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DOING BUSINESS IN POLAND

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In recent years, trade relations between Italy and Poland have intensified, thanks to a steady increase in trade and investment between the two countries. In 2020 trade exchange between Italy and Poland reached EUR 21.5 billion. The main categories of goods exported from Italy to Poland are chemical products, fashion, means of transport, industrial machinery and foodstuffs. On the other hand, Poland exports mainly agricultural products, steel products, foodstuffs and machinery to Italy. Moreover, Italy is one of the main investors in Poland. According to the report of the Polish Business Development Agency (PARP), in 2020 Italy ranked sixth among the countries investing in Poland, with an investment value of EUR 17.5 billion. Italian investments in Poland are mainly concentrated in the manufacturing sector, financial services and wholesale and retail trade.

Moreover, the favourable business climate in Poland, characterised by a good infrastructure, a strong focus on vocational training and a stable tax system, has made our country an important investment destination for many Italian companies. However, in order to do business in Poland, it is important to know the different forms of business activity available and their legal and tax implications. Here is a list of steps to set up a business in Poland.

1. Conduct a market analysis.

Market analysis is a key tool to help companies make informed decisions on their strategy for entering the Polish market. Market analysis can help understand the economic and market conditions in the country, as well as the needs and preferences of local consumers. In addition, market analysis can help identify growth opportunities, potential competitors and challenges they might face in the Polish market. Market analysis can also help identify growth opportunities in the Polish market, such as expansion into new market segments or the introduction of new products or services. This information can help companies develop effective strategies to increase their market share in the country.

2. Choose the form of business activity in Poland and proceed with registration.

The choice of the form of business activity is wide. We currently have 3 types of joint-stock companies in Poland:

Limited Liability Company (Spółka z ograniczoną odpowiedzialnością - Sp. z o.o.) The Sp. z o.o. is the most common form of commercial company in Poland and is similar to the Italian limited liability company. It is a company with limited capital, where the partners are not personally liable for the company's obligations. The minimum share capital required to set up an Sp. z o.o. is PLN 5,000 (approximately EUR 1,100).

Joint Stock Company (Spółka akcyjna - S.A.) An S.A. is a form of open capital company in which the partners are shareholders and the liability of the partners is limited to the amount of the subscribed share capital. The minimum share capital required to establish an S.A. is PLN 100,000 (approximately EUR 22,000).

As of 1 July 2021, there is a new form in Poland - the Private Limited Company (PSA). The PSA is easier to set up than the classic joint-stock company. This is very important for young companies or people who are just planning to open a business, including innovative start-ups. From their perspective, the main advantages of the PSA are:

- a very low share capital required for setting up the company - 1 zł (approx. 0.25 cents);
- a flexible approach to corporate bodies, including the possibility of appointing a board of directors, which combines the characteristics of a board of directors and a supervisory board;
- simpler procedures and greater freedom in decision-making at a distance, via e-mail or internet communicators;
- greater flexibility with regard to the types of shares and the rules of operation of the company, including shares for work or services;
- possibility of incorporation online, in the S24 system;
- register of shareholders in digital form, managed by a notary or brokerage firm;
- easier disposition of company funds - no blocked share capital;
- simple rules for the liquidation of the company and a shorter liquidation time.

As regards partnerships, here too there are several options. However, it is important to remember that in the case of partnerships, the scope of liability of the individual partners will be of particular importance. Italian entrepreneurs interested in setting up a company in Poland can choose from several options, including:

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- General partnership (Spółka jawna) - where all partners are jointly and severally liable for the obligations of the partnership.
- Partner society (Spółka partnerska): A partner society is established by professionals (such as lawyers, doctors or architects) for the purpose of rendering professional services. A partner is not liable for risks arising from the activities of other partners. There are no requirements as to the amount of share capital.
- Società in accomandita semplice (Spółka komandytowa): this form of company is similar to the Italian società in accomandita semplice. It is a company in which there are two types of partners: general partners who are jointly and severally liable for the company's obligations and limited partners who are liable only up to their shared amount of their contributions.
- A limited partnership limited by shares (Spółka komandytowo-akcyjna) provides for at least two partners: the general partner and the shareholder. The general partner has unlimited liability for the obligations of the SKA. Both the general partner and the shareholders may be natural persons, legal entities or organisational units. The minimum share capital required for the establishment of an SKA is 50,000 zł (approximately EUR 12,000).

In addition to these forms of companies, there are also other forms of business activity. Italian citizens, as citizens of the European Union, can set up a sole proprietorship (działalność gospodarcza) in Poland - similar to an Italian sole proprietorship. This is a form of business activity in which the entrepreneur acts as a natural person and takes personal responsibility for the obligations of the business. In order to start a sole proprietorship in Poland, it is necessary to register with the Centralna Ewidencja i Informacja o Działalności Gospodarczej (Central register of economic activities) and obtain a NIP number (numer identyfikacji podatkowej), the Polish tax code.

Other possibilities are company representation or a subsidiary, which are two different ways in which a company can operate abroad, including Poland.

Corporate representation, also known as a representative office, is an organisational structure that a company can establish abroad to represent and promote its business interests without conducting direct business transactions. In other words, the representative office does not have the power to conclude contracts on behalf of the represented company, but may perform activities such as marketing, market research and public relations management. On the other hand, the branch office is a form of permanent commercial presence that can perform direct business activities. Unlike the representative office, the branch office has greater autonomy and can conclude contracts and manage business activities, e.g. sell products or services, hire employees and have a local bank account. The main difference between corporate representation and a branch office in Poland is that the former cannot conduct direct business activities, whereas the latter can.

In summary, trade relations between Italy and Poland are solid and constantly expanding. The high volume of trade and investment between the two countries testifies to the solidity of bilateral economic relations. With the further development of the Polish economy and the steady growth of the Italian market, it is likely that relations between the two countries will continue to strengthen in the future.

In order to prepare an appropriate strategy for a presence in Poland, it is necessary to consider many aspects before choosing a form of business. There are many differences between sole proprietorships and trading companies:

- whether it will conduct the business alone or with partners;
- liability for the company's debts;
- taxation and type of accounting;
- the minimum capital required to start the business;
- the form of representation, i.e. who can represent the company;
- the place where the company is registered and matters related to it are handled.

3. Enjoy your company in Poland and reach your goals

There are many advantages to expanding economic activity in the Polish territory, including the possibility of concessions for businesses, particularly in special economic zones. One can also apply for a preferential tax rate (CIT ESTONESE). Poland's role in Ukraine's reconstruction process cannot be forgotten. Although the costs of doing business have risen, they remain competitive. From the point of view of simplification of procedures, sole proprietorships, limited liability companies, joint stock companies or limited partnerships can be established online.

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