



Małopolska Agencja Rozwoju Regionalnego S.A., Krakowski Park Technologiczny sp. z o.o. and Kraków Nowa Huta Przyszłości S.A. jointly implement a project titled: **“POWER UP YOUR BUSINESS IN MAŁOPOLSKA”**, co-financed by the Regional Operational Programme for the Małopolska Region for 2014–2020 (RPO WM) under Priority Axis 3: “Entrepreneurial Małopolska”, measure: “The Internationalisation of Małopolska Economy”, sub-measure “The Economic Promotion of Małopolska”.

The objective of the project is to directly promote the economic potential of Małopolska on the international scene, improve the competitiveness of regional companies on foreign markets and support foreign investments in Małopolska.

The measures of the “Power up...” project include participating in foreign fairs, organising trade missions and regional workshops, issuing publications and creating a modern information system for the entrepreneurs of Małopolska.

**marr** We combine the potential of our institutions: **Małopolska Agencja Rozwoju Regionalnego S.A.** (1993): the largest regional business institution implementing entrepreneurial support programmes and EU projects, offering financial instruments to implement business projects, providing services for investors and conducting international promotion activities. [www.marr.pl](http://www.marr.pl)



**Krakowski Park Technologiczny sp. z o.o.**, managing the Special Economic Zone in Małopolska, creating modern aid systems (incubator, seed capital, clustering, etc.), primarily for ICT companies. [www.kpt.krakow.pl](http://www.kpt.krakow.pl)



**Kraków Nowa Huta Przyszłości S.A.**, managing the largest investment area in Krakow, acting in the area of logistics projects, new technologies, recreation and leisure, urban planning and development of post-industrial areas. [www.knhp.com.pl](http://www.knhp.com.pl)

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# Introduction

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Małopolska is a region in southern Poland. The southern border of the region is also the Polish border with Slovakia. To the west, the Region borders with Silesia; to the north – with the Świętokrzyskie Region; and – to the east - with the Podkarpackie Region. The capital of the region and its economic center is located in Krakow. Tarnow and Nowy Sacz are also strong urban centers. From the point of view of investments, such district towns as Chrzanow, Oswiecim, Bochnia or Wieliczka are also of great importance. The whole region is extremely diverse, making its offer comprehensive. Małopolska is characterized by dynamic development that ensures sustainable growth. For entrepreneurs, this means a friendly, competitive and attractive business environment. The present report aims to provide some insights into the advantages that come with investing in the Małopolska region. It also sets out to address the basic principles and forms of doing business in Poland. Although it is aimed primarily at the foreign investors, its strictly practical dimension may also make it quite useful for the domestic ones. Basic data and information on the Małopolska region have been presented in a rather concise manner, yet at the same time giving the gist of this region of Poland is just perfect for investing in.

This present Report has been developed under the “Power Up Your Business in Małopolska”, co-financed by the European Union, out of the European Regional Development Fund - Regional Operational Programme of the Małopolska Region 2014-2020, sub-measure 3.3.1 “Economic Promotion of Małopolska”.



# Poland welcomes investors

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Poland is a country well worth investing in. This is evidenced not only through its unique geographical location, but even more so by pertinent macroeconomic data, most essential in terms of investment decision-making process. Poland boasts stable economy, of well developed resistance to global economic crises, as it has already been repeatedly evidenced. Furthermore, Poland's central location in Europe, in conjunction with the fact that it also happens to be the external eastern border of the European Union, make Poland naturally predestined, as it were, to be a bridge between the East and the West.

Business attractiveness of Poland stems from several factors:

- Poland's biggest advantage is by far its own population. It is highly motivated to keep on learning, pursue continuous personal and professional self-development, as well as boasts true entrepreneurial spirit. Poles are generally easy-going, quick at fostering new contacts, boast unique ability to adapt to any new work environment, and easily fit into the commonly shared standards and work culture prevailing within an organization. Poles are also very good with foreign languages. In a recent survey conducted in 2011, nearly two-thirds of the respondents declared a command of a foreign language. The largest proportion of respondents felt comfortable in English (37%), then in Russian (27.8%), and in German (19.7%)<sup>1</sup>.
- Poland is characterized by healthy public finances and overall economic stability offer tangible potential for long-term investment planning and business predictability.
- In Poland, various sectors of the national economy enjoy dynamic development. There are manufacturing companies, mainly associated in the automotive industry, but also in the domain of aviation, metallurgy and chemicals as well as the rapidly growing service sector, especially the BPO sector. Krakow - the capital of the region - yearly earns high positions in global rankings on the most attractive directions for the development of this sector. Warsaw and Wrocław are also strong Polish centers. This market is also rapidly growing in Katowice - the capital of Silesia, one of the regions adjacent to the Małopolska which, thanks to the unique synergy between these regions, could be a magnet for investors. Agriculture makes up another strong sector of national economy. Since Poland's accession to the European Union this sector has benefited quite substantially in terms of technological advancement. By no means has Polish agricultural sector lost its organic character and Polish food products are rated among the very best in Europe.
- Polish entrepreneurs are renowned for their unique ability to comply with even the most stringent industrial quality standards. They are highly creative in their approach and continuously on the look-out for innovative solutions to be applied in streamlining various processes.
- Recently in Poland there has been a significant expansion of transport infrastructure. For instance, since 2010 the number of motorways nearly doubled, this further accompanied by a significant expansion of expressways network. Current on 2014, the motorway network spanned 1 556 km, while the network of expressways covered 1448 km<sup>2</sup>. The longest Polish motorway - A4 - links up German border in the west and the Ukrainian one in the east, whilst also passing through the two important urban centres, i.e. Krakow, the capital of Małopolska, and Tarnow.

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<sup>1</sup> Główny Urząd Statystyczny, *Kapitał ludzki w Polsce*, Gdańsk 2015, page 50-52.

<sup>2</sup> Główny Urząd Statystyczny, *Polska w liczbach 2016*, Warszawa 2016, page 29.



- Poland's population amounts to 38.5 million. Thanks to Poland's membership in the European Union and the attendant principle of free movement of persons, goods and capital, as well as the principle of freedom to provide services, the investors also enjoy easy access to all the markets across the European Union covering 500 million potential consumers. Poland also borders with the Eastern European countries and mutual trade agreements in place effectively facilitate international trade.



Many investors have already focused their business sights on Poland and the very scale of their entrepreneurial ventures is nothing short of impressive. By the end of 2014, overall value of foreign direct investment amounted to EUR 171.7 billion. This is hardly surprising, as according to the report EY's European Attractiveness Survey Report 2016 Poland was ranked 5th on the list of most attractive countries for foreign direct investment (15% of respondents) within Europe. Poland was outranked only by such economic powers as Germany, Britain, France and the Netherlands<sup>3</sup>.

<sup>3</sup> <http://www.ey.com/gl/en/issues/business-environment/ey-2016-european-attractiveness-survey> [access 29.11.2016]



# The Małopolska region – an overview

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Małopolska is a historical region in southern Poland, including Krakow, a major metropolitan centre of great economic, social and public stature, also in terms of its regional significance as a sub-region of Central Europe. The Małopolska Region is inhabited by 3,372 million residents, spread over the area covering 15,108 km<sup>2</sup>, which gives 223 persons/km<sup>2</sup>. In terms of population, Małopolska comes 41<sup>st</sup> (similar in size to the population of Berlin), and in terms of population density 101<sup>st</sup> place (next to Luxembourg) among 319 regions the European Economic Area has been divided into. The population continues to grow - in 2015, natural growth rate amounted to 3337 persons, while migration increased the population by another 3770 persons<sup>6</sup>. Krakow – the region's capital, the second largest city in Poland, is inhabited by 762,4 thousand<sup>7</sup> residents, whereas the Krakow agglomeration boasts 1505.6 thousand<sup>8</sup> residents.

Overall attractiveness of the region is a magnet for new residents and tourists alike. In 2015, Krakow alone pulled an impressive 10 million visitors. Tourists are also pulled by an unique richness of the landscape, e.g. they may see the Błędownska Desert, the only genuine desert within Europe, and soak up the alpine beauty of the High Tatra mountain range.

A thousand-year history of the region also offers a powerful incentive, with its numerous monuments and rich cultural heritage.

Visits are facilitated thanks to an efficient network of airline connections that offer easy access to the region from every place in Europe and the world at large, but also through the existing network of road connections with Germany and the Ukraine, as well as with the north of Poland, and the Czech Republic, Slovakia and Austria down south. A well-developed railway infrastructure offers fast connections to Warsaw, the Polish capital (just a 2 hours 20 min ride) and the main cities throughout the country.

The main potential for creating human capital within the region is to be found in 31 seats of academic learning which provide advanced educational opportunities to 175.6 thousand students, i.e. 12.4% of their total number within the country<sup>9</sup>.

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<sup>4</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tgs00096&plugin=1> [access 29.11.2016]

<sup>5</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tgs00024&plugin=1> [access 29.11.2016]

<sup>6</sup> Województwo małopolskie w liczbach 2016, Urząd Statystyczny w Krakowie, page 7

<sup>7</sup> Data as of 30.09.2016, Urząd Statystyczny w Krakowie, <http://krakow.stat.gov.pl/> [access 29.11.2016 r.]

<sup>8</sup> Data as of 31.12.2014, Krakowski Obszar Metropolitalny 2015, Urząd Statystyczny w Krakowie

<sup>9</sup> Own calculations based on: Województwo małopolskie w liczbach 2016, Urząd Statystyczny w Krakowie (page 15) and Polska w liczbach 2015, Główny Urząd Statystyczny (page 15).



In 2014, the Małopolska region supplied 7.8% of Poland's GDP. In per capita terms this translated into PLN 39,867.00, compared to the domestic average amounting to PLN 44,670.00<sup>10</sup> per head. This result places the region at the 7th place in the country.

<sup>10</sup> [http://stat.gov.pl/files/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/3/1/notatka\\_wstepne\\_szacunki\\_pkb\\_nts\\_2\\_2014.pdf](http://stat.gov.pl/files/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/3/1/notatka_wstepne_szacunki_pkb_nts_2_2014.pdf) [access 29.11.2016]

GDP growth rate dynamics within the region in the period spanning 2004 - 2015 amounted to 222.4%, compared to the domestic average of 218.6%<sup>11</sup>. In comparison to the entire country, overall structure of employment within the region is characterized by a relatively high share of the service sector - 58.5%, while the agricultural sector and the industrial one account for 11% and 30.5% of all employed<sup>12</sup>, respectively.

