence in Poland will be subject to worldwide taxation in Poland (i.e. in accordance with the unlimited tax liability principle). In consequence, not only employment income will be taxed in Poland, but also any other private income derived in Poland or abroad (such as bank interest, dividends, exercise of stock options, or rental income), unless a tax treaty limits the right of Poland to tax such income.

A person who is not considered a tax resident of Poland will be subject to Polish taxation on a limited basis, that is, only on income derived from work performed in Poland or sources in Poland (any other income derived from non-Polish sources will not be subject to tax in Poland). Please note that salary or benefits received for work performed in Poland are considered Polish-source even if physical payment is made to a bank account outside Poland. A person who is not a tax resident will be able to take advantage of preferential taxation (20%) on certain types of income available to non-residents (e.g. board fees or fees paid under management or personal services contracts).

Taxable income

Taxable income includes most cash and non-cash benefits earned from employment or self-employment. Income tax is levied on the following types of income of individuals:

- income from employment and activities pursued in person (e.g. under a contract of mandate)
- income from business activities
- rental income
- income from capital gains
- income from the sale of movable or immovable property
- other income.

Certain income, such as per diem for business trips (up to statutory limits), refunds of business travel expenses, and costs of professional training requested by the employer, is exempt from taxation.

Taxation of employment income

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 of 12% and 32%. Please see the table below for details. The amounts referred to are in PLN.

Income	Tax	
up to PLN 120,000	12%	Minus tax-free allowance of PLN 3,600
over PLN 120,000	PLN 10,800 + 32% of excess over PLN 120,000	

The tax-free allowance is subject to review by the Minister of Finance. By 15 September of each year, the minister shall submit to the Council of Ministers a proposal to change the tax-free allowance for the next year if the amount of minimum monthly subsistence for a single-person household as determined by the Institute of Labour and Social Studies is higher than 1/12th of the quotient of the tax-reducing amount divided by the tax rate.

As a rule, all types of salary and benefits received by an individual in the form of both in-cash and in-kind earnings resulting from employment constitute taxable income regardless of where paid. Typical items include:

- base salary
- overtime pay
- various allowances (some only over a certain limit)
- awards and bonuses
- cash equivalent for unused holiday leave
- value of non-cash benefits
- housing provided by the employer
- tax covered by the employer for the employee
- company pension plan payments made by the employer (not part of the mandatory social security system).

Poland operates a monthly tax payment system. In case of local employment contracts, the Polish tax system requires the Polish employer to withhold tax advances from the employee's pay each month.

In the case of foreign employment relationships (i.e. individual working in Poland on the basis of an employment contract with a non-Polish entity), the Polish tax system requires individuals to pay 11 monthly tax advances during the year, from January to November (expatriates included). The tax for December is paid at the time of filing the annual tax return, by 30 April of the following year. No tax declarations need to be filed during the tax year. The tax payment for December should be made at the same time the annual declaration is filed. Any balancing payment of tax should also be made by that date.

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Your e-PIT—new rules for filing tax returns

In addition to the methods of filing tax returns by the taxpayer functioning until the end of 2018 (in paper or electronically via the e-Deklaracje online filing system), a service has been introduced where the tax return is prepared by the National Revenue Administration (KAS)—without the need for the taxpayer to submit any additional application.

KAS fills out tax returns for some taxpayers (especially those working on the basis of Polish employment contracts in Poland) based on information from remitters, data provided by the taxpayer in the tax return for the previous year, and data contained in KAS's own registers and other state registers (e.g. Social Insurance Institution with regard to the amounts of social security and health insurance contributions paid, and the PESEL register in connection with data for purposes of applying the child relief deduction).

Forms prepared and made available by KAS include PIT-28, PIT-37, PIT-38 and PIT-36. From 1 February 2021, "Your e-PIT" is part of the "e-Tax Office," which offers more services than just filing the tax declaration. For instance, it is possible to file some applications and forms such as ZAP-3 (to update the taxpayer's data in the tax office) or an application for a tax clearance certificate.

The taxpayer can log into the "e-Tax Office" using:

- trusted profile, e-identity document, or electronic banking via login.gov.pl
- mobile application mObywatel
- authentication data (PESEL/NIP number) and amount of income from previous tax years.

Withholding and payment obligations

Where individuals work under an employment contract with a Polish company and perform the work within the territory of Poland, the employer (tax remitter) withholds tax at progressive tax rates of 12% and 32% of the taxable base. These rates are applied if the employee's remuneration exceeds the respective income tax threshold. The tax withheld by the employer must be paid to the tax office by the 20th of the month following the month in which the tax was withheld.

Where individuals perform work in Poland as employees of a foreign (non-Polish) company, the foreign employer does not have a withholding tax obligation, and the employees themselves should pay the tax advances no later than the 20th of the month following the month in which the income is derived.

Separate provisions apply to individuals who receive income from sources other than an employment contract (for example personal service contracts or remuneration for management board and supervisory board members). In the case of non-residents, such income is generally subject to a 20% flat-rate final tax, which is paid by the 20th day of the following month.

Taxation of investment income and capital gains

Interest and dividend income is subject to income tax at a flat rate of 19%.

The capital gains tax regime applies to the disposal of investment assets, for example shares of stock or investment fund units. The tax rate on such gains is also 19%. Polish tax residents who receive investment income sourced from outside Poland (e.g. shares listed on foreign stock exchanges, or interest paid from non-Polish bank accounts) are also subject to tax on this income. However, if such income was also taxed abroad, the foreign tax can be deducted pro rata from the Polish tax liability (proportional deduction) or in line with tax treaties signed with Poland.

Tax registration

Individuals who only receive employment contract income are not required to hold a tax identification number (NIP), and they use their PESEL number (personal identification number) as their identification number for tax purposes. A NIP number is required only in certain other circumstances, e.g. in the case of self-employed individuals.

Foreigners who are natural persons, regardless of whether they are covered by the registration obligation, are required to obtain a PESEL number for tax purposes.

Importantly, it is unacceptable for remitters to submit statements (e.g. PIT-11) lacking taxpayer identification numbers or containing erroneous numbers (e.g. strings of digits like ones and nines). Furthermore, failure to include the tax identification number may prevent submission of statements via the electronic system, which is currently the only acceptable mode of submitting PIT-11 and IFT-1R forms.

Additionally, lack of a tax identification number makes it impossible for the taxpayer to generate an individual account number for a tax micro-account, via which tax liabilities are settled, and disrupts the taxpayer's access to the "Your e-PIT" service used for making individual submissions of annual returns.

Methods of avoiding double taxation of foreign income

Individuals who are considered Polish tax residents are obliged to declare their worldwide income in Poland. Declaring all income in Poland (also income gained abroad) does not necessarily mean that it is taxable in Poland. To avoid double taxation, there are bilateral treaties on avoiding double taxation in force. The provisions of tax treaties take priority over domestic tax regulations.

There are two methods of eliminating double taxation in treaties to which Poland is a party:

- exemption with progression method
- credit method.

If income taxed abroad is tax-exempt in Poland under a tax treaty, it can be added to the taxable income in order to calculate the effective tax rate applicable only to the taxable part (exemption with progression).

If, according to the provisions of tax treaties, income earned abroad should be subject to the credit method, any tax paid abroad can be claimed as a credit in Poland. This credit is limited to the amount of tax due on the foreign income. Where such a credit claim is less favourable than double-tax relief under the exemption with progression method, the taxpayer may prepare a separate calculation of the tax due applying the exemption with progression method.

The taxpayer can then claim the difference as a tax deduction, called "abolition relief." It should be noted that the amount of this relief cannot exceed PLN 1,360, even if the difference between the double-taxation avoidance methods is more substantial.

Minimum income tax on commercial real estate

Individuals taxpayers who own buildings in Poland, leased, rented, or put to use under another contract of a similar nature, are required to pay minimum income tax on commercial real estate. Further information can be found in the CIT section of this report devoted to this levy.

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Solidarity levy

This income includes income taxed according to the progressive tax scale (rates of 12% and 32%), e.g. from employment contracts, civil contracts, business activities, and capital gains (e.g. from the sale of securities or shares) as well as CFC. Business operators who have chosen flat-rate tax are also obliged to pay the solidarity levy if their income exceeds the threshold.

Income to which the new levy applies does not include some types of income subject to flat-rate tax (e.g. interest and dividend income).

The taxpayer is obliged to pay the solidarity levy by 30 April of the year following the tax year. Notably, the taxpayer will also be obliged to submit an additional declaration on the amount of the solidarity levy for the tax year (DSF-1).

Taxation of unrealized capital gains (exit tax)

In the case of individuals, the exit tax is imposed on the change of a taxpayer's tax residency if, as a consequence, Poland loses (fully or partially) the right to levy tax on income derived from the sale of an asset owned by the taxpayer as a result of the change of the country of residence (for natural persons) or the registered seat or place of effective management (for legal entities) to another country.

In the case of natural persons, assets not related to business activity will also be subject to taxation (e.g. shares in companies)—this regulation concerning personal property will apply only if a taxpayer has been a Polish tax resident for at least five years within the 10-year period before the change of tax residency.

The exit tax basis is calculated as the surplus of the market value of the transferred asset, as of the date of the transfer, over its tax value (as defined in Polish law).

The tax rate is:

- 19% for CIT and PIT payers, if the tax value of an asset is determined.
- 3%, only for PIT payers, if the tax value of an asset is not determined (i.e. if according to separate provisions tax-deductible costs on the transfer of an asset cannot be recognized).

In the case of natural persons, only the transfer of assets with a market value exceeding PLN 4 million will be subject to taxation (calculated for an individual transaction or several transactions during a period of one year).

Taxpayers will be obliged to submit tax returns and report the amount of income subject to exit tax by the 7th day of the month following the month in which the income arose. At that point taxpayers are also obliged to pay the tax.

Social security

The social security system in Poland consists of three pillars to which payments are made. The first two are obligatory, the third is not.

- Social Insurance Institution (ZUS)
- Open-ended pension funds (OFE)
- Voluntary pension funds (IKE, IKZE, PPK, PPE)

In the first pillar, contributions are split between the employee and the employer. The employer is obliged to remit social security contributions on its behalf and on behalf of the employee.

Social security contributions are made in respect of income derived under employment contracts, service contracts, business activity etc.

The following table depicts the obligatory Polish social security contributions (the following rates are applicable).

Contribution type	Employee share (%)	Employer share (%)	Total (%)
Pension insurance*	9.76	9.76	19.52
Disability insurance*	1.50	6.50	8.00
Sickness insurance	2.45		2.45
Accident insurance		0.67–3.33	0.67–3.33
Guaranteed benefits fund		0.10	0.10
Additional retirement fund (only in certain cases)		1.50	1.50
Labour fund		2.45	2.45
Total—up to limit	13.71	19.48–22.14	33.19–35.85
Total—past limit	2.45	3.22–5.88	5.67–8.33
Health insurance**	9.00		9.00

* Contributions to pension and disability funds are limited to an annual cap set at 30 times the national average monthly salary estimated for a particular year (for 2024, the cap is set at PLN 234,720).

