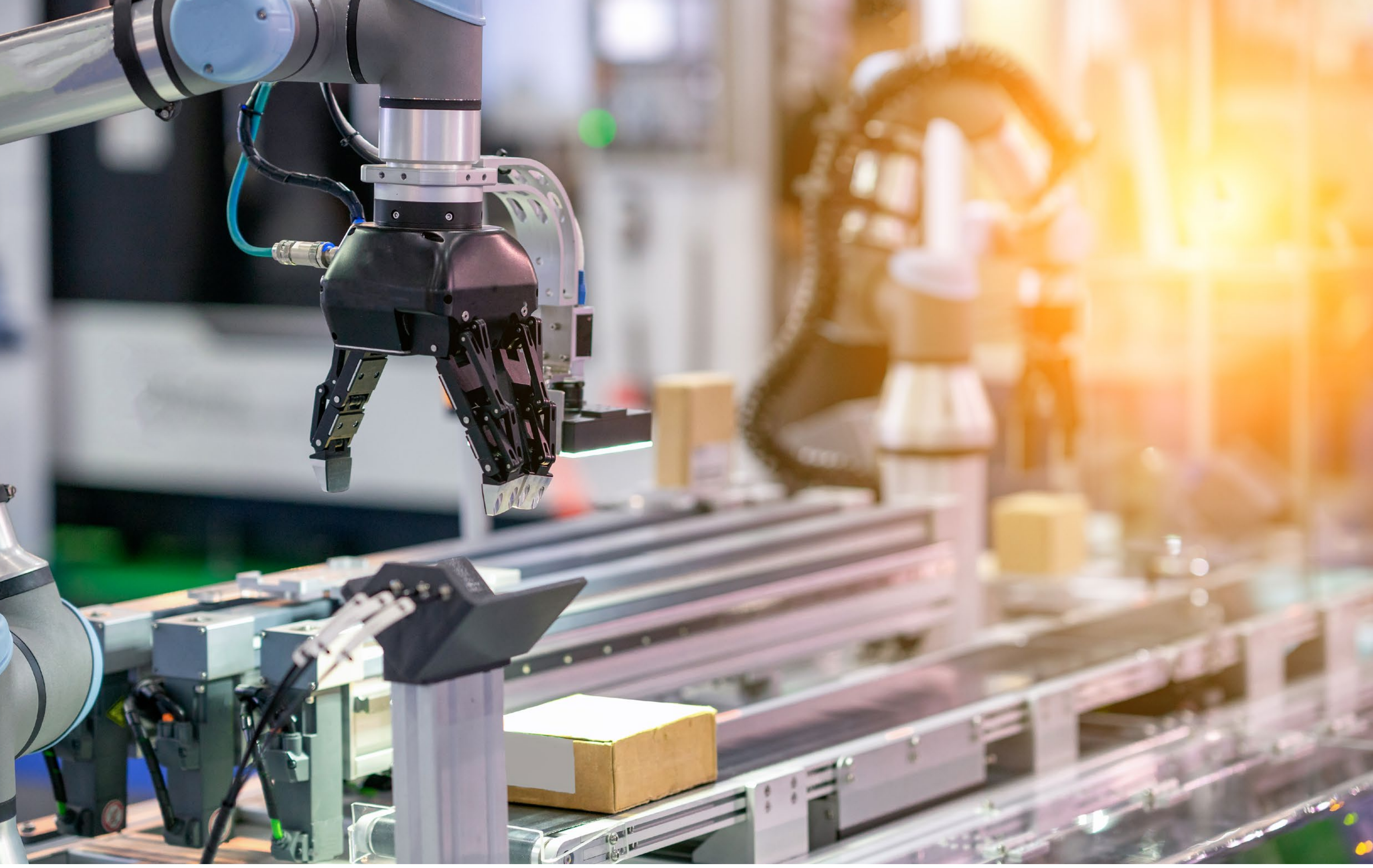

Research

Poland | May 2024

Made in Poland

An Investment Guide for Manufacturing

JLL

HAYS Working for your tomorrow

Polish Investment & Trade Agency
PFR Group

ALTC

Contents

Foreword

The last five years has been a time when the global economy has seen high dynamics in manufacuturing, logistics, and many other industries. The last release of "Made In Poland" report was the first immediately after the COVID-19 pandemic, and presented a tremendous evolution of international business, as well as the challenging business landscape that Europe and the world have had to face. Today, as the „new normal" has already become a part of everyday life, there is a need to observe what challenges enterprises are encountering in the face of resource constraints, climate change, an aging society and technology development.

Disrupted supply chains, shrinking labour markets, environmental issues, increasing prices of energy and materials and components are among the top challenges that are shaping the future of Europe's manufacturing market.

The future is here, and it is bringing accelerated changes in global strategies and supply chains that are shaping the business landscape. Positioned as one of the most significant markets in the region, Poland is at the forefront of these transformations.

With its large population and robust economy, Poland ranks among the top countries in the European Union. The country has made strategic investments in its transport infrastructure, cultivated a skilled and motivated workforce, and offers favourable business costs. These factors, combined with government incentives, make Poland an enticing destination for businesses.

As a result, we anticipate that Poland will emerge as a major manufacturing hub, attracting key players from around the world.

While the current times are challenging, they also present unique opportunities. To navigate this landscape, a fresh approach and modern solutions are required. Recognizing this, JLL has joined forces with trusted partners namely the Polish Investment and Trade Agency, Hays, and ALTO to present a comprehensive report on investing in Poland.

This report aims to provide guidance for manufacturing companies which are considering establishing or expanding their presence in Poland. It offers detailed insights into the manufacturing and industrial sector, covering the business environment, labour market, legal and tax structures, public grants and incentives, as well as real estate market trends and various acquisition and rental options.

We hope that this report, complied in collaboration with our valued partners, will be an invaluable resource for anyone looking for the opportunity to invest in Poland.

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Poland on the map of Europe

Poland is strengthening its position as a leading industrial and logistics hub in Europe. The country's central location, availability of labour, attractive costs of operation, appealing grants and incentives for investors are driving a constant influx of foreign capital into the country.

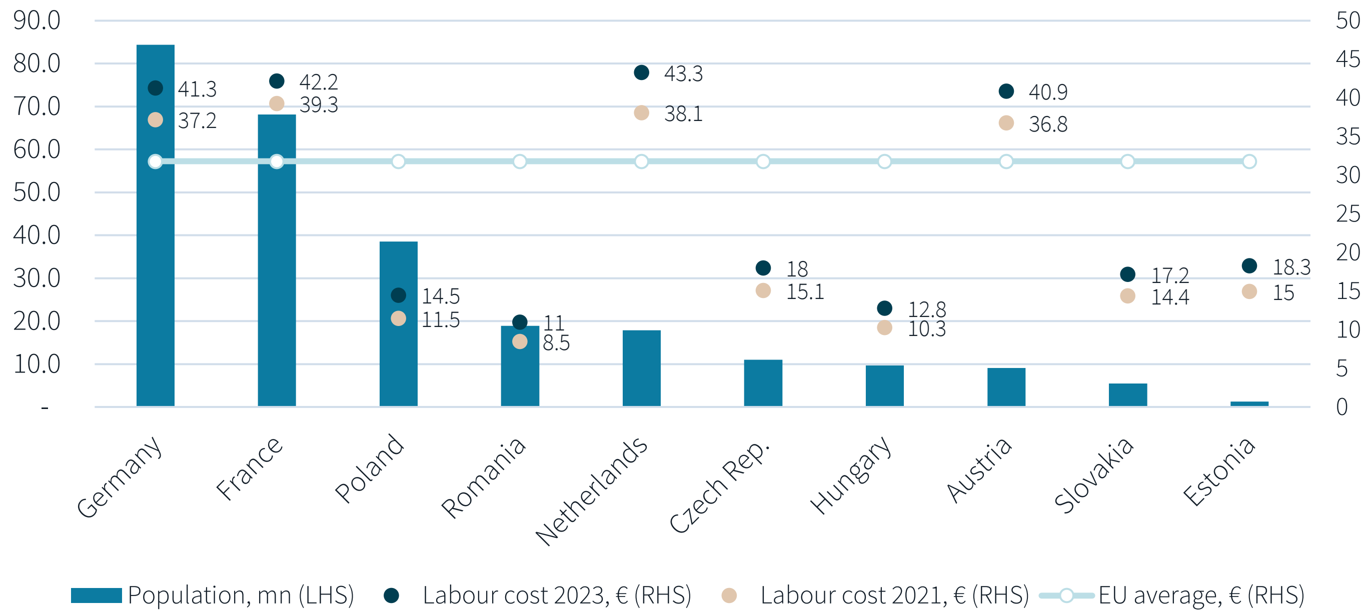
The transportation infrastructure in Poland, being an important part of the European rail and road transportation network, is constantly developing, enabling extensive road connections with the majority of European capitals. The crossing of two key corridors, namely the A1 (Baltic-Adriatic) and A2 (North Sea – Baltics) motorways has boosted the attractiveness of Poland in terms of European Logistics. Poland's road network will be further upgraded with new routes, as well as extensions of existing roads.

Furthermore, Poland offers access to two major maritime ports in Gdańsk and Szczecin. The total throughput of the top 15 European container ports was 79,7 million TEU in 2023 (Q1 to Q3), with Gdańsk accounting for 3% of this number.

Poland also has an opportunity to benefit from the "new silk route", which is set to connect Europe with China by railroad. Becoming a key European distribution HUB for Chinese producers is a great opportunity for Poland as well as manufacturers active in the market.

Over the last 10 years, the high-speed road network in Poland, which has expanded by over 200% and is still being developed, has helped to connect all of the country's major agglomerations, as well as most of its medium-sized cities. By 2030, the network of modern high-speed roads is anticipated to be 8,000 km.

Population and labour costs in selected countries

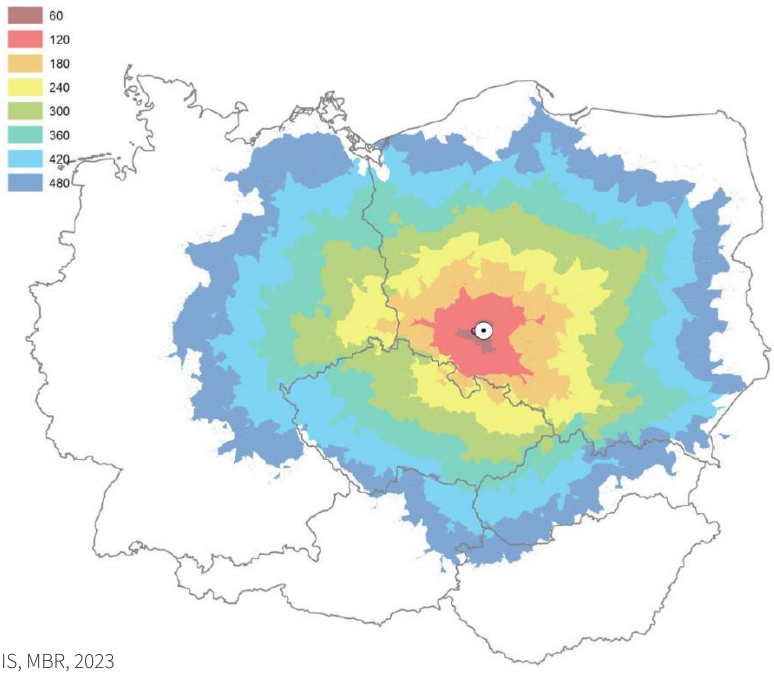


Source: Eurostat, 2023 (Labour cost for LCI (compensation of employees plus taxes minus subsidies)

What's more, Poland's central European location means that numerous towns and cities in Western Europe are within relatively easy reach. For example, the eight-hour driving time catchment area for Wrocław covers Czechia, Slovakia, a large part of Germany and some areas of Austria and Hungary, whose combined population is over 70 million inhabitants (including 38 million Polish citizens).

Recent road infrastructure developments are opening up new and attractive locations from a logistics point of view. The availability of land and labour are unquestionable advantages of Poland's emerging regions.

Driving time catchment from Wrocław



Source: JLL analysis, ArcGIS, MBR, 2023

Exemplary driving time catchment - population reachable from Wrocław

Driving time	**3 hours**	**6 hours**	**8 hours**
Austria	-	30,000	3,410,000
Czechia	230,000	8,760,000	10,490,000
Germany	110,000	11,000,000	20,780,000
Hungary	-	-	510,000
Poland	7,620,000	25,630,000	32,730,000
Slovakia	-	820,000	4,310,000
Total	7,960,000	46,240,000	72,230,000

Executive Summary

Poland remains one of Europe's major economies and industrial markets. The country benefits from being in the heart of the continent, with modern transport infrastructure linking major cities in the region, ready access to maritime ports, considerable labour market opportunities and a friendly business environment and public support.

Poland possesses numerous advantages for producers from all over the world. Companies operating in the country are continuously becoming major established exporters of industrial products, to both CEE and the EU, is driving the economic growth and underpinning of its position in the region.

The evolving manufacturing sector

Recent years have seen the accelerated evolution of the global production industry, driven by new challenges appearing on the scene, including disrupted supply chains, limited availability of materials, growth of fuel and energy prices, as well as the issues concerning labour markets.

Despite this, Poland has remained attractive for significant foreign investments in the manufacturing sector due to its favourable business locations, infrastructure, and government support. In 2023, the country received a record amount (shown below) of foreign investments, and predominantly in the electronics, electromobility, automotive, machines, RES components and food processing sectors. The COVID-19 pandemic and the crisis in Ukraine have highlighted the need for more resilient and diversified supply chains, which could potentialy lead to nearshoring and re-shoring movements in Europe, including Poland. However, manufacturers in the country also face challenges in terms of a tight labour market, an issue that has generated increased interest in automation. Additionally, sustainability and environmental concerns are influencing the industry, with investors seeking green solutions for real estate and supply chains.

The labour market

The country has a highly skilled workforce with technical expertise and strong soft skills, with over 2.8 million people employed in the manufacturing sector in 2023. There is a large population of mid-level technical and operational staff, as well as automation specialists. However, with low unemployment levels, the quality of the employer proposition is crucial for successful recruitment. Poland is no longer perceived as a low-cost market but is recognised as a mature location offering high-quality expertise, technological advancement and ESG-compliant processes. Positive experiences often lead to further investments in Poland. Furthermore, complex investment projects that integrate multiple areas and skill sets, such as manufacturing plants with R&D centres or SSCs, are becoming increasingly common.

Grants & Incentives

Manufacturers investing in Poland can choose from a wide range of opportunities for obtaining financial support from both domestic sources and the European Union. Attractive incentives are offered in the form of cash grants: government subsidies and financial support for low carbon initiatives, EU co-financed support programmes, tax exemptions, and specific sector tax reliefs.

In 2023, Polish Investment & Trade Agency supported investment projects with a record value of EUR 7.4 billion.

Legal and tax

There are various and flexible forms of conducting business activity in Poland, of which the limited liability company appears to be the most popular, especially for international corporations and manufacturing businesses. The regulations for conducting business in Poland, so-called „Constitution for business", create a business-friendly environment for entrepreneurs. Recently focus has been made on compliance with EU laws, digitalization of acts of law and legal proceedings. Significant progress has been made concerning e-government which proves to be more flexible and convenient both for citizens and business.

To keep up with changing tax law is always a challenge for entrepreneurs, as the tax regulations reflect the growing complexity of business. The Polish government promised however they would not like to impose any substantial amendments without prior discussions with market. The tax regime in Poland is developed in line with international standards, following OECD guidelines and EU directives. It is also characterized by dynamic digitalization and unification of reporting, including e-invoicing, SAF-T reporting etc. Last but not least, the local tax law stipulates various incentives for innovators and Poland has become one of the global leaders in terms of R&D tax relief efficiency.

Real estate

The industrial real estate market in Europe, including Poland, is experiencing continuous growth. After the challenges of 2021 and 2022, the sector has proven its resilience, and market participants expect relative stabilization in 2024/2025. Poland is the sixth largest industrial real estate market in Europe, with a diverse asset portfolio and strong market presence in major cities and port-driven locations. The industrial sector in Poland, particularly in automotive, e-vehicle, and energy solutions, is still highly developing, but staffing and salary increases are challenging due to inflation. Rental rates for warehouses vary across regions, and there is growing emphasis on ESG compliance. The green premium and brown discount are shaping the market, with sustainable building solutions increasing in value. Poland's industrial stock will see a gap between modern and older buildings since green technologies emerge.

The evolving manufacturing sector

With a couple of highly volatile years behind us, global economies begin to recover. Along with the vital stabilisation on the radars, manufacturing sector rebounds as well. However, given the occurrence of Covid-19 pandemic and Russian aggression in Ukraine the recovery remains fragile.

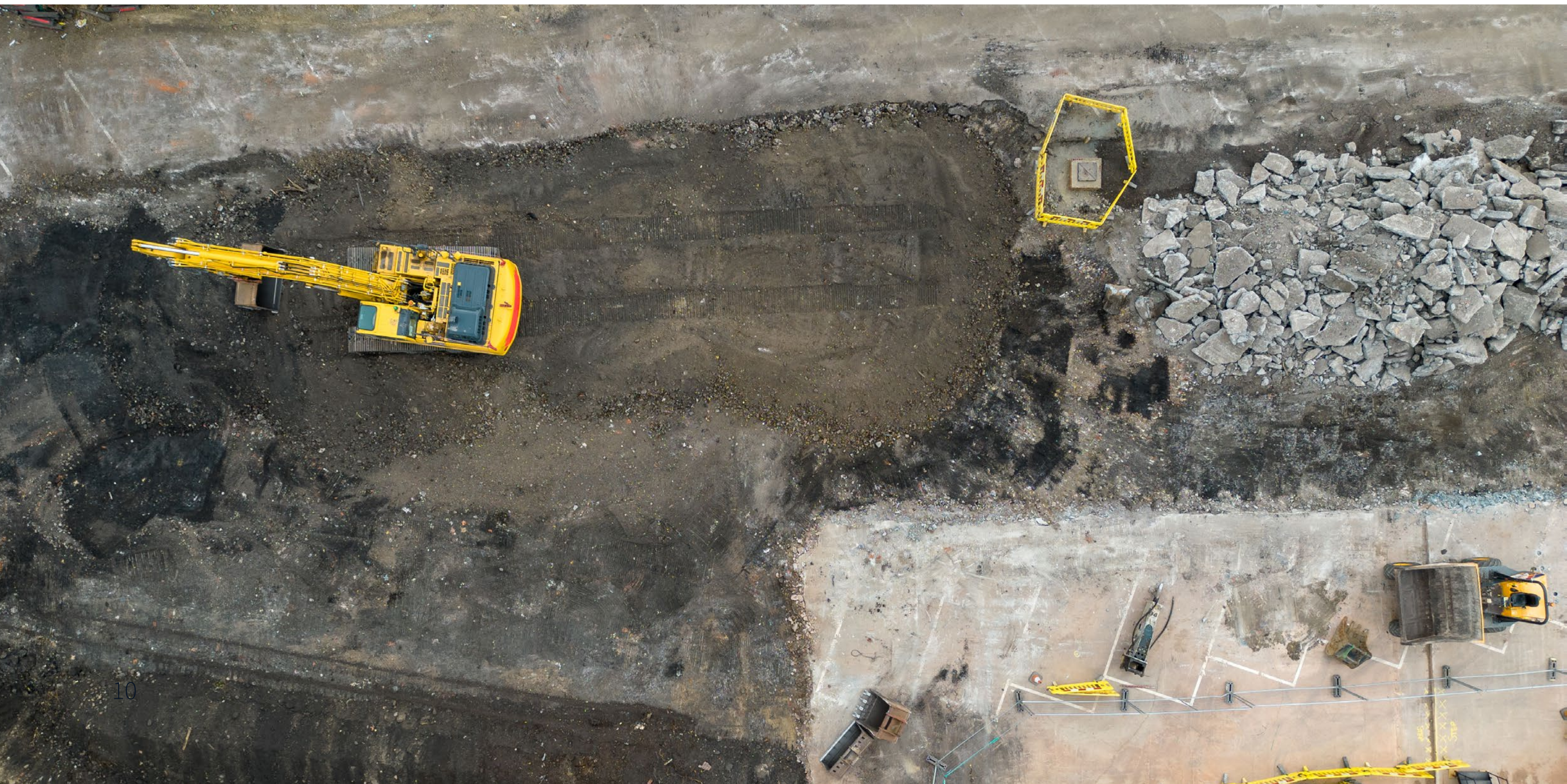
To some degree, these challenges could be mitigated by an in-depth analysis and careful selection of business locations. Access to multiple road, rail and maritime networks and facilities, proximity to contractors, suppliers and final users as well as a suitable labour pool could mitigate some risks for today's industrial business sector.

All of these factors combined with governmental support, make Poland very attractive for a significant number of investors. Polish Investment & Trade Agency supported investment projects with a record value of EUR 7.4 billion, which illustrates the country's investment attractiveness.

Foreign investors come from all over the world, with the US leading the way in 2023 (approx. 4.6 billion euro), followed by Germany and the United Kingdom. Nearly 20,000 jobs were created as a part of FDI projects in aforementioned period. Major investments in 2023 were seen in the electronics, electromobility, automotive, machines, RES components and food processing sectors. Importantly, PAIH took part in majority of transactions closed in 2023.

In 2020-2021 the market had to face major challenges caused by the COVID-19 pandemic, which significantly affected supply chains. Producers had to react as quickly as possible to this rapidly changing situation. The pandemic has exposed weak links in global supply chains as well as the need for upgrades and adjustments. The crisis in Ukraine caused by Russian aggression has also increased the level of uncertainty in the Central and Eastern Europe region. The war has also affected supply chains and labour markets across the region.

In the longer term, major global production players are likely to consider an expansion in Europe in order to mitigate risks regarding disrupted supply chains. Additionally, in some cases, producers have turned to a just-in-case strategy, replacing the widely adopted just-in-time approach. This entails a need for more warehousing space and less reliance on tight supply chains.



Consequently, supply chains are likely to become more complex, shorter but more diversified and no longer dependent on single contractors. These potential nearshoring and re-shoring movements could undoubtedly boost the sector across the entire European continent, especially in Poland and the CEE region as a whole.

Another key challenge that manufacturers have to face are the tight labour market conditions. The availability of prospective employees is a factor which drives decision making processes, especially in terms of location. Although Poland still has a favourable labour pool for investors, some core industrial locations are struggling with prolonged recruitment processes.

On the other hand, producers facing challenges regarding the labour market are increasingly looking at automation and see clear advantages in such investments. Automated solutions are becoming more available and less expensive, especially in the case of “plug and play” systems. This factor will undoubtedly have an impact on the CEE region’s industrial sector in the coming years.