These factors exert a certain impact not only on the visitors and residents, but also on the entrepreneurs who are rather keen to invest their money down here. Especially the investors operating within the so-called high-chance sectors:

- biotechnology and life sciences,
- sustainable energy,
- ICT / BPO / SSC,
- chemical industry,
- manufacture of metals and metal products,
- electrical and mechanical engineering,
- creative industries and leisure industry.

These development ventures may be sited in the particularly attractive locations, offering preferential business terms, i.e. Special Economic Zones: Katowice, Krakow and Mielec. The value of Foreign Direct Investment in the period spanning 1989 - 2012 was around the USD 13 billion mark, while the value of regional exports within the same period amounted to EUR 6 billion.

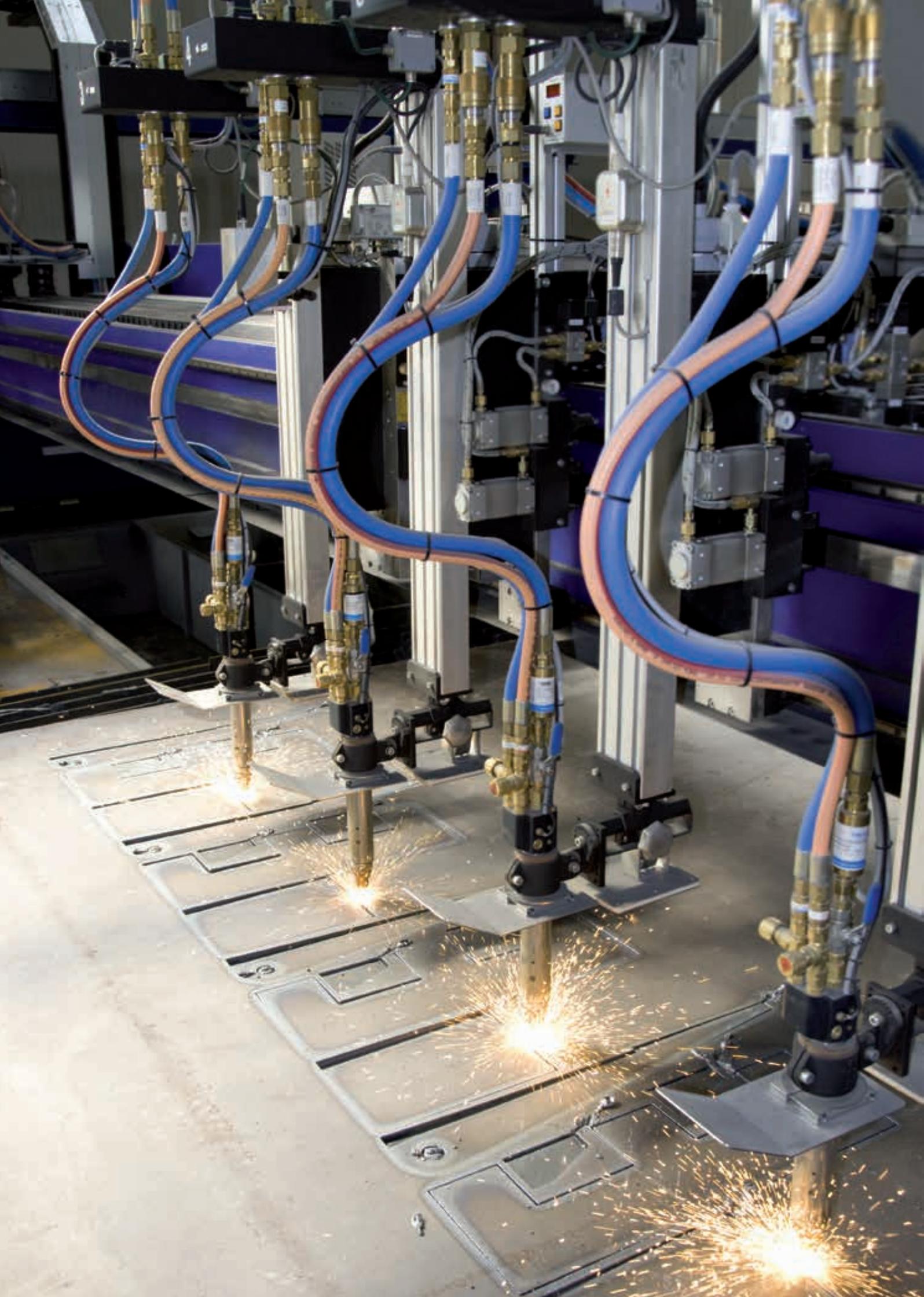
Another important advantage of the Małopolska region consists in the availability of extensive telecommunications network.

Within the EU financial perspective for the period spanning 2014 -2020 the Małopolska region stands to benefit EUR 3 billion. Euros, earmarked for the development of infrastructure, supporting entrepreneurship, development of new technologies and improve overall quality of natural environment.

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<sup>11</sup> Own calculations based on: [http://www.euroreg.uw.edu.pl/dane/web\\_euroreg\\_publications\\_files/726/gorzelak\\_2006\\_charakterystyka\\_polskich\\_wojewdztw\\_1999\\_\\_2004.pdf](http://www.euroreg.uw.edu.pl/dane/web_euroreg_publications_files/726/gorzelak_2006_charakterystyka_polskich_wojewdztw_1999__2004.pdf) and [http://stat.gov.pl/files/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/3/1/notatka\\_wstepne\\_szacunki\\_pkb\\_nts\\_2\\_2014.pdf](http://stat.gov.pl/files/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/3/1/notatka_wstepne_szacunki_pkb_nts_2_2014.pdf) [access 29.11.2016]

<sup>12</sup> Atrakcyjność inwestycyjna regionów 2015, Województwo małopolskie, Szkoła Główna Handlowa 2015 (page 8) [http://www.paiz.gov.pl/files/?id\\_plik=25964](http://www.paiz.gov.pl/files/?id_plik=25964) [access 29.11.2016]



# The environment for foreign investment

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Małopolska is creating favourable conditions for the development of foreign investment. It is primarily the well-functioning local administration at regional and local levels that is trying to respond to the current needs of foreign investors. In Małopolska there are favourable conditions for the development of the High-Tech, Automotive, Tourist and Business Process Outsourcing (BPO) sectors, primarily due to the high scientific and research potential in the region, to the relevant scientific hinterland, the availability of qualified engineers and workforce, and convenient natural and climatic conditions. Other attractive values are also well-educated university graduates. Non-trivial here is the role of Krakow as a leading academic centre in Poland. In Krakow, there are about 175,6 thousand students each year, which represents 12,4% of all students in Poland.

The economic significance of Krakow is reinforced by the demographic potential of the region – within a radius of 100 km from the city there is a population of about 8 million people. This is a receptive potential market. Another advantage is the fact that 60% of residents are under 45 years of age.

Krakow was also ranked 9th among the 100 best destinations for outsourcing in the world ranking Tholons 2016 “Top 100 Outsourcing Destinations 2016”. Thus, the capital of Małopolska is constantly the best place in Europe for locating this type of investment.



# Incentives for investors

## Government grants

Government grants are awarded on the basis of the Programme to support investments of high importance for the Polish economy in the years 2011-2020<sup>13</sup>. Requests for support can be submitted by investments that meet certain parameters in terms of investment and employment from so-called priority sectors, which include: automotive, electronics and white goods, the aviation sector, biotechnology, agro-food, state-of-the-art services, research and development (R&D) and other productive sectors, provided that the minimum eligible investment costs amount to a minimum of PLN 750 million, and the project will create at least 200 jobs, or – in the case of so-called significant investments – minimum eligible costs amount to PLN 500 million, and the number of new jobs of at least 500.

Requests for assistance should be directed to the Polish Investment and Trade Agency seated in Warsaw at ul. Bagatela 12<sup>14</sup>.

## Special Economic Zones

The special economic zone, hereinafter the “zone or SEZ”, is separated in accordance with the provisions of the Act, uninhabited part of the territory of the Polish Republic, on whose land business activity may be conducted on the principles specified in the Act of 20 October 1994 on Special Economic Zones<sup>15</sup>.

The main benefit of operating in the SEZ is the fact that the revenue from the economic activity conducted in the zone by legal or natural persons engaged in business activities are exempt from income tax.

Doing business in the SEZ is possible only after obtaining the appropriate permit. The body authorized to issue permits to conduct business activity in a given special economic zone is the Minister of Development, who ceded their right to companies managing each zone. These companies, called Special Economic Zone Managers, perform the whole procedure related to the issuance of the permit.

The entrepreneur submits to the SEZ Management a declaration on conducting business in the SEZ. The declaration should specify the basic conditions for doing business, such as the purpose and place of business. However, there are no formal requirements as to the content or form of the document<sup>16</sup>.

<sup>13</sup> The program was adopted by a resolution of the Council of Ministers No. 221 of 17 December 2013 establishing a multiannual program of financial support for municipalities in terms of feeding, „State aid for feeding” for the years 2014-2020 (M.P. z 2013 roku poz. 1024 ze zm.)

<sup>14</sup> Detailed information on support in the form of government grants are available at the following website: [http://www.paiz.gov.pl/dlaczego\\_Polska/zachety\\_inwestycyjne](http://www.paiz.gov.pl/dlaczego_Polska/zachety_inwestycyjne)

<sup>15</sup> Dz.U. z 2015 roku poz. 282 ze zm.

<sup>16</sup> More details about the procedure for obtaining a permit to conduct business activity in the SEZ are available at the following website: <https://www.biznes.gov.pl/opisy-procedur/-/proc/235-zezwolecie-na-dzialalnosci-gospodarcza-w-specjalnej-strefie-ekonomicznej>

In Małopolska there are three Special Economic Zones:

### **Kraków SEZ**

The Kraków Special Economic Zone currently covers an area of over 866 hectares. It is located in the provinces of Małopolska, Świętokrzyskie, and Podkarpackie, where public support for investment in the SEZ is the highest in Poland. The Kraków SEZ consists of 32 subzones located in the territory of 30 municipalities.