** The gross amount reduced by the employee share of pension, disability and sickness insurance constitutes the assessment basis to calculate the obligatory health insurance contributions (9% of income).

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The second pillar consists of public pension funds (OFE) and a subaccount at ZUS. Contributions can be transferred only to a subaccount at ZUS, or part of the contributions can be transferred to a subaccount at ZUS and the other part transferred to a public pension fund of the employee's choice.

Although the assets in IKE will be private property of the employees (i.e. not the government's), they can be withdrawn either after reaching the compulsory retirement age, directly to the employee, or in case of the employee's death, to their heirs.

It should also be noted that generally, social security applies to income derived under a Polish employment contract and/or Polish service contracts, business activities etc. depending on the given situation. As a rule, social security does not apply to foreign-sourced income. However, in case of seconded employees, their total income can constitute the basis for Polish social security assessment, regardless of whether it is subject to taxation in Poland or abroad.

Social security of EU citizens in Poland

The EU provisions on social security do not implement one uniform social security system in the form of a single European system for all EU member countries.

Each EU member state may retain its own domestic social security system and design different regulations. However, the EU provisions on social security have general legal force, apply directly in all member states, are binding on everyone to whom they apply, and have to be observed by national authorities and administration, social security institutions, and courts. In cases where provisions of national law are in conflict with EU rules, the EU rules have priority.

Liability for Polish social security may be determined based on general EU provisions (such as the place of performance of work) or based on Polish provisions if a local contract is concluded.

Generally, a person who has exercised their right to move within the EU may not be placed in a worse position than a person who has always resided and worked in one member state. To avoid a situation where migrant workers are either insured twice or not at all, the EU provisions on social security determine which national legislation applies to a migrant worker in each particular case.

Individuals working in Poland who are EU member state nationals should be covered by the EU social security regulations. Depending on the individual circumstances of each assignee, they may be subject to social security in their home country, the country of their employment, or the country where work is actually performed. Each case should be investigated carefully to determine the appropriate social security contribution payment requirements.

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Posting of workers and immigration issues

Act on Posting of Workers

The Act on Posting of Workers incorporates into Polish law the EU's Posted Workers Directive (2018/957). The goal of the directive is to establish a common framework of provisions, measures and control mechanisms for more efficient and uniform action in the field of posting of workers.

The period of posting is limited to 12 months. After this period, posting is still possible, but the posted workers must be guaranteed an additional set of terms and conditions of employment mandatorily applicable to workers in the member state where the work is carried out.

It should be kept in mind that this will not apply to procedures, formalities and conditions of conclusion and termination of the employment contract, including non-competition clauses as well as supplementary occupational retirement pension schemes.

The maximum posting period may be extended to 18 months if the service provider submits a motivated notification. The duration of the posting shall also cover the period for which the posted worker is replaced by another posted worker performing the same task at the same place.

After the end of the posting period, the status of posted workers shall be equal to the status of local workers, but under the "principle of advantage," the mandatory domestic rules of the host state shall not prevent application of those terms and conditions of employment in force in the posting state which are more favourable to workers.

Equal treatment in terms of remuneration is one of the ground rules. A posted worker shall be remunerated on the same terms as the comparable permanent workers in the host state ("equal pay for equal work").

The requirement of equal pay for equal work is associated with the obligation on the member states to provide information on remuneration laid down by laws, industry and regional collective agreements, with the possibility of verifying market benchmarks by employers.

With the introduction of new provisions, the powers of the labour inspectorate have been extended.

KPMG

Work permit/visa requirements

Citizens of countries with which Poland has signed agreements on visa-free travel may remain within the territory of Poland (without performing work) for periods of usually up to 90 days in a 180-day period. However, citizens of certain other countries still require a visa to enter Poland.

If an individual would like to stay longer in Poland, a temporary residence permit or visa is usually required. EU citizens should register and obtain confirmation of their stay in Poland.

Work permits are generally required for foreign individuals who are not EU citizens. Generally, the procedure for obtaining this document requires the involvement of the employer where the work is to be performed.

Although EU citizens do not need a work or residence permit to live and work in Poland, if they stay for longer than 90 days they are required to obtain a registration confirmation document.

VAT

Scope of taxation

General information

The Polish VAT system is harmonized with 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 for consideration
- export and import of goods
- intra-EU supplies of goods
- intra-EU acquisitions of goods performed within the territory of Poland for consideration.

Additionally, under certain circumstances, VAT is charged on supplies of goods or provision of services free of charge, but with some exemptions (e.g. for supplies of small-value gifts and samples).

VAT was designed as a tax on consumer spending, rather than on businesses. Registered VAT payers are entitled to deduct the tax they have incurred on purchases (input VAT) from the tax they have charged on taxable activities (output VAT).

Intra-EU supplies of goods

Intra-EU supply of goods constitutes supply where the goods are dispatched from the territory of Poland to the territory of another EU member state. Also, the movement of the taxpayer's own goods from the territory of Poland to another EU member state for business purposes constitutes "deemed" intra-EU supply of goods.

Generally, intra-EU supply of goods is subject to the 0% VAT rate, provided that the supplier:

- Supplied the goods to a purchaser with a valid and proper EU VAT number.
- Obtains proper documentation confirming that the goods were delivered to another EU member state.
- Is registered for EU VAT purposes when submitting the VAT return where the transaction is reported and submits the EU Sales/Purchase Listing (VAT-UE) form reporting the transaction.

The documents needed to apply the 0% VAT rate are primarily signed consignment documents (CMR), but if it is not possible to obtain a signed CMR, an unsigned CMR should be gathered with additional documentation confirming the delivery of goods, e.g. a statement signed by the purchaser, business correspondence, payment confirmation, warehouse documentation etc.

If such documentation is not available, the transaction is taxed at the domestic VAT rate, subject to future correction when the documents are obtained.

Intra-EU acquisitions of goods

Intra-EU acquisition of goods constitutes acquiring the right to dispose of the goods as an owner within a transaction where the goods are dispatched from another EU member state to Poland for business purposes of the purchaser.

Additionally, the taxpayer's movement of its own goods from another EU member state to Poland for business purposes constitutes "deemed" intra-EU acquisition of goods.

Intra-EU acquisition of goods is in principle neutral, as the taxpayer reports in the VAT return both output and input VAT at the same time.

Generally, entities performing intra-EU acquisitions are obliged to register for VAT purposes in Poland, but under certain circumstances it is possible to apply call-off stock simplification to avoid registering. This procedure may be applied if the goods are introduced into the warehouse in Poland for the purpose of future supply to a Polish purchaser. The supplier may not have its registered office or fixed establishment in Poland to apply this simplification. As of 2020, the call-off stock simplification rules were harmonized within the EU.

Export of goods

Export of goods is understood as dispatch of goods from Poland to a destination outside the EU. There are two types of export:

- Direct export, when transport is handled by the supplier.
- Indirect export, when transport is organized by a purchaser without a registered office or fixed establishment in Poland.

Export is subject to the 0% VAT rate, provided that export documents are obtained. If the export procedure is initiated in Poland, the IE599 electronic notification is the appropriate document which should be obtained in order to apply the 0% VAT rate. Export may take place from Poland also when the export procedure has been initiated in another EU member state, provided that the intention of export was expressed when the goods were dispatched from Poland. In that case, appropriate export documents issued in the member state of export should be gathered.

If export documentation is not gathered, the taxpayer may hold off reporting the transaction for one period, in case the taxpayer has a document confirming that the customs procedure has been initiated (IE529 electronic notification).

Should the export documents still not be gathered in the next period, the transaction should be reported at the domestic VAT rate. Subsequent receipt of the customs documents allows the taxpayer to report the transaction with the 0% VAT rate in the current VAT return and report the transaction at the domestic VAT rate with a negative value (for exports it is not necessary to correct past periods).

Import of goods

Transport of goods from outside the EU to Poland constitutes import of goods. Upon importation the customs authorities generally impose customs duties and calculate import VAT, and the taxpayer makes the payment of VAT within 10 days.

Under the standard procedure, the taxpayer is entitled to recover the paid VAT in the period of receipt of the customs document (ZC299 electronic notification) or three following periods.

There is also the possibility to settle import VAT neutrally in the VAT return. For that purpose, the taxpayer should:

- Present recent certificates or statements (not older than 6 months) confirming lack of arrears in social security contributions and taxes.
- Present confirmation of registration as an active VAT payer.
- Make customs notification through a direct or indirect representative.

Import of services

The acquisition of services by a Polish taxpayer from a foreign service supplier constitutes import of services. As a rule, import of services is neutral, as output and input VAT are reported in the same VAT return.

Sales to individuals

Sales of goods and services to individuals who are not carrying out business activities are generally (with some exceptions) recorded using fiscal cash registers.

Currently, certain types of businesses (e.g. car workshops) are obliged to use online cash registers which automatically send copies of the issued receipts to the tax authorities. This obligation has also been extended for example to hotels, providers of gastronomic services, suppliers of coal, hairdressers, cosmetic services, healthcare and dental services, legal services etc. Taxpayers performing other services or supplies are entitled to use standard cash registers until used up, but as of 2024 it is possible to purchase only online cash registers.

Moreover, if the sale is confirmed first with a receipt, and then the taxpayer would like to request an invoice, the receipt must contain the purchaser's tax number. If the receipt lacks this information, the supplier cannot issue an invoice for the transaction.

Distance sales to individuals —e-Commerce Package

In July 2021 a reform of distance sales rules entered into force, known as the e-Commerce Package. It introduced a uniform distance sales threshold for the whole EU of EUR 10,000, beyond which the place of supply is shifted to the destination member state (where the B2C customer is located). Thus, when the taxpayer exceeds this threshold (counted for all customer sales within the EU), VAT registration is required in all EU member states to which distance sales are made.

Alternatively, suppliers may use the One-Stop Shop solution, registering in their own member state and settling distance sales to other member states in their own country of registration. This optional solution allows sellers to avoid the obligation to register for VAT in other EU member states.

The e-commerce reform provides for tightening import VAT regulations, opening up the possibility for applying the Import One-Stop Shop for non-EU entities importing goods into the EU. The reform also imposes certain obligations on e-commerce platforms which enable purchases for EU consumers from non-EU suppliers.

VAT groups in Poland

As of 2023, VAT groups were introduced in Poland. To form a VAT group, the participating entities need to be simultaneously financially, economically, and organizationally related throughout the duration of the VAT group. The entities also must have their registered offices in Poland, or conduct business through a branch in Poland.

In the case of a VAT group, internal transactions between members of the group will be considered outside the scope of VAT, thus potentially improving cash flow. Only transactions with external taxpayers will constitute standard VAT-able transactions.

The financial relationship condition will be met when one of the taxpayers which is a member of the VAT group directly holds more than 50% of the shares in the share capital or more than 50% of voting rights in administrative, management or supervisory bodies or more than 50% of the right to participate in the profits of each of the other group members.