Last but not least, another important factor which is shaping the future of manufacturing is the environmental issue. Sustainability and ESG strategies are very much influential in each branch of the production sector. This combined with increasing costs of energy means that investors are looking at green solutions in terms of real estate and supply chains, which fit in with the shortening of distance between producer and end user.

The number of organisations operating in Poland’s manufacturing sector in 2023

Source: Statistics Poland, 2023

Manufacturing generating demand for new technical skills

The manufacturing industry has observed a long-term increase in labour costs worldwide, making the incorporation of robotics and automated production processes inevitable. However, the use of such technologies will replace lesser skilled workers as well as creating new and more advanced functions for specialists and blue-collar workers on the shop floor.

The automated production plants will increasingly employ line operators, industrial robot programmers, and service staff. Therefore, manufacturing employers will demand candidates with extensive knowledge of new technologies such as automation and mechatronics. Indeed, this progressive automation and robotisation of manufacturing processes will redefine the skills required in production plants.

The ongoing shift towards Industry 4.0 emphasises digital transformation and smart technologies in manufacturing. These will require workforces with the technical proficiency to operate advanced machinery and the digital literacy needed to work in an environment that uses AI, robotics, and the Internet of Things.

Labour market

Poland has a long tradition in manufacturing. It is known as a mature and diversified market, offering wide access to qualified talent with the required professional experience. The past few decades have been a period of dynamic modernisation and automatisation of the whole industry, powered by the steady influx of foreign investment.

Poland continues to attract new investors, maintaining its position as one of the best locations for manufacturing investments in CEE and wider European region. The country is attractive for investors as it has such wide availability of employees with high-level technical qualifications, expert knowledge and soft skills.

Major investors in the manufacturing sector include corporations from the United States, the United Kingdom, Germany, France, South Korea, Japan and China.

In 2023, businesses from the manufacturing sector employed over 2.8 million people in Poland.

For many years the Polish market was perceived primarily as a source of relatively low-cost labour. Now, it holds the advantage of being a mature location with a workforce offering high-quality expertise and experience in technologically advanced, ESG-compliant manufacturing processes.

An important aspect of the Polish manufacturing sector is the growing number of tech hubs and R&D centres, which provide services to foreign branches of companies. They often group roles with international or even global scope of responsibility. These centres employ highly specialised and interdisciplinary specialists and managers who often combine skills in engineering, manufacturing and IT.

Employers are also highly interested in recruiting for mid-level technical and operational positions, such as electricians, mechanics and operators. There is also a high demand for automation specialists, related to the growing use of robotics in manufacturing processes.

Investors who have already decided to locate their production plants and R&D centres in Poland acknowledge that the local work ethics are remarkably strong, and Polish branches of international corporations often serve as a benchmark for other sites.

In many cases, positive experiences in the manufacturing sector translate into continued growth in Poland, including further investment and reinvestment in areas other than before.

In Poland, there is a growing trend of developing complex investment projects that integrate multiple areas. For instance, some projects combine manufacturing plants with both blue and white-collar workers, while others combine R&D centres that focus on technology and engineering with SSCs that handle financial or logistics processes.

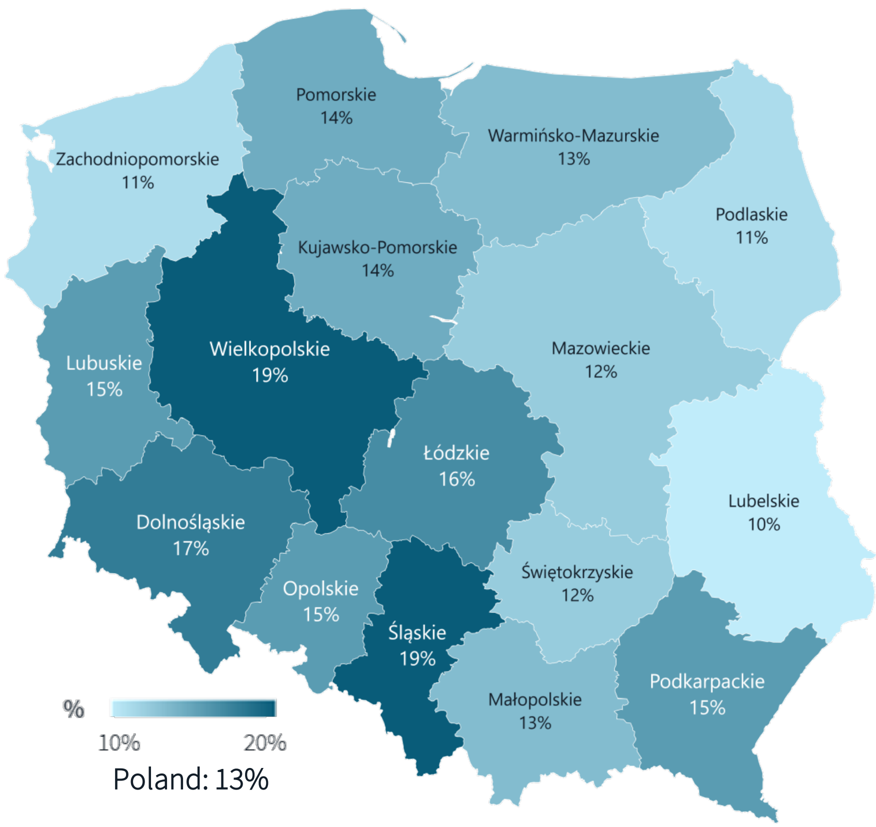
Talent pool per location

The key issue for investors when analysing the potential of particular locations in Poland is the availability of an existing talent pool, if there are plants that have similar processes or products in the area. Development potential is also an important factor, as investors want to know whether it would be possible to expand their operations in a given place by tens or even hundreds of jobs.

In 2023, over 390,000 organisations were operating in the manufacturing sector in Poland – close to one-third of them are located in the Mazowieckie and Śląskie regions alone.

In terms of the density of manufacturing plants in specific regions and their industry, Poland is extremely diverse. However, by far the most industrialised belt is the area of southern and western Poland, where in recent years many new production investments have emerged.

Percentage of the working population employed in the industrial sector by region in 2023



Source: Statistics Poland, 2023

Manufacturing sector by industry

Polish manufacturing is expanding in various sectors. Production centers in the FMCG, medical, household appliances, automotive, and packaging industries remain at the forefront. Additionally, there are ongoing investments in the west of the country to produce heat pumps and electric car batteries, highlighting the increasing global demand for eco-friendly solutions.

Traditionally, the largest employment levels in the Polish manufacturing sector are recorded by entities in the food and beverage, metal products, furniture and wood products, and automotive industries.

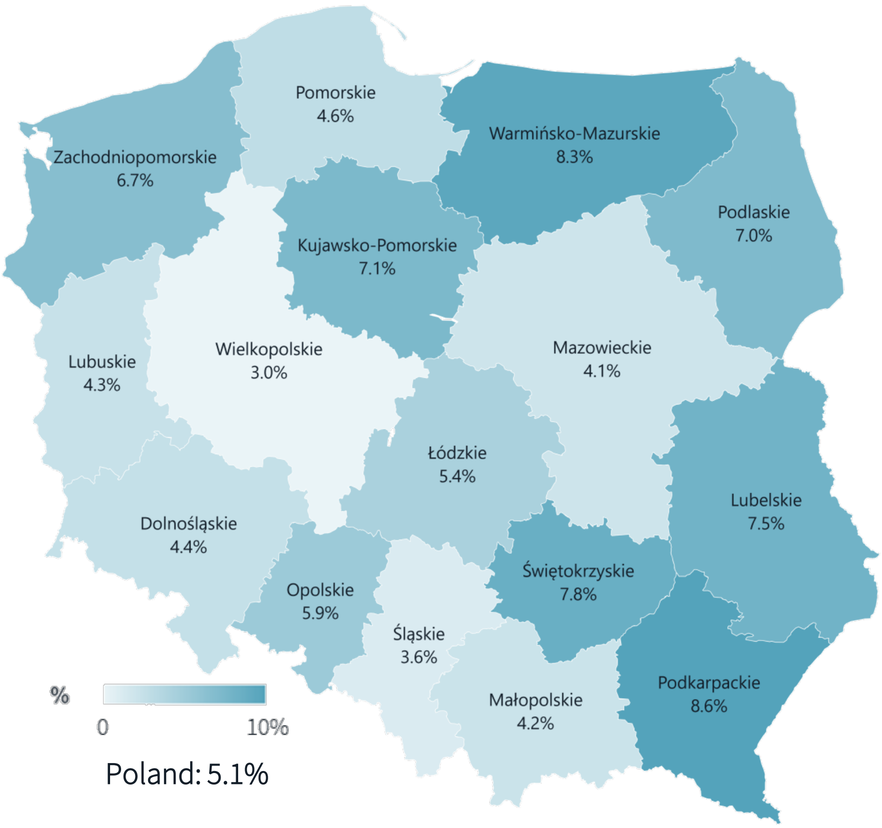
The trend of 'green factories' is gaining momentum. Manufacturing projects across the country are embracing the latest pro-environmental solutions and technological processes, powered exclusively by renewable energy, in order to reduce greenhouse gas emissions. More and more Polish manufacturing plants are striving to operate sustainably and in compliance with ESG standards.

Unemployment rate

Poland has recorded a low level of unemployment for years. With a limited number of unemployed, immediately available candidates, investors expanding into the local market need to create attractive offers and carefully designed recruitment strategies.

In 2023, Poland's average unemployment rate was 5.1%, and by the end of the year it was third lowest in the European Union.

The average unemployment rate in Poland in 2023 by region



Source: Statistics Poland, 2023

The more developed regions with large manufacturing hubs, such as Śląskie, Mazowieckie, Dolnośląskie, and Łódzkie have an unemployment rate of ca. 4-5%, while in some of the less economically developed regions in the east of the country, such as Warmińsko -Mazurskie and Podkarpackie, the rate is above 8%.

However, it is worth noting that even in the regions with the lowest unemployment, certain subregions still have high unemployment rates. Such subregions give organisations investment opportunities near a major city and access to a wide pool of available candidates.

Poland is one of the biggest European countries, with a population of ca. 38 million. At the end of Q4 2023, the total number of registered unemployed people in Poland was just over 0.7 million, which still represents a significant talent pool.

Investors are attracted to Poland mainly because of a highly qualified and experienced workforce, possessing advanced technical, managerial and linguistic skills. Despite the low unemployment rate, Poland is a large country with a vast talent pool of blue- and white-collar workers offering excellent value for money. However, recruitment success largely depends on the quality of the employer's offer.

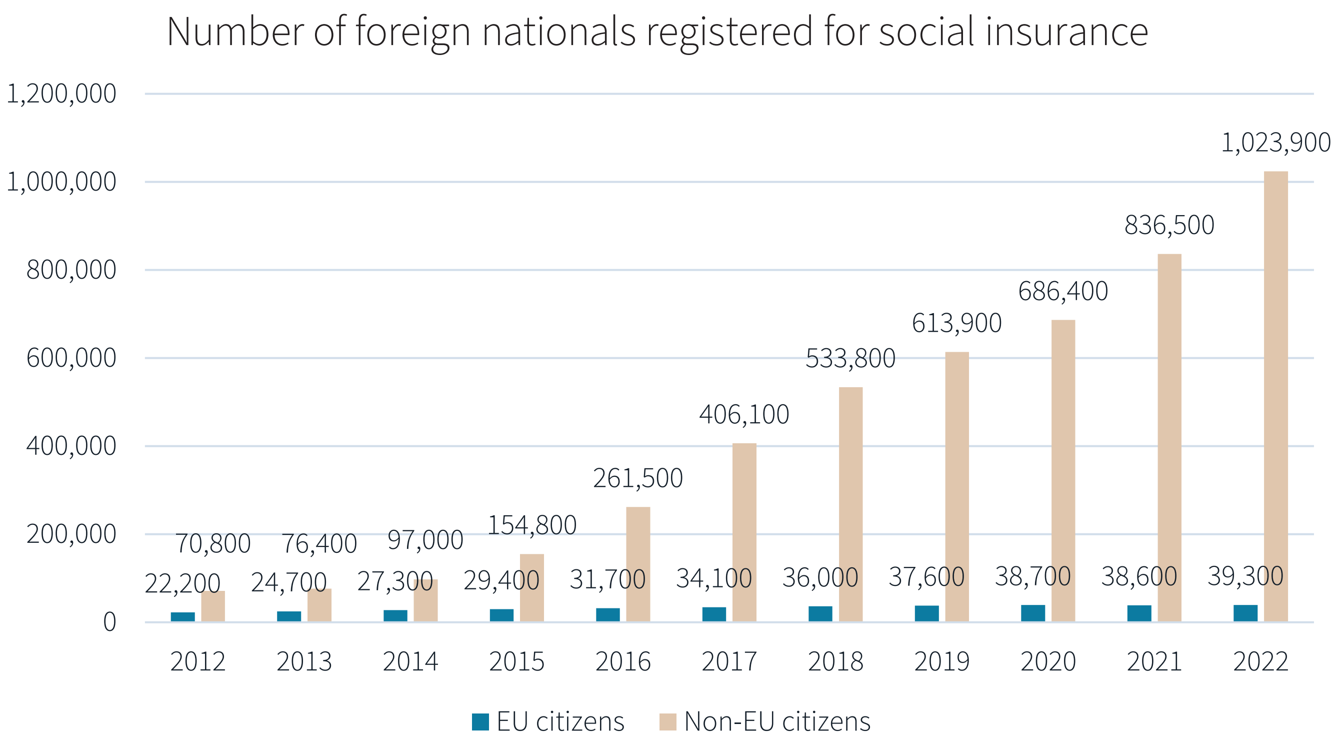
Łukasz Grzeszczyk
CEE Executive Director
Investors Consulting & Talent Location Strategy, Hays

Foreign employees in Poland

Poland is seeing a steady rise in the number of foreign workers employed, both from EU and non-EU countries. In fact, in 2022, over one million foreigners were registered for social insurance, which is a significant milestone.

Hiring immigrant workers has become an integral part of employment strategies implemented by manufacturing organisations in Poland. Over the past five years, the number of registered foreign workers has increased by nearly 2.5 times.

The low unemployment levels and current market situation emphasise the need for hiring companies to make attractive offers to Polish candidates. However, Poland is a vast country with a lot of manufacturing talent from all over the world, including talent from South America and Asia. Indeed, in addition to a vast community of workers from Ukraine and a large group of Belarusians, the manufacturing talent pools in Poland are rich with immigrant workers from Nepal, Bangladesh, Colombia, Peru, Georgia and Armenia, amongst other countries. Employees from Ukraine, Belarus, Georgia and Moldova fall under the simplified procedure for issuing work permits. However, citizens from places such as India, Vietnam, Philippines and Nepal have different work permit requirements.



Source: Social Insurance Institution.

Education

Employers can face challenges in hiring operational staff, a result of the educational gap from the turn of the century when technical education was on the decline in Poland. However, in recent years, technical secondary and tertiary education has grown in importance and popularity.

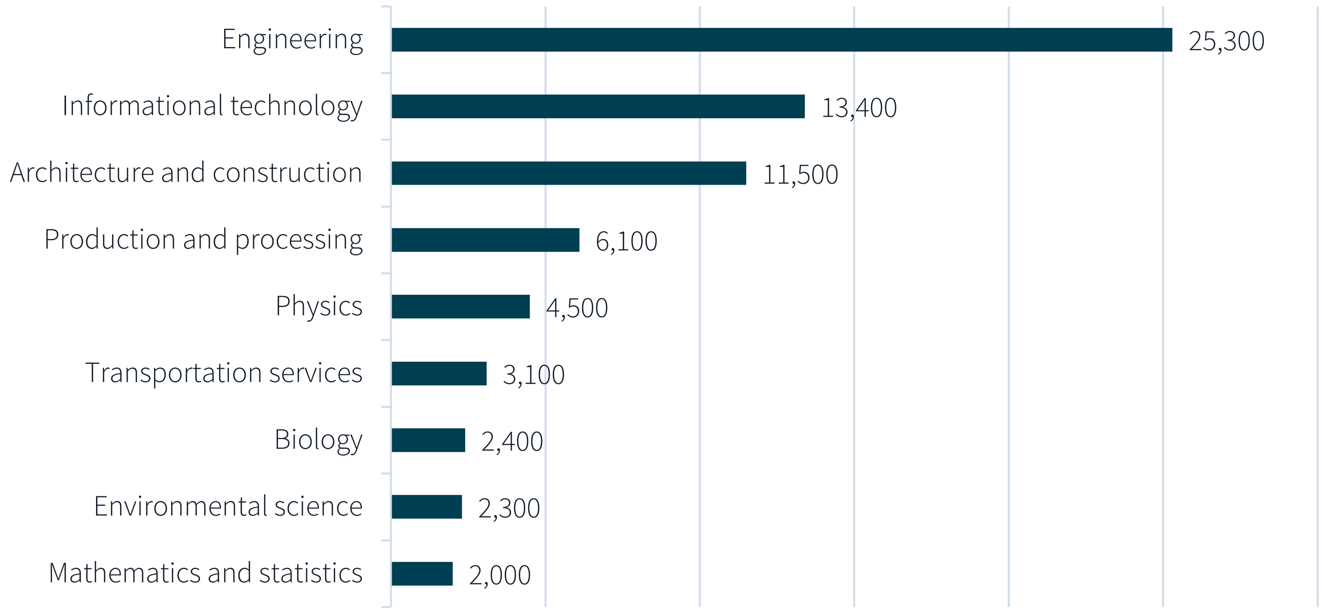
Many businesses cooperate with universities and secondary schools by offering traineeships to both students and graduates. Some companies have extended this cooperation and become involved in the educational process, organising courses or sponsoring industry-related events held at universities.

In the 2022/23 academic year, more than 711,000 people were studying in technical secondary schools and there were more than 206,000 students in vocational schools. These schools have various educational profiles, however, the most relevant fields of study for the manufacturing sector are Engineering and Manufacturing & Processing, which jointly were chosen by more than half of vocational school graduates in 2023.

Technical studies remain popular in Poland. In the academic year 2022/23 more than 70,000 people graduated with a technical degree, including 25,000 in Engineering, and 6,000 in Production & Processing.

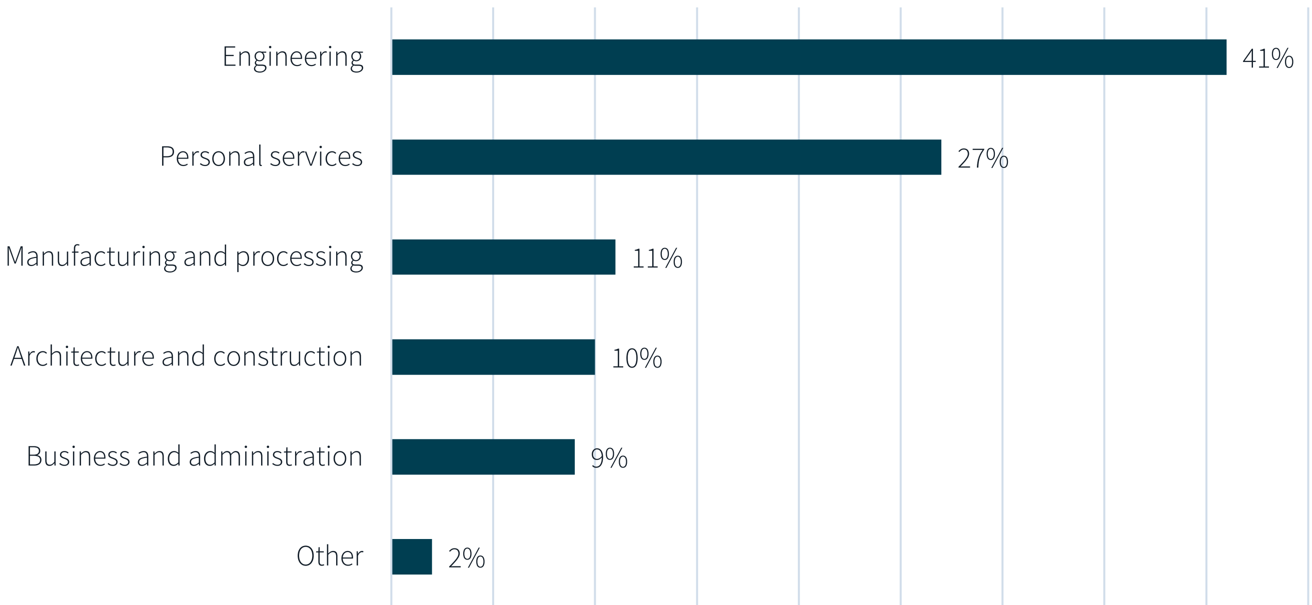
The number of students in the fields directly related to manufacturing and engineering has remained stable, over the last three years the number of environmental science graduates has more than doubled.