So far, the SEZ has issued 224 permits for activities, created 23 379 jobs, and the amount of expenses is PLN 4 190 718 477.

The company managing the zone is the Kraków Technology Park Sp. z o.o.

ul. Podole 60, 30-394 Kraków tel. +48 12 640 19 40 e-mail: [biuro@kpt.krakow.pl](mailto:biuro@kpt.krakow.pl).

### **Katowice SEZ**

The Katowice Special Economic Zone is a dispersed zone. In the province of Małopolska the region located in this zone is located in the Municipality of Myślenice as part of the Jastrzębie-Żory subzone.

The company management managing the zone is the Katowice Special Economic Zone SA in Katowice at ul. Wojewódzka 42, tel. +48 32 251 07 36 e-mail: [ksse@ksse.com.pl](mailto:ksse@ksse.com.pl).

### **EURO-PARK Mielec**

The EURO-PARK MIELEC Special Economic Zone was established as the first in Poland in 1995. It is located mainly in south-eastern Poland. In the province of Małopolska the region forming part of this zone is the subzone in Gorlice with an area of 21,0903 ha.

The company is the Agencja Rozwoju Przemysłu S.A., Branch in Mielec Special Economic Zone EURO-PARK MIELEC ul. Partyzantów 25 39-300 Mielec tel. : +48 17 788 72 36, e-mail: [europark@arp.pl](mailto:europark@arp.pl).

## **Industrial and Technology Parks**

Industrial and technology parks are places where, thanks to the meeting of companies from one industry, and their supporting R&D institutions, their rapid development is possible.

A technology park is a cluster of separate buildings with technical infrastructure, created in order to allow the flow of knowledge and technology between scientific institutions and entrepreneurs.

Entrepreneurs using modern technologies are offered the following services:

- consultancy in the creation and development of enterprises,
- technology transfer,
- converting the results of research and development into technological innovation,
- creating a favourable business environment.

In the province of Małopolska, there are the following technological parks:

Krakowski Park Technologiczny Sp. z o.o.

ul. Podole 60

30-394 Kraków

Tel. (0048) 12 640 19 40

fax (0048) 12 640 19 45

[biuro@kpt.krakow.pl](mailto:biuro@kpt.krakow.pl)

<http://www.kpt.krakow.pl/>

**Tarnowski Klaster Przemysłowy S.A.**

ul. Słowackiego 33-37  
33-100 Tarnów, Poland  
tel.: +48 14 627 75 94, fax. +48 14 627 75 93  
email: sekretariat@tkp.com.pl  
<http://www.tkp.com.pl/>

In the case of investment in industrial parks located in Tarnów, you can also contact the staff of the Department of Economic Development of the City of Tarnów at ul. Mickiewicz 6 in Tarnów, room 116.

tel.: 014-6882-800 fax: 014-6882-820  
e-mail: l.blacha@umt.tarnow.pl  
<http://www.tarnow.pl/biznes>

**Park Life Science w Krakowie managed by Jagiellonian Center of Innovation**

ul. Bobrzyńskiego 14  
30-348 Kraków  
Tel. +48 12 297 46 05  
Fax 22 55 25 659  
e-mail: klaster@lifescience.pl  
<http://lifescience.pl/>

**MMC Brainville in Nowy Sącz**

ul. Myśliwska 2  
33-300 Nowy Sącz  
Tel.: +48 18 53 13 550  
Fax: +48 18 53 13 555  
e-mail: biuro@brainville.pl  
<http://brainville.pl/>

Currently, intensive work on widening the investment offer in Małopolska is being carried out in areas within the unique project Kraków Nowa Huta of the Future. As a result of the activities undertaken, the developed area will become:

- an attractive place for investors and local entrepreneurs,
- a centre for innovation and state-of-the-art technology,
- a business centre,
- a cradle of creativity and design,
- a place that is ecological and friendly to each user,
- a place where history will be an inspiration for further development.

From the investor's perspective, the most important activities included in this project are aimed at creating the Science and Technology Park "Branice" and Logistics and Industry Centre "Ruszcza". These tasks will be complemented by projects for recreational development in the form of water reservoirs in Krakow and the creation of Open Area for Large-scale Events – Błonia 2.0.

The project is implemented by:

**Kraków Nowa Huta Przyszłości S.A.**

Osiedle Willowe 30

31-902 Kraków

Tel: (0048) 12 348 01 55

Mob. (0048) 727 432 104

e-mail: [biuro@knhp.com.pl](mailto:biuro@knhp.com.pl)

[www.knhp.com.pl](http://www.knhp.com.pl)

## Investor Support Center

In the Małopolska Region, there also operate entities supporting investors. Thanks to their involvement, comprehensive, free-of-charge, timely and detailed economic information can be obtained and investment offer can be learned in one place.

**For investment in Krakow:**

Investor Support Center (Centrum Obsługi Inwestora)

ul. Bracka 1, 31-005 Kraków

tel. (0048) 12 616 6002

fax. (0048) 12 616 6001

e-mail: [coi@um.krakow.pl](mailto:coi@um.krakow.pl)

**For investment in Małopolska:**

Centrum Business in Małopolska

ul. Podole 60

30-394 Kraków

tel: (0048) 12 620 91 40

fax. (0048) 12 620 91 66

e-mail: [contact@businessinmalopolska.pl](mailto:contact@businessinmalopolska.pl)

## Exemption from property tax

One of the basic investment incentives available to businesses in municipalities is an exemption from local taxes and fees. The Act of 12 January 1991 On local taxes and fees<sup>17</sup> grants municipalities the power to shape the tax rates and the establishment of these exemptions from the taxes and fees provided for. From a business perspective, the most important factor is the exemption from property tax.

## Cooperation between science and business

In the province of Małopolska centres to support the development of innovative industries are rapidly developing. Mention here should be made primarily about the institutions responsible for the commercialization of research and seeking its market use. This is conducted by units close to the universities which are knowledge and technology transfer centres.

<sup>17</sup> Dz.U. z 2016 roku poz. 716

The most important this type units are:

**Technology Transfer Centre of the Cracow University of Technology**

ul. Warszawska 24

31-155 Kraków

Tel. (0048) 12 628 28 45

e-mail: sekretariat@transfer.edu.pl

<http://transfer.edu.pl/>

**CITTRU Technology Transfer Centre**

Jagiellonian University

ul. Czapskich 4, 31-110 Kraków

Tel. (0048) 12 663 38 30

e-mail: cittru@uj.edu.pl

[www.cittru.uj.edu.pl](http://www.cittru.uj.edu.pl)

**AGH Technology Transfer Centre**

Al. Adama Mickiewicza 30

30-059 Kraków

Tel. (0048) 12 617 32 85

Fax (0048) 12 423 35 62

<http://www.ctt.agh.edu.pl/>

An important role in the field of science and business cooperation is also served by the Institute of Highway Technology and Innovation (IATI). It works as a consortium, whose leaders are the Stanisław Staszic University of Mining and Metallurgy in Kraków and the Wrocław University of Technology. As part of the IATI, cooperation has been taken up by 37 institutions, including 22 universities, 8 companies, and 7 independent research institutes.

**IATI Kraków Office**

Al. Adama Mickiewicza 30

30-059 Kraków

Tel. +48 12 617 47 42

e-mail: kontakt@iati.pl

<http://iati.pl/>



# Setting up a company

The principles of commencing and pursuing business in Poland have been defined in the Act of July 2, 2004, on Freedom of Economic Activity<sup>18</sup>. It comprises the specific provisions on the procedures pertaining to the commencement, pursuit, suspending and closing a business.

Carrying out certain types of business activities requires securing a pertinent license, permit or a registration in the register of regulated activities. This applies, for example, to running a filling station, sale of alcoholic beverages, setting up a driving school, transporting/forwarding people and goods, etc. An entrepreneur may commence a scope of business activities upon the date of filing in an application for an entry in the Central Register and Information on Business Ventures, or after his venture has effectively been entered into the National Court Register of Entrepreneurs.

In Poland, business activities can be pursued in the following forms:

- 1) one-man operations pursued by individuals (self-employment),
- 2) persons associated in a civil partnership,
- 3) in the form of commercial law companies, within which the following can be distinguished:
  - partnerships, including general partnerships, professional partnerships, limited partnerships and limited joint-stock partnerships,
  - capital companies, including joint-stock companies and limited liability companies.

From the point of view of the implementation of investment projects, the importance of capital companies is dominant. For this reason, the essence of these companies and the process of their establishment and registration will be discussed in detail later in this guide.

## Commercial companies

Commercial companies are governed by the provisions of Polish Commercial Companies Code<sup>19</sup>. There are several types, i.e. registered partnership, partnership, limited partnership, limited joint-stock partnership, joint stock company, and limited liability company. Partners setting up a commercial company in fact bring into being a separate legal entity, which, very much like a (civil) partnership is also being set up by way of entering into a partnership agreement, in pursuance of which the partners or shareholders undertake to pursue a common objective by making respective contributions, although these companies, as opposed to a (civil) partnership, do boast a legal capacity, i.e. may be the subject of rights and obligations, and some of them possess corporate status.

## Partnerships

A partnership is a commercial company whose business is based on personal ties between its partners, pursuing its scope of business under their own names. Partnerships comprise a registered partnership, a professional partnership, limited partnership and limited joint-stock partnership.

Partnerships are established upon being entered into the National Court Register of Entrepreneurs (an entry of a constitutive character). Such entry must be preceded by the conclusion of a

<sup>18</sup> <http://isap.sejm.gov.pl/DetailsServlet?id=WDU20041731807> [access 29.11.2016]

<sup>19</sup> <http://isap.sejm.gov.pl/DetailsServlet?id=WDU20000941037> [access 29.11.2016]

pertinent agreement by the partners, while in the case of a limited joint-stock partnership, by the sign-off of the statutes by the founders. The form and content of the articles of association and the statutes depends on the actual type of partnership.

In order to set up a registered partnership and a professional partnership it is required to conclude a pertinent partnership agreement in writing. Other partnerships, i.e. a limited partnership and a limited joint-stock partnership require that the articles of association and the statute be signed off in the form of a notarial deed. Regardless of the above referenced legal form, a registered partnership and a limited partnership may be established and duly registered whilst making use of an electronically accessible standard template.