An economic relationship will exist when:

- The main activities of the members of the VAT group are of the same nature.
- The types of activities carried out by members of the VAT group are complementary and interdependent, or a member of the VAT group carries out activities entirely or largely used by other members of the VAT group.

Lastly, an organizational relationship will exist when:

- The entities are legally or factually, directly or indirectly, under common management, or
- The entities organize their activities wholly or partly in concert.

National e-Invoicing System (KSeF)

On 1 January 2022 the National e-Invoicing System (KSeF) was launched, and a new structured invoice (e-invoice) is now available for issuing. Currently, this system is purely optional for taxpayers, subject to consent by the purchaser. According to the regulations, the mandatory National e-Invoice System will be launched on February 1, 2026 (for enterpreneurs with sales value—tax included—exceeding in 2025 PLN 200 million) and 1 April 2026 (for other taxpayers). Poland obtained a derogation decision from the EU allowing it to introduce this system as mandatory for Polish-based entities.

A structured invoice is issued according to the published schema in .xml format and uploaded electronically via an application programming interface to KSeF. Thus, taxpayers need to ensure that their systems correctly implement this functionality, if they wish to utilize KSeF for invoicing purposes.

Output VAT

Tax point

As a general rule, the tax point arises upon the supply of goods or performance of the service.

But there are also exceptions to this general rule. As an example, in the case of advance payments, the tax point arises when the advance is received, and in the case of supplies of electricity, telecommunications services or lease, when the invoice is issued, but not later than the payment deadline. Also, for construction services the tax point occurs upon issuance of an invoice, but no later than within 30 days from completion of the works.

In the case of intra-EU supplies and acquisitions, the tax point arises upon issuance of an invoice, but no later than the 15th day of the month following the month when the supply or acquisition took place.

In the case of imports of goods (except for some special procedures), the tax point arises when the customs duty arises.

Tax base

The tax base for VAT generally constitutes everything due to the taxpayer for effecting the supply from the purchaser or third party, excluding the amount of tax.

The tax base is different in the case of, for example, imports of goods (reflecting in particular the customs value of the goods increased by customs duty, excise tax, costs of commission, insurance, transport to the first destination in Poland etc.).

VAT invoice

The supply of goods or provision of services should be documented with a VAT invoice, issued as a rule no later than the 15th day of the month following the month of the supply. An invoice may also be issued prior to the supply, but generally no earlier than 60 days prior to the supply.

Invoices may be issued in paper or electronic form and should include mandatory data listed in the VAT Act. All invoices should ensure authenticity of origin, integrity of data, and readability of the document. Electronic exchange of invoices requires the acceptance of the purchaser—acceptance is presumed unless the purchaser objects to this method of receiving invoices.

Import and export of goods should be documented with a customs document (electronic notification).

VAT rates in Poland

The standard VAT rate in Poland is 23%. The standard rate applies as a default rate, and therefore it covers all supplies of goods and services not entitled to reduced rates or the 0% rate.

The reduced VAT rates applied in Poland are 8% and 5%.

The 8% VAT rate covers, among other things, the sale of certain building and construction services relating to housing for individuals, services connected with food (with some exceptions), pharmaceuticals and medical equipment, passenger transport, accommodation services etc.

The 5% VAT rate applies mainly to agricultural products, food (including readymade meals, milk, dairy products etc.). This rate also applies to books (including e-books) and professional periodicals.

The 0% VAT rate, in addition to exports and intra-EU supplies of goods, applies to transport services related to the import and export of goods (under certain conditions described in the VAT Act), as well as inward processing services or supplies of aircraft or sea vessels.

Currently, if the taxpayer has doubts as to the proper VAT rate on supplies, it is possible to apply to the tax authorities for Binding Rate Information (BRI). In the BRI, the authorities assess the standpoint of the taxpayer and confirm what VAT rate should be applied for the supply.

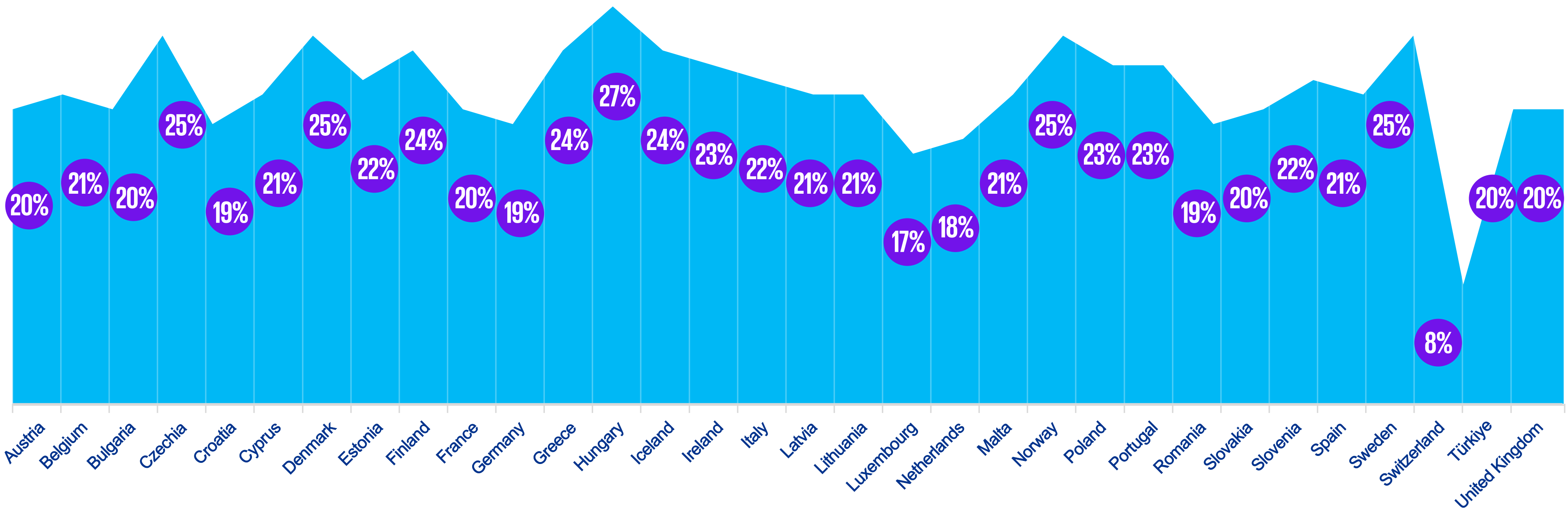
The standard VAT rate in Poland is **23%**.The standard rate applies as a default rate, and therefore it covers all supplies of goods and services not entitled to reduced rates or the 0% rate.

The reduced VAT rates applied in Poland are: **8%** and **5%**.

The **8%** VAT rate covers, among other things, the sale of certain building and construction services relating to housing for individuals, services connected with food (with some exceptions), pharmaceuticals and medical equipment, passenger transport, accommodation services etc.

The **5%** VAT rate applies mainly to agricultural products, food (including readymade meals, milk, dairy products etc.). This rate also applies to books (including e-books) and professional periodicals.

VAT Rates in Europe



Source: https://www.eurofiscalis.com/en/vat-rates-in-eu/

Exemptions

Following the EU VAT Directive, Polish VAT law provides exemptions from VAT for certain goods and services, including medical, financial, insurance, education, public postage, some cultural and similar services, and others, as well as the importation of certain goods and the sale of second-hand goods.

Input VAT

General rule

The taxpayer is generally entitled to reduce output VAT (resulting from sales) by the amount of input VAT incurred on the purchase of goods and services related to its VAT-able activity.

Input VAT related to transactions that are VAT-exempt or not subject to VAT is not deductible.

If input VAT relates to both types of supplies (taxable and exempt), the taxpayer should use the pro-rata method for determining the amount of deductible input VAT (if precise assignment of the input VAT to a taxable sale is not possible). Moreover, if input VAT relates to both business activities, as well as activity not subject to VAT (this applies mainly to the public sector and foundations), the so-called pre-pro-rata method for determining the amount of deductible input VAT should also be applied (if precise assignment of part of the input VAT to business activity is not possible).

Time of deduction

Timelines for VAT deduction are strictly regulated. As a rule, the right to deduct input VAT arises:

- In the case of domestic purchases of goods or services and import of goods, in the period in which the tax becomes chargeable, but not earlier than upon receiving a VAT invoice or customs document documenting the given transaction.
- In the case of intra-EU acquisition of goods, in the period when the tax point for a given transaction arises, provided that the taxpayer reports output VAT in the correct VAT return.
- In the case of import of services, deemed (non-commercial) intra-EU acquisition of goods and other purchases subject to reverse charge, in the period when the tax point for a given transaction arises, on the condition that the taxpayer reports output VAT in the correct VAT return.

Input VAT may alternatively be deducted in one of the three following periods.

If VAT was not deducted in the aforementioned periods, the taxpayer may amend the VAT return submitted for a period in which the right to deduct VAT arose or the VAT return for one of the three following periods, in order to include (deduct) the VAT. However, deduction is possible only within five years from the beginning of the year in which the right to recover input VAT arose.

Limitations of recovery of input VAT

VAT on hotel and restaurant services is non-recoverable, except for:

- The purchase of ready meals intended for passengers by a taxpayer providing passenger transport services.
- Accommodation services purchased for resale (for so-called re-invoicing).

Limitations on input VAT deduction apply to expenses related to passenger cars (e.g. purchase or leasing of passenger cars as well as fuel). Generally, it is possible to deduct 50% of input VAT, but when a car is deemed to be used only for business purposes and formal requirements are met, full deduction is possible.

Reverse-charge mechanism

If services are provided in the territory of Poland by a supplier with no registered office or fixed establishment in Poland, VAT with respect to the transaction should generally be self-charged by the recipient under the reverse-charge mechanism. This does not apply to services connected with immovable property, if the supplier is registered for Polish VAT.

If goods are supplied in the territory of Poland by a supplier with no registered office or fixed place of business in Poland, VAT with respect to the transaction should generally be self-charged by the recipient under the reverse-charge mechanism. This rule does not apply if the supplier is registered for Polish VAT.

Split payment

Split payment is obligatory in certain situations.

Application of the split-payment mechanism means that the purchaser pays the gross amount to the supplier, but only the net amount is transferred to the general bank account of the supplier, whereas the VAT amount is transferred to a technical VAT account, where the funds are locked and may be used only for the purpose of paying VAT to suppliers or for payment of tax liabilities or customs duties to the tax authorities or customs agencies.

Obligatory split payment is applicable when the payment is made as a bank transfer, the gross invoice value is at least PLN 15,000, and the invoice includes at least one item from Annex 15 to the VAT Act. This annex lists 150 items subject to obligatory split payment, such as coal, certain metals or scrap, certain electronic goods like computers, processors, hard drives or SSDs, cellular phones, car parts, construction services etc.