University graduates with a technical degree in 2023

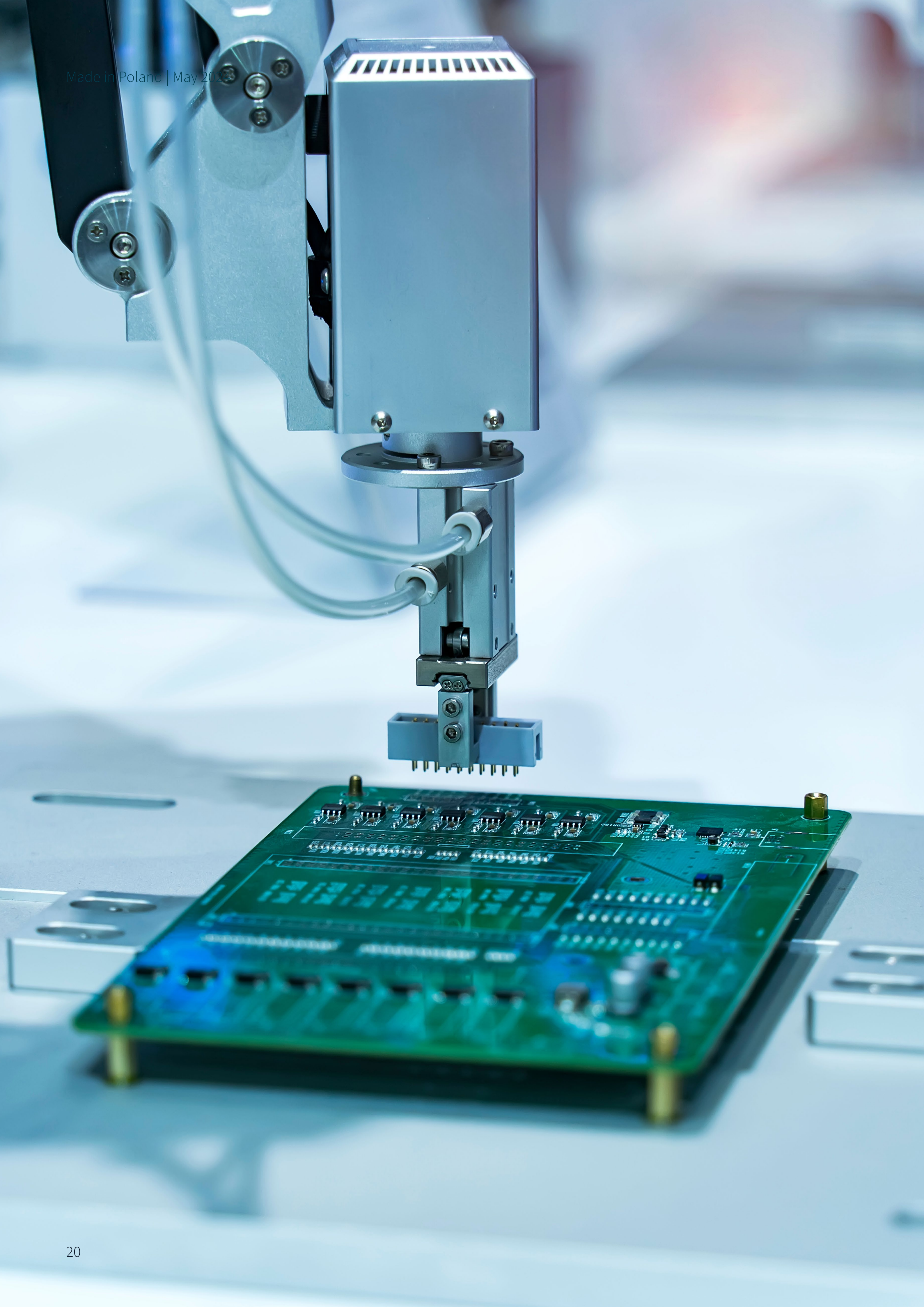


Source: Hays analysis based on Central Statistical Office data, 2023.

Graduates of vocational schools by fields of education in 2023



Source: Hays analysis based on Central Statistical Office data, 2023.



Salary benchmarks

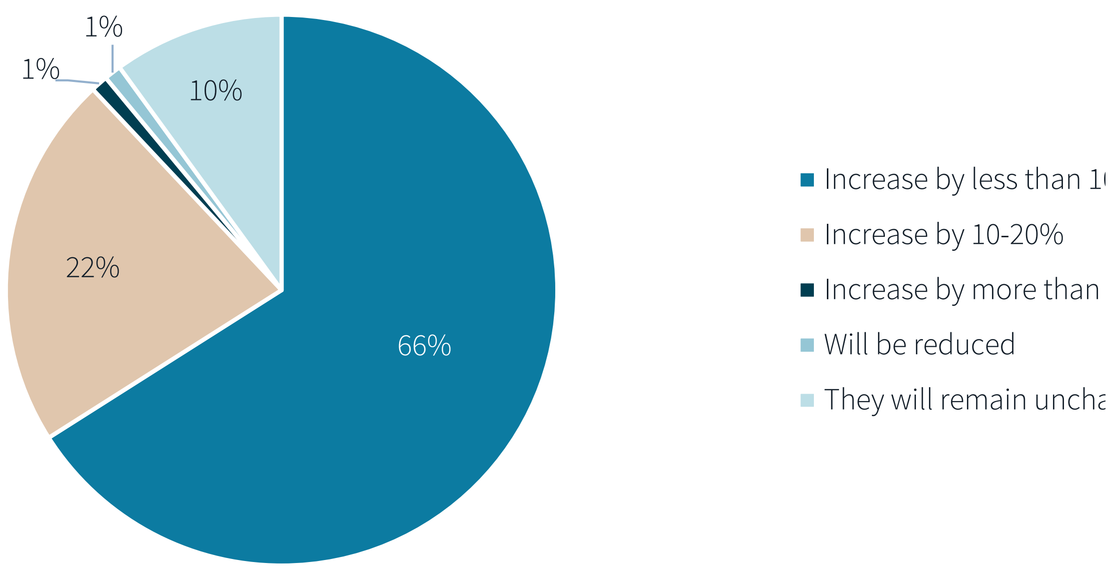
For many years, Poland has been perceived as an emerging or even a low-cost country. This has resulted in many international businesses entering the market and the employment of thousands of workers in manufacturing plants, expanding the potential of the manufacturing sector.

Recently, however, the Polish manufacturing sector has been experiencing increasing specialisation and automation, which is changing the image of the Polish manufacturing sector and the needs of employers. Rising labour costs observed in the past years have contributed to the fact that Poland – while still offering great value for money – can no longer be called "low cost".

Despite growing labour costs, Poland remains a market that offers high-quality work for a moderate price. Salary levels increase when seeking specialists with niche skills, or when relocation is required.

The most visible increase in salary expectations is seen among employees of the lower-to-mid technical level – such as electricians and mechanics – as well as experts in automation, robotics, and maintenance. When assessing employment costs, the variations between average salaries in Poland depend on the development of the region in question, and also the type of industry situated in that particular area.

Does your organisation plan to make any changes to salaries in 2024?
The perspective of employers in the manufacturing industry in Poland



Source: Hays Poland Salary Guide 2024.

Gross monthly salary ranges in Poland for manufacturing roles in 2024 (in PLN)*

Position	MIN	OPT	OPT
Plant Manager (more than 500 FTEs)	35,000	40,000	55,000
Plant Manager (100-500 FTEs)	25,000	35,000	40,000
Plant Manager (up 100 FTEs)	20,000	25,000	30,000
Operations Director (more than 500 FTEs)	25,000	30,000	35,000
Production Manager (more than 100 FTEs)	13,000	18,000	26,000
R&D Manager (10-15 FTEs)	13,000	18,000	25,000
Continuous Improvement Manager	13,000	18,000	25,000
Quality Manager	13,000	16,000	25,000
Engineering Manager	13,000	16,000	22,000
Project Manager	12,000	16,000	20,000
Supplier Quality Manager	12,000	14,000	16,000
Maintenance Manager	11,000	16,000	20,000
EHS Manager	11,000	14,000	20,000
EHS Specialist	8,000	9,000	12,000
Application Engineer	9,000	11,000	14,000
Tooling Engineer	8,000	11,000	15,000
R&D Engineer	8,000	11,000	15,000
Project Engineer	8,000	10,000	14,000
Design Engineer	8,000	10,000	13,000
Lean Manufacturing Engineer	8,000	10,000	12,000
Production/ Process Engineer	8,000	10,000	12,000
Electrical Engineer	8,000	9,000	12,000
Maintenance Engineer	8,000	9,000	10,000
Automation Engineer	7 500	10,000	12 500
Reliability Engineer	7 500	9,000	10,000
Packaging Engineer	7,000	8 500	10,000
Utilities Specialist	7 500	8 500	10,000
Quality Control Specialist	7,000	8,000	9 500
Electrical Technician	6 500	8,000	9,000
Production Planner	6,000	9,000	12,000

*Average rates for the whole of Poland. Gross monthly remuneration in a given position (full-time). Optimum is the salary most often proposed at an equivalent position.

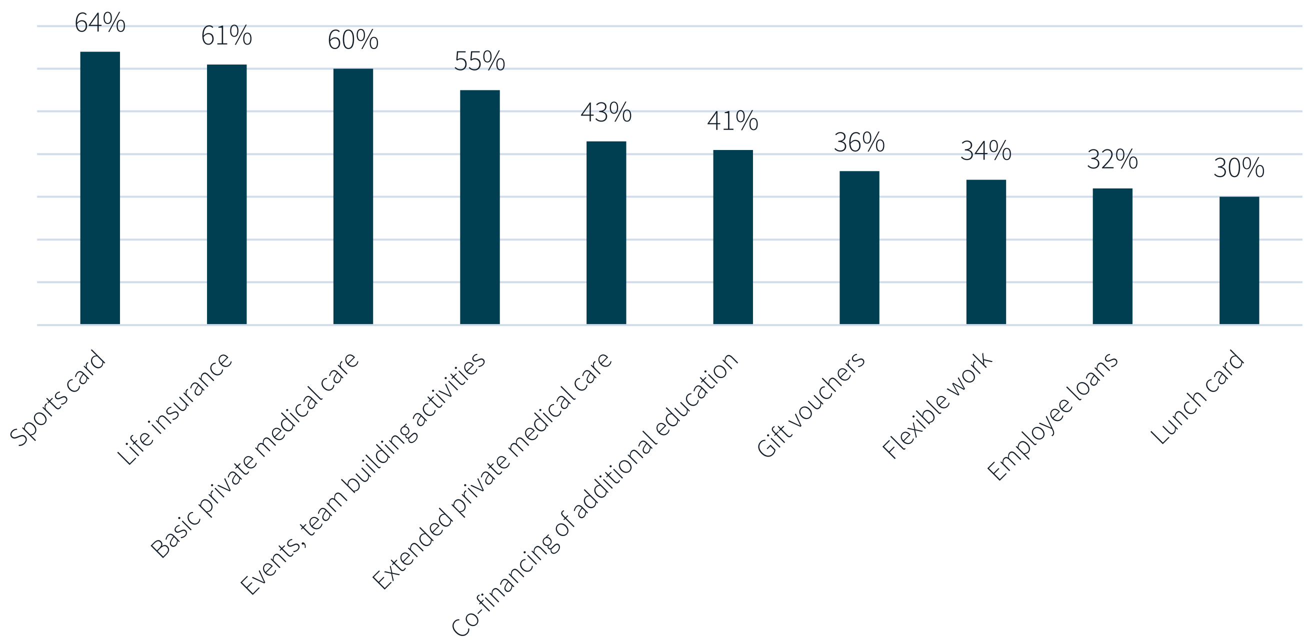
Source: Hays Poland Salary Guide 2024.

Benefits

Benefits play a vital role in devising successful recruitment and retention strategies. Standard benefits include a sports card, life insurance, and a basic private medical care package. From the perspective of employees in the manufacturing sector, very attractive is the perk of customising their benefit package as per their preferences. However, this is not a common solution yet, so new investors can leverage it to gain a competitive edge.

Specialist staff also value interesting training courses and flexible working hours. Production workers, on the other hand, appreciate various financial bonuses.

Most common benefits offered by the manufacturing industry



Source: Hays Poland Salary Guide 2024.

Hybrid work model

The manufacturing industry has limited options for remote work. However, some engineers and specialists in this sector are offered a hybrid work model. This model is most commonly applied to roles in R&D centers with global or international responsibilities. It is also used for logistics and purchasing roles in companies located in non-standard areas for manufacturing plants.

Compared to industries that primarily rely on office work, the manufacturing sector may not be as competitive in terms of work flexibility. Nevertheless, employers offering remote working options to their white-collar workers can gain competitive advantage.

Upskilling and reskilling

The manufacturing job market is constantly changing, offering candidates an excellent opportunity to improve their skills and stay competitive. To succeed, it's important to combine technical knowledge and abilities from different areas, such as automation, mechatronics, and IT, which are in high demand these days.

Employees expect their employers to support them in developing and expanding their skill sets, so it's wise to provide planned training for all job levels from the beginning. Upskilling and reskilling courses in automation, mechatronics, and IT are particularly important.

In Poland, employers can receive a partial refund for the costs of on-the-job training required for newly hired employees who were previously registered as unemployed.

Candidates are highly interested in information about their career paths, training opportunities, and development plans. They want to know how and when their skills and experience will lead to promotion. It's best to provide this information during the initial interview.

Recruitment process

In Poland's current job market, candidates with technical abilities, expertise, and soft skills hold the strongest positions. This means that employers looking for mid-level technical workers, automation and maintenance experts, and candidates with a mix of engineering and IT skills, need to have a well-designed recruitment strategy and a quality offer to attract the right candidates.

To acquire the best talent, investors need to act quickly and plan their recruitment process in waves to ensure that they don't miss out on top candidates.

Key considerations for an investor's recruitment strategy

Is there a workforce with the necessary skills and experience available in the location of interest?	Are there plants with similar manufacturing processes within a 60-80 km radius?	Are you willing to provide transportation for employees to and from the plant?
What are the most common work systems in the local plants (shift plans, shift duration, number of crews)? Is your system aligned with what the local workforce is used to?	Do you plan to incorporate an immigrant workforce into your employment strategy? If so, what percentage of your staff they will form, and what countries will they come from?	Do you plan to hire only permanent employees, or will you also include contingent workforce solutions in your employment mix?
Are your salaries and benefits aligned with market standards? What will be your unique selling point for candidates?	What is your short and long-term recruitment strategy? Do you plan to use the support of recruitment agencies?	Do you plan to set up an HR department in Poland with a good understanding of the local labour market and experience in the manufacturing sector?

Setting up a business

Establishing a business in Poland – tips and best practice

Once the decision to enter the market and expand into Poland has been made, one should consider legal structures and forms of doing business. There are some initial steps that need to be followed in order to proceed with the development.

Regulations referring to conducting business in Poland have changed significantly in the last few years as digitalization of dealings with public administration has become a major trend. Most of the new regulations reflect the need to incorporate EU law. However, COVID-19 has also been a key driver for e-government, where most legal, tax and compliance issues can be managed online.

First steps – what you should consider?

1. Ultimate Beneficial Owner – AML transparency

The investor is required to collect documents confirming the Ultimate Beneficial Owner (for KYC and AML procedures). Such data is required:

- in the process of formal business registration for the special UBO's register held by the Ministry of Finance ("CRBR")
- for banking cooperation, e.g. to open an account
- when starting cooperation with professional advisors (accounting, tax and legal advisors)
- at the notarial office during company set-up.

2. Electronic signature

A signature should be obtained (eIDAS-compliant) for persons representing your business entity, e.g. members of the management of a company.

Such a signature will be needed, i.a.:

- for business registration purposes
- for signing a CRBR application
- for signing financial statements, tax returns, SAF-T files etc.

3. Professional services

Usually, foreign investors are supported by professional service providers in the areas of IT, accounting, legal and tax, finance and strategic advisory from the very beginning of the investment in Poland.

The professional services sector is well-developed in Poland, and it is recommended to work with professional advisors in order to be compliant with specific regulations for certain industries.

4. Ways of inserting initial capital

Before planning the injection of funds into the newly set-up business, it is advisable to analyze with tax and legal advisors the optimal way to inject the initial capital.

An overview of legal forms of conducting business

There are several forms of conducting business activity in Poland to consider:

1. **Companies and partnerships stipulated in the Polish Code of Commercial Companies**

2. **Civil law commercial company (an agreement between entities conducting business activity, mainly sole traders)**

3. **Sole trader (often used for self-employment in the form of B2B contracts)**

Companies:

- limited liability company (spółka z ograniczoną odpowiedzialnością)
- simple joint stock company (prosta spółka akcyjna)
- joint stock company (spółka akcyjna)

Partnerships:

- registered (general) commercial partnership (spółka jawna)
- limited liability partnership (spółka partnerska)
- limited partnership (spółka komandytowa)
- partnership limited by shares (spółka komandytowo-akcyjna)

4. **A branch of a foreign entity in Poland or representative office [limited scope] of a foreign entrepreneur in Poland.**

Foreign entrepreneurs are recommended to obtain professional advice before choosing a suitable form of business. The most popular and convenient forms are:

- companies, especially a limited liability company
- branch of foreign entrepreneur

Most of the forms can be transformed into other business forms, in particular into other type of company. Since 2023 it is even possible to carve-out a branch (via cross-border division) into new entity , e.g. Polish LLC.

Polish law provides for flexible mechanisms to adjust legal form of doing business to range of activities with continuation of rights and obligations (which refers a.o. to assets, permits, binding contracts and clients relations).

The most popular forms of conducting business in Poland for foreign entrepreneurs

Limited Liability Company

The most popular and preferred form to conduct business activities in almost all business areas is spółka z ograniczoną odpowiedzialnością (sp. z o.o. – limited liability company, LLC).

- Shareholders of LLC are not liable with personal estate for the company's liabilities, however in the case of a company's bankruptcy, shareholders may not receive back contributions given to cover shares
- In special situations such as insolvency of a company, members of the management board, under certain conditions, might be responsible for the liabilities of a company

Important:

If members of a management board file for the proper type of insolvency proceeding in due time, they are released from responsibility for the liabilities of a company.

- As a rule, there are no restrictions for foreigners from EU countries to hold shares in sp. z o.o. or to establish sp. z o.o. In the case of non-EU residents, additional analysis should be considered, as some restrictions may be applicable
- The minimum share capital is PLN 5,000. Both cash and in-kind contributions are possible

Main decisions to be taken when preparing the Articles of Associations of LLC are:

- how the management board shall be composed
- whether a supervisory board is necessary
- what shall be the way of financing the operations at the initial stage (share capital or others)
- corporate governance standards to be opted -in or opted- out

The establishment of a company includes in particular the following actions:

- Signing the Articles of Associations (notary's deed or simplified online form)
- Registering the company in the National Court Register (NCR) (electronic registry process)
- During the process of registering the company at NCR, the Tax Identification Number ("NIP") and Statistical Register Number ("REGON") are issued automatically (a single window rule). However, VAT registration is made separately and should be done directly at the Tax Office
- Within seven days from entry at the NCR, an application confirming UBO should be filed with the CRBR in electronic form
- After registering in NCR and before employment of the first employee, a company should file an application to the Social Security Office for registration as a payer of social security contributions

Please note:

- The majority of formalities, including establishment and annual shareholder meetings, may be performed by a proxy
- Fees for setting up a company: notary fee – starting from approx. PLN 500 and above (dependent on the amount of share capital), court fees and other official fees (up to PLN 1,000), tax on civil law transactions (0.5% of the value of share capital), fees for legal assistance (dependent on the agreed scope of work and the complexity of the process)
- The timeframe for establishing the company: approx. 0.5-1.5 months
- Annual and monthly maintenance: monthly accounting services, annual financial statements, monthly payroll services, annual audit of financial statements (if certain thresholds are met)

Branch office of foreign entrepreneur

- The branch of a foreign entity in Poland is easier to set up than a new company. This is mostly due to the fact that corporate documents of a foreign company already exist and only have to be translated into Polish (sworn translation is needed). A foreign legal entity bears full liability for the branch's actions
- The registration procedure in the NCR is similar to the registration of a company and is conducted in electronic form only
- There is no need to register the branch's UBO in the CRBR
- The branch is obliged to maintain its accounting books according to Polish accounting law
- The branch can be an employer in Poland. After entry to the NCR, and in connection with employment of the first employee, an application should be filed with the Social Security Office for registration as a payer of social security contributions

Important:

- The branch, as a payer of social security contributions and also tax advances in personal income tax (PIT) for its employees must use its own Tax Identification Number (NIP) granted automatically and registered in NCR
- Furthermore, a separate VAT registration of a branch is also needed

Please note:

- The majority of formalities, including establishment and annual accounts approval, may be performed by a proxy
- Fees for setting up a branch office: Court fees and other official fees (up to PLN 1,000), fee for legal assistance (depends on the agreed scope of work and the complexity of the process)
- The timeframe for establishing a branch: approx. 0.5-1.5 month
- Annual maintenance: monthly accounting services, annual financial statements, monthly payroll services, annual audit of financial statements (if certain thresholds are met)

Partnerships in Poland

The main characteristics of partnerships is that at least one partner / general partner bears unlimited liability towards the creditors. Partnerships are more often dedicated for natural persons than international businesses due to the flexibility of payments to partners. On the other hand, after recent changes in tax law, partnerships cease to allow for favourable taxation (most of the partnerships are subject to corporate income tax (CIT) similar to companies).

Simple joint stock company

A simple joint stock company (prosta spółka akcyjna) is a new form of a commercial Company available since 2021. It is a suitable form of conducting business for start-ups. A simple joint stock company is also registered in NCR and the procedure is similar to the registration procedure of LLC.

Joint stock company

A joint stock company (PLC – spółka akcyjna) is the most developed form of conducting business. It is recommended for larger businesses or expanding businesses with a perspective of gathering capital on the market (e.g. by an IPO).

- In Poland a PLC can be:
  - ▹ public – listed on the stock exchange,
  - ▹ private – not listed on the stock exchange
- Minimum share capital mounts to PLN 100,000
- All shares are dematerialised, i.e. have an electronic form only and are registered on an electronic register of shareholders, maintained by a selected financial institution. Shareholders should decide on such a financial institution during the establishment of a PLC
- Shareholders are not liable for the obligations of the company; the risk is taken only up to the amount of invested capital
- Members of the management board are generally not responsible for the liabilities of a company with their personal property
- The registration procedure is similar to LLC, however, in the case of an in-kind contribution, additional professional opinion on the value of assets is required

Please note:

- The majority of formalities, including establishment and general assembly may be performed by a proxy, however, such documents should be executed in the form of a notary's deed
- Fees for setting up a company: notary fee – starting from approx. PLN 500 and above (dependant on the amount of share capital), court fees and other official fees (up to PLN 1,000), tax on civil law transactions (0.5% of the value of share capital), fee for legal assistance (depends on the agreed scope of work and the complexity of the process)
- Timeframe for establishing the company: approx. 0.5-1.5 months
- Annual maintenance: monthly accounting services, annual financial statements, monthly payroll services, annual audit of financial statements, costs of register of shareholders, costs of notarization of shareholders meetings

Summary

As mentioned above, the most suitable forms of conducting business activity are mainly limited liability company or a branch office of the foreign entrepreneur. **The formal duties of a limited liability company and a branch office are similar; however, the branch can only act in the scope of its parent company's business.**

In the case of the expansion of a business, transformation into a joint stock company can be considered. A joint stock company is the most formal way of conducting business activity in Poland, however, it gives a perspective for investors and enables financing through the stock exchange.

Relocation of business components into Poland

Since 2023 Poland offers a wide range of legal possibilities for relocating operating companies from other EU countries to Poland, including the procedures of:
1. cross-border transformation (conversion)
2. cross-border division (demerger)
3. cross-border merger

harmonised in line with the rules of the Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions.

New laws mainly provide for :
- possibility of cross-border demerger and cross -border transformation resulting in creation of a capital company in Poland continuing business operations relocated from other country
- new simplified types of domestic mergers and demergers defining conflict rules (applicable law) in the case of cross-border relocation
- rules of national control over the legality of a cross -border business relocation within the process of issuing a certificate of legality of a cross-border relocation (including specialized tax authority - the Head of the National Tax Administration).