## Capital companies

In Polish law this type of companies is made up by a limited liability company and a joint stock company. Both companies boast a number of key features, i.e. capital, legal capacity, lack of personal accountability of the partners/shareholders in respect to the company's obligations, separation between the management board and the ownership structure.

### Limited liability company

The key features of a limited liability company:

- articles of association of a limited liability company require the form of a notarial deed, unless an electronic standard template be used for this purpose,
- shareholders are not liable for the obligations incurred by the company,
- company possesses legal capacity,
- share capital must be not less than the amount of PLN 5,000,
- shares in the company may be ordinary or privileged in terms of a number of votes at the shareholders meeting or the right to dividends,
- contributions to the share capital may be paid in cash or through making contributions in kind (in the case of making use of an electronic standard template it is cash only); a minimum value of each share equals to PLN 50.00; shares may be of equal or unequal value,
- each shareholder has the right to gain an insight into the company's business, i.e. inspect the company's books and documents, whereas in the case of the establishment of a Supervisory Board, or an Audit Committee, an individual right of inspection by a shareholder may be subject to exclusion,
- a company is registered in the KRS - National Court Register of Entrepreneurs,
- it is required to effect the payment of the company's share capital in its entirety,
- expulsion of a shareholder requires a court's decision,
- dissolution of a company for the reasons set out in the contract, through a resolution adopted by its shareholders, or for reasons specifically listed in the Polish Code of Commercial Companies (this might include bankruptcy or liquidation proceedings in progress) shall be deemed effective only upon the date of the company having been stricken off the KRS records.

### A joint-stock company

The main features of a joint stock company:

- articles of association of a joint stock company require the form of a notarial deed,
- shareholders are not liable for the company's liabilities,

- company possesses legal capacity,
- company's share capital no lesser than the amount of PLN 100,000.00,
- in a joint-stock company the shares are a most essential component, shares must be of equal nominal value (nominal value of the shares cannot be less than PLN 1/100 each),
- shares in the company may be ordinary or privileged in terms of a number of votes at the shareholders meeting or the right to dividends,
- establishment of a joint stock company may be executed by the founders (possibly together with some third parties) or by public subscription (notices of subscriptions for the company's shares),
- The company is entered into the National Court Register of Entrepreneurs.

## Registration

The course of the registration process depends on the selected type. When we choose to register a limited liability company we may choose between concluding an agreement in the form of a notarial deed or using an electronic standard template.

In all other cases, a company's registration process will entail a visit to the registration court. In the Małopolska region, the pertinent court is the District Court of Law for Kraków - Śródmieście in Kraków, ul. Przy Rondzie 7, 31-547 Kraków - wing K, 1st floor, Room 118.

The city of Kraków is served by the XI Commercial Division, National Court Register of Entrepreneurs while the other municipalities in the region are served by the XII Commercial Division, National Court Register of Entrepreneurs.

It should also be borne in mind, that in the case of a joint stock company, it is not possible to use an electronic standard template and the agreement must be conclude in the form of a notarial deed.

The addresses of notarial chambers may be accessed here:

[http://www.krn.org.pl/1197/Znajdz\\_notariusza](http://www.krn.org.pl/1197/Znajdz_notariusza)

## Branches and representative offices of foreign entrepreneurs

For the pursuit of economic activities in Poland, foreign entrepreneurs may, on a reciprocal basis, establish branches established in the territory of the Republic of Poland. In this case, they can start up a business in Poland after the entry of the establishment of a branch in the register of entrepreneurs, while the activities of the branch must be within the range of the activities of the foreign entrepreneur.

The process of registration of a branch in the commercial register is the same as in the case of the registration of a company described above.

Representative offices, in turn, can only be created for the promotion and advertising activities of a foreign entrepreneur. The establishment of a representative office requires an entry into the register of representative offices of foreign undertakings. The registry is held and entries are made by the Minister of Development<sup>20</sup>.

<sup>20</sup> More details can be found at the following website <http://mr.bip.gov.pl/rejstry-mr/rejestr-przedstawicielstw-przedsiębiorcow-zagranicznych.html>.



# Labour market in the Małopolska region

As current for September 2016, average employment figure in the enterprise sector in the Małopolska region was 465.3 thousand persons. The unemployment rate was 6.7%, i.e. lower than in the previous year (8.3%). By the end of September 2016, the number of unemployed registered in job centres was 96.1 thousand persons, i.e. lower by 21.2 thousand persons (18.0%) than in the corresponding month of 2015, and by 1.5 thousand (1.5%) as compared to August 2016. Women accounted for 55.3% of all registered unemployed (previous year - 54.6%). In terms of unemployment, the Małopolska region was exactly on a par with the Silesia region, i.e. the 2nd place in Poland (the highest favourable position was occupied by the Wielkopolska region, boasting an unemployment rate of 5.1%)<sup>21</sup>.

In the second quarter of 2016, the employment structure stratified by age was as follows<sup>22</sup>:

15-24 years of age – 7.2%  
25-34 years of age – 29.2%  
35-44 years of age – 27.5 %  
45-54 years of age – 21.5 %  
over 55 years of age – 14.6%

Employment structure stratified by age was as follows<sup>23</sup>:

Academic - 36.2%  
Post-secondary and secondary vocational - 25.6%  
High school - 7.5%  
Regular vocational - 25.2%  
Lower secondary and lower - 5.5%

Among respective occupational groups the largest group of the employed was made up by all sorts of specialists, i.e. persons whose occupational competence was at the academic level, involved primarily in intellectual work - 296 thousand persons. Then came the industrial workers and craftsmen - 245 thousand persons, rounded off by service and sales workers - 173 thousand persons<sup>24</sup>.

In September 2016, an average monthly gross wage in the enterprise sector amounted to PLN 4,091.76, and was by 6.2% higher than in the previous year. Compared to the same month of 2015, an increase in average wages was recorded in all sectors (except mining and quarrying), including the largest one in information technology and communications (12.5%), real estate property services (11.2%), and also in accommodation and catering (10.4%)<sup>25</sup>.

<sup>21</sup> Komunikat o sytuacji społeczno-gospodarczej województwa małopolskiego we wrześniu 2016 r., (page 4-5).

<sup>22</sup> Urząd Statystyczny w Krakowie, Aktywność ekonomiczna ludności w województwie małopolskim w II kwartale 2016, (page 4).

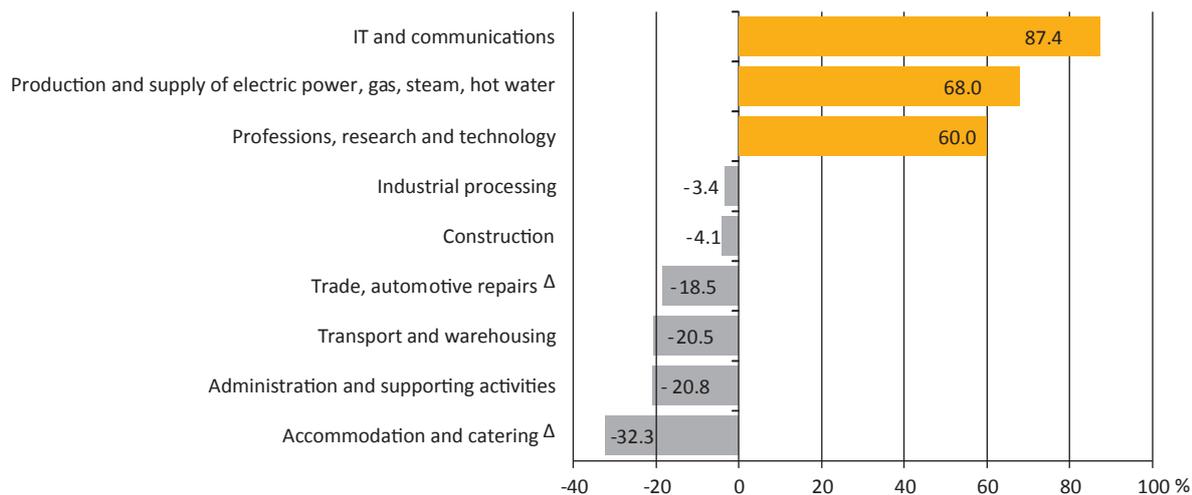
<sup>23</sup> Urząd Statystyczny w Krakowie, Aktywność ekonomiczna ludności w województwie małopolskim w II kwartale 2016, (page 4)

<sup>24</sup> Urząd Statystyczny w Krakowie, Aktywność ekonomiczna ludności w województwie małopolskim w II kwartale 2016, (page 5)

<sup>25</sup> Komunikat o sytuacji społeczno-gospodarczej województwa małopolskiego we wrześniu 2016 r., (page 8)

In relation to the average wage in the enterprise sector in September 2016, the highest average monthly gross wage was recorded in the IT and communications sector (by 87.4% higher than the average in the region), while the lowest one in the accommodation and catering sector (by 32.3 % lower than the average wage in the enterprise sector).

### RELATIVE DEVIATIONS OF AVERAGE MONTHLY GROSS WAGES FROM A NATIONWIDE AVERAGE WAGES IN THE ENTERPRISE SECTOR IN THE MAŁOPOLSKA REGION IN SEPTEMBER 2016



From the point of view of the entrepreneur, labour costs are crucial. They depend largely on the form of employment. Employment is usually taken up under:

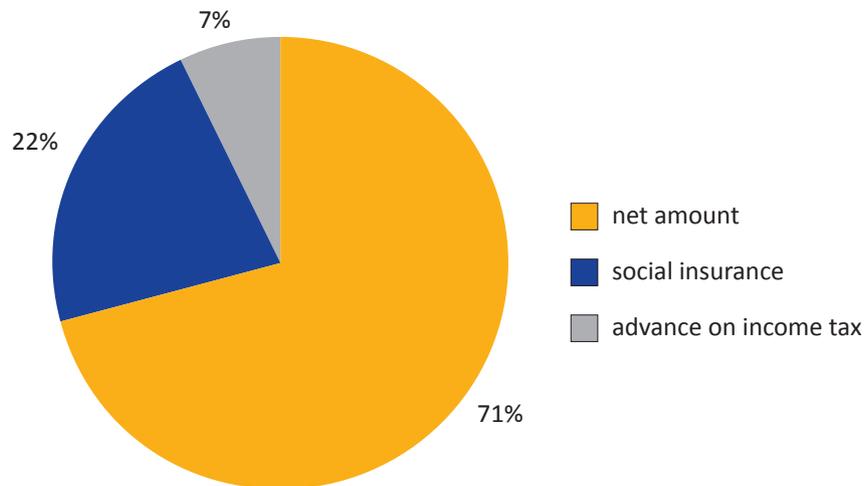
- a job contract,
- a contract of mandate,
- a contract of specific work.