In the case of payment to the supplier, the purchaser applies split payment by choosing a special payment option and in the transfer order includes:

- **Gross value of payment**
- **Invoice number**
- **VAT amount**
- **VAT ID of the supplier**

If the transaction is subject to obligatory split payment, the supplier should include a special annotation on the invoice, split-payment mechanism ("mechanizm podzielonej płatności"). However, lack of such annotation does not free the purchaser from verification of whether this obligation arose.

Lack of payment via split payment when the transaction was subject to this payment method triggers various sanctions for the purchaser and the supplier. The supplier may be subject to a 30% VAT sanction when the invoice is missing the mandatory split-payment annotation. However, no sanction is imposed when despite this lack, the purchaser makes the payment via split payment.

The purchaser may also be subject to a 30% VAT sanction when no split payment has been applied. This sanction is not imposed if the supplier settles VAT liability with the tax authorities. However, lack of split payment when the invoice included the required annotation also triggers income tax consequences, as the expense may not be treated as a tax-deductible cost in this case. Moreover, fiscal penalties may be imposed for infringing the split-payment obligation.

VAT registration requirements

VAT registration

An application for VAT registration generally must be filed with the tax office before the first taxable supply is performed. Once registered, taxpayers obtain the status of active VAT payers and are indicated on the so-called White List available on the website of the Ministry of Finance.

Taxpayers that intend to perform intra-EU transactions must additionally register for EU VAT. After registration, they receive an EU VAT number and are included in the EU VIES database.

There are some exceptions to the general obligation to register, e.g. for small businesses.

Businesses with total annual sales for the preceding tax year of less than PLN 200,000 are not required to register for VAT (but may register voluntarily), unless their sales for the particular year exceed the registration threshold.

The aforementioned exemptions from VAT registration do not apply to foreign taxpayers (without their registered office or place of residence in Poland), or to taxpayers supplying certain goods/services specified in the VAT Act (legal or jewellery services, new means of transport, goods subject to excise tax with some exceptions, and others).

Fiscal representative

Generally, taxpayers that have no registered office or fixed establishment in Poland or other EU country are required to appoint a fiscal representative. However, as of 1 January 2021, this requirement does not apply to taxpayers with a registered office or fixed establishment in Norway or the United Kingdom.

The fiscal representative is jointly liable with the taxpayer for the tax obligation that the fiscal representative settles for and on behalf of the taxpayer.

Removal of active VAT payer from VAT registry

The head of the tax office has a right to remove a taxpayer from the VAT register in cases specified in the VAT Act, such as:

- Failure to file a VAT return for three consecutive months.
- Submission for six consecutive months of zero VAT returns, with no sales or purchase transactions indicated.
- When it is not possible to contact the taxpayer or its representative.
- When the taxpayer or its representative fails to appear before the tax authorities when ordered to do so.

White List

The head of the National Revenue Administration (KAS) maintains a so-called White List of VAT payers, i.e. entities registered, deleted or restored to the VAT register.

Among other things, the White List provides a list of bank accounts of the taxpayer notified to the tax authorities as accounts tied to business activity.

Pursuant to regulations applicable from 1 January 2020, if a payment for a transaction between active VAT payers exceeding PLN 15,000 is not made to the seller's bank account disclosed in the White List and some additional requirements are met, the purchaser:

- May not include the expense as a deductible cost for PIT and CIT purposes.
- Will be jointly and severally liable with the seller for the unsettled VAT on the transaction.

Purchasers may avoid these sanctions by submission of a special notification to the head of the purchaser's tax office (via the ZAW-NR form) or make a payment using the split-payment mechanism.

Refund of surplus input VAT

If input VAT exceeds the amount of output VAT in the settlement period, the taxpayer is entitled either to carry forward the surplus to the following settlement period(s) or to apply for a refund.

The standard deadline for a VAT refund is 60 days from the date when the VAT return is submitted. Under certain conditions, this deadline may be shortened to 25 or 15 days. The 25-day deadline also applies when a taxpayer requests a refund into the taxpayer's VAT account (technical account used for split payment, where the funds may be used for limited purposes).

As a rule, taxpayers issuing only e-invoices in KSeF, subject to meeting additional conditions, are able to benefit from the shortened 40-day deadline for VAT refunds.

However, these deadlines may be extended by the tax authorities if an additional audit regarding the refund is necessary.

Refund of VAT to non-residents

Foreign taxpayers not registered for Polish VAT may claim a refund of input VAT incurred on the purchases of goods and services in Poland.

Refunds of input VAT can only be made to foreign taxpayers if the VAT would be deductible by a Polish taxpayer for the purchase of such goods or services. Furthermore, taxpayers from outside the EU can only claim a refund if their home country makes VAT refunds to Polish VAT payers (reciprocity rule).

EU taxpayers should submit their application for a VAT refund to the Polish tax office via their local tax authorities. Travelers from outside the EU can also claim a refund of VAT on purchases in Poland.

Reporting and payment requirements

General information

As a rule, all VAT payers are obliged to file a VAT return and pay VAT liability monthly by the 25th day of the month following the given settlement period (or the next business day, if the 25th is not a business day). Quarterly submission of VAT returns is allowed only in some specified cases, and not during the first 12 months following VAT registration.

The VAT return is submitted in the form of a SAF -T V7M or SAF -T V7K file, comprising both the VAT return and the VAT register (covering information about purchases and sales). The SAF -T V7M and SAF -T V7K files require entities to disclose a specific set of additional data such as the group of goods and services, procedures determining the type of sales transactions, and types of sale and purchase documents.

Taxpayers making intra-EU supplies and intra-EU acquisitions of goods or intra-EU supplies of services must also file an EC Sales List monthly, by the 25th day of the month following the given settlement period (or the next business day, if the 25th is not a business day).

The SAF -T V7M or SAF -T V7K file and EC Sales/ Purchase List must be filed electronically.

INTRASTAT declarations

INTRASTAT declarations must be filed for intra-EU flow of goods. Generally, these should be submitted to the customs chambers on a monthly basis, by the 10th day of the following month. The obligation to submit INTRASTAT declarations arises if the value of arrivals or dispatches of goods exceeds statistical thresholds published annually by Statistics Poland (GUS). For 2024 the basic threshold for arrivals is PLN 6.2 million and for dispatches is PLN 2.8 million.

Bad-debt relief

Polish regulations enable taxpayer to recover VAT charged for the supplies of goods or services if a debtor (purchaser) does not pay for an invoice within 90 days after the payment deadline date specified in the contract or invoice, and certain formal requirements are met.

At the same time, the debtor (purchaser) is obligated to correct the deducted VAT amount resulting from an invoice if the amount due under the invoice is not paid within 90 days after the due date set forth in the contract or invoice.

On 15 October 2020, the Court of Justice of the European Union issued a judgment on Polish bad-debt relief (C-335/19, E. Sp. z o.o. Sp. k.) holding that the Polish legislation making the reduction of the VAT taxable amount subject to certain formal requirements is incompatible with the EU VAT Directive.

As a result of the judgment, these formal requirements have been abolished. As of October 2021, relief became available also in situations where the debtor is in liquidation proceedings, ceased to be an active VAT payer, or is a natural person (consumer) or VAT-exempt taxpayer. In situations where the debtor is not an active VAT payer, the use of bad-debt relief depends on meeting additional conditions.

And from 1 October 2021, the deadline for benefiting from bad-debt relief was extended from two years to three years (starting from the end of the year in which the invoice was issued).

VAT sanctions (additional VAT liability)

The tax authority will assess an additional VAT liability (up to 30% of the understatement of a VAT liability or overstatement of a VAT refund) in cases specified in the VAT Act, such as:

- Understatement of VAT liability reported in a VAT return (30%).
- Overstatement of VAT refund claimed in a VAT return (30%).

When assessing the sanction, the tax authorities must take into account certain facts, such as the circumstances in which the irregularity happened, the type of irregularity, the frequency of such irregularities, the amount of understatement of liability/overstatement of VAT refund, and so on.

The additional VAT liability will be 100% if the understatement/overstatement resulted from fraud.

The additional VAT liability may be limited in certain situations to 20% or 15%, and in some cases is not imposed at all.

Real estate tax

Real Estate Tax in Poland, known as "podatek od nieruchomości," is a local tax imposed on property owners. This tax is governed by the Local Taxes and Charges Act.

Key aspects of real estate tax in Poland:

1. The taxpayers subject to real estate tax include:
   - Property Owners: Individuals or entities that own land, buildings, or structures.
   - Perpetual Usufruct Holders: Those who hold long-term lease rights to state-owned land.
   - Possessors of Property: Entities possessing property without legal ownership (e.g., possession under specific agreements).
2. Taxable base and tax rates
3. Real estate tax applies to various types of properties, including:
   - lands—surface area;
   - buildings or parts thereof—usable floor area.
   - non-building structures or parts thereof used to conduct economic activity—value.
4. Tax rates are determined annually by local municipalities within the limits set by the central government. The maximum tax rates for 2024 are:
   - For land used for business activities: PLN 1.34 per square meter
   - For buildings used for business activities: PLN 33.10 per square meter
   - For residential buildings: PLN 1.15 per square meter
   - For structures or their parts: 2% on their initial or market value
5. A legal person is obliged to self-calculate the value of tax for the purposes of RET and submit a tax declaration by 31 January each year to a relevant commune.

6. Payments should be made in monthly instalments by 15th day in each month, except for January, when the due date is 31 January.

7. Failure to pay the real estate tax on time can result in penalties, including interest on overdue amounts and potential legal action.