Relocation of whole or part of an operating business from another country into Poland within the abovementioned procedures allow to take advantage of business, legal and tax continuity or succession with respect to assets ownership, binding contracts, client relations, permits or other administrative decisions.

Polish law provides for interesting legal mechanisms to continue or expand in Poland businesses initiated in other EU countries.

TUPE (transfer of undertaking)
When relocating an operating business covering a group of employees' regulations on transfer of undertaking and protection of employees (TUPE) should be taken into account - as harmonised in line with the Council Directive 2001/23/EC of March 12th 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses.

As a result, in the case of a takeover of the undertaking the new employer should be aware of the following basic rules:
1. Employment contract remains basically unchanged
2. Employee is allowed to opt-out from the transfer to the new employer
3. New employer bears joint and several liability for obligations arising from the employment relationship that arose before the transfer of the undertaking (for example: for social security funds or personal income tax paid incorrectly in the previous years, for unpaid bonuses)
4. Employees are basically entitled to payments, grants, awards which were available at the previous employer
5. There is no need to re-calculate total amount of holiday leave (and pay annual leave equivalent)
6. Other rights of employees and their seniority should be continued.

Forms of employment

Becoming operational in Poland will undoubtedly be shortly followed by a recruitment process.

Below are the most important issues to be considered while proceeding with the plan of employment:

Employment contract - general information	
Basic forms of employment contract	employment contract for undefined period employment contract for defined period employment contract for trial period
Termination	Termination of contracts with employees should be justified and depends on the form of employment, and in principle can be based on the termination notice or settlement with the employee.
Internal work regulations	Depending on the number of employees, the employer may be obliged to establish more detailed internal work regulations (e.g. related to work performance, remuneration, employees' representation, whistleblowing, remote work etc.).
Minimum wage	There is a minimum wage for work prescribed by law, which is recently updated twice a year. As of July 2024, the minimum wage shall be PLN 4,300 (ca. EUR 1,000) gross per month for an employee working full-time (40 hours / week).
Employee Capital Plan (PPK)	In general, the employer should establish an obligatory Employee Capital Plan (PPK) - however, exemptions are available. The employer's and employees' contributions to the PPK total up to 4% of the gross salary.
Personal income tax (PIT)	• 12% tax rate for yearly income up to PLN 120,000 • 32% tax rate for surplus of yearly income over PLN 120,000 • The tax-free amount is PLN 30,000 yearly • Full tax exemption is provided for employees up to the age of 26
Social security contributions	• Compliance obligations of an employer include preparation and submission of monthly declarations/reports, as well as the calculation and payment of social security contributions • The basis for social security contributions is the employee's gross salary, capped at PLN 234,720 (as of 2024, updated each year) • Contribution rates are as follows: (i) social contributions borne by the employer amount to approx. 20% (ii) social contributions withheld from employee's salary amount to 13.71% • Health insurance premiums are also withheld from the salary (borne by the employee) and amount to 9% of the gross salary

Civil Law contract / B2B

Other common legal bases of provision of work/services are self-employment (B2B contract) and various forms of civil law contracts (in such cases Polish Labour Law is not applicable). Contrary to the employment contract, civil law or B2B contracts are characterized by a lack of subordination to the mandator (principal). The mandatary is responsible for its own actions with all personal property.

Civil law contract / B2B contract - general information	
Civil law contracts	• Under civil law contract there are no limits to working hours • The minimum hourly wage is set for the civil law contract, which from July 2024 amounts to PLN 28.10 (ca. EUR 6.5) gross and is updated twice a year • The mandator (principal) is the payer of social security contributions and health insurance contributions, while the mandatary is also entitled to participate in PPK programme • Tax burdens are similar to employment contracts
B2B contract	The parties of B2B contract are entrepreneurs, most often a sole trader and its contractor (principal). B2B contracts are suitable mostly for certain specialists and freelancers acting as self-employed people with the possibility of applying a preferential 19% flat tax rate or lower. B2B contracts are seldom used in manufacturing industries.

How to employ foreigners?

As a rule, foreigners are entitled to perform work in Poland, if they:

- stay legally in Poland (e.g. on the basis of an appropriate visa) and have a work permit, or
- have a temporary residence in Poland and work permit, or
- have a temporary residence permit in order to perform work in a profession requiring high qualifications

A work permit in Poland may **not be required** in certain cases stipulated in Polish regulations.

Citizens of six states – Ukraine, Belarus, Georgia, Armenia, and Moldova also constitute an important group of exceptions and benefit from easier access to the Polish labour market. The duration of employment, following an employer's declaration on hiring a foreigner, has been extended from 6 to 24 months.

Employment of Ukrainian citizens

One of the aims of the special act on assistance to Ukrainian citizens is to open the access to the Polish labour market and the simplification of procedures related to the legalization of employment. This special act stipulates that employers hiring Ukrainian citizens legally residing in Poland will only be required to notify the regional labour office in Poland (Starosta) that a citizen of Ukraine has taken up employment. The notification shall be submitted online by the employer within seven days.

Remote work regulations

Where possible employees in Poland are accustomed to work remotely and since 2023 the Polish Labour Code includes complex regulations on remote work.

Remote work is especially popular in back-office departments, even in the manufacturing sector. As a rule, each employee is entitled to 24 days of remote work each year.

On top of it each employer can decide on the availability of an additional quota of remote work-days. In order to do so the employer in cooperation with employees' representatives should agree on implementation of detailed rules of remote work (remote work policy) aimed among others at defining the availability of remote work for given types of positions and rules of reimbursement of employees' costs.

Basically, the employer is obliged to refund employees the costs of energy, media and Internet used during remote work. This amount can be decided as flat rate paid each month. This amount is free from taxes and social security funds.

Employees representations

Basically, Polish labour law is harmonized with standards of European labour law, also in respect to the legal framework for establishment of employees' representatives within the companies, including the requirement of establishing the Employees Council.

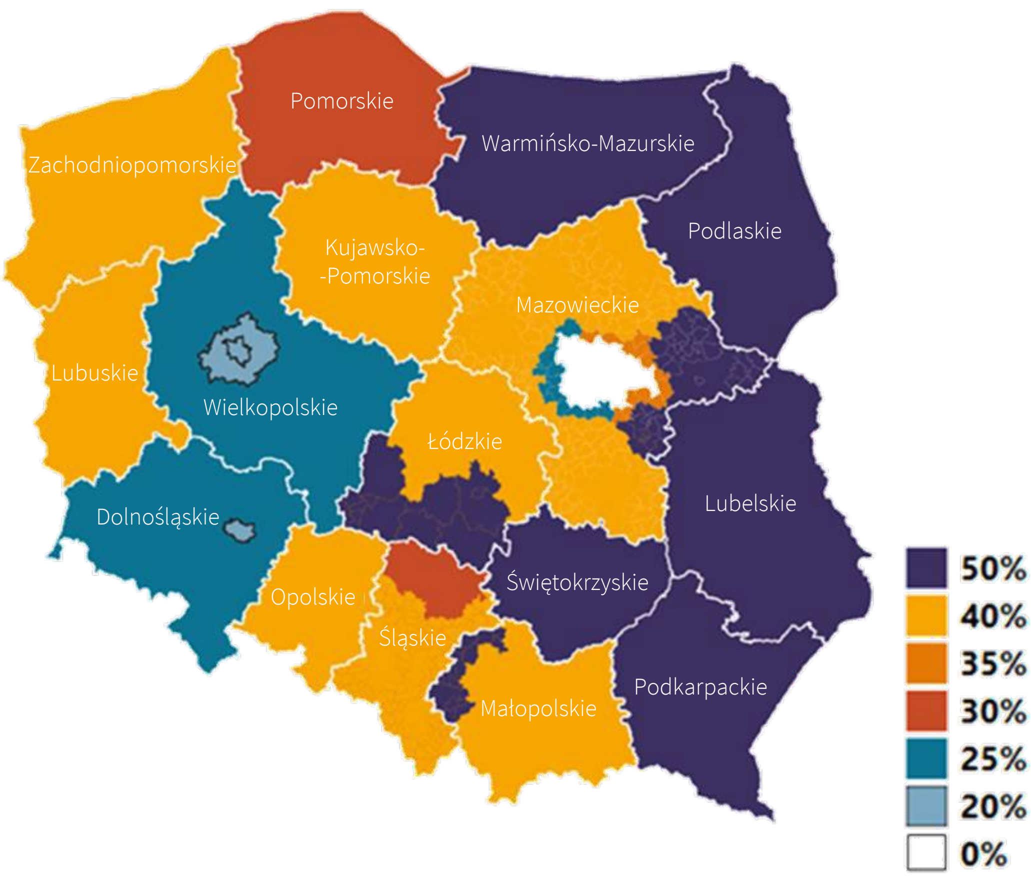
From the practical perspective it seems, however, that the involvement of employees' representatives in the decisions processes in companies is still not significant.

Grants & Incentives

The selection of an optimal location for a new investment requires careful evaluation of numerous variables. While these factors might vary across industries, certain elements hold significance for most businesses, including political stability, favorable economic conditions, supportive business environment, a pool of skilled labor, quality of life, and cost levels.

State and local incentives schemes gain prominence among the essential criteria for site selection, as they can affect the overall business case by reducing the initial investment costs.

Regional state aid map for years 2022-2027



Source: European Commission.

EU Investment support amid recent changes

The revised Guidelines on Regional State Aid, effective from January 1st, 2022, have increased aid coverage to the area populated by 48% of the EU citizens. Moreover, a list of assisted areas has been updated and maximum aid intensities for green and digital investments have been raised. The rules for granting regional aid were also simplified.

In response to the crisis caused by Russia's invasion of Ukraine, the European Commission introduced the Temporary Crisis and Transition Framework (TCTF) on March 9th, 2023. The TCTF will support the rollout of renewable energy sources, decarbonization of industrial processes, and manufacturing of strategic equipment until December 31st, 2025. The TCTF aims to foster support measures in sectors that are key for the transition to a net-zero economy, in line with the Green Deal Industrial Plan.

Maximum funding levels in Poland

The maximum level of state aid that can be granted to a new investment in the European Union depends on the state aid intensity (intervention rate) and the eligible costs. State aid intervention rates differ depending on the region.

As per the revised guidelines, the Just Transition Fund has raised the maximum regional aid intensity by an additional 10 percentage points in specific Polish regions: Śląsk, Dolny Śląsk, Wielkopolska, Małopolska, and Łódzkie province. The regional state aid map for the years 2022-2024 reflects these changes:

- Medium-sized and small companies enjoy additional bonuses of 10 and 20 percentage points, respectively.
- On the other hand, in the case of a large investment with costs exceeding €55m, the maximum state aid is adjusted.

The maximum level of state aid for an investment is expressed as a percentage of eligible costs, i.e.:

- investment expenditures – tangible and intangible assets, or
- two-year labour costs - the estimated fully loaded labour costs arising from job creation as a result of an initial investment, calculated over a period of two years.

Navigating available support instruments to maximise state aid

The maximum amount of aid available can be accessed with a help of two types of instruments of regional state aid:

Non-reimbursable cash support:

- government investment and training grants,
- grants for zero-emission projects (TCTF based),
- grants for the implementation of R&D results co-financed by EU funds.

Tax holidays:

- Corporate Income Tax exemption,
- Real Estate Tax breaks.

Project assumptions	Example 1 Capital-intense investment	Example 2 Labour-intense investment
Investment	Car components plant	Food-processing factory
CAPEX	€45m	€10
Headcount	55 FTEs	900 FTEs
Location	Gliwice, Silesia	Bełchatów, Łódzkie province
Intervention rate	40%	50%
Max. level of support	40% x €45m = €18m	50% x (900 x €1,500 x 24) = €16.2m

Government grant – a tailor-made grant!

The Programme for supporting investments of major importance to the Polish economy for the years 2011-2030 (the “Programme”) supports investments both in manufacturing, R&D and modern Business Services including finance and accounting, supply chain management, IT services, HR, banking, and professional services, among others.

Manufacturing projects or those involving substantial R&D expenditures may qualify for an investment grant of up to 25% of eligible investment costs. In case of the employment grant, R&D and Business Services initiatives can avail up to PLN 40,000 for each new job created. The extent of support varies based on the investment’s location and its alignment with qualitative criteria.

Furthermore, companies qualifying for cash grants can also apply for a training subsidy covering up to 50% of training costs.

The level of support varies based on the location of the investment and its alignment with qualitative criteria. The highest support is available in:

- Medium-sized cities witnessing a decline in socio-economic functions and specified communes.
- Counties where the unemployment rate exceeds at least 160% of the national average.
- Five voivodeships of Eastern Poland: Warmińsko-Mazurskie, Podlaskie, Lubelskie, Świętokrzyskie, Podkarpackie.

Minimum eligibility criteria

1. Investment Grant

Type of investment	Min. eligible costs (PLN mn)[9]	Min. new employment[9]	Max. support (% of CAPEX) by company size
Strategic	160	50	micro/small: 25%[1] / 15%[5] medium/developing 20%[1] / 10%[5] large: 15%[1] / 5%[5]
Innovative (Innovativeness must be validated by the Ministry)	7	20	
R&D	1	10	25%[1] / 15%[5]

2. Employment Grant

Type of investment	Min. eligible costs (PLN mn)[9]	Min. new employment[9]	Type of processes	Min. new employment[9]
Business Service Center	1	100	Intermediate and Advanced	15,000 / 7,500
R&D	1	10	R&D services	up to 40,000[3] / up to 30,000[4] up to 20,000[1] / up to 15,000[5]

[1] in the case of locating the investment in the area of the country where the maximum regional aid intensity is 50% or in an area at risk of exclusion
[2] for those with higher education
[3] in the case of creating at least 200 new jobs or having the status of a Research and Development Centre in accordance with the Act of 30 May 2008 on certain forms of support for innovative activities, regardless of the location of the investment
[4] in the case at least 100 new jobs being created, regardless of the location of the investment
[5] in the case of locating the investment in the rest of the country
[6] for those with higher education
[7] in the case of locating the investment in the area of the country where the maximum regional aid intensity is 50% or in an area at risk of exclusion
[8] in the case of locating the investment in the rest of the country
[9] requirements for large companies. For medium, small and micro enterprises, values are respectively lower.

3. Training grant

The amount of support for the employment or investment grant may be increased if the entrepreneur offers training to employees. Additional support per employee can be a maximum of:

- PLN 7,000: if locating the investment in an area of the country where the maximum regional aid intensity is 50%, or in an area at risk of exclusion.
- PLN 5,000: if locating the investment in other regions.

!

A large enterprise is obliged to incur costs of cooperation with higher education and science institutions or secondary schools amounting to at least 15% of the value of the subsidy. Costs must be incurred during realization phase or so-called maintenance period (five years from the completion of the investment). Such cooperation can be based, for example, on offering scholarships or conducting joint research.

Quality assessment of the project

Companies seeking grants must also meet a set of qualitative criteria. When applying for support for investment costs, it is possible to select up to 10 out of 11 qualitative criteria for investment evaluation. An entrepreneur may receive support provided if he or she achieves at least 4 to 6 points (depending on location). The quality of an investment is assessed in the following areas:

Structural Development

Scientific Development

Sustainable Development

HR Development

Social Responsibility

Additional Criteria

The operator of the Programme and the authority granting State Aid is the Minister of Development and Technology. The Polish Investment and Trade Agency (PAIH) is responsible for preparing and providing the Ministry with a dossier of investment projects and all the documents required to carry out the entire procedure of providing financial support.

How can I receive a grant? Let us help you

Support is granted in the form of a subsidy based on the bilateral agreement concluded between the Minister of Economy and the investor. The agreement regulates in detail the terms of payment of the subsidy and the maintenance of the principle that the subsidy is paid in proportion to the degree of fulfilment of obligations.

Submission of documents by the Investor: The application form (to PAIH) application for public aid (to the Minister of Economic Development and Technology), Incentive Effect Analysis (to both entities)

PAIH verifies the documentation Prepares a project assessment of the investment and the amount of support proposal based on it

Interministerial Committee for Investments of Major Importance for the Polish Economy
A recommendation of cash grant amount

The final decision whether to award a grant and on the amount of the grant is made by the Minister responsible for the economy; the offer is sent to the investor by Ministry

If investor accepts the offer (within 30 days) an agreement between the Ministry and the investor is concluded

Start of work on the investment is only possible after submitting a letter/application for State Aid with attachments to the Ministry of Development and Technology (an incentive effect analysis is required only for projects implemented by large entrepreneurs).

Going green - grants for low-carbon projects

Benefitting from the TCTF (Temporary Crisis and Transition Framework)

Investments and support for the production of essential equipment, components and raw materials are pivotal for driving sustainable development and environmental improvement. The European Commission has articulated a communication that enables investors to seek financial support for encouraging the production of crucial equipment, key components and critical raw materials required for achieving the goal of net-zero emissions. Investments can be supported within the limits set by the European Commission, but the member state must enact national regulations (national aid program with a budget, which must receive European Commission's approval). Poland is one of the first EU member states to develop appropriate documentation to incorporate the TCTF's principles into law.

What kind of projects can count on support under TCTF rules?

- Production of essential equipment such as:

Batteries | Solar panels | Wind turbines | Heat pumps | Electrolyzers | CCUS

- Production of key components for the above-mentioned equipment
- Production or recovery of specified critical raw materials for the above-mentioned equipment

Supplementary conditions and quantitative criteria for providing assistance :

Type of investment	Min. investment costs (EUR mn)	Min. new employment	Min. number of supplementary conditions	Max. duration of the project
Investment in the eligible sector	160	50	5	7 years[1]

Source: Polish Investment & Trade Agency

[1] The project should be implemented within 7 years of the start of the project

To qualify for the program, the company must meet a minimum of 5 supplementary conditions (quality criteria) out of 14 to choose from. Such qualitative assessment is made in the areas such as human resources, location, environmental impact, and others.

A company applying for a TCTF grant will receive more State Aid if more supplementary conditions are met.

The maximum value of grant aid depends on the aid intensity of the investment location. For large enterprises, the limits are as follows:

Maximum aid intensity	Capped at (EUR mn):
35%[1]	350
20%[2]	200
15%[3]	150

[1] Voivodeships: Lubuskie, Zachodnio-Pomorskie, Pomorskie, Kujawsko-Pomorskie, Warmińsko-Mazurskie, Podlaskie, Lubelskie, Łódzkie, Świętokrzyskie, Opolskie, Śląskie, Małopolskie, Podkarpackie, part of Mazowieckie without Warsaw Capital Region and 20% municipalities

[2] Voivodeships: Wielkopolskie, Dolnośląskie, part of Mazowieckie without Warsaw Capital Region and 30% municipalities

[3] Warsaw Capital Region

At the moment, the program has been submitted to the EC's for notification.
Poland is in the process of notifying the aid program, i.e. regulations regarding low-emission projects, to the European Commission, therefore, the support is not yet available.
Support for low-emission projects shall be granted until December 31st, 2025.

Tax breaks

Corporate Income Tax Exemption under Polish Investment Zone scheme

Under the Polish Investment Zone (PIZ) national scheme, companies can take advantage of Corporate Income Tax (CIT) exemption. Since 2018, the tax exemption has been made available across all locations in Poland, including major cities. This change is appealing to both the Business Services Sector, as large and mid-sized cities offer access to a talented workforce, and manufacturing projects, as incentives are no longer related to specified Special Economic Zone area.

In order to benefit from this instrument, companies have to meet:

Quantitative criteria:
Minimum eligible investment costs – these depend on the unemployment level, company size, and sector of activity, and **Qualitative criteria** which ensure that the investment contributes to the sustainable economic and social development of both country and the region.

Qualitative criteria for manufacturing investment

Sustainable economic development
Investment in high potential industries in line with government economic policy or regional specialisation
Enhancement of human resources potential (creation / financing of kindergarten, employment of disabled persons)
Cooperation with suppliers (tooling)
Robotization and Automation
Membership in Key National Cluster
Partial R&D activities
Investment in renewable energy sources
Status of medium, small or micro enterprise

Sustainable social development
Creation of specialised and stable job places
Low impact on the environment
Investment located in medium-sized cities or counties impacted by high unemployment
Upskilling of employees, cooperation with educational institutions
Additional perks and benefit for employees
Partial R&D activities
Investment in renewable energy sources
Status of medium, small or micro enterprise

Regardless of the type of investment, there is a minimum score - points that an applicant must get to qualify for exemption. Minimum score depends on the location of investment:

- 4 pts. in regions where the intervention rate is 50%
- 5 pts. in regions where the intervention rate is 40%
- 6 pts in Dolnośląskie, Wielkopolskie and part of Mazowieckie voivodeships (select communes of Warszawski Stołeczny sub-region),

but no less than one point for each group of criteria.

Tax exemption is available for a fixed period of time ranging from 12 to 15 years. The duration depends on the intervention rate in a given region as follows:

- 15 years in 50% area,
- 14 years in 30 or 40% areas,
- 12 years in Dolnośląskie, Wielkopolskie and part of Mazowieckie (select communes of Warszawski Stołeczny sub-region.

Special economic zone authorities, acting on the minister’s behalf, issue a support decision within 30 working days following the submission of application documents.

Real Estate Tax (RET) exemption

The exemption is accessible solely in municipalities that have enacted specific aid programs providing this type of tax relief. It is applicable to land, buildings, or parts of buildings used for business operations. The exemption is subject to certain conditions, such as unemployment rates, intervention rates, type of investment, and eligible costs or / and number of jobs to be created. Both the scope and the term of the exemption vary according to the local conditions.

EU co-financed support for businesses

European Funds for Enterprises

Enterprises can tap into a range of EU co-financed programs tailored to their business type, size, industry, and the project's aim and scale, including:

- Cohesion Policy Funds: Allocated €76+ billion for projects that enhance the economic, social, andterritorial cohesion of Poland. These include investments in infrastructure, innovation, environment, energy, and human capital.
- Just Transition Fund: Provides €3.85 billion to the five Polish regions facing significant challenges from the shift towards a climate-neutral economy (Silesia, Wielkopolskie, Dolnośląskie, Łódzkie, and Małopolskie provinces), aiding enterprise restructuring and low-carbon transition.
- 16 regional operational programmes (€33.5billion): Aim to boost scientific research, technological development, innovation, and small and medium-sized enterprise competitiveness.
- European Funds for a Modern Economy (FENG): Delivers €7.9 billion for R&D, innovation, and competitiveness, using subsidies, financial instruments, and blended finance.

The SMART program with a substantial budget of €4.4 billion, stands as an exemplary assistance mechanism provided under FENG. It focuses on advancing R&D, fostering a green economy, and promoting digital transformation.