As a rule, parties are free to choose the form of employment. If, however, the work performed by the employee is of a specific type, it is performed for the employer, under the employer's direction, and in the time and place designated by the employer, and the employee is remunerated for the execution of it, it is assumed that the employment fulfils the characteristics of the employment under a job contract. The circumstances may be claimed in court actions.

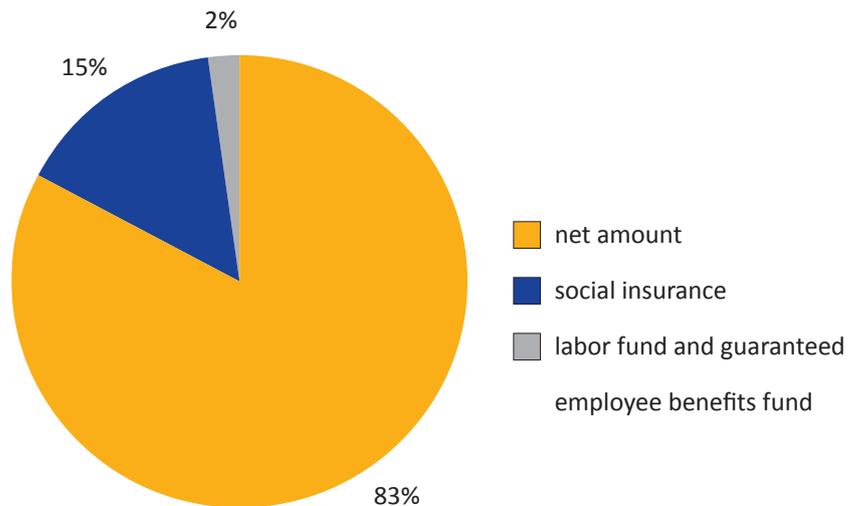
The table below presents a simulation of labour costs, assuming that the remuneration for the employee is PLN 4,000 gross.

A job contract

## Costs incurred by the employee



## Costs incurred by the employer





# The real estate property market in the Małopolska region

The real estate property market in the Małopolska region is dominated by the transactions within in the Greater City (agglomeration) of Krakow area.

## Office space

At the end of 2015 years total resources of modern office space in the capital of Małopolska amounted to 770,000 m<sup>2</sup>, out of which 688,000 m<sup>2</sup> were designated for lettings<sup>26</sup>. Strong interest in locating in the city the offices of Business Process Outsourcing (BPO) companies, resulting in high demand for such premises, consequently caused a steady increase in office space resources. Kraków is, apart from Warsaw, the leader of the regional cities. At the end of 2015, there were 210,000 m<sup>2</sup> of office space under construction, spread out among 21 different construction projects entailing both single office buildings and large office complexes.

In line with the developers' forecasts, by the end of 2016 some 152,000 m<sup>2</sup> of office space should be completed, while the remaining proportion within 2017. Despite such dynamic growth in supply in this segment since 2012, the city boasts the lowest vacancy rate among the major office space markets in Poland. At the end of 2015, only 26,800 m<sup>2</sup>, i.e. 3.9%, of local office space was available for rent. At the same time, already 28% of the office premises still under construction phase was subject to preliminary letting agreements, the so-called pre-let.

The average rent call in the Class A buildings ranged 13 - 14.5 EUR/m<sup>2</sup>, while in the Class B buildings fluctuated within the 10-12 EUR/m<sup>2</sup> range. The actual rents are lower by 10% -15% from the rent calls, and in the case of 5-year letting agreements the rent-free period is 3-6 months. In 2015 in Kraków, in the office space sector 5 transactions were completed amounting to the total value of EUR 300 million, which accounted for nearly 25% of the total value of transactions of this type in Poland, and 34% of the value of such transactions completed in the regional markets.

## Hotel accommodation

The market offer for overnight accommodation in Krakow is comprised of the rooms in the categorized facilities (hotels, motels, boarding houses, camp sites, dormitories, campsites and chalets) and others covering available space in the facilities where hospitality services might be rendered, if minimum requirements are met with regard to the outfitting, furnishings and the sanitary facilities, as well as statutory precautions against fire hazards, in conjunction with other specific provisions of the law in force. In 2014, Krakow boasted 27.3 thousand beds<sup>27</sup>.

**Non-categorized accommodation facilities**, offering services at a relatively high level, at much lower prices than the hotels, being for them pretty stiff competition. By the end of October 2016, Central Inventory of Hotel Facilities listed 172 categorized accommodation facilities in Krakow, in-

<sup>26</sup> Krakowski Rynek Nieruchomości 2015, Urząd Miasta Krakowa, Wydział Rozwoju Miasta (page 15).

<sup>27</sup> Turystyka w województwie małopolskim 2014, Urząd Statystyczny w Krakowie (page 31).

cluding 156 hotels. At the end of 2015, there were 9,300 hotel rooms offering over 16,000 beds. The market is dominated by the 3-star hotels (over 55% of sites and 41% of the beds available). Most of the hotels (75%) operate outside the hotel chains. Among the network facilities 23 operated under global brands, and 13 under the Polish ones.

## Trading premises

At the end of 2015, overall retail space in shopping centres, malls and outlets in Krakow amounted to 570,000 m<sup>2</sup>, which rated the city as the sixth in the country. Furthermore, one shopping mall covering 42,000 m<sup>2</sup> of retail space was under construction, scheduled to welcome its first customers in 2017. Apart from those facilities, Krakow boasts a network of well-developed shopping streets, with the ground floors of town houses effectively converted into retail premises.

The vacancy rate at the end of 2015 years was around the 3.8% mark<sup>28</sup>, i.e. one percentage point higher than by the end of 2014. Maximum vacancy rate of 4.8% was recorded at the end of 2013, when Galeria Bronowice shopping mall<sup>29</sup> was opened. The letting prices for retail premises has stabilised at the level of 43 - 45 EUR/m<sup>2</sup>/month. Higher rates are fetched by retail premises located along the main shopping streets, where they may climb up to as much as EUR 80/m<sup>2</sup>/month.

## Warehousing facilities

Warehousing market in Krakow rates as one of the smallest among such concentration areas in Poland. At the end of 2015 overall level of warehousing resources within the city amounted to 212.6 thousand m<sup>2</sup>, to be followed shortly by the completion of yet another 40.3 thousand m<sup>2</sup> spread across three different construction projects - Logistics Centre Krakow - Kokotów, a successive stage of Goodman Airport Logistics Centre and Panattoni Park Kraków II. At that time, under construction remained another 13.7 thousand m<sup>2</sup> of warehousing space<sup>30</sup>. Despite such a dynamic growth of market supply, the vacancy rate fell from 5.8% at the end of 2014 to 2% at the end of 2015. Effective letting rents in this market segment ranged 3.30 - 4.50 EUR/m<sup>2</sup>.

## Primary residential market<sup>31</sup>

The year 2015 was the first one, after several years long slowdown, in which the construction of residential housing was commenced in the volume exceeding by 18% the volume of the previous year (10,942 apartments), with 6,521 completed to turn-key readiness. That year was also a breakthrough in terms of construction permits granted for the construction of new dwellings, i.e. their number reached 8,259, which was by 48% more than within the previous year. These data indicate that in the years 2016 - 2017 the supply of housing in the primary market is expected to increase significantly, and consequently, the 32.5 thousand residential premises built in the period spanning 2011- 2015 is to be topped up by approx. 47.3 thousand premises presently remaining at various stages of construction.

Most of the construction work is presently located in the southern part of the city - 41% of the emerging apartments are sited in the city heights areas, followed by 31% being built in the western neighbourhoods, and only 16% and 12%, respectively, in the city centre and in the neighbourhoods

<sup>28</sup> Polska Market insights Raport roczny 2016 Colliers International (page 14).

<sup>29</sup> Krakowski Rynek Nieruchomości 2015, Urząd Miasta Krakowa, Wydział Rozwoju Miasta (page 19).

<sup>30</sup> Polska Market Insights Raport roczny 2016 Colliers International, (page 11).

<sup>31</sup> Krakowski Rynek Nieruchomości 2015, Urząd Miasta Krakowa, Wydział Rozwoju Miasta (page 23).



of Nowa Huta in the eastern parts of the city. By the end of 2015, the housing prices ranged PLN 5 - 9 thousand/m<sup>2</sup>, while most of them (73%) remained in the range of PLN 5 - 7 thousand/m<sup>2</sup>.

### **Undeveloped land in Krakow**

Very much like in the residential housing segment, the situation is slowly improving on the real estate property market with regard to the undeveloped land. Following the minimum recorded at the turn of 2012/13, the number of transactions and land prices is systematically on the rise. According to the data provided by the Institute of Real Estate Market Analyses, in 2015 the total value of this particular segment was estimated at PLN 1 billion (exclusive of any transactions contracted by the State Treasury and the Municipality of Kraków), at 1050 finally concluded transactions. The average transaction price in 2015 amounted to PLN 600/m<sup>2</sup>, and remained at the same level as in the previous year.