Recent Developments

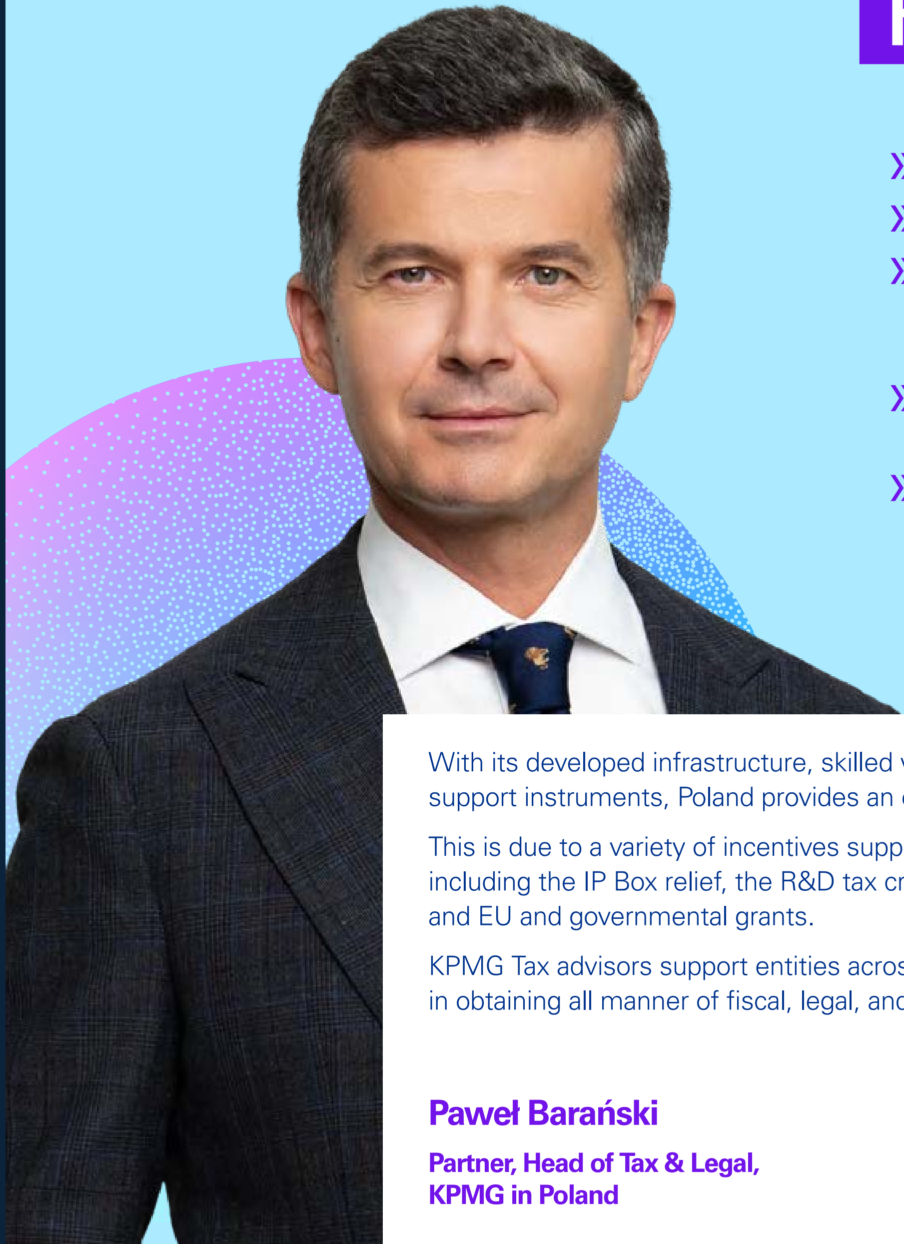
In its ruling of July 4, 2023 (case number SK 14/21), the Constitutional Tribunal declared that the current definition of "structure" in the Local Taxes and Charges Act is unconstitutional, necessitating the adoption of new regulations. According to the latest information from the Ministry of Finance, this should happen by the end of November 2024, with the new regulations taking effect from January 1, 2025.

On June 17, 2024, a draft amendment to the regulations was published, starting a revolution in real estate tax. The proposed changes include introduction of new, autonomous definitions of "buildings" and "structures," as well as adding an appendix to the Act that will specify which categories of objects will potentially be considered a structure. Contrary to earlier announcements by the Ministry of Finance, these upcoming changes may lead to an increase in real estate tax burdens.

KPMG

How can we help you?

- Pillar 2: support in global minimum tax reporting
- Polish minimum tax advisory
- Advice on new types of reorganizations and opinions by the tax authorities on cross-border reorganizations
- Mandatory disclosure rules—support in MDR reporting
- Advice regarding general anti-avoidance rules (GAAR)
- CIT automation tool
- WHT reporting
- TPR Assistant—transfer pricing reporting tool
- Increasing the efficiency of VAT settlements: VAT Groups, National e-Invoicing System (KSeF)
- Family business—new solutions for seamless family business succession
- ESG and Tax advisory
- Tax compliance



With its developed infrastructure, skilled workforce, and vast array of available support instruments, Poland provides an excellent environment for investments.

This is due to a variety of incentives supporting investment projects and innovation, including the IP Box relief, the R&D tax credit, the Polish Investment Zone scheme, and EU and governmental grants.

KPMG Tax advisors support entities across various sectors of the economy in obtaining all manner of fiscal, legal, and accounting assistance.

Paweł Barański

**Partner, Head of Tax & Legal,
KPMG in Poland**

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Statutory financial statements and reporting requirements

Key features of financial statements in Poland

Reporting obligations and mandatory audit of financial statements prepared by entities in Poland

The statutory financial statements of entities in Poland consist of the following elements:

- balance sheet
- income statement
- notes, including introduction to the financial statements and additional information and explanatory notes.

Financial statements subject to a mandatory annual audit also include as a rule a statement of changes in equity and a statement of cash flow.

The following financial statements (provided that the reporting entities continue as a going concern) are subject to mandatory audit:

A

Annual consolidated financial statements of groups of entities, and annual financial statements of certain reporting entities regardless of their size, including but not limited to domestic banks, branches of foreign banks and credit institutions, insurers and reinsurers and their branches, pension funds, credit unions, joint-stock companies, payment and electronic money institutions.

B

Annual financial statements of other entities such as limited-liability companies, general partnerships, limited partnerships, civil-law partnerships, and undertakings of natural persons which achieved at least two out of the following three thresholds in the preceding financial year:

- Average number of employees during the year in full-time equivalent of at least 50 persons.
- Balance sheet total as at financial year-end equivalent to at least EUR 2.5 million in Polish zloty (PLN).

- Net revenue from sales of finished products and goods for resale, as well as financial operations (net turnover), equivalent to at least EUR 5 million in PLN.

C

Regardless of the size of the entities, the following are also subject to mandatory audit:

- Financial statements prepared by acquirers and newly formed companies for the financial year in which a business combination was effected.
- Annual financial statements of reporting entities prepared in accordance with International Financial Reporting Standards (IFRS).
- Annual combined financial statements of umbrella funds (investment funds with several distinct sub-funds) and separate annual financial statements of sub-funds.

Mandatory disclosures applicable to companies listed on the Warsaw Stock Exchange

In 2023, there were 413 companies listed on the Warsaw Stock Exchange (WSE), 313 of them on the main market and the other 100 on the parallel market. Of all companies listed on the WSE, 42 are foreign entities.

Companies listed on the WSE have the option of preparing their financial statements in accordance with IFRS. In practice, most companies listed on the WSE do apply IFRS. However, the obligation to prepare financial statements in accordance with IFRS applies to consolidated statements of groups listed on the WSE.

Companies and groups listed on the WSE are obliged to prepare and publish a number of documents with a fixed scope. The most important of these are the (separate and consolidated) quarterly, semi-annual and annual reports. The contents of such reports and their publication dates are presented in the table.

Issuers on EU-regulated markets are required to prepare their annual financial reports in the European Single Electronic Format (ESEF), including XBRL tags embedded in the human readable XHTML format of IFRS consolidated financial statements. A major addition to ESEF requirements since 2022 is application of block mark-ups for additional information and explanatory notes in the consolidated financial statements. Issuers are required to tag any disclosures that correspond to IFRS concepts on the list in Annex II of Regulation (EU) 2019/815.

ESG and sustainability reporting

For reporting periods starting from 1 January 2024, the largest public interest entities (PIE), i.e. listed entities, banks and insurers with more than 500 employees, as well as the largest capital groups whose parent company is a PIE (at the consolidated level), will need to publish separate sustainability reports on the environmental, social and governance (ESG) impact of their activities as part of their management reports. Ultimately, all large companies—and most that are listed on EU-regulated markets—will be covered by this requirement. The sustainability reports are to be prepared in accordance with the European Sustainability Reporting Standards (ESRS) and will be subject to mandatory assurance services performed by certified auditors.

Legal foundation

The Polish Accounting Act of 29 September 1994 with subsequent amendments sets out the accounting rules (Polish Accounting Standards or PAS) and includes requirements for the statutory audit. The Accounting Act applies to entities with their registered office or place of management in Poland.

Differences between PAS and IFRS

Excluding IFRS 16 and IFRS 15, Polish Accounting Standards do not deviate significantly from IFRS. Although there are some differences between the standards, they do not generally have a significant impact on the financial position or performance of entities. Some selected differences between PAS and IFRS are presented on the next page.

	Quarterly Financial Reports	Semi-Annual Financial Reports	Annual Financial Reports
Content of reports (consolidated and separate)	• Condensed financial statements for the last quarter • Concise description of the issuer's material achievements or failures for the last quarter	• Semi-annual financial statements • Semi-annual directors' report on the issuer's activities, containing a description of the main risks to the company • Auditor's report on the review of the financial statements for the six-month period	• Annual financial statements • Letter from the CEO discussing the issuer's most important achievements or failures for the financial year and the growth prospects for the next financial year • Annual directors' report or managers' report on the issuer's activities • Non-financial report • Auditor's report on the audit of the financial statements for the financial year
Publication dates	• No later than 60 days after the end of the quarter	• No later than three months after the end of the six-month period	• No later than four months after the end of the financial year

	PAS	IFRS	IMPACT ON FINANCIAL STATEMENTS
Recognition of revenue	• No detailed guidelines as to when revenue is to be recognized • In general, revenue is recognized when significant benefits of ownership of goods or services have been transferred to the buyer	• 5-step model for revenue recognition; detailed guidelines including revenue recognition related to repurchase, agency relationships, licences and regulations on other elements related to sales, such as guarantees or right to return goods	• Significant difference in revenue recognition is possible
Valuation of stocks	• Possibility to capitalize forex differences • Possibility to apply the LIFO stock costing method	• No possibility to capitalize forex differences • No possibility to use the LIFO stock costing method	• Possible impact on P&L and balance sheet
Tangible fixed assets	• Possibility to use one-off depreciation • No detailed guidelines for general overhauls • Fair value measurement not possible	• No possibility to use one-off depreciation • General overhaul costs must be recognized during the useful life • Fair value measurement possible	• Possible impact on P&L and balance sheet
Valuation of intangible assets	• Fair value measurement not possible	• Fair value measurement possible	• Possible impact on P&L and balance sheet
Deferred tax	• Possible exemptions from deferred tax accounting	• Obligation to recognise deferred taxes	• Possible impact on P&L and balance sheet

	PAS	IFRS	IMPACT ON FINANCIAL STATEMENTS
Business combination	• Negative goodwill recognized in the balance sheet and depreciated • There are regulations for business combinations under common control	• Gain from a bargain purchase recognized in P&L • Goodwill depreciation not allowed, annual impairment test required • Lack of regulations for business combinations under common control	• Possible impact on P&L and balance sheet of acquirer
Leased assets and liabilities	• Operating leases and rental arrangements— recognition as operating expenses of a given period, thus impacting the entity's performance in the financial year	• All leases (including rental arrangements) are, as a rule, recognized in the balance sheet as right-of-use assets with a corresponding lease liability	• Significant difference in amounts recognized in balance sheet (fixed assets, financial liabilities, deferred taxes) • Significant impact on P&L is possible
Financial instruments	• Classification and measurement based on the category of financial instruments • No detailed guidance for impairment of financial instruments; rather based on the model of incurred losses	• Classification and measurement based on the business model applied to the group of assets • Impairment calculation based on the model of expected losses	• Possible impact on P&L account and balance sheet

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Nearshoring
Business Services Sector in Poland
ESG trends and their influence on business in Poland
Forms of conducting business activity
Tax regulations
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Which investment destination to choose?