SMART programme is an interesting support instrument for companies that integrate R&D activities with the implementation of research results in manufacturing processes. It offers various components including:

Module	Level of support
R&D (mandatory for large enterprises)	Industrial research – 50% of CAPEX & OPEX Experimental development – 25% of CAPEX and OPEX Bonus – 15%
Implementation of innovation, digitalisation R&D infrastructure	As per regional state aid intervention rates % of CAPEX
Greening of companies	5%-55% of CAPEX
Competence building	50% of training costs
Internationalisation	50% (only the minimis aid)

Businesses looking to invest in sustainable and environmentally friendly solutions may take advantage of dedicated programmes such as Energia Plus. The program focuses on promoting energy efficiency, renewable energy sources, and sustainable practices, offering preferential loans, as per the below summary:

Feature	Details
Beneficiaries	Entrepreneurs
Goal of the programme	To reduce the negative environmental impact of businesses, especially the air quality, by supporting innovative and green projects
Type of investment	Purchase and installation of a renewable energy source, e.g. photovoltaic panels, heat pump, wind turbine, other
Form of support	Loan ranging from PLN 0.5 million to PLN 500 million
Implementing body	National Fund for Environmental Protection and Water Management (NFOŚiGW)

R&D / Innovation Tax Relief

The Polish tax system provides various preferential options for companies involved in research and development (R&D) and innovative activities.

The main features of R&D / Innovation tax preferences in Poland are:

- no selectivity – every innovator has the right to use relevant preferences
- no application process – reliefs are settled by companies in their tax returns on their own
- flexibility – no obligation to maintain staff / investment for a certain period
- broad scope of eligible activities - innovations on a company level are sufficient to qualify

The tax relief includes:

- Salaries – 200%
- Materials – 100%
- Depreciation – 100%
- Services of R&D units – 100%
- Obtaining a patent – 100%
- Use of research equipment – 100%

There are additional preferences for companies holding the official designation of an R&D Centre, granted by the Ministry of Economic Development and Technology.

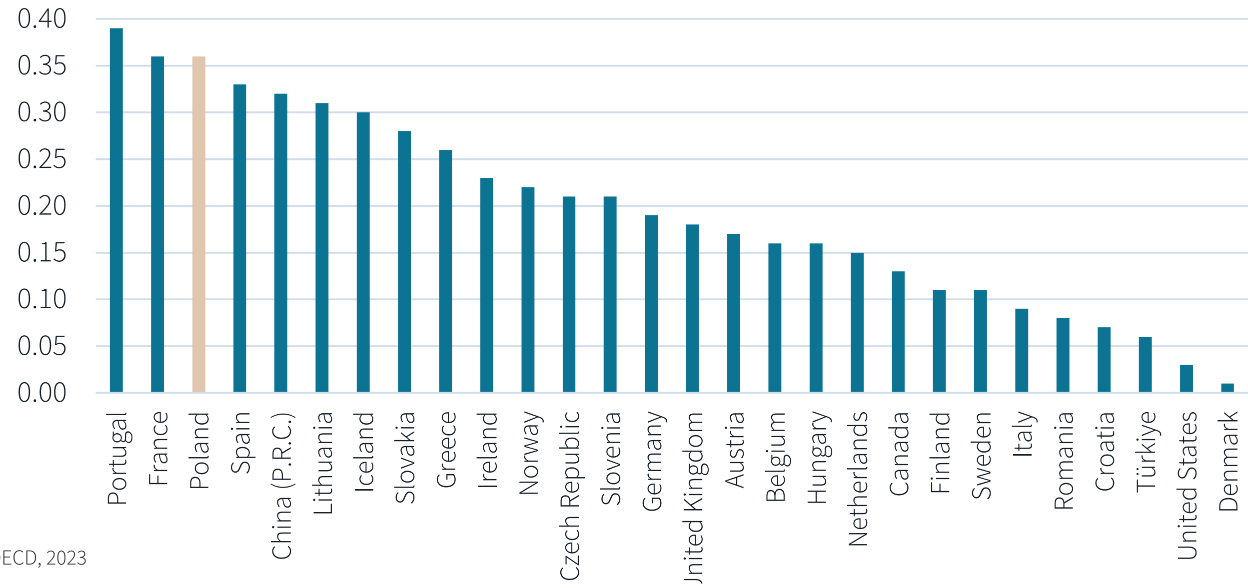
What if the income is lower than the R&D tax relief ?

Tax relief can be used to:

- pay for the R&D employees' PIT (monthly advance payments) – 'tax relief for innovative employees'
- reduce taxable income over the next six years
- apply for a cash refund:
  1. large company – 1st year of activity
  2. SME – first two years of activity

Based on the OECD report, Poland exhibits one of the highest implied tax subsidy rates globally, for large companies

(rates represent percentage of savings on R&D expenditures).



Source: OECD, 2023

Other tax reliefs	
Tax relief for robotization	This provision enables a deduction, which reduces taxable income by 50% of expenses associated with industrial robots and tooling, including: • the acquisition of such machines • the acquisition of intangible assets necessary for their launch and operation • training services
Tax relief for expansion	The relief provides an opportunity to lower the tax base by deducting expenses incurred to boost revenue from product sales. Maximum deduction is limited to PLN 1,000,000. Eligible costs may include participation in trade fairs, promotional and informational activities, and the preparation of documentation necessary for tender participation, among others.
Tax relief for a prototype / innovation tax relief	An extra deduction, capped at 10% of the income, can be claimed, amounting to 30% of expenses associated with: • trial production of a new product resulting from R&D works (30% of actually incurred costs in production line / materials) • obtaining permits etc.
IP Box	This measure provides for a preferential tax rate of 5% (as opposed to the basic rate of 19%) on income derived from intellectual property rights (IP) resulting from research and development (R&D) endeavors. The relief covers commonly recognized IP, such as patents, utility models, industrial designs, which are granted by the industrial property offices, but also embraces copyright in computer programmes.
CSR tax relief	Companies that provide assistance to entities engaged in culture, sports, science, and higher education can benefit from Corporate Social Responsibility (CSR) tax relief. Entrepreneurs will be able to additionally deduct 50% of the eligible costs.

What are the potential savings achievable through tax reliefs in Poland?

Tax relief	Eligible costs / income yearly		Savings yearly
R&D relief	Salaries: EUR 3,000,000	Other costs: EUR 2,000,000	EUR 1,520,000 (38%/19%)
Relief for a prototype	Production line and obtaining permits: EUR 5,000,000		EUR 285,000 (5.7%)
Tax relief for robotization	Depreciation of industrial robots: EUR 5,000,000		EUR 475,000 (9.5%)
IP Box	Income from a patent (relevant proportion of a product revenue): EUR 5,000,000		EUR 700,000 (14%)

Green Tech: Poland's Sustainable Startup Surge

Building upon the remarkable upswing in sustainable finance and investment, Poland is emerging as a powerhouse in the realm of green technologies, extending unmatched opportunities for foreign investors to grow their businesses in the heart of Europe.

The sustainable startup ecosystem is flourishing at an impressive pace, birthing cutting-edge solutions that address global ecological challenges.

This landscape of innovation, bolstered by supportive investment figures, paints a picture of a nation rapidly advancing towards a sustainable and prosperous future, ripe with potential for discerning investors and visionary CEOs.

Dynamic Growth: With over 500 startups offering sustainable solutions and a 40% increase in 2023, Poland positions itself at the forefront of the green revolution.

Broad Spectrum of Innovation: From renewable energy sources and smart cities to precision agriculture and ecological education, the Polish ecosystem spans a wide range of strategic areas.

Increased Investor Interest: Investments exceeding **1 billion Polish złoty in 2023, with a 60% increase**, demonstrate growing confidence in the potential of Polish startups.

Conducive Environment: Rising ecological awareness, governmental support, funding availability, and developed infrastructure create ideal conditions for growth.

Polish ESG startups are increasingly gaining recognition worldwide, a testament to their innovative solutionsthat address global challenges such as climate change, environmental protection, and social responsibility.

Beehive: a supply chain managementplatform with an emphasis on sustainable development. It won the "Sustainability Champion" award at TechCrunch Disrupt Europe 2022.

Waterdrop: a platform for smart water consumption management. It received the "Water Innovation Award" at World Water Week 2023.

Everimpact: a platform for measuring and managing a company's ESG impact. It earnedthe "Climate Action Award" at the COP26 Climate Action Innovation Zone 2021.

Growmee: a platform for creating and managing communities around brands and products. It won the "Best Social Impact Startup" award at Slush 2022.

Planet Heroes: an educational app that teaches children about ecology and sustainable living. It received the "Best EdTech Startup" award at the Wolves Summit 2023.

Real estate

An evolving real estate market

Europe's industrial real estate market has been continuously scaling new heights. 2021 and 2022 saw a wide range of challenges, turmoil and significant changes on the market. However, during this period, the industrial and logistics sector further underlined its importance with the largest players proving their resilience. Now there is respite on the horizon with all market participants now expecting relative stabilization in the market for 2024/2025.

In the period of 2022-2023, the industrial sector strengthened, accounting for over 20% of demand, both in Poland and Europe. Despite the market's impressive performance, there is still robust development in this sector, especially in automotive, e-vehicle, and energy solutions sectors. However, after a period of rampant inflation, the big challenge now is staffing and salary increases, which may encourage partial automation. Arranging the changes in chains which were so dynamic in 2021/2022, development which includes sustainability and carbon footprint reduction may prove to be a difficult hurdle for entrepreneurs.

Poland, the sixth largest industrial real estate market in Europe, is in the middle of these shifts. The commercial stock of industrial and logistics space in Poland is today at approx. 33 million m^2, doubling its size in just the last five years. The advanced stage of the market is evident in the diversity of asset types and the abundance of location options.

The exceptional quality of modern warehouses allows for flexible utilization, with distribution spaces easily adaptable for light manufacturing needs.

Existing stock in Poland is focused around the major cities and agglomerations of Poland, with Warsaw, Katowice, Poznań, Wrocław and Łódź, which account for ca. 80% of the national supply, leading the way. Maritime port driven locations – Tri-City (Gdańsk, Gdynia) and Szczecin are constantly increasing their significance in the Polish industrial sector. In each of the three aforementioned locations, the stock exceeded one million m^2 of area. Developers and occupiers have recently been drawn to the location of Lubuskie as well, since its stock increased of over 1 million m^2 in just two years. Other prospective industrial markets in Poland include Bydgoszcz, Rzeszów and Lublin.

Given the maturity of the real estate market in Poland, certain core regional markets have developed distinct characteristics based on their historical background and specific location. The Upper Silesia and Rzeszów regions clearly reflect their former industrial identity, while Central Poland and Bydgoszcz are well-suited for logistics operators and retailers. Companies operating in Western Europe often choose the Lubuskie and Wrocław markets, while The Tri-City and Szczecin regions also attract specific tenants, particularly from companies seeking access to maritime ports.

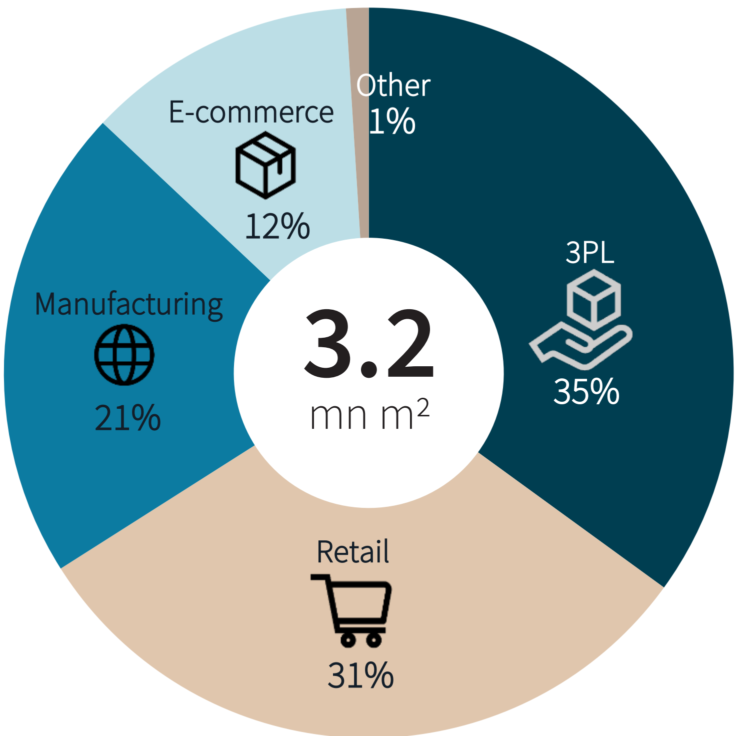
The strong demand and growth in the market have created a competitive environment for top market players in the development sector. Large international groups such as, e.g.: Panattoni, Hillwood, 7R, CTP, GLP, DL Invest, Goodman, P3, SEGRO, Prologis, Mapletree, and MLP, are among the leading developers of industrial buildings. These companies have established reputations for delivering successful turn-key industrial projects.

Despite experiencing rapid growth in recent years, the real estate market in Poland still holds significant potential. The availability of industrial land for development continues to meet demand, with developers acquiring new plots and local governments supporting the issuance of favourable local zoning plans for new projects.

The development of new road infrastructure is creating attractive locations in terms of communication, talent pools and public grants. At the end of 2023, the estimated potential for industrial real estate in Poland was approx. 33 million m^2 of production and logistics space.

Investors seeking to expand or enter the Polish market have a wide range of development opportunities depending on their business strategy. To expedite investment, most developers maintain “virtual land banks” ready for construction to begin immediately after the investment decision is made. The length of the legislative process may vary depending on the development scenario and the scope of public assistance. Importantly, it is not necessary to own a building to be eligible for public grants as tenants can also receive state aid. Therefore, manufacturers have various options available, including renting or purchasing existing properties or developing new built-to-suit facilities.

Net take-up structure in Poland (m²), 2023



Source: JLL, Q4 2023

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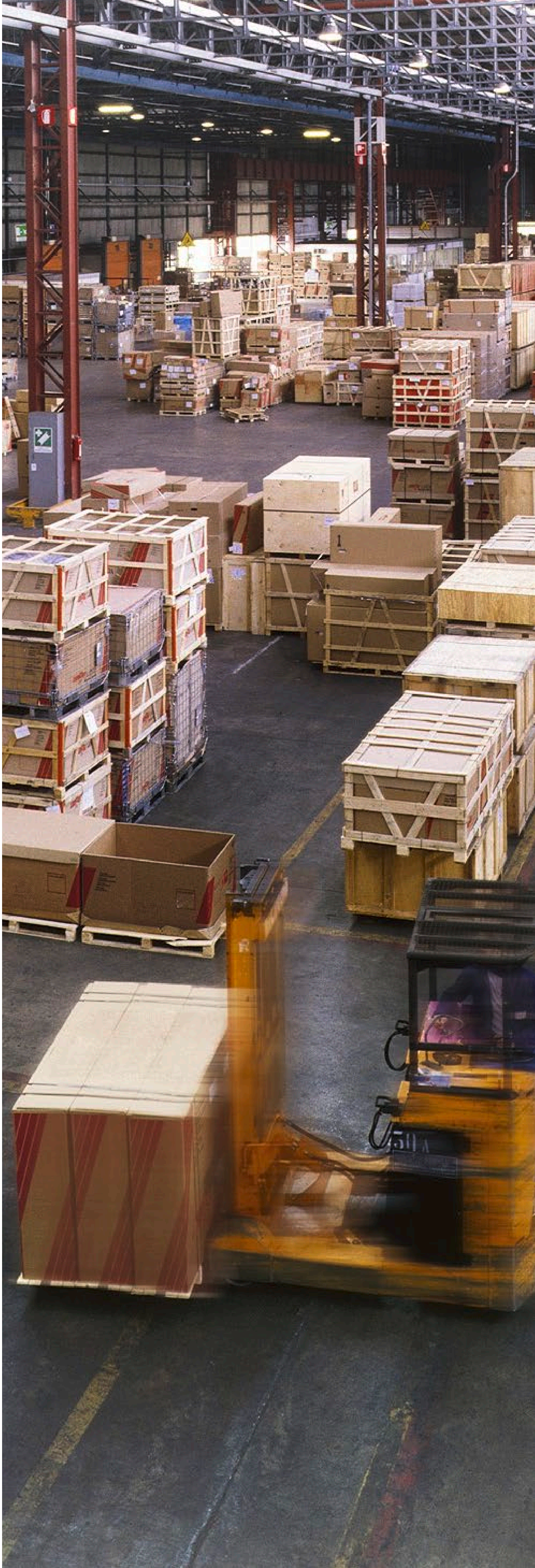
In 2024, we expect the demand to remain at a similar or slightly higher level compared to the previous year, provided that external conditions remain relatively stable. This is indicated by the steady growth of the largest existing players in Poland, as well as the new demand from companies entering the market and expanding their supply chains. Undoubtedly, foreign investments and their growing infrastructure are also strong drivers of growth, generating demand for production and logistics space.

Tomasz Mika
Executive Director
Head of Industrial Agency, JLL



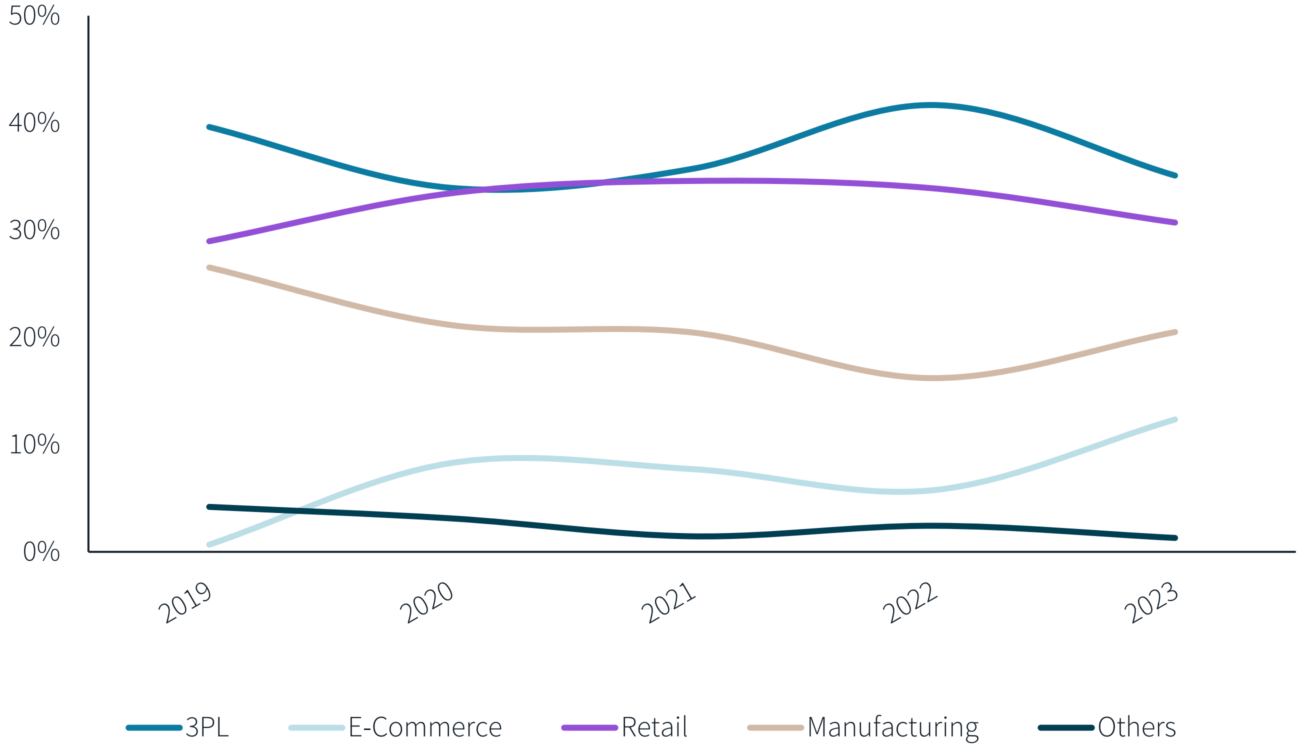
Acceleration of the manufacturing sector

Due to Poland's geographical location in the strict centre of Europe, the logistics sector remains very strong in the overall structure of warehousing demand. In the period between 2019 and 2023 its share was in the 35%-40% range, what was the highest score at that period. Also, the retail sector claimed an impressive 31% market share, what remained stable during the pandemic period.

Despite the registered downtick of manufacturing sector's share in total take-up between 2019 and 2022 (of approx. 10.5 pp.), the sector enjoyed y-o-y growth last year. At the end of 2023, its share in the total transaction volume was 21%. This event illustrates the huge resilience of manufacturing in Poland and allows for bullish predictions for further growth in the coming years.

It is worth underlining the impresive dynamics in the e-commerce sector. During last five years, its share in total market volume has increased by over 12% (from less than 1% in 2019) and was a phenomenon in Polish warehousing market. Among all of the transactions concluded in 2023, given sector was still very active – deals for ca. 600,000 m^2 were signed, with approx. 500,000 m^2 being attributable to Wrocław and only one e-commerce player.

Net take-up structure in Poland (m²), 2023



Source: JLL, 2023

Rent or buy?

One of the first decisions to be made in terms of real estate is to rent or buy a manufacturing facility. This decision will largely depend on the business strategy, the time perspective of the investment, potential plans of expansion and the degree of the investor's flexibility. The decision regarding a real estate strategy should also comply with the choice of location, as the availability of real estate opportunities and tax implications may vary geographically. In general, the investor needs to consider three rental and three purchase opportunities for real estate.