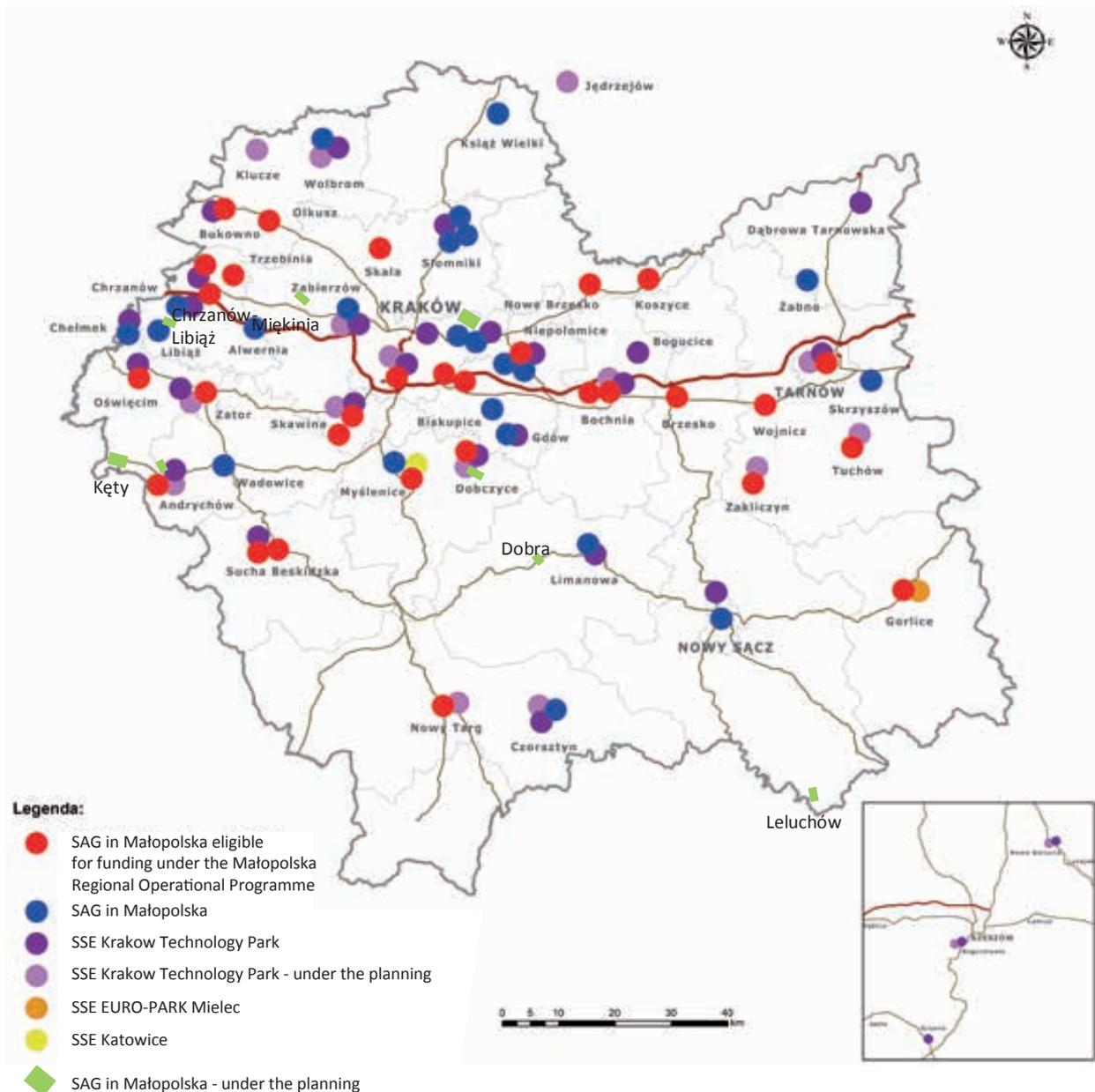
Over 70% of all transactions pertained to the land suitable for residential housing and mixed residential/services. The actual topographical spread of the transactions is clearly indicative of the high popularity of the southern parts of the city (40% of all transactions), very much like with the residential premises, while the western and central parts of the city are rather modestly popular with the buyers (25% share each), with the eastern parts of the city (Nowa Huta neighbourhoods) trailing far behind in the popularity ratings among prospective investors.

Land prices designated for multi-family residential housing usually remain within the PLN 600 - 2000/m<sup>2</sup> range, commercial plots may fetch the prices within the PLN 300 - 2000/m<sup>2</sup> range, while the ones designated for construction of office space stay within the PLN 500-3700/m<sup>2</sup> range, with the ones intended for industrial purposes remaining within the PLN 60-400/m<sup>2</sup> range.

## The Małopolska region

Apart from the city of Kraków, there is more development land available in special economic zones (SEZ) and zones of economic activity (SAG). The map below shows the location of such zones in the province. The map shows the planned zones, which are in various stages of creation.

### Special economic zones and zones of economic activity in Małopolska



More details can be found on following website:

<http://businessinmalopolska.pl/strona/strefy--aktywno%C5%9Bci--gospodarczej/>

or

Centrum Business in Małopolska, ul. Podole 60, 30-392 Kraków, tel. +48 12 620 91 40.

## **Real property taxes**

The tax on real estate in Poland is based on decentralization. The rates and rules for collecting the tax are determined in the resolutions of various municipalities, being parts of the local law. The general framework of the tax, including the maximum rates, is governed by the law of 12 January 1991 on local taxes and fees.

Pursuant to this law, the following are subject to property tax:

1. land,
  2. buildings or parts thereof,
  3. buildings or parts thereof associated with economic activities,
- and the following are obliged to pay it:

1. owners,
2. perpetual usufructuaries,
3. owner-like possessors,
4. in some cases - beneficial owners of real estate or parts thereof owned by the State Treasury or local government units.

The tax on buildings is 2% of their book value and, in other cases, is expressed as the product of their surface and the unit rate which, in 2017, may not exceed:

1. On land:
  - 1) related to running a business, whatever is the classification of land and buildings – PLN 0.89 per 1 m<sup>2</sup>.
2. On buildings or parts thereof:
  - 1) residential – PLN 0.75 per 1 m<sup>2</sup> of usable area,
  - 2) related to running a business and residential buildings or parts of buildings used for business – PLN 22.86 per 1 m<sup>2</sup> of usable area.



# Educational instruction in foreign languages in Małopolska

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In Poland, it is possible to be educated in a foreign language at all levels of education. In the case of general education implemented at the level of primary school, secondary school and vocational upper secondary (high school, technical school), this possibility exists through the use of branches (classes) at bilingual public schools, or using the offer of private institutions, which are sometimes entirely carried out in the form of a bilingual school. Bilingualism depends on teaching that is conducted in two languages: in Polish and in a modern foreign language, which is the second language of instruction. Bilingual teaching can be done in the field of compulsory teaching, with the exception of Polish language, history and geography of Poland, and a second foreign language.

Bilingual schools (branches) admit candidates who know the foreign language which is the second language of instruction. Currently, there is no possibility for the organization of annual initial class for pupils who do not know the second language which is the basis of teaching<sup>32</sup>.

There are 19 schools with bilingual branches in the Małopolska Region, including 14 in Krakow (10 at the level of junior high school and 4 at the level of high school), 2 in Nowy Sacz (junior high schools), 1 in Tarnow (junior high school) and 2 in the district of Nowy Targ (junior high schools).

A complete list of bilingual facilities or those having bilingual branches in the province of Małopolska can be obtained from the Board of Education (ul. Ujastek 1, tel. tel.: +48 12 448 11 10; fax.: +48 12 448 11 62; e-mail: [kurator@kuratorium.krakow.pl](mailto:kurator@kuratorium.krakow.pl); <http://www.kuratorium.krakow.pl/>).

Currently, work is underway so that this type of information is also available via the Educational Information System portal at <https://sio.men.gov.pl/>.

At the tertiary level, there is the option to use the offer of studies, all of which are conducted in a foreign language. The Jagiellonian University in Kraków has a wide range of such studies. At UJ you can take a course of study in a foreign language at all levels of education: first, second and third degree, uniform master's degree and postgraduate studies, conducted in English, German, Russian, and Ukrainian<sup>33</sup>.

Studies with English as the language of instruction are also run by the University of Economics in Kraków. The institution offers bachelor's, master's, and doctoral studies. The university also offers postgraduate studies – Master of Business Administration (MBA), conducted by the Kraków School of Business, and a Master of Public Administration (MPA), conducted by the Małopolska School of Public Administration<sup>34</sup>.

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<sup>32</sup> Główny Urząd Statystyczny, Oświata i wychowanie w roku szkolnym 2015/2016, Warszawa 2016, (page 23)

<sup>33</sup> More details are available at the following website <http://www.rekrutacja.uj.edu.pl/swjo> [access 29.11.2016]

<sup>34</sup> More details are available at the following website <http://uek.krakow.pl/pl/edukacja/oferta-dydaktyczna/studia-w-jez-angielskim.html> [access 29.11.2016]

The Stanisław Staszic University of Mining and Metallurgy in Kraków has in its offer 17 courses of study at the undergraduate and secondary level where classes are taught entirely in English. In addition, the university is developing a base of subjects taught in English which are available for all students<sup>35</sup>.

Technical studies in English are also offered by the Tadeusz Kościuszko University of Technology in Kraków. The University offers 2 courses of study at the undergraduate degree level and five majors at second degree level<sup>36</sup>.

An offer of studies conducted in English is also available at the Hugon Kołłątaj Agricultural University in Kraków. Currently the offer includes 8 fields of study<sup>37</sup>.

Studies in English are also run by the Andrzej Frycz Modrzewski Academy in Kraków. The university offers 7 majors at first and second degree levels and postgraduate programs<sup>38</sup>.

The School of Business – National-Louis University in Nowy Sącz teaches at the Faculty of Management and Informatics in English, while the Management course is also conducted in Russian<sup>39</sup>.

<sup>35</sup> More details are available at the following website <http://www.agh.edu.pl/ksztalcenie/oferta-ksztalcenia/studia-w-jezyku-angielskim/> [access 29.11.2016].

<sup>36</sup> More details are available at the following website [http://www.pk.edu.pl/index.php?option=com\\_content&view=article&id=52&Itemid=215&lang=pl](http://www.pk.edu.pl/index.php?option=com_content&view=article&id=52&Itemid=215&lang=pl) [access 29.11.2016]

<sup>37</sup> More details are available at the following website <http://studyinenglish.ur.krakow.pl/> [access 29.11.2016]

<sup>38</sup> More details are available at the following website <http://www.ka.edu.pl/en/studies-in-english/> [access 29.11.2016]

<sup>39</sup> More details are available at the following website <http://www.wsb-nlu.edu.pl/pl/international.html> [access 29.11.2016]





100 000	1 070 730	500 000
110 000	1 210 642	550 000
120 000	1 361 750	600 000
130 000	1 515 584	650 000
140 000	1 678 638	700 000
150 000	1 851 475	750 000
160 000	2 034 682	800 000
170 000	2 228 882	850 000

Investment R5-11-4  
per month

Start investment  
per month

Full value -  
reach Revenue  
plan

payable  
X  
achievable  
Y

-Y

# It Tax Incentive

of 2013 (ETI) was promulgated on 18 December  
ourage youth employment and reduce  
se until 1 January 2017

NOTE !!