Polish Accounting Standards vs. IFRS

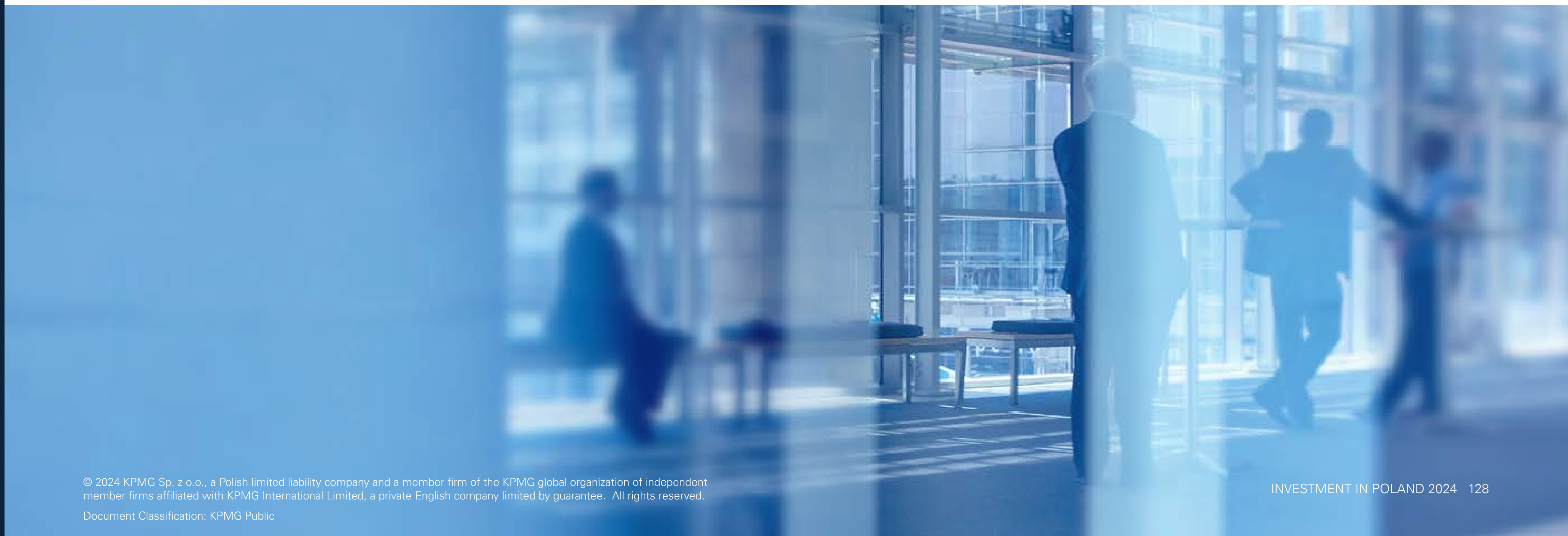
In the absence of specific regulations regarding classification, measurement and presentation of certain transactions in the Polish Accounting Act, entities can apply Polish Accounting Standards (PAS), which are to some extent based on, but not fully compliant with, IFRS. The application of PAS is not obligatory. The entity can choose to incorporate all or selected national standards into its accounting policies. Once incorporated, a selected PAS should be applied in full; selective application of the standard is not permitted.

Where no relevant national standard exists, entities may apply IFRS.

Impact of forex differences on financial statements

The official currency in Poland is the Polish zloty (PLN). Poland applies a free-floating exchange rate system. In the last eight years, the value of the zloty in relation to the US dollar and the euro has decreased, but this trend has taken a significantly different pace for each of the two currency pairs. Naturally, the fluctuating exchange rates of these currencies have had a major impact on the performance of Polish entities involved in the export or import of materials, goods or services, and entities with foreign currency loans. In particular, this is the case with entities which do not use financial instruments to hedge their forex position.

Companies that have their registered office in Poland and prepare their annual financial statements in accordance with IFRS have the option to choose a currency other than the Polish zloty for the presentation of their financial statements. However, in practice, choosing a presentation currency other than PLN is rare. On the other hand, companies that prepare their annual financial statements in accordance with Polish Accounting Standards (PAS) should use the Polish currency to present their financial statements and other financial data.



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PLN vs. USD

The lowest average monthly PLN/USD exchange rate in the last eight years was recorded in June 2018, whereas the highest average monthly exchange rate was recorded in March 2023. Ultimately, the difference between these rates was 28%. The value of the US dollar also proved to be more volatile than the value of the euro. The highest annual increase in the value of the US dollar compared to the same month of the previous year was 16%, while the greatest decline was 11%.

PLN vs. EUR

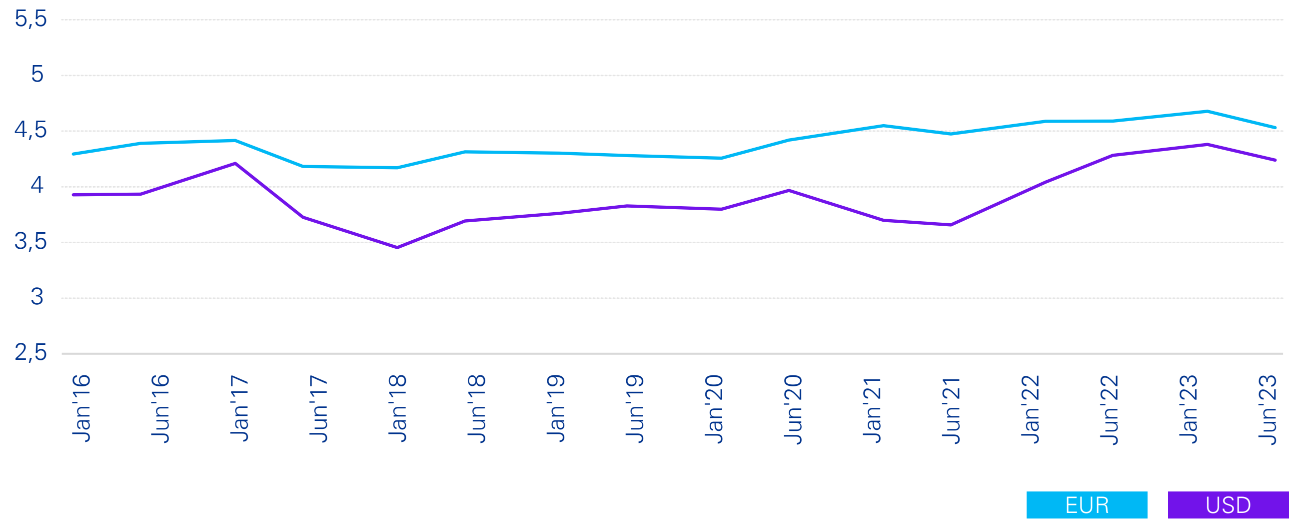
The lowest average monthly exchange rate between the Polish zloty and the euro in the last eight years was recorded in January 2016, while February 2023 experienced the highest average monthly exchange rate. Ultimately, the difference between these rates was 12%. The value of the euro has been much more stable in comparison with the US dollar. The highest annual increase in the value of the euro compared to the same month of the previous year was 5%, while the greatest decline was 3%.

Polish zloty vs. US dollar and euro in the last 8 years

	USD	EUR
Lowest average monthly exchange rate	3.5491	4.1938
Highest average monthly exchange rate	4.5265	4.7145
Highest nominal difference	0.9774	0.5207
Highest nominal difference, in %	28%	12%
Highest annual increase versus the same month of the previous year, in %	16%	5%
Highest annual decrease versus the same month of the previous year, in %	11%	3%

Source: KPMG Poland based on National Bank of Poland data

Average monthly exchange rates: USD and EUR



Source: KPMG Poland based on National Bank of Poland data

How can we help you?

KPMG in Poland offers independent audit and assurance services, as well as comprehensive support in preparation of financial statements and ESG sustainability reporting.

- Audit and review of financial statements
- Support in public or private offerings (comfort letters, IFRS or US GAAP conversion)
- Assistance in getting ready for ESG sustainability reporting
- Assurance services for sustainability reporting as required by CSRD
- KPMG FS Converter: financial statement generator
- KPMG XBRL Tool for listed companies
- Other assurance services

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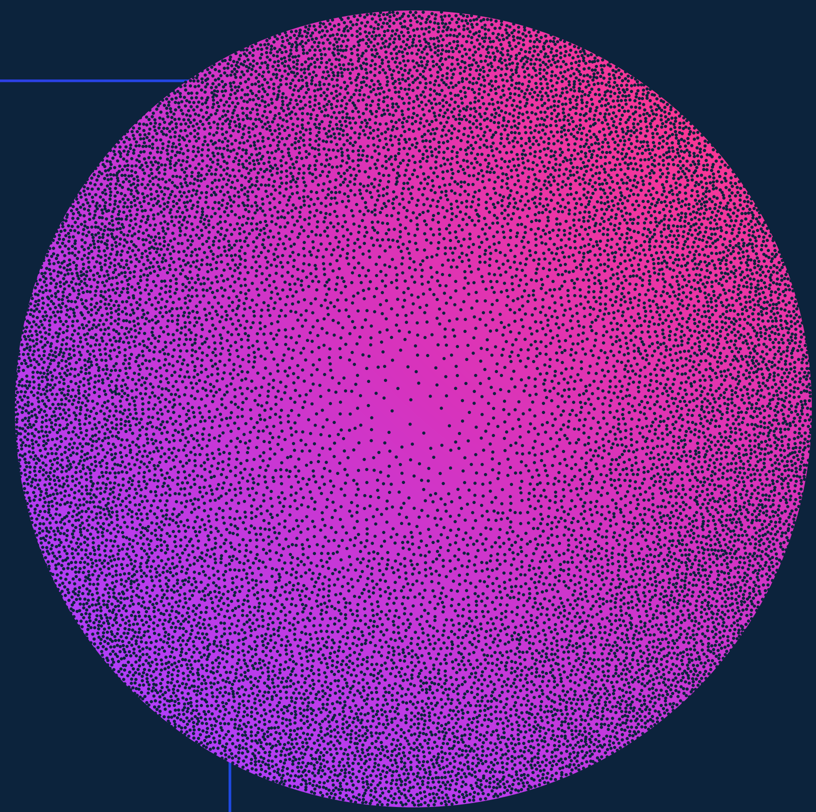
KPMG in Poland offers independent audit services designed to enhance the credibility of information prepared by companies for investors, creditors and other stakeholders and to meet regulatory requirements. Our specialists identify potential risks and provide valuable information, enabling our clients to manage their business effectively.

KPMG's position has been confirmed by winning the title of the best audit firm in Poland seven times.

Marek Gajdziński

Partner, Head of Audit, KPMG in Poland and CEE

Which investment destination to choose?