Existing building

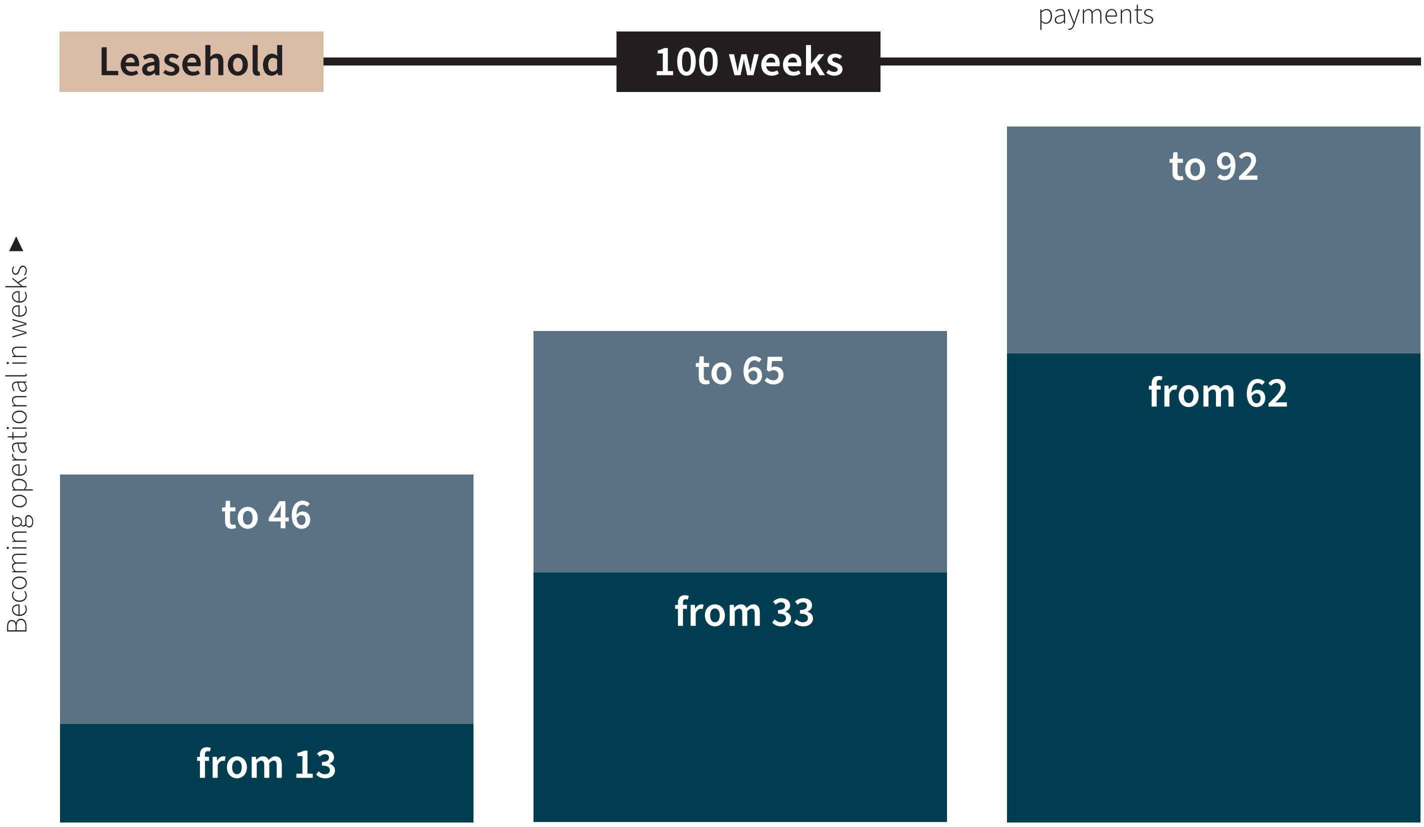
- The investor becomes the lessee of a building in an existing industrial/logistics park
- The location is determined by the market
- The lease agreement is typically for a minimum 3-5 years
- The standard technical specification of the building
- The use is determined by the developer
- The limited scope of space improvements

BTS in a park

- The investor becomes the lessee of a building developed according to their specific needs
- The building lies within an established industrial/ logistics park - location is determined by the developer
- Lease agreement typically of a minimum of 5-7 years
- Upgraded specification and extensive range of modification
- Shorter timeline than greenfield BTS

BTS on a greenfield site

- The investor becomes the lessee of a dedicated building
- The building is designed and built according to the investor's requirements
- The location is determined by the investor and agreed with the developer
- The duration of a lease agreement is typically for between 7 and 15 years or more
- The use is determined by the investor
- The investor does not have
- to commit any funds nor initial payments



Source: JLL, 2024

Acquisition of an existing building

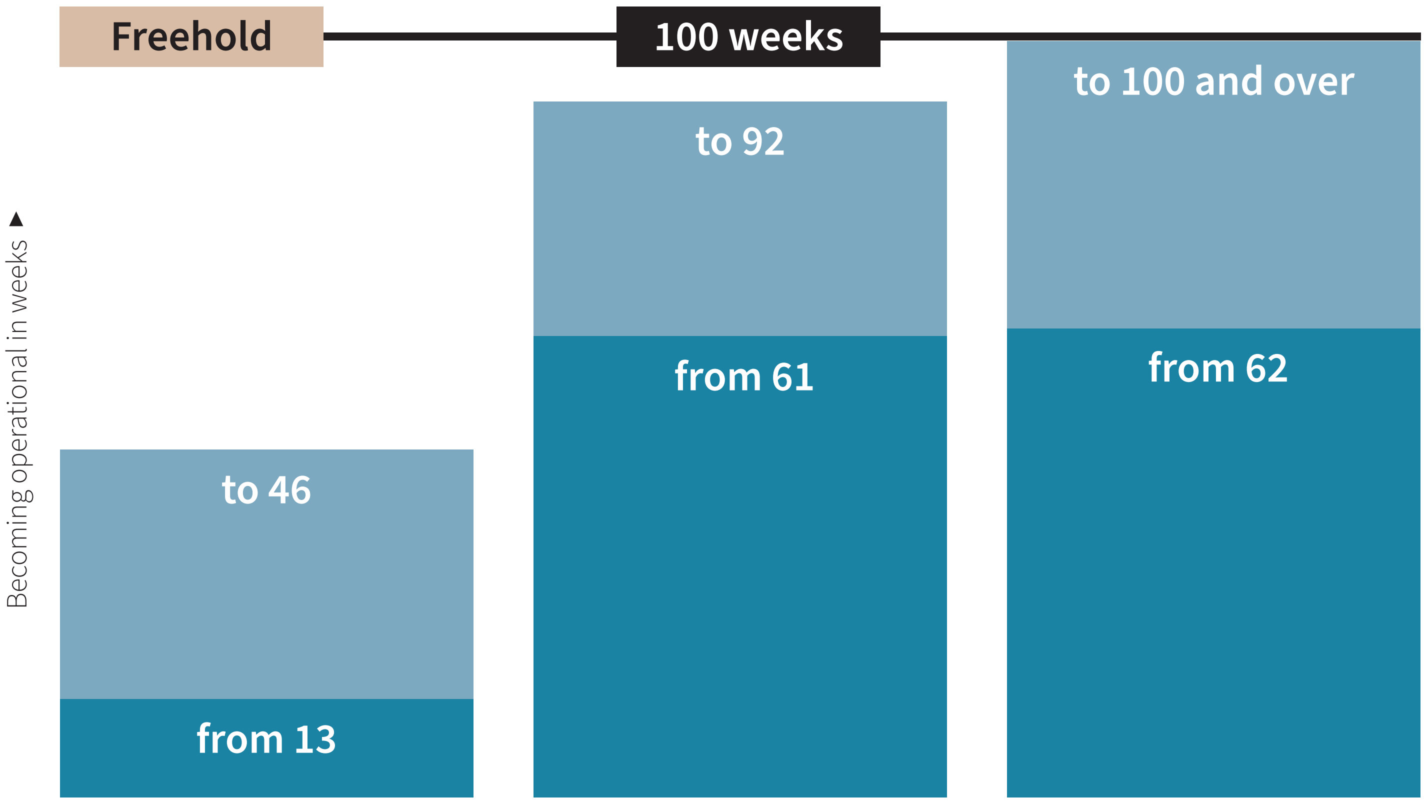
- The investor acquires an existing building with land
- The location and technical specification as-is (determined by availability)
- The building could be further adjusted to meet the investor's requirements
- The investor bears all the costs regarding any improvements
- improvements

Fee Development (Built-To-Own, BTO)

- Cooperation between an investor and a developer
- The developer is responsible for the financing of the entire investment process
- Design of the facility is made according to the agreed technical specifications
- The developer negotiates with the general contractor and provides all permits and other documentation
- The completed development is handed over to the investor
- The investor is the owner of the building, the site and operates their own facility

Investor's Development

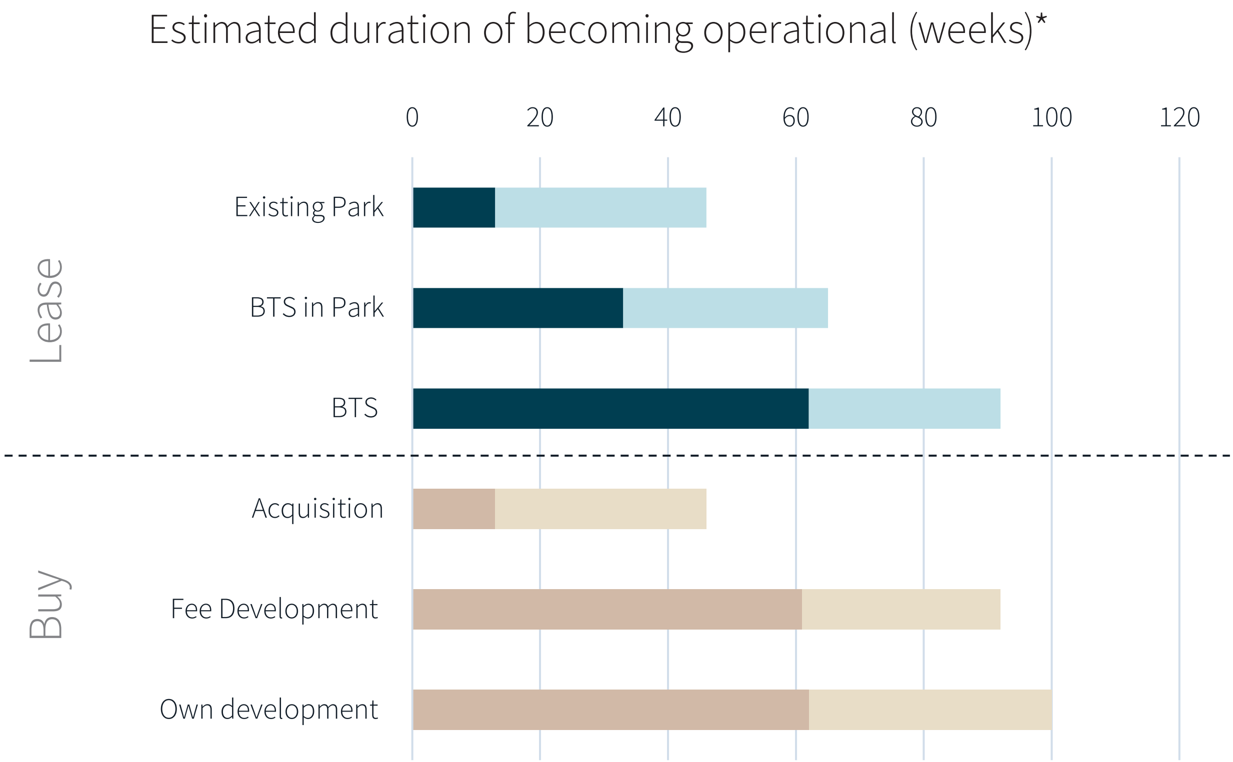
- The investor leads the whole development process
- The investor determines the technical specifications
- The location is selected and secured by the investor
- The investor is responsible for all documentation and permits
- Architectural and construction works are conducted by the investor – the investor supervises the entire development process
- Funding is within responsibilities of the investor
- The investor is the owner of the plot and the building
- The duration of the process depends on the investor
- payments



Source: JLL, 2024

How quickly can I move in?

The time needed to move in and become fully operational largely depends on the “rent or buy” option selection. The leasing of space in one of the existing warehouses and acquisition of an existing facility are the least time -consuming options. At the other end of the scale, BTS investments and fee/own developments are the longest processes to deliver and have to go through various permit granting processes, depending on the option. This will take approximately 62-92 weeks from the site selection to an occupancy permit being issued.



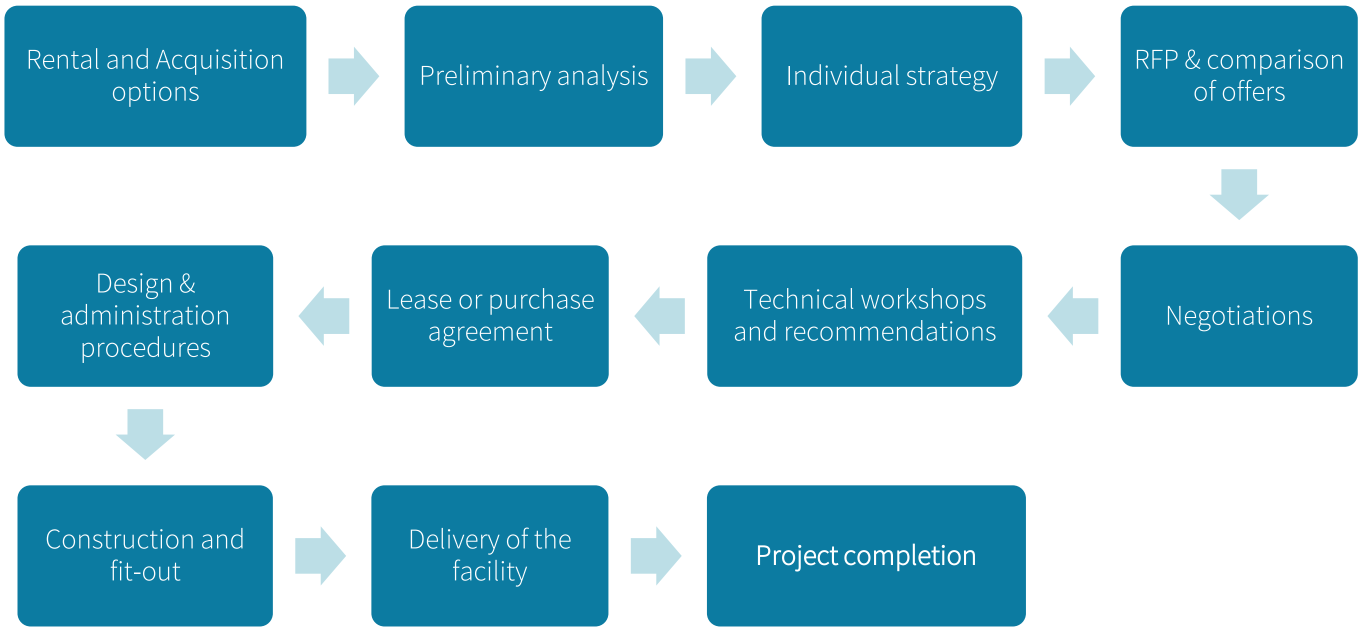
Source: JLL, 2024

The process of renting a facility which will be constructed according to the manufacturer’s needs (BTS), but is located in an existing park will take less time (33 to 65 weeks), as the different permits or work may, in many cases, already be available, including infrastructure and environmental decisions. The building permit can also be obtained beforehand, so work can start as soon as the decision regarding a particular site has been taken.

At the same time, the modification to the existing building permit will be requested so as to incorporate the specific building requirements of the investor/manufacturer. Renting or acquiring an existing facility is the fastest way to become operational in the market with regard to a standard warehousing facility. However, in terms of manufacturing space, the existing premises usually need advanced improvements, which may take a few months if there is a need to obtain a new Environmental Decision and / or Building Permit.

*The above durations represent observed actual times of delivery for a typical project in a typical location. In more complex situations, forecasts may not be sufficient to complete the particular activity.

The "becoming operational" process



Source: JLL, 2024

Overview of the Permit Process

Once the decision has been made as to how the property will be acquired, it is necessary to go through the steps of the various legal and technical procedures in order to obtain an occupancy permit and to be allowed to operate the constructed or refitted facility. The standard project delivery procedures are outlined in the diagram above, with the stated average duration of each step based on a typical project in a typical location.

The first step consists of the technical due diligence of the site and the investigation of whether the property is located in the scope of a valid local master plan or if a planning decision will be required. In addition, utility connections and various consents relevant to the development need to be jointly obtained with an environmental decision.

The second step is to draft a suitable building design in order to receive a valid building permit which will allow the construction to go forward. In the case of agricultural land, once a design is in place, a further required step is the valid permit to exclude the given area or a part thereof from agricultural production. This is the subject of a statutory fee, paid annually for 10 consecutive years. This concerns all agricultural land including those located within city limits.

Finally, the commissioning and occupancy permit procedure should be followed to receive the final, valid occupancy permit, which will allow for the operation of the facility.

Real Estate Acquisition

The acquisition process by foreign companies has remained largely unchanged for years. According to current regulations (the Act of the Acquisitions of Real Estate by Foreigners, the “Act”), foreign nationals (individuals and entities) are obliged to obtain a permit from the Minister of the Interior and Administration.

The “foreigner” is defined by the Act as:

- a person who is not a Polish citizen; or
- a legal person with its registered office outside Poland; or
- a partnership of the persons mentioned in the points above with its registered office abroad, established in accordance with the law of the relevant foreign country; or
- a company or a legal person with its registered office in Poland controlled directly or indirectly by the companies or person/s mentioned in the points above

The permit must be obtained if the foreign investors:

- wish to purchase property in Poland,
- wish to purchase shares in a commercial company that has its registered office in Poland,
- execute any other legal transaction involving such shares, if a company that is the owner or perpetual usufructuary or real estate becomes, as result of the purchase or other transaction, a ‘controlled’ company,
- wish to purchase or subscribe for shares in an already controlled commercial company with its registered office in Poland, if the company is the owner or perpetual usufruct of a real estate in Poland and the shares are purchased/subscribed for by a foreign investor which is not a shareholder in that company.

The Acquisition of Real Estate by Investors from the EEA and Switzerland

The exception to the above rules is that citizens and entities (including companies) from EEA countries and Switzerland are not required to obtain a permit to acquire real estate or shares in companies which are the owners or perpetual usufructuaries of real estate.

The Acquisition of Real Estate by Investors from Outside the EEA and Switzerland

Given the above, the requirement to obtain a permit from the Minister of Affairs and Administration to acquire real estate or shares in a company that is the owner or perpetual usufructuary of real estate currently applies mainly to foreigners from outside the EEA and Switzerland.

The acquisition process

The variuos steps of the acquisition process when acquiring real estate (such as warehouse or production facility) or land from a private party, a public entity or a Special Economic Zone are briefly described in the following chapter.

Acquisition from a Private Party

This acquisition process is straightforward and comparable to other EU countries. 'Private party' refers to a private individual or entity.

Acquisition from a Public Entity

A significant proportion of real estate in Poland is owned by the State Treasury, local authorities and state-owned entities. The sale of state-owned real estate is regulated by the Act on Real Estate Management of 21 August 1997. Such property can generally be sold only via public tender. However, in certain cases a tender is not required. The Act also provides a list of entities which are vested with the priority right to acquire state-owned real estate and, therefore, must be called on to exercise their right before the tender can be announced.

Acquisition from a Special Economic Zone

A Special Economic Zone (SEZ) is a special type of public entity. There are two kinds of procedures for an investor wishing to obtain a permit to start economic activity within a SEZ:

- if the SEZ is not the owner of the land, the negotiation procedure is only related to granting the permit,
- if the SEZ is the owner of the land, there is a joint tender procedure related with both the granting of the permit and selling the land, which will be discussed in an after-mentioned part.

Process when buying from a private party	Process when buying from a public entity	Joint Tender procedure when buying from an SEZ
1. **Negotiation process** 2. **Preliminary Agreement (not obligatory)** 3. **Purchase Agreement** The purchase agreement is signed as a notary deed.	1. **Initial Contact Between the Public Entity and the Investor** Buyer's expression of the interest in a specific property. 2. **Valuation** The public authority sets the initial asking prices based on a valuation by an independent valuer. 3. **Decision to proceed with the sale** The public authority concludes a decision on the continuation of negotiations based on the submitted documents.	1. **Initial contact between the SEZ and the investor** 2. **Location proposal by the SEZ** Proposal based on the initial information provided by the investor. 3. **Letter of intent submit by the investor** 4. **Decision to proceed with the sale** The SEZ concludes a decision on the continuation of negotiations based on the submitted documents.
	4. **Public Entity and the Investor** BuPublic Tender Process Publishing of information / announcement. A specification of the real estate which is designated to be sold is publicly announced, along with a detailed description of each real estate (e.g., legal status, area, purpose, price, etc). The length of the period, during which the announcement is displayed depends on the asking price for a particular property. **Purchasing Terms of a Tender:** • **Payment of deposit specified in the Terms.** A cash deposit tender guarantee is made; not less than 5% and not more than 20% of the initial price • **Submission of an offer by the investor.** The investor winning the tender can purchase the property. • **Inform the successful bidder**	5. **Public Tender Process** Placing of an announcement. The SEZ places an announcement regarding the invitation to the public tender to select an investor. **Purchasing Terms of a Tender:** • **Payment of the deposit specified in the terms.** • **Submission of an offer by the investor.** All the requested documents by the SEZ need to be provided (e.g., business plan, price of offer, deposit, etc.) • **Commissioning of the tender.** Offers which receive the required number of points qualify for further proceedings. • **Negotiations.** The commission of the tender negotiates with the investor the details, e.g., the size of property, price, the terms of payment,, obligations regarding the amount of investment expenditure, planned headcount and list of goods to be produced, etc.
	5. **Public Entity and the Investor** BSigning of the purchase agreement within 21 days of the completion of the tender process. The purchase agreement is signed in a form of notary deed.	6. **Signing the Joint Tender agreement** The SEZ grants the investor with a permit to conduct economic activity within the zone.The entire procedure, starting from the day of publishing the invitation in the press, usually lasts no longer than two months.

Types of property rights in Poland

Full Ownership

Full ownership is the legal title which gives the broadest ownership rights, as in all other EU member states. Public owners of real estate (the State Treasury, local authorities, other public bodies) do not have priority over private owners.

The transfer of full ownership occurs upon the execution of the relevant sale deed. The deeds are drawn up in a notarised form and need to be registered in the applicable land and mortgage register. Such registration makes the information about the transfer public and creates the presumption of public knowledge of the transfer.

Perpetual Usufruct

The right of perpetual usufruct is one of the most important property interests regarding land and is specific to Poland; its scope is very close to that of full ownership. The concept arises from the historical reluctance of the state to hand over control of property to full private ownership. Today, however, there is an ongoing process of transforming the Perpetual Usufruct into Full Ownership, which may be the case in selected developments.

These are transferable, alienable and mortgageable rights to use property. Perpetual usufruct can be granted in relation to real estate owned by the state (and situated within the administrative borders of a city or beyond those borders but within the area included in the development plan for a city) or owned by a local government for a specified time period of between 40 and 99 years, after which it expires unless extended for another period of up to 99 years.

Buildings and other installations situated on land that is subject to a right of perpetual usufruct are owned by the perpetual usufructuary.

The usufructuary is required to pay an annual fee to the state or the local government unit. The broad rights granted to the usufructuary result in the rights of the owner (i.e. the State Treasury or local government unit) are limited in that it may neither encumber nor sell the property to a party other than the usufructuary.