The incentive takes the form of a reduction in  
the employer's tax payable for the employee. For  
the first year of employment, the incentive is an  
amount of up to R51 000 per month, depending  
on the category of the employee. For the second  
year of employment the incentive is reduced  
to a maximum of R25 500. For the third  
and subsequent years of employment there is no  
incentive.

2014  
Employer  
employees  
for the  
2014  
2014

Specifically, the incentive is granted to the employer  
and is available to the employer for  
employees who are employed by the employer for  
the first year of employment. The incentive is subject to a  
maximum of R51 000 per month for the first year of  
employment and is reduced to a maximum of R25 500  
for the second year of employment. For the third  
and subsequent years of employment there is no  
incentive.



# Accounting and auditing

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An entrepreneur is obligated by law to maintain the accounting appropriately tailored to his specific business operations. Presently, the issue of accounting records regulated by the Act of September 29, 1994, on accounting<sup>40</sup>, in conjunction with the neighbouring legislation on the taxation system in Poland. These provisions provide that in the first instance apply statutory provisions, followed by the National Accounting Standards (NAS) and in matters not regulated, and in cases specified by law the International Accounting Standards (IAS). NAS are available at <http://www.mf.gov.pl>. The standard form of accounting consists in the straightforward bookkeeping, although a large proportion of taxpayers makes use of the simplified ways of accounting.

Polish accounting standards do not differ from international accounting standards. Since 2010, the accounting books may be kept both in Poland and in any other EU member state. In the case, when the accounting books should be maintained by a third party, pertinent fiscal (tax) authorities should be advised accordingly, while the accounting agency should hold an appropriate insurance policy.

Overall liability for fulfilling the obligations arising from pertinent regulations on the accounting principles rests with the management board of a particular business venture, even in the case whereby such issues should be delegated to other individuals, or any third parties.

## **Financial Statements**

A business venture which is subject to the provisions of the Accounting Act, is obligated to draft the financial statements (reports) upon the day of closing the accounting books, whilst adhering the appropriate principles with regard to the valuation of assets and liabilities and determining an ultimate financial result.

## **Constituent parts of the financial statements (reports)**

A financial statement consist of three basic components: balance sheet, income statement (profit & loss account) and supplementary notes, covering the introduction to the financial statements, and some additional explanations and information.

## **The deadline for endorsement of a financial statement**

The head of a particular business venture is liable for the drafting of the annual financial statement, and therefore is obligated to ensure that it has been completed within three months of the balance sheet date, at the very latest. It also falls within his prerogatives to have it subsequently submitted to the appropriate authorities.

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<sup>40</sup> <http://isap.sejm.gov.pl/DetailsServlet?id=WDU19941210591> [access 29.11.2016]



## Chartered auditors

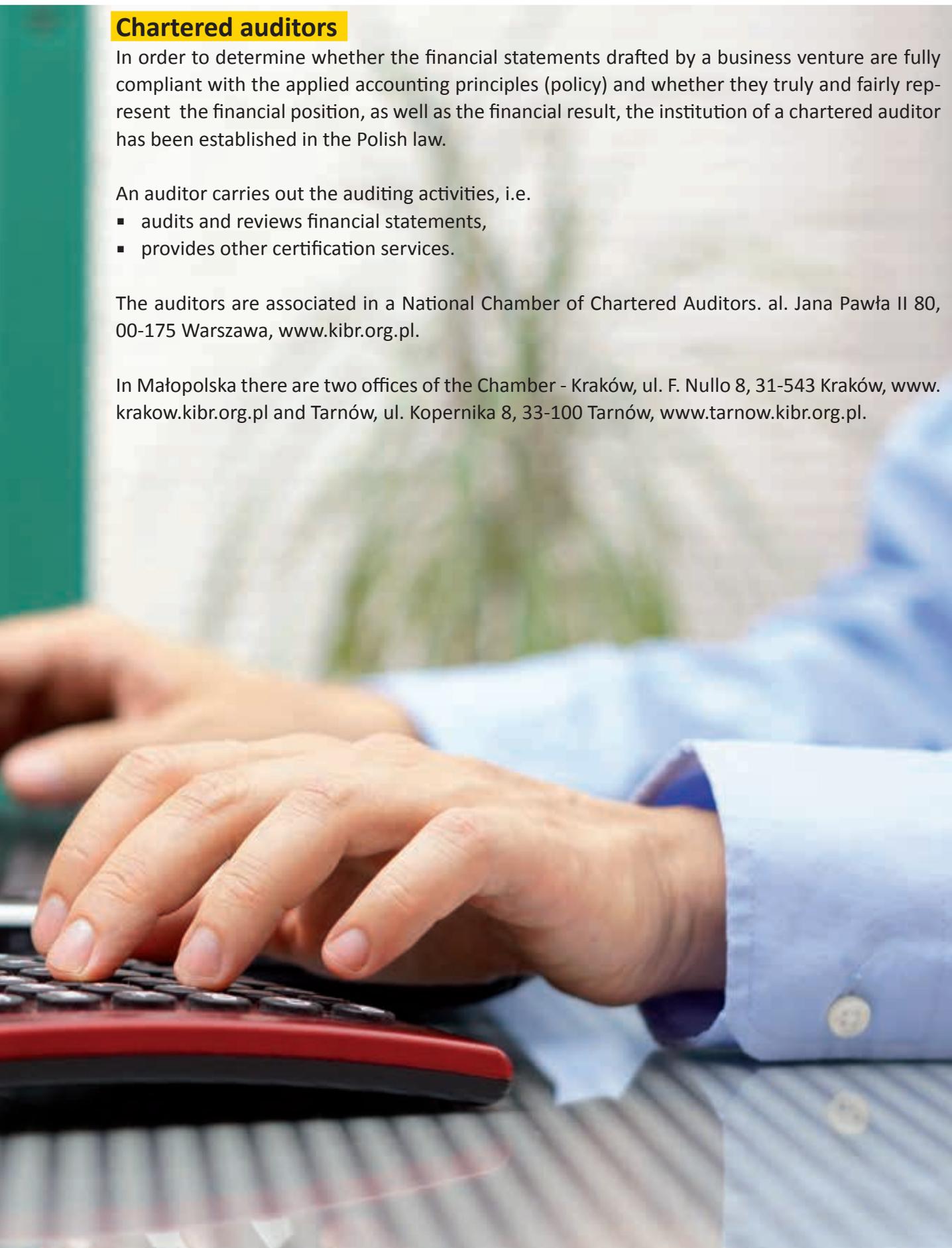
In order to determine whether the financial statements drafted by a business venture are fully compliant with the applied accounting principles (policy) and whether they truly and fairly represent the financial position, as well as the financial result, the institution of a chartered auditor has been established in the Polish law.

An auditor carries out the auditing activities, i.e.

- audits and reviews financial statements,
- provides other certification services.

The auditors are associated in a National Chamber of Chartered Auditors. al. Jana Pawła II 80, 00-175 Warszawa, [www.kibr.org.pl](http://www.kibr.org.pl).

In Małopolska there are two offices of the Chamber - Kraków, ul. F. Nullo 8, 31-543 Kraków, [www.krakow.kibr.org.pl](http://www.krakow.kibr.org.pl) and Tarnów, ul. Kopernika 8, 33-100 Tarnów, [www.tarnow.kibr.org.pl](http://www.tarnow.kibr.org.pl).





# The banks and the banking system

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The banking system in Poland consists of three groups of institutions: stabilizing, market forming, and subsidiary.

Stabilizing institutions – these are the institutions responsible for overseeing the proper functioning of the entire system.

These are:

- the central bank (National Bank of Poland) – responsible for regulating banks' liquidity and promoting financial stability (e.g. the banking sector),
- the supervisory authority (Financial Supervision Commission) – ensuring control over banking operations and taking measures for the proper functioning of the financial market,
- entity that guarantees payment of deposits (Bank Guarantee Fund).

The institutions creating the market (the banking sector) – that is, banks that operate within the banking system (in Poland these are commercial banks, cooperative banks, and branches of credit institutions).

Subsidiary bodies – these include institutions that do not conduct deposit and lending activities: non-bank issuers of payment cards, insurance organizations, the National Depository for Securities Clearing KDPW\_CCP, the National Clearing Chamber, the Credit Information Bureau, and institutions associating banks (e.g. the Polish Banks Association).

## **Banking institutions**

At the end of 2015 banking activities were conducted by 626 entities, of which 38 were commercial banks, 27 branches of credit institutions, and 561 cooperative banks.

Foreign banks operate in Poland mainly through subsidiary banks. As in other countries of Central and Eastern Europe, assets of branches of credit institutions are a few per cent of the domestic banking sector.

Comparison of the trends in the pace of business development and profitability indicates that the Polish banking sector was one of the most resistant to the effects of the global financial crisis. After the outbreak of the crisis in 2008, Poland was one of the few European countries where there was no credit crunch, i.e. a decrease in the value of loans for the real economy zone.

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ZUS RCA

PLATNIK WYPEŁNIA POLA  
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II. DANE IDENTYFIKACYJNE PLATNIKA SKŁ  
01. Numer NIP (wpisać bez kropki)  
02. Numer PESEL  
03. Nazwa składowa  
04. Nazwa  
05. Inne pierwsze

II. DANE ORGANIZACYJNE  
01. Termin przygotowania  
deklaracji i raportów  
02. Data wydania (dd / mm / rrrr)  
III. DANE IDENTYFIKACYJNE PLATNIKA SKŁ  
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02. Numer PESEL  
03. Nazwa składowa  
04. Nazwa

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01. Nazwisko  
02. Inne pierwsze

III. DANE IDENTYFIKACYJNE  
01. NIP (wpisać bez kropki)



III. B. ZES  
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02. Nazwa organizacji  
03. CZY PLATNIK  
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# The tax system

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The main public levies in Poland are as follows:

- value-added tax (VAT),
- excise tax,
- personal income tax (PIT) and corporate income tax (CIT),
- local taxes,
- duty,
- social security contributions.