Southern Macroregion

2.14 km/100 km²

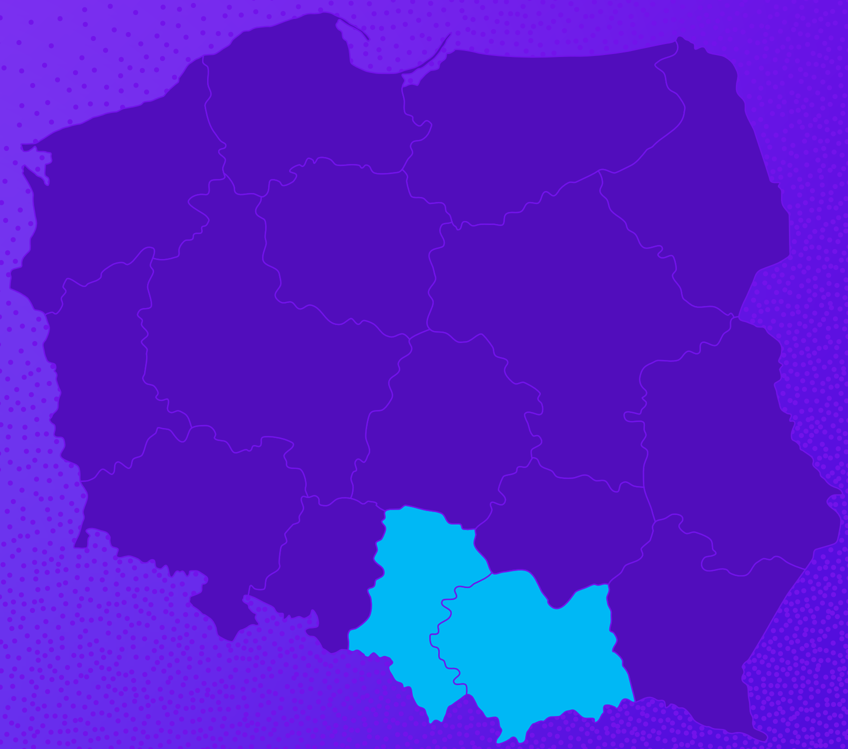
the highest density of express roads and motorways

Source: Statistics Poland (GUS), 2022 data

7.8m people

the biggest population

Source: Statistics Poland (GUS), 2022 data



The Southern Macroregion consists of two provinces (also called voivodeships): Małopolska and Silesia. The largest cities in these provinces are Kraków, the former seat of Poland's kings, and Katowice, the largest city in the Upper Silesia industrial region. Małopolska province is famous for its tourist attractions. Every year, Kraków is the Polish city most visited by foreign tourists. In addition, this part of Poland is home to the Tatra Mountains, the highest in the country, which attract many mountain hiking enthusiasts. The Southern Macroregion is the most populous area in Poland. Nearly 8m people live there. The strong urbanization of the region drives the investment in road infrastructure. According to the most recent data, the macroregion has the densest network of public roads, including express roads and motorways, and the number of such routes is constantly rising. Some of them are part of the Baltic–Adriatic corridor of the Trans-European Transport Network (TEN-T), directly connecting the macroregion with Czechia and Slovakia, and indirectly with countries in the centre and south of the continent. Industry is the strongly dominant economic sector in this part of the country, especially automotive. Silesia province is home to the Katowice Special Economic Zone, which brings together hundreds of investors from around the world. KSSE won first place in Europe (for the seventh time) and placed fourth-best in the world in the Financial Times 2023 ranking of free trade zones. Investments are further supported by EU funds, of which EUR 7.83 billion has been earmarked for the Southern Macroregion provinces for 2021–2027.

Southern Macroregion in numbers

Population (2022)	7,775,716
Population density (per km²) (2022)	282.6
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 16,930
Unemployment rate (BAEL) (Q1 2023)	2.3%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,779
Express roads and motorways (per 100 km²) (2022)	2.14 km
Number of university students (2022)	263,750
Number of universities (public and non-public) as of March 2023	55
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	30–40%
Key sectors	Energy and raw materials, Automotive, BPO/SSC

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

North-Western Macroregion

3 out of 5

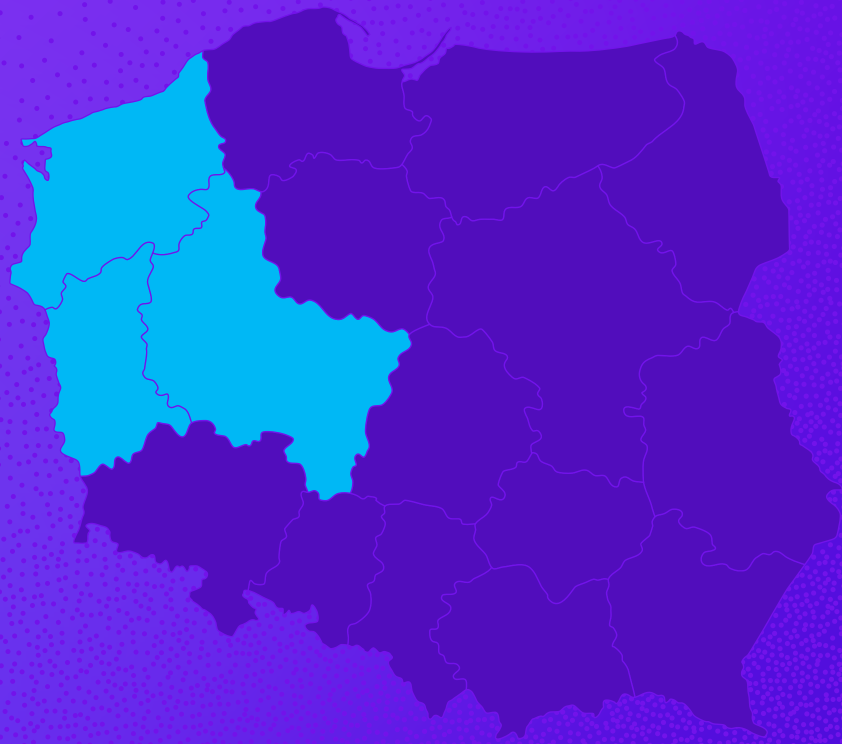
biggest commercial seaports in Poland

Source: Statistics Poland (GUS), 2022 data

6.1m people

second-biggest population

Source: Statistics Poland (GUS), 2022 data



The North-Western Macroregion comprises the provinces of West Pomerania, Lubusz and Wielkopolska. The largest cities are Szczecin, Zielona Góra and Poznań respectively. A major advantage of this macroregion is its excellent geographical position: a direct border with Germany and location on the Oder River or the Baltic Sea. Three of the five largest Polish cargo ports are located here. This makes the north-western part of Poland an excellent corridor for trade with the whole world. The North-Western Macroregion is the second most populous in Poland (over 6.1m), but its population density is the second-lowest in the country (91.6 per km²). The unemployment rate is one of the lowest in Poland (2.3% in 1Q 2023). The average monthly salary was EUR 1,544. There are 52 universities in the North-Western Macroregion, which ranks it third in the country. The Maritime University of Technology in Szczecin trains future naval officers. The most important sectors in the macroregion are services and industry, which employ 1,632,000 and 901,000 people respectively. Due to the specific characteristics of the region, the highest investment is allocated to industry (49.7%) and industrial processing (37.7%). Subsidies of EUR 4.75 billion from EU funds are planned for the region for the period 2021–2027.

North-Western Macroregion in numbers

Population (2022)	6,114,175
Population density (per km²) (2022)	91.6
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 16,537
Unemployment rate (BAEL) (Q1 2023)	2.3%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,544
Express roads and motorways (per 100 km²) (2022)	1.65 km
Number of university students (2022)	160,808
Number of universities (public and non-public) as of March 2023	52
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	25–40%
Key sectors	Retail and wholesale trade, Automotive, Tobacco and alcohol

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

South-Western Macroregion

EUR 1,765

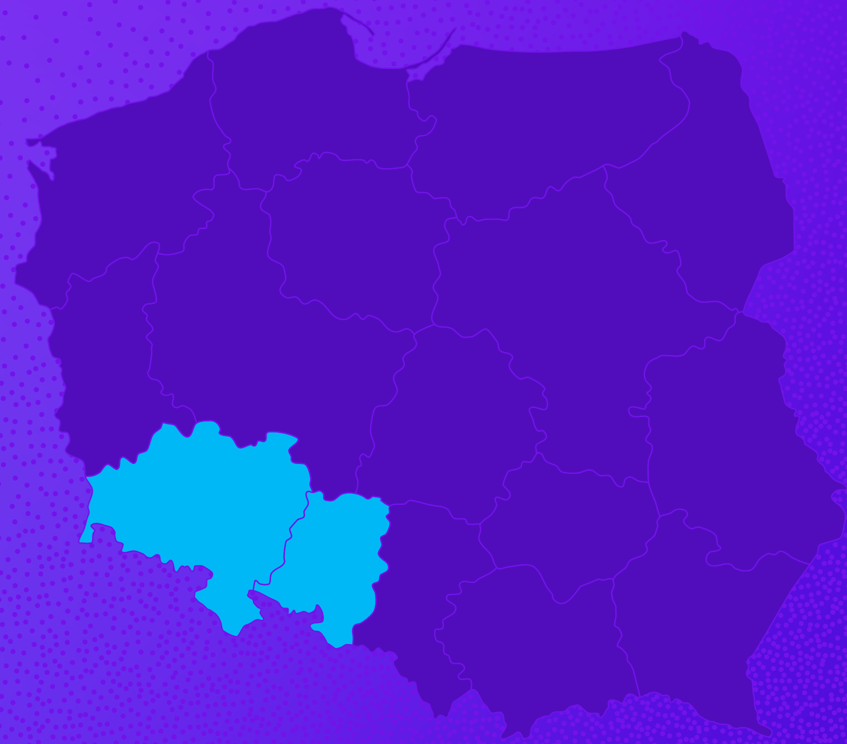
third-highest average monthly gross wage

Source: Statistics Poland (GUS), 2023 data

second largest GDP per capita

EUR 18,012

Source: Statistics Poland (GUS), 2022 data



The South-Western macroregion comprises Lower Silesia and Opole provinces. The region's capitals are Wrocław, the third most populous city in the country, and Opole. The macroregion is home to 3.8m inhabitants. The per capita GDP of EUR 18,012 in 2022 was the second-highest in the country, and the gross monthly salary ranked third in 1Q 2023 (EUR 1,765). In this macroregion, according to the most recent data available, there are 136,593 students at 37 public and non-public universities, especially in Wrocław, which is a popular academic city. The South-Western Macroregion attracts a large share of all investment outlays in industrial processing in Poland and employs a workforce of 537,000. Opole province includes a portion of the Katowice Special Economic Zone, which significantly contributes to the development of the region. According to the agreed distribution of money from European funds for 2021–2027, the macroregion will receive EUR 3.28 billion. The grants will allow further investment not only in industry, but also in road infrastructure. The length of express roads and motorways per 100 km² in 2022 was third-highest out of all macroregions.