Other Titles

Polish legal regulations also envisages other real estate interests:

Lease (najem) – the right to use a property for a definite or indefinite period of time subject to payment.

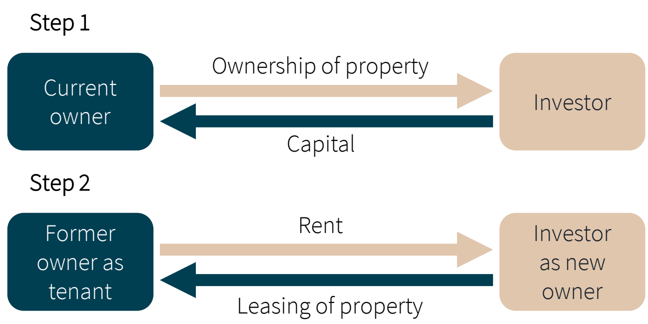
Tenancy (dzierżawa) – the right to use and collect profits from real estate for a definite or indefinite period, subject to payment.

Brownfield

On the back of increasing shortages of attractive land, especially in terms of core locations and urban areas, developers and investors are likely to consider brownfield sites. One approach is to acquire formerly developed land, demolish existing buildings and prepare new investment from scratch. This concept is, however, much more costly as well as time-consuming and sometimes is inapplicable due to local urban restrictions. Another approach is to refurbish and upgrade the acquired facility with the use of existing buildings and infrastructure. Undoubtedly, such a decision allows for a more rapid start-up of operations in the new location. Nonetheless, investors display flexibility and creativity in terms of brownfield developments, combining different approaches.

Sale & Leaseback

Sale and leaseback is a type of transaction in which the owner of a building, who is also its main user, sells the property to an investor and at the same time signs a lease with this investor and continues to use the building invariably as a tenant. Sale & Leaseback means an obligation to lease the property on a long-term basis (at least 10 years in the current market). The main advantage of Sale & Leaseback is the full release of the capital frozen in the property, while at the same time the building can continue to be used in the long term.



Why Sale & Leasback?

Releasing capital tied up in the property

Corporate real estate ties up capital and is generally not fully reflected in company valuations. Sale and leaseback transactions release capital tied up in fixed assets. Following the transaction, new value can be created using previously unseen reserves. The impact on the value of a company can be significant.

Focus on main activity

Corporate real estate diverts resources away from core activities. Sale and leaseback transactions clean up corporate balance sheets and free up new resources for, at a minimum, operational improvements. Being a tenant rather than an owner increases flexibility, while maintaining significant control of the property as a main tenant.

Momentum strategy

The current market is recovering from the recent turbulence and is heading towards good momentum meaning high demand for commercial real estate. This is especially true for properties with stable cash flows or long-term expansion potential. These are characterised by high demand and value multipliers that are significantly higher than the multipliers for typical non-real estate companies. .

A solution to future property problems

Corporate real estate can become a problem when operational needs decrease or when a tenant leaves the property. Projects with vacant properties are often difficult to sell and a few buyers offer favourable prices. Writing off the loss is a common result of such transactions. A strategic Sale & Leaseback can solve this problem for the future if the property is likely to be vacated in the next few years. The property can be sold as fully leased, thus avoiding cash flow shortfalls or a subsequent loss in value.

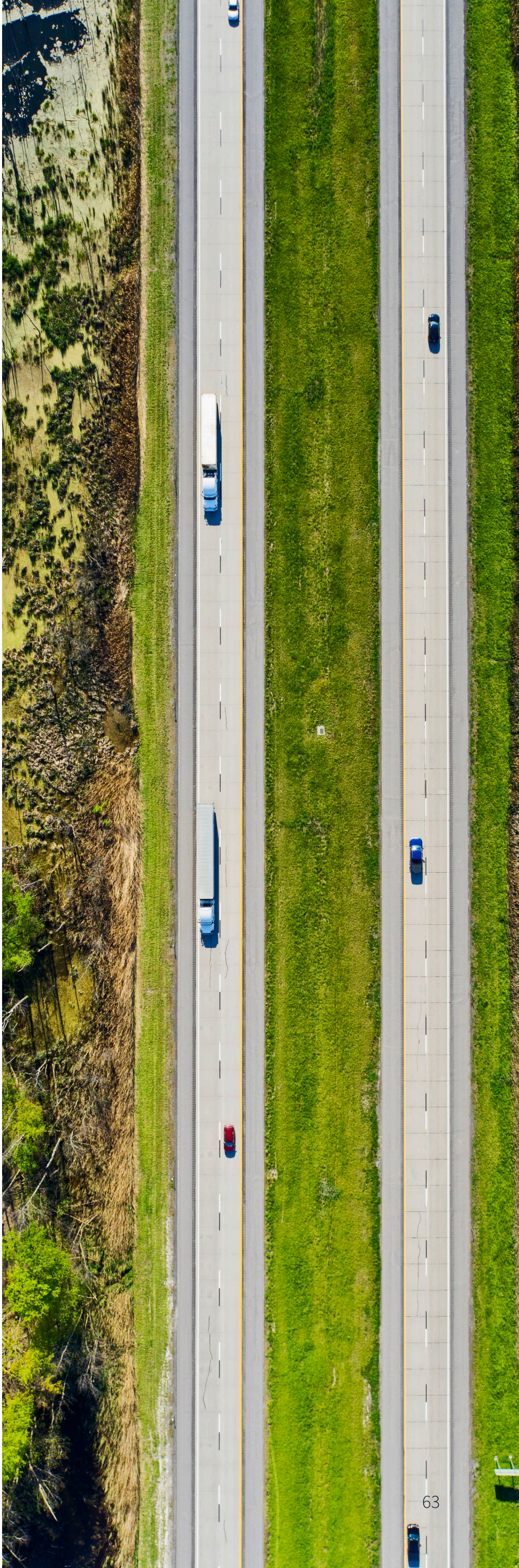
“

Globally, we see sustained high levels of sale and leasebacks transactions, as corporates have attempted to release capital tied up in their property portfolios or dispose of assets obtained through mergers and acquisitions.

ESG factors are playing an increasingly important role in real estate as companies look for ways to achieve their climate neutrality goals, for example by improving the energy efficiency of buildings or so-called ‘green leases’. At the same time, the lack of green solutions is increasingly seen as an investment risk. Prices of properties without energy certification, ESG or which have a poor energy profile are affected by ‘brown discounts’ - a lower selling price due to the lack of green solutions.

Our analysis shows that the sale and leaseback of owned properties remain an attractive and viable route to raising capital, providing both considerable operational flexibility as well as an exit route for surplus assets.

Sławomir Jędrzejewski,
Senior Director,
Head of Logistics Investment, CEE
Capital Markets JLL



Atman – Data Center Warsaw-3

On the wave of the robust business digitization manifested in rapid growth of e-commerce, AI and automation technologies, we observe a huge increse in data centers' demand on the market. Taking advantage of the colocation services need, Atman – a leading provider in the Polish data center market, having 15% share in terms of net space for colocation, cloud computing and dedicated server services*, decided to expand its operations in Warsaw area, a CEE leading location in the data center investments' supply.

JLL was appointed for real estate search services with emphasis on the analysis based on conditions specific for data center industry needs, e.g., flooding, air traffic threats. The main goal was to find a suitable location equipped with high capacity and multiple-route power connections.

After selecting a short list of locations, negotiations and a further due diligence process took place, which ended with the acquisition of property in December 2022.

“

In the first stage of the project, we have analysed numerous locations in the area of Warsaw, leading to a short list and following into the cooperation with power providers in order to obtain technical conditions of connection and negotiating agreements for 38 MW of power supply. It was a very demanding and challenging process, which allowed us to utilize our technical experience but also learn details of the data centre industry

Daniel Stępniak, Project Manager in JLL

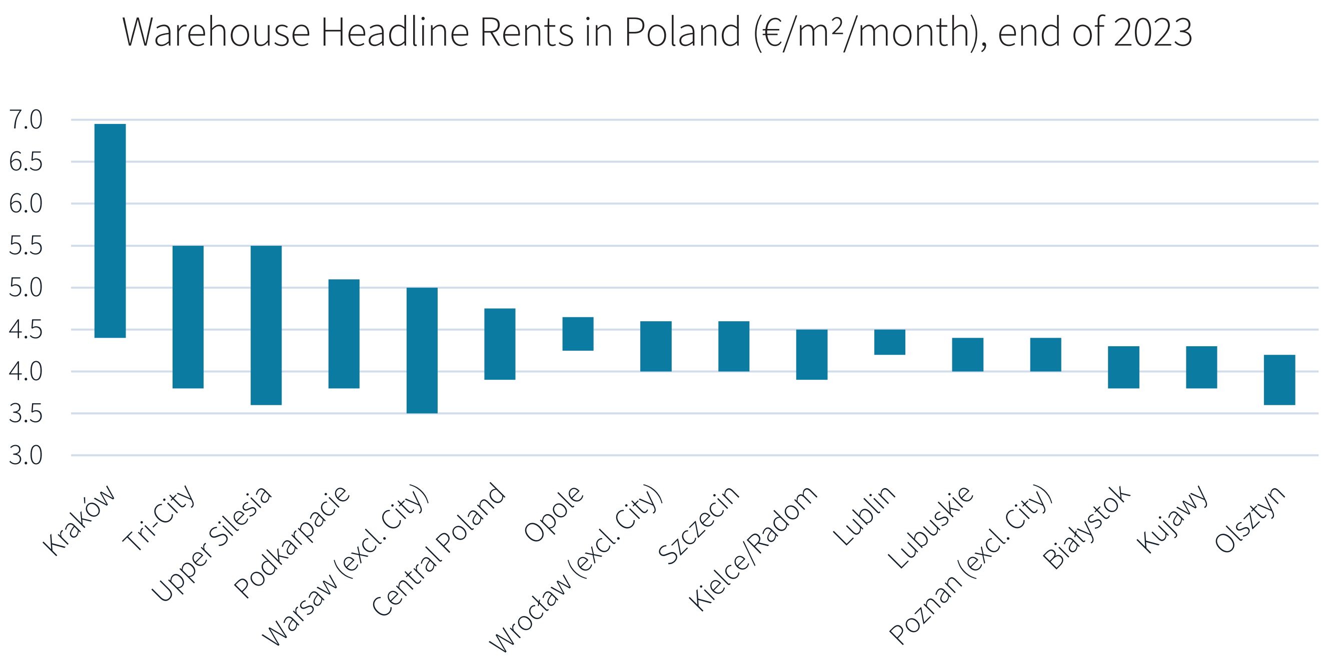
Real Estate
Costs of running a business in Poland

Rents in 3PL and production warehouses

Warehouse headline rents in the regions of Poland are still growing, since the country's attractiveness has been viewed positively for a number of years. While the average rental growth rate was approx. 20% during 2022, the 2023 displayed a more stable environment with an average annual growth rate below 5%. Upward adjustments were primarily seen in the new higher quality and sustainable developments. Undoubtedly, the growing focus on ESG compliance will put non-prime space under pressure.

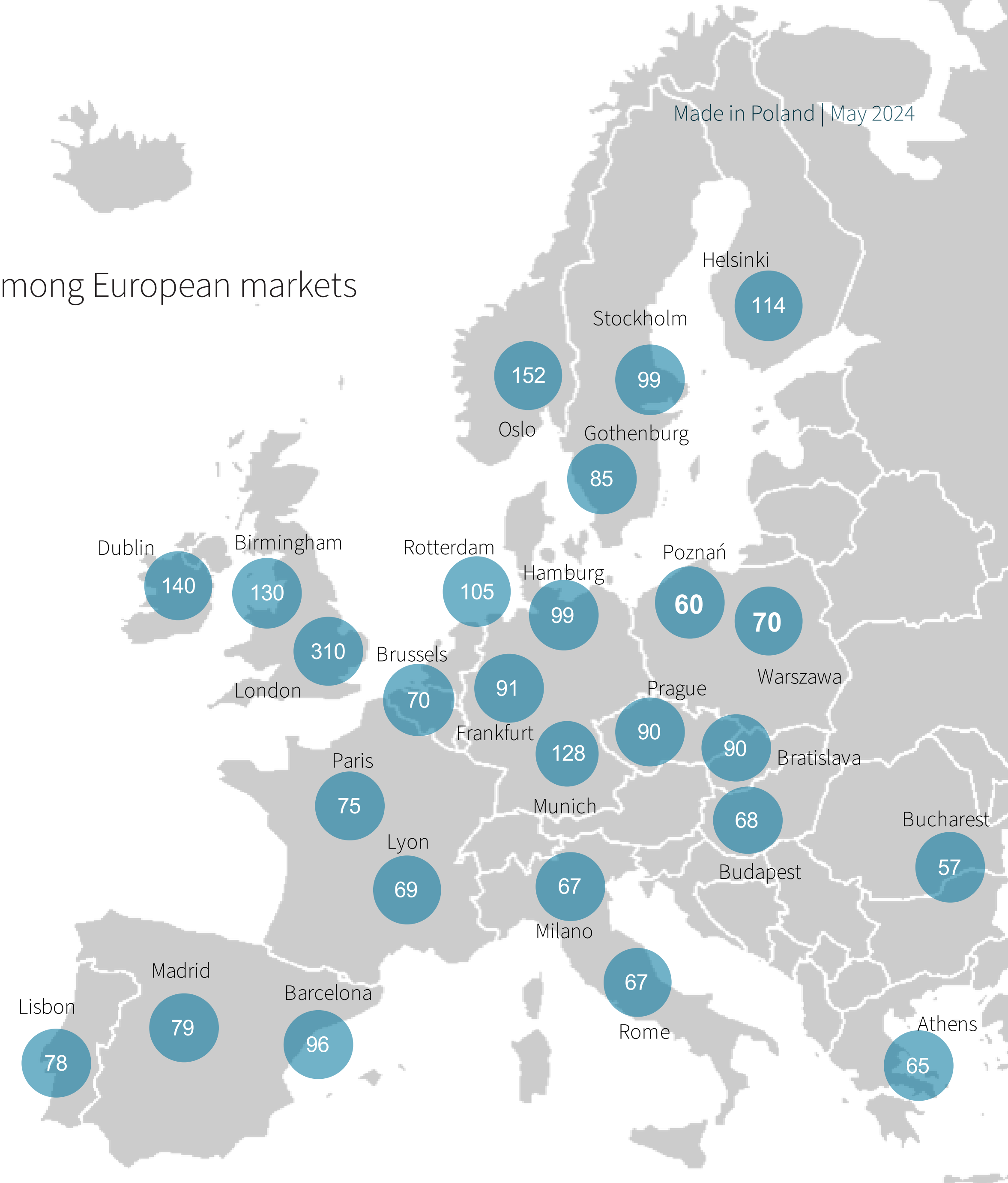
At the end of 2023 rental rates for suburban logistics parks within the Big Five markets (Warsaw, Upper Silesia, Wrocław, Poznań, Central Poland) ranged from €3.5 to €5.5 /m²/month. City locations maintained higher rates, with maximum values reaching €8.5 /m²/month in the Warsaw Inner City area.

Outside the major markets in Poland, the higher range of prime headline rents was seen in Kraków (€4.4 - €6.95 /m²/month), Tri-City and Podkarpacie (up to €5.5 and €5.1 /m²/month, respectively). On the other hand, other regions of Poland such as Lubuskie, Białystok, Kujawy and Olsztyn, offer competitive rental conditions. The prime headline rents in these locations varies between €3.6 and €4.4 /m²/month.

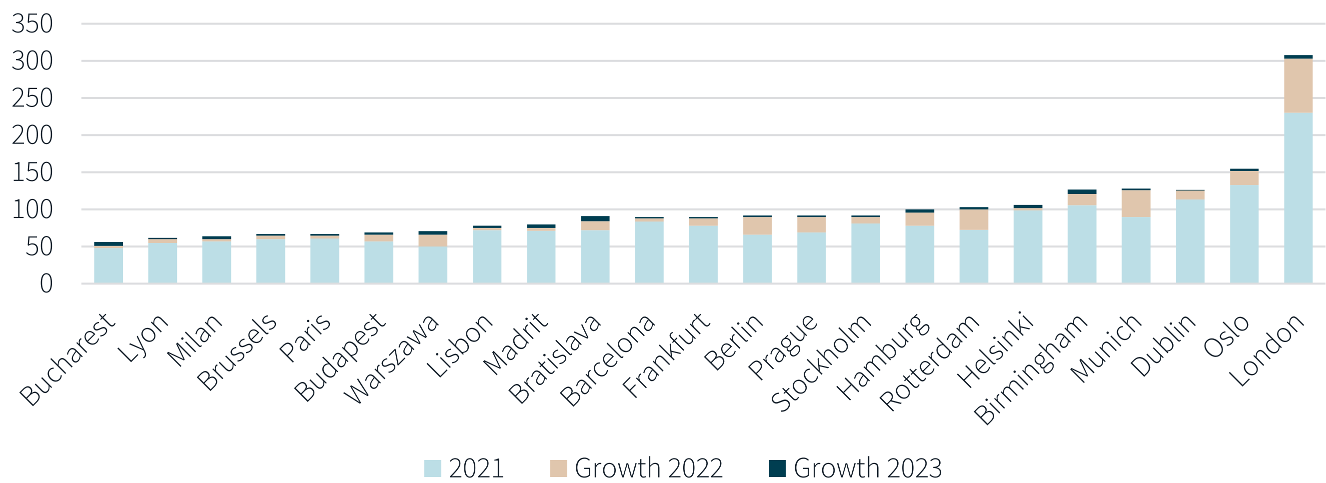


Source: JLL, 2024

Growth of rents among European markets



Headline rents in Europe, 2021 – 2023 dynamics (€/ m²/ year)



Source: JLL, 2024

Energy prices impacting manufacturing

At the turn of the third and fourth quarters of 2023, Brent crude oil prices in the global markets experienced a downward trend, leading to a reduction of nearly $20 per barrel within a span of two months (from $96.7 at the end of September to $77.7 at the end of November). However, this still represents a stable level, considering the entirety of 2023, during which prices did not fall below $71 per barrel. It is also noteworthy in the context of the past five years, where there was market collapse due to the COVID-19 pandemic (with prices hitting a low point of below $20 per barrel). This includes the temporary spike in 2022, when the price stood at nearly $120. We anticipate this to be a sign of a return to pre-pandemic price levels and a reduction in market volatility in 2024 and beyond.

Brent crude oil price (USD per barrel)

Source: Refinitiv, 2024

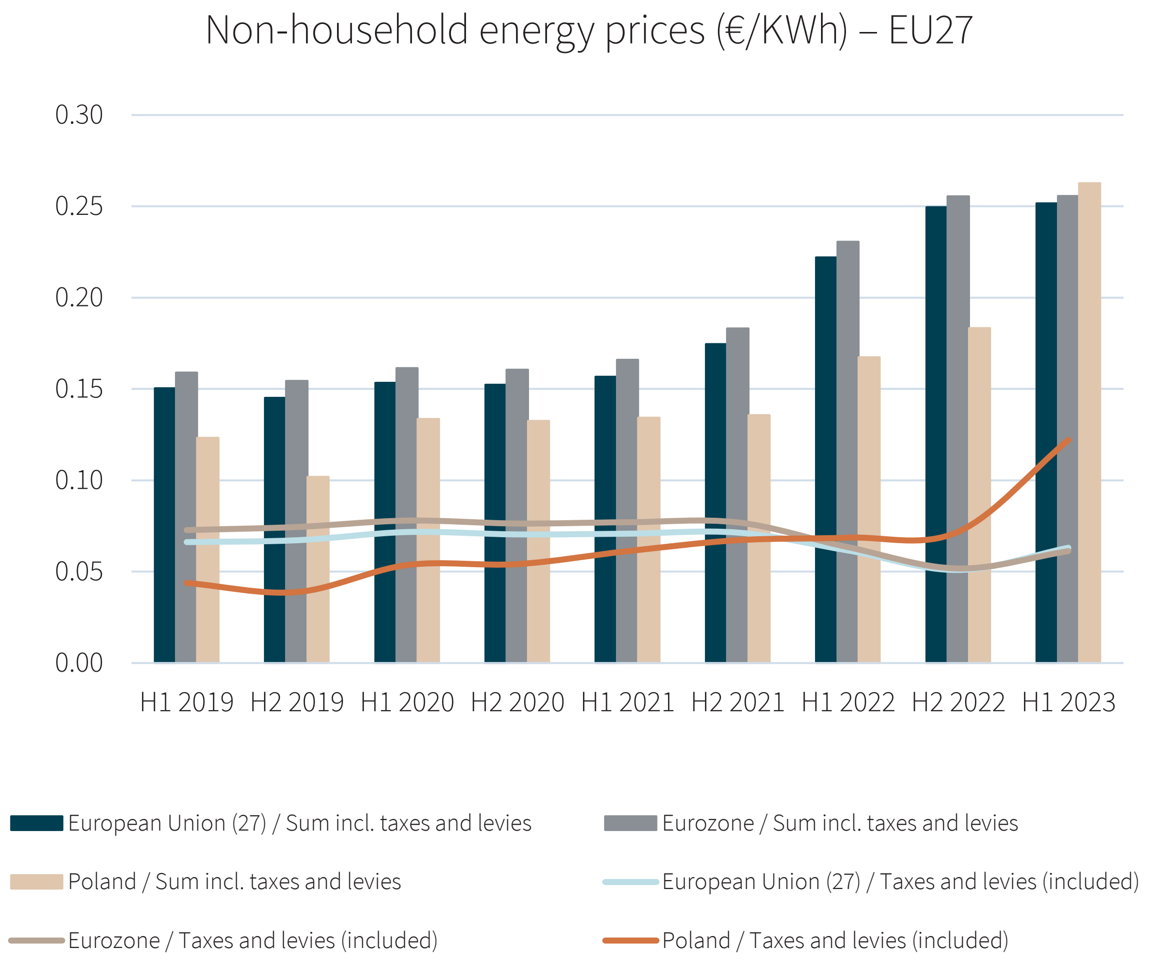
Similar patterns were observed in the prices of natural gas and coal. The year 2022 witnessed a significant, albeit temporary increase in market rates. At the peak in 2022, natural gas prices rose almost tenfold, while coal prices increased fivefold. However, by the end of 2023, they had returned to levels resembling those from 2019, indicating a limitation in fluctuations and a drive towards stabilization.

The prices of crude oil and coal in 2024 will depend on the global geopolitical situation and are expected to maintain the stability seen in 2023. This will significantly impact electricity prices by limiting their increase and maintaining a short-term level of stability.