South-Western Macroregion

Population (2022)	3,830,474
Population density (per km²) (2022)	130.5
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 18,012
Unemployment rate (BAEL) (Q1 2023)	3.7%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,765
Express roads and motorways (per 100 km²) (2022)	1.79 km
Number of university students (2022)	136,593
Number of universities (public and non-public) as of March 2023	37
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	20–40%
Key sectors	Metal mining, Automotive, Electromobility

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

Northern Macroregion

EUR 5.38bn

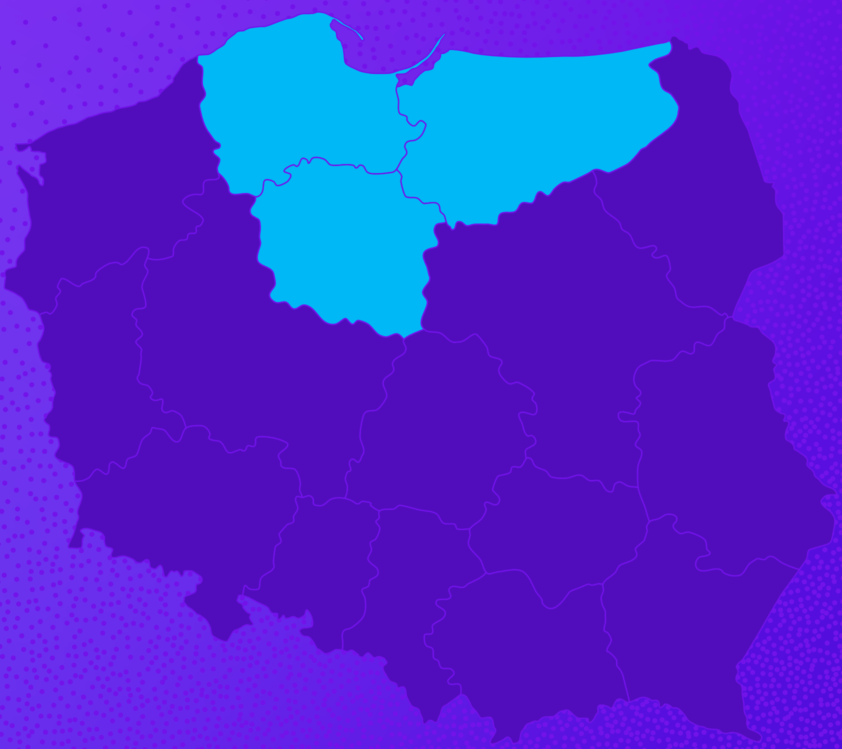
high use of EU funds

Source: Ministry of Development Funds and Regional Policy data for planned regional programmes in the EU–Poland Partnership Agreement

1,572,000

high number of people employed in the service sector

Source: Statistics Poland (GUS), 2023 data



The Northern Macroregion consists of three provinces: Kujawy–Pomerania, Warmia–Mazury, and Pomerania. The largest cities are Bydgoszcz, Olsztyn and Gdańsk. The region is highly developed in tourism. Its location by the Baltic Sea and in the land of lakes attracts tourists from Poland and abroad every year. The northern part of the country is also a traditional sea gateway to global markets. Pomerania province is home to two of the largest ports in the country. The port of Gdańsk is the fourth-largest port in terms of trans-shipment on the Baltic Sea. The second-largest local port is in Gdynia. It receives a large number of ships thanks to factors such as well-developed ferry transport. In addition, the international Baltic–Adriatic Corridor route, which passes through five countries and ends in Italy, begins in Gdańsk. In 2023, the Northern Macroregion had a population of nearly 5.8m people, the third-highest figure in Poland. Despite this, the population density is low (just under 95 people per km^2 in 2022). The region has 47 universities with over 168,000 students. The Gdynia Maritime University, the country's largest institution of this type, trains merchant fleet officers and engineering and management personnel for the maritime economy. The lower-than-average level of urbanization in the macroregion is tied to the high share of agriculture in employment, with 232,000 people working in that sector—the third-highest in the country. These three provinces attract the second-largest share of all real estate investment outlays. Investments are supported by EU funds, of which EUR 5.38 billion has been earmarked for the Northern Macroregion for 2021–2027.

Northern Macroregion in numbers

Population (2022)	5,731,613
Population density (per km^2) (2022)	94.8
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 14,959
Unemployment rate (BAEL) (Q1 2023)	2.7%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,599
Express roads and motorways (per 100 km^2) (2022)	1.34 km
Number of university students (2022)	168,021
Number of universities (public and non-public) as of March 2023	47
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	30–50%
Key sectors	Petrochemicals, Fish and meat processing, Paper and cardboard production

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

KPMG

Central Macroregion

2.05 km/100 km²

the second-highest density of express roads and motorways

Source: Statistics Poland (GUS), 2022 data

One of the highest aid intensity under the Polish Investment Zone

40-50%

Source: Institute for Internet Research and Strategy

The Central Macroregion comprises the Łódź and Świętokrzyskie (Holy Cross) provinces. The region's capitals are Łódź, a city whose economy was for many years based on textiles, and Kielce, which is famous for its thematic trade fairs devoted to various industries. The Central Macroregion has the smallest population (3.6m). Despite this, the population density was 118.8 people per km² in 2022. Workers in the enterprise sector could expect an average monthly salary of EUR 1,532 in 2022. The agricultural sector also accounts for a large share of employment in the region, with 165,000 workers. Development is supported by EU funds, of which EUR 4.2 billion has been earmarked for the Central Macroregion for 2021–2027. Central Poland is an excellent geographical location, not only characterized by its proximity to the capital Warsaw, but also a good transport hub. According to the most recent data, there are 2.05 km of express roads and motorways per 100 km². Two motorways running across the country from north to south (A1) and east to west (A2) intersect near Łódź. In addition, the international road E75 runs through here, connecting nine European countries from Norway to Greece. There are also many transport projects planned in this region in connection with construction of the Solidarity Transport Hub in the neighbouring province. The Łódź Special Economic Zone was named the tenth-best free trade zone in the world in the 2023 ranking by the fDi Intelligence analytical centre from the Financial Times group.

Central Macroregion in numbers

Population (2022)	3,556,647
Population density (per km²) (2022)	118.8
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 14,869
Unemployment rate (BAEL) (Q1 2023)	3.9%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,532
Express roads and motorways (per 100 km²) (2022)	2.05 km
Number of university students (2022)	88,496
Number of universities (public and non-public) as of March 2023	33
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	40–50%
Key sectors	Manufacturing, E-commerce, Logistics centers

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

Eastern Macroregion

EUR 6.0bn

second-largest share of EU funds planned for 2021–2027

Source: Ministry of Development Funds and Regional Policy data on planned regional programmes in the EU–Poland Partnership Agreement

345,000

the highest number of people working in agriculture

Source: Statistics Poland (GUS), 2022 data

Along Poland's eastern borders are three provinces: Lublin, Podkarpacie and Podlasie, which form the Eastern Macroregion. The province capitals are Lublin, Rzeszów and Białystok. This macroregion borders with five countries: EU member states Lithuania and Slovakia and non-EU countries Belarus, Russia and Ukraine. The North Sea–Baltic Sea TEN-T transport corridor passes through this area. The Eastern Macroregion is home to more than 5.2m people, but the population density was the lowest in the country at 83.1 people per km² in 2022. In the region, workers can expect the lowest average monthly salary in the country of EUR 1,439. At the same time, the unemployment rate is the highest, at 4.2%. For this reason, support from the Polish Investment Zone for the eastern provinces ranges from 50% for large companies to 70% for small businesses. At the same time, a decision to grant support within the Polish Investment Zone may be issued in this region for the longest period, which means that the exemption can be enjoyed for 15 years. According to the plan for distribution of money from European funds for 2021–2027, the Eastern Macroregion will receive the largest pool of funds, EUR 6.0 billion. This value does not take into account the European Funds for Eastern Poland programme, which has a larger geographic range but mainly includes these three eastern provinces. With high forest cover and low population density, agriculture has a major impact on the region's economy. The percentage of people employed in this sector is by far the highest of all macroregions, with 345,000 people working in this sector.

Eastern Macroregion in numbers

Population (2022)	5,247,090
Population density (per km²) (2022)	83.1
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 11,984
Unemployment rate (BAEL) (Q1 2023)	4.2%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,439
Express roads and motorways (per 100 km²) (2022)	1.06 km
Number of university students (2022)	139,246
Number of universities (public and non-public) as of March 2023	41
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	50%
Key sectors	Dairy and cheese making, Tire production, Aerospace production

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

Mazovia Province Macroregion

EUR 1,967

the highest average monthly gross wage

Source: Statistics Poland (GUS), 2023 data

82

the biggest number of universities

Source: POL-on, 2023 data

The only macroregion consisting of only one province is the Mazovia Province Macroregion. This independent region is represented by Poland's capital, Warsaw, and its adjacent counties. Its excellent location in the centre of the country offers many opportunities for residents and investors. The city is also an excellent base for tourists. Warsaw has Poland's largest airport, which is well connected to the city centre. The region is home to more than 5.5m inhabitants, almost 1.9m of whom live in Warsaw, Poland's largest city. With so many people in a small area compared to other macroregions, the region is the second most densely populated in the country. An aspect that attracts people to this province is the highest average monthly salary by far. In 2023, it was EUR 1,967. The GDP per capita (EUR 27,264 in 2022) is more than 50% higher than in the microregion that ranked second in this category. The Mazovia Province Macroregion has the largest number of universities in the whole country (82). Two of the three largest universities in the country, the University of Warsaw and the Warsaw University of Technology, are located here. As a large part of the labour market is in Warsaw, the service sector plays an important role here, employing a workforce of 1,876,000. Of all money invested in 1–3Q 2023 in IT in Poland, 88% went to this region. The outskirts of Warsaw, on the other hand, are becoming an increasingly popular location for logistics centres and warehouses every year. This makes transport and storage the sector with the largest share of investment outlays. The importance of this sector in this area of Poland is linked to the development of the public road network. Four European roads intersect in Warsaw, one of which is a section of the North Sea–Baltic Sea Corridor of the TEN-T route. Because it has the highest level of development, the region will receive the smallest share of European funds for 2021–2027, at EUR 2.1 billion.

Mazovia Province Macroregion in numbers

Population (2022)	5,510,612
Population density (per km²) (2022)	155.0
GDP per capita (2022) Converted at NBP's average annual exchange rate for 2022	EUR 27,264
Unemployment rate (BAEL) (Q1 2023)	2.3%
Average monthly gross wages and salaries in the enterprise sector (2023) Converted at NBP's average annual exchange rate for 2023	EUR 1,967
Express roads and motorways (per 100 km²) (2022)	1.57 km
Number of university students (2022)	265,024
Number of universities (public and non-public) as of March 2023	82
Maximum aid intensity under the Polish Investment Zone Support for medium-sized and small/micro enterprises is increased by 10 and 20 percentage points respectively	25–50%
Key sectors	Business services, Media and ICT, Food production

Source: KPMG in Poland, based on Statistics Poland, Eurostat and POL-on data

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