Natural gas price index (2019 = 100)

Coal price index (2019 = 100)

Source: Refinitiv, 2024



Source: Eurostat, H2 2023

The high prices of energy commodities during the period between 2022 and 2023 led to a substantial increase in electricity prices (from approximately €0.14/KWh at the end of 2021 to over €0.26/KWh in mid-2023). However, it is worth noting that in Poland, this price increase occurred alongside a rise in taxes and levies (including transmission fees). When comparing electricity prices from the second half of 2022 to the first half of 2023, it is evident that they have stabilized both in the Eurozone and EU as a whole.

In Poland, however, these prices sharply rose from €0.18/KWh to €0.26/KWh (excluding a "price freeze" and reduced VAT on energy applied by the Polish government). Furthermore, while the forecasted rates in the EU for 2024 are expected to stabilize due to favourable conditions in the energy commodity market, prices in Poland may continue to increase and be dependent on the political and legislative situation. This is one of the few factors which can negatively impact overall stability in the coming years, affecting production costs, transportation, and ultimately expenses related to investment activities in the manufacturing industry or logistics.

Renewable revolution

Poland is undergoing a dynamic transformation, emerging as a leader in Central and Eastern Europe's renewable energy revolution. This rapid expansion of wind and solar farms, is laying a solid foundation for a sustainable and competitive manufacturing sector.

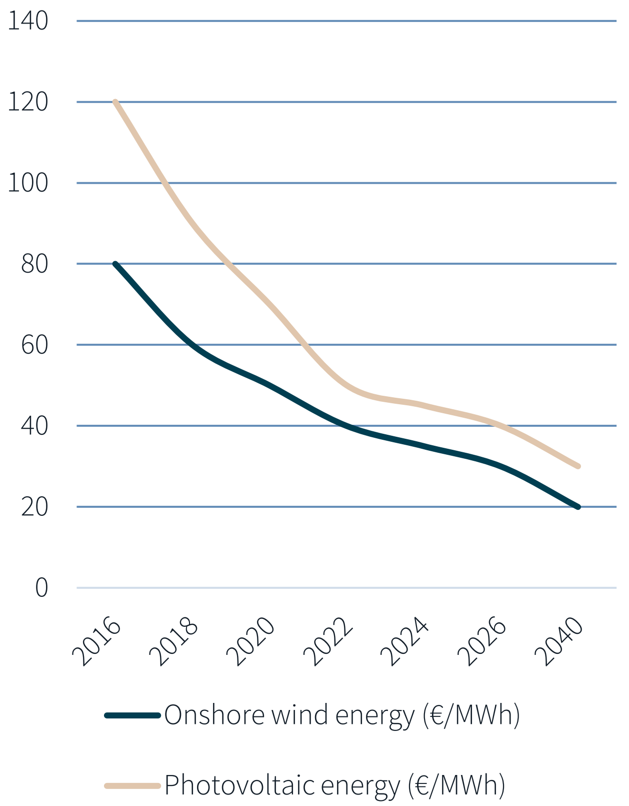
What's the catalyst for this transformation? A robust commitment to renewable energy sources (RES) as a cornerstone for economic growth. By giving precedence to RES, Poland is enabling its manufacturing base to excel in a global market that is increasingly concentrating on environmental stewardship.

Playing a pivotal role in this development the Government of Poland has instituted a suite of forward-thinking policies that underpin the growth of RES.

These policies forge a business environment that is both predictable and appealing, by providing financial incentives and cultivating a stable regulatory framework.

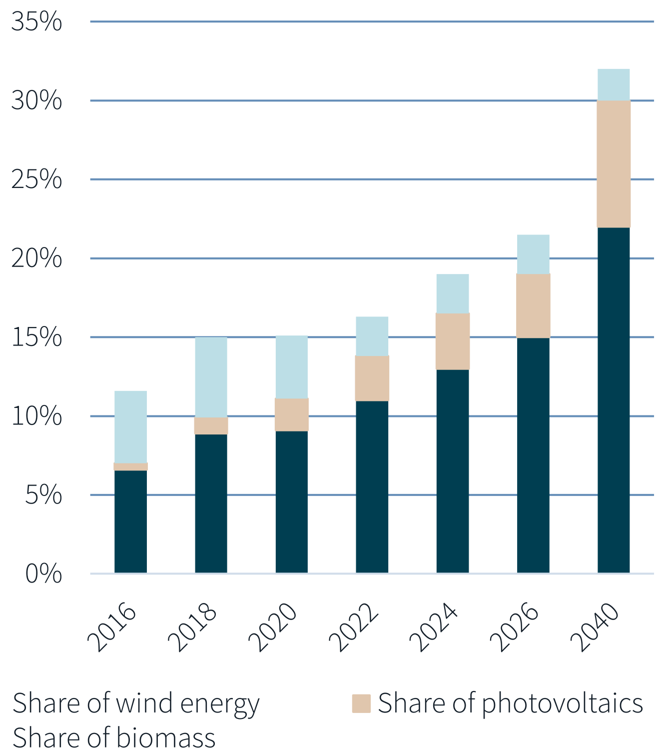
Advancing this movement, Grants & Incentives part offers an in-depth look at the specific grants and state support structures which bolster Poland's pledge to RES. It outlines the financial aid opportunities sanctioned by the European Commission and integrated into national legislation —vital tools for investors who are eager to engage with a green economy and to strive for the target of net-zero emissions.

RES Energy Prices forecast



Source: PAIH analysis, based on: EEI, SolarPower Europe, WindEurope, 2023

Dynamics of changes in the share of RES in gross final energy consumption in Poland



Source: PAIH analysis, based on: Statisctics Poland, Ministry of Climate and Environment Eurostat, 2023

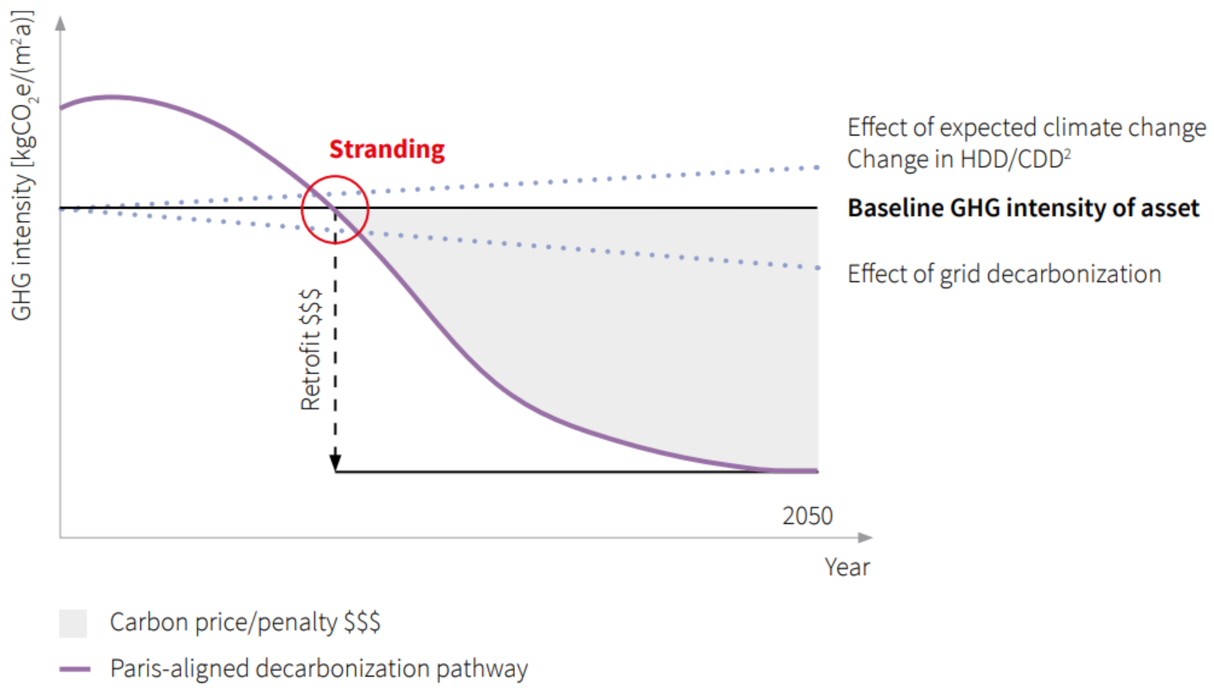
ESG impacts the valuation

The changing market landscape, shaped by the ongoing inclusion of ESG aspects in the decision-making processes of buyers, sellers, and tenants affects the traditional perception of asset value. The growing divergence between the price of future-ready buildings and those at risk of obsolescence is clear evidence that the green narrative is reflected in measurable factors that directly affect investments. Investors are ready to pay more for the environmental architecture, at the same time excluding market-lagging buildings from their scope of potential targets.

As the market matures and standards evolve, the lack of sustainable solutions are leading to value deterioration – a so-called ”brown discount”. Two factors – a ”green premium” and the aforementioned ”brown discount” – are responsible for the widening valuation gap. Sustainable building solutions increase occupancy and tenant retention while lowering operating expenses and capitalization rates, as well as reducing risk in numerous ways. Green(ed) investments are more resilient to both physical and transition risk, consequently lowering exposure to threat-imposing factors such as insurance premia, carbon pricing and valuation risk.

CRREM asset stranding explained

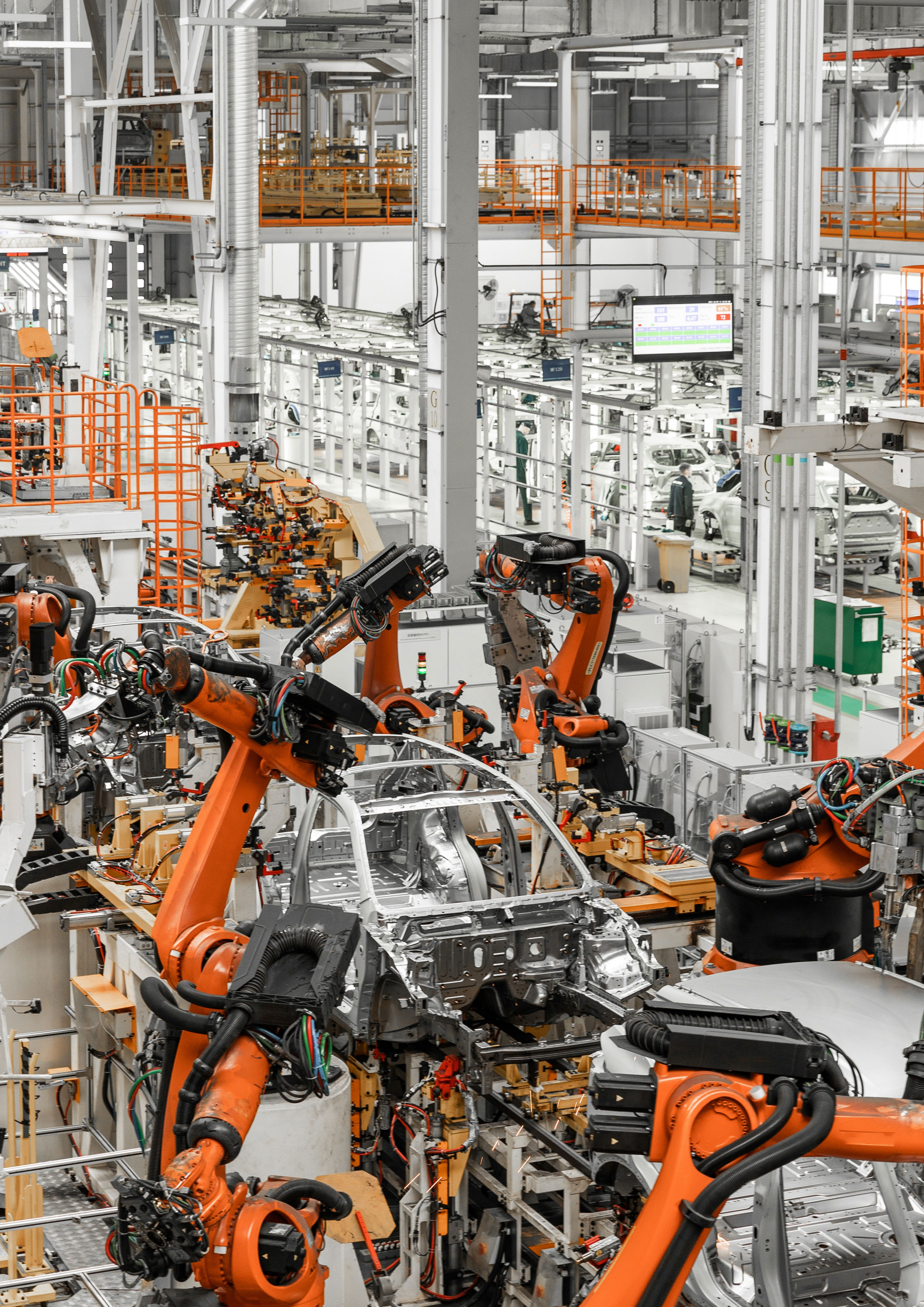
Benchmarking building progress against net-zero pathway



Source: JLL analysis, 2023

JLL's analysis suggests that – even based on today's market, returns for NZC buildings will outperform less sustainable developments, which shows a risk of increased obsolescence. This is likely to continue, with Northern Europe and the UK taking the lead. The gap between the net operating income and the interest costs is narrowing and as a result, cheaper debt is available to greener buildings. This will surely become a potential differentiator for the investors. If the market were to deteriorate in the future, we could expect buildings with poorer green credentials to fall in value and liquidity faster and further than the best in NZC stock class. As such, CapEx may be required in order to improve the sustainability specifications of these buildings so as to enhance rental values, returns, and exit yields.

Currently, in Poland, due to the possession of some of the most modern resources in Europe, the "green premium" is still less visible. However, this will change in the coming years with the emergence of additional green technologies and an increasing gap between the newest buildings and the remainder of the aging industrial stock in the country.



Overview of tax regime

General tax rules and trends in Poland

Along with growing complexity of business, Polish tax legislation tries to keep up with new challenges.

Further tax burdens and data reporting are stipulated to close identified loopholes, in the meantime, however, those who put their money on innovation are backed with a handful of tax benefits and incentives.

In recent years the government has had a great focus on digitalization and automation of tax compliance. This obviously brings some challenges for companies, but also gives more efficiency and value to their business in the long run.

Poland – as a member of EU and OECD – participates in the work on unification of international tax law in order to counteract tax avoidance. Thus, you will find here many of the tax law measures commonly used in developed countries.

In this section we present a brief overview of the Polish tax system in crucial areas along with specific tax facilities for foreign investors.

Corporate taxation (corporate income tax)

Taxpayers	Standard rate	Tax base	Tax settlement
Companies and certain partnerships	19%	Income earned in given year	Yearly returns advance payments on a monthly basis
Calculation based on accounting ledgers; in some areas accounting and tax rules differ; a book-to-tax reconciliation is required	Business-related expenses are generally **tax deductible**	**Some types** of expenses are non-deductible e.g. contractual penalties, entertainment costs	Possibility to **offset tax losses with** tax income within 5 years – with limitations
Limitation in recognizing debt financing costs as tax-deductible costs (in principle, debt financing costs exceeding 30% EBITDA are tax non-deductible, with a safe harbour of PLN 3M)		**Global minimum tax (Pillar 2)** is going to be introduced in Poland	

Withholding tax (WHT)

Poland signed **double tax treaties with 91 countries**	Poland is a member of OECD and EU – **Model OECD Convention, EU Parent-Subsidiary and Interes-Royalties Directives apply**	**Subject of WHT**: dividends, interest, royalties, intangible services

The 'pay and refund' rule (19% or 20% tax rate) applies for dividends, interest, royalties to related parties, exceeding PLN 2M threshold yearly	**Relief at source may be applied** by: 1. obtaining a binding opinion from the tax office, or 2. remitter's declaration that all conditions to use relief at source rule are met (under personal liability of board members)

Specific regimes on corporate taxation

'Estonian CIT'	Polish holding company	Polish holding company	Tax on shifted profits
Taxpayer pays tax only when the profit is distributed to shareholders, tax is not paid on an ongoing basis; Benefits: simplification of tax settlements, improvement of financial liquidity; Certain conditions have to be met to use this regime	Preferential tax regime for holding companies established in Poland: 1. tax exemption for income from dividends; 2. tax exemption for income on sales of stocks/shares; Additional conditions have to be met	Taxpayers whose share of tax income in tax revenues is less than 2%, or who have a tax loss; The tax base consists of several figures, including: 1,5% of revenue, excessive financing costs paid to related entities, excessive costs of intangible services and royalties paid to related entities; Exemptions are provided, including a three-year exemption for new business establishments	Tax on qualified payments (mostly intangible service, royalties, financing costs) to related foreign party if, among others: 1. such payments are the main source of income for this related party (>50%) 2. the tax rate in the related party country is <14,25%; Exemptions are provided, including the case when the related party have a business substance in the country of its residence in the EU

Value-added tax (VAT)

EU VAT Standards	Rates	Split payment mechanism	VAT reporting / Tax payment
VAT system aligns with regulations from EU VAT Directive and operates similarly to other member states	Standard - 23% Reduced - 8% and 5% Exemptions – e.g. financial services or supply of real estate (in some cases)	Certain supplies of goods and services (e.g. construction services, fuels, specific steel products) are subject to a mandatory split payment (applies to invoices > PLN 15k gross)	VAT reporting and payment period is monthly, with VAT SAF-T files to be submitted by the 25th of the following month

VAT Grouping
Related entities, under certain conditions, can form a VAT group to consolidate and jointly settle VAT obligations as a single taxpayer

Possibility of taxing financial services there is an option to tax financial services offered to VAT-registered parties (may be beneficial for certain business structures)

Instruments to secure tax position

It is possible (and it is commonly used) to receive a binding tax ruling from the tax authorities – i.e. the opinion of the tax authorities issued prior to the transaction, on the way the transaction should be taxed; the opinion is binding for the tax authorities in the future	It is possible to sign an agreement between the investor and Ministry of Finance **('Ruling 590')**; The investor may obtain confirmation of the tax consequences related to the planned investment in the scope of: 1. advance pricing arrangement; 2. securing opinion against GAAR; 3. binding excise information; 4. binding VAT rate information; 5. binding tax ruling 6. Currently the Ministry is working on changes to this instrument to make it more efficient	Taxpayers with revenue >50m EUR may file to enter into the Horizontal Monitoring Program. It is a voluntary form of supervision by the Ministry of Finance over the correctness of tax compliance, implemented in real time and with a taxpayer. To enter into the Program, the taxpayer must implement in the organisation, a high level of tax compliance policies. The benefit is certainty of the correctness of the company's tax settlements

“

In recent years the government has had a great focus on digitalization and automation of tax compliance. This obviously brings some challenges for companies, but also gives more efficiency and value to their business in the long run.

Tobiasz Dolny
Partner & Tax Advisor, ALTO

Tax technology

E-reporting	E-invoicing	SAF-T files	Electronic tax audits
Most of tax returns are filed electronically (XML format)	Mandatory B2B e-invoicing is going to be introduced soon (the final implementation date to be confirmed)	Taxpayers submit the data on VAT settlements to the tax office in electronic, structured xml files. Taxpayers will have to submit data on CIT settlements (accounting books) in a similar manner – planned implementation date: January 2025	Documents required by tax authorities during tax audits (accounting books, sales invoices, warehousing documents and bank statements) are submitted in the form of SAF-T
Electronic registers	**Electronic financial statements**	**Electronic signature**	**Fiscal Data Export**
Compliance operations are based around electronic registers/databases maintained by the Ministry of Finance, such as VAT taxpayers register or UBO register	Financial statements are prepared in electronic form (XML format). The statements and auxiliary documents are signed using digital signatures	It is necessary to have an eIDAS-compliant electronic signature, which is widely used in tax reporting.	It is important to adjust accounting systems so that they enable tax reporting (exporting data in SAF-T compliant form is a minimum requirement).

Other important tax issues

MDR	GAAR	Limitation period
Regulations on reporting of tax schemes based on DAC6 EU Directive. Polish provisions extend beyond the DAC6 EU Directive, encompassing both cross-border and domestic arrangements	Polish tax authorities may challenge the tax consequences of transactions that were performed to obtain a tax benefit (according to the General Anti-Avoidance Rule)	The statute of limitation is five years after the end of the year in which a deadline for tax payment was; There are some circumstances in which the limitation period may be suspended or interrupted

Transfer pricing – key considerations

In Poland, regulations concerning transfer pricing (TP) are in place, which are in general consistent with OECD Guidelines. The principle of the arm's length price remains crucial.

In terms of compliance with transfer pricing, Polish companies are obliged to fulfill a series of reporting duties. This includes the preparation of appropriate transfer pricing documentation, which should be ready to be presented to tax authorities. There are specific deadlines for these obligations to be met. Exact deadlines can depend on the type and size of the transaction, as well as specific legal requirements. Companies must also remember the necessity of submitting certain forms to tax offices.

It is important for businesses to carefully monitor and adhere to the applicable transfer pricing regulations to avoid potential penalties.

Entering Polish market – transfer pricing perspective / case study

An entrepreneur planning to open new business in Poland should consider from a TP perspective various factors to ensure compliance and operational efficiency. Below we present a case of a new beverage production facility in Poland launched under consideration of family business from EU.

<table>
<tr><th>Main issues to consider</th><th></th></tr>
<tr><td>TP Methods and Models</td><td>Evaluate which TP model suits the business objectives and operational structure.
For the case two models to consider could be the „Toller" and „Contract Manufacturer", each with main distinct features:

• Toller (Toll Manufacturing): In this model, one entity may provide raw materials to the manufacturer who then processes these into the final product. This option may requires more involvement in the supply chain management and may lead to challenges in coordination and logistics.
• Contract Manufacturer: Here, the third-party manufacturer handles the entire production process, from sourcing raw materials to delivering the finished product. This turnkey solution is less hands-on and can be advantageous if you prefer to focus on other aspects of your business. However, it may result in less control over the production process and the quality of raw materials used.

The final model will determine remuneration for manufacturing activity in Poland.</td></tr>
<tr><td>Restructuring</td><td>Double check if you are transferring something of value from a different jurisdiction.</td></tr>
<tr><td>Financial Planning</td><td>Analyze the cost implications of each model and financing assumptions.</td></tr>
<tr><td>Regulatory Compliance</td><td>Familiarize with Polish TP regulations in line with OECD guidelines.</td></tr>
<tr><td colspan="2">In choosing between a toller and a contract manufacturer, consider your company's specific needs, strategic objectives, and capacity for managing production processes. Each model has its advantages and challenges, so the decision should align with your overall business strategy and TP obligations in Poland. Consulting with transfer pricing professionals can provide tailored advice and help navigate the complex TP landscape.</td></tr>
</table>

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