## Registration for tax purposes

Prior to commencing a scope of business activities an entrepreneur is bound to register for tax purposes in the nationwide tax system and to obtain a tax identification code (NIP). Allocation of the NIP code is possible when registering a business venture in the Central Register and Information on Business Activity, and upon establishing the company in the National Court Register of Entrepreneurs.

In the case of NIP code allocation to a company by way of court registration, it is necessary to submit in a pertinent Tax Office branch a supplementary declaration NIP 8 comprising the data that are not statutorily required in the National Court Register of Entrepreneurs.

## Tax return records and taxes due

In principle, entrepreneurs are required to keep accounting (tax) records and to pursue tax self-assessment effect the payment of taxes due to the benefit of pertinent government agencies. They are also statutorily required to hold a dedicated bank account.

## Tax authorities

The ultimate discretionary power and supervision over the tax authorities is vested in the Minister of Finance to whom respective directors of regional Tax Chambers report. At the lowest level stand respective Heads of Tax Offices. Decisions issued by those authorities are subject to judicial review carried out by the provincial administrative courts and the Supreme Administrative Court.

In the Małopolska region the official seat of the Director of the Tax Chamber in Kraków is  
ul. Wiślna 7, 31-007 Kraków,  
[www.iskrakow.krak.pl](http://www.iskrakow.krak.pl)

Large-scale entrepreneurs report to the Małopolski Tax Office,  
os. Bohaterów Września 80, 31-621 Kraków,  
[www.mus.krakow.pl](http://www.mus.krakow.pl)

Info on the other tax offices may be found here:

[http://www.iskrakow.krak.pl/index.php?option=com\\_content&task=view&id=685&Itemid=143](http://www.iskrakow.krak.pl/index.php?option=com_content&task=view&id=685&Itemid=143)

The Regional Administrative Court in Kraków, which also has its official seat in the city, is tasked with investigating the complaints filed in against the decision of the Director of the Tax Chamber in Kraków.

The address is ul. Rakowicka 10, 31-511 Kraków,  
<http://bip.krakow.wsa.gov.pl/1/strona-glowna-bip.html>

The main tax that brings the most revenue for the state budget is a tax on goods and services (VAT) introduced by Law of March 11, 2004, on taxing goods and services. The concept of this tax remains well in line with the European Council Directive 2006/112 / EC.

The object of taxation is the supply of goods and services, exports and imports of goods and the intra-Community supply and acquisition of goods for a consideration within the territory of the country. The tax is basically structured around the principle of charging the end-consumer rather than an entrepreneur.

### **The tax base**

In principle, a turnover is subject to taxation. Turnover is construed as the amount due from the sale, less the tax due on the sale, so the amount owed comprises all dues payable by the buyer. The turnover may also be construed as:

- financing received,
- subsidy,
- other additional payment of a similar nature related to the delivery or provision of services.

### **Tax rates**

The minimum basic (unabated) VAT rate which may be applied throughout the EU Member States is 15%. This limit is implied by the provisions of the European Council Directive 2006/112 /EC.

The basic rate in Poland (applicable in the period spanning January 1, 2011 - December 31, 2018) amounts to 23%.

For some goods and services the reduced rates have been envisaged, i.e. 8% and 5% (the 5% rate covers foodstuffs, books on all physical media carriers and printed magazines). There is also the rate of 7% - this is charged by the buyer of goods from the flat-rate tax farmer (Article 115, Section 2, Act on VAT).

Additionally, the 0% rate was introduced which applies to:

- intra-Community supply of goods,
- exports of goods.

Certain activities are exempt from taxation. This means, inter alia, that the provider of exempt transactions, as opposed to those who provide services taxed at 0%, must not deduct the input tax actually paid during the provision of these services.

## How to pay tax

Registered VAT taxpayers are bound to file in with the tax authorities their tax returns for the monthly periods by the 25th day of the month following the month in which the tax liability arose. Small taxpayers (taxpayers whose value of sales - along with the amount of tax, did not exceed within the previous fiscal year the amount in Polish currency equivalent of EUR 1 200 000, who had opted for a VAT cash register) may file in with the tax authorities their tax returns for the quarterly periods by the 25th day of the month following each successive quarter.

## Excise tax

Payers of excise tax are legal persons, organizational entities without legal personality and natural persons who are the manufacturers or importers of excise goods.

### Subjects of taxation

The following are, among others, subject to excise tax: production of excise goods, the introduction of excise goods to a tax warehouse, import of excise goods (excluding the import of excise goods dispatched using the suspension of excise duty from the place of importation by a registered dispatcher, non-importer of those products), intra-Community acquisition of excise goods (excluding intra-Community acquisition to a tax warehouse).

Doing business in the field of excise goods requires the submission of a registration application to the proper head of the tax office. This should be done prior to execution of the first activity subject to excise duty or the first activity with the use of excise goods exempt from excise duty due to their purpose.

## Corporate tax

Corporate income taxation is subject to the Act of 15 February 1992 on income tax from legal persons.

### Taxpayers

The payers of corporate tax include:

- legal persons,
- organizational units without legal personality, with the exception of companies without legal personality, providing that taxpayers are companies in organization and limited joint-stock companies having a registered office or management on the Polish territory,
- tax capital groups (groups composed of at least two commercial law companies having legal personality which function in capital relations and meet certain conditions provided for in the Act),
- companies without legal personality having their registered office or headquarters in another country if, in accordance with the provisions of the tax law of that State, they are treated as legal persons and shall be subject to taxation in that State on the entirety of their income, regardless of the place of its generation.

Taxpayers, if they have a registered office or management on the territory of the Republic of Poland, are subject to tax on the entirety of its income, regardless of the place of its generation. While other taxpayers are subject to tax only on the income generated on the territory of the Republic of Poland.

### ***Subjects of taxation***

According to the general rules, income is subject to taxation. Income is, in turn, the surplus of total revenue over the costs of their generation over a fiscal year. Where a taxpayer incurred a loss in the fiscal year, the amount of the loss can reduce income in the next consecutive five fiscal years, provided that the amount of the reduction in any of these years does not exceed 50% of the amount of the loss.

In the case of the revenue from participation in the profits of legal persons and the revenue of foreign entities under the so-called royalties, the revenue is subject to taxation.

In the case of equity relationships and other particular relationships, there is the possibility of taxation by estimation.

### ***Revenue***

Tax revenue includes, in particular, the money received, the value of cash, foreign exchange differences and the value of free-of-charge or partially free-of-charge items or rights or other such benefits. Due revenue is also considered revenue related to economic activities, even if not yet actually received, excluding the value of the returned goods, discounts and allowances granted.

### ***Cost of revenue***

Tax costs are the expenses incurred to generate revenue or to preserve or secure sources of income. Tax costs shall be different kinds of expenses showing a direct relationship with the income of taxpayers, e.g. expenses incurred for the purchase of commercial goods, but also those that are only indirectly related to the revenue accrued by the taxpayer.

### ***Depreciation***

Expenditure for the acquisition or production of specific assets is not recognized directly in the expenses incurred. With respect to these components, depreciation is recognized as income cost. These components include: buildings, structures, machines, vehicles, investments in foreign fixed assets, buildings and structures built on foreign soil (called fixed assets) and such property rights as licenses, copyrights, industrial property rights and know-how and goodwill, development costs (called intangible assets).

Only the acquired intangible assets shall be subject to depreciation, and the Polish law determines the fixed assets and intangible assets that are not subject to depreciation - including land and the right of perpetual usufruct of land. For income tax purposes, only the depreciation deducted pursuant to the provisions of the Act is considered tax deductible.

### ***Calculation of the tax base***

The tax base, as a rule, is income after deducting inter alia, any donations for specific purposes, while maintaining the 10% limit of their amount in relation to income.

### ***Calculation of tax***

The tax is 19% of the tax base.

Taxpayers and payers do not submit tax returns during the fiscal year, but they are obliged to pay advances.

During the fiscal year, taxpayers may also account for tax advances according to a simplified system. Payment of advances is then dependent on the tax payable reported in the tax return sub-

mitted in the year preceding the fiscal year or the tax return submitted in the year preceding the fiscal year by two years.

### ***Income tax from individuals***

Income taxation of natural persons is governed by two laws, the Act of 26 July 1991 on income tax from individuals and the Act of 20 November 1998 on lump-sum income tax on some incomes of natural persons, the limited scope of which concerns the taxation on certain categories of people, including those engaged in non-agricultural business.

From the point of view of investment, this tax is much less important than the above-described corporate tax, therefore, only the basic assumptions of it will be detailed below. As such, it affects primarily labor costs, simulations of the amounts are fully detailed in the section on the job market.

Polish law provides for the following methods for calculating tax:

- 1) according to the tax scale (in force since 2009) - Art. 27, paragraph 1 of the Act

The basis for tax calculation in PLN		The tax is
Over	To	
	85 528	18% minus the amount decreasing tax - PLN 556.20
85 528		PLN 14 839.02 + 32% surplus over PLN 85 528

- 2) 19% tax on income from non-agricultural economic activities or special branches of agricultural production (the choice of this method of taxation takes place on the basis of a written statement made by the taxpayer, the income taxed in this way cannot be combined with income from other sources),
- 3) a lump sum of income (revenue) which cannot be combined with income from other sources,
- 4) 19% tax on income from capital,
- 5) 19% tax on income generated from the sale of property and rights,
- 6) 19% tax on income of a foreign-controlled company generated by a taxpayer residing on the territory of Poland.

### **Tax returns**

The Act provides that after the end of each fiscal year - in the period to 30 April of the following year - income tax payers are obliged to submit tax returns on the amounts of income (loss) generated in the fiscal year.

It should be kept in mind that the employer is required to provide a completed PIT-11 form constituting their information on revenue, income, costs and the advances charged for income tax from individuals, both to the employed worker and the head of the proper tax office, according to the place of the residence of the employee, not later than at the end of February of the year following the settled fiscal year.



### **Social insurance**

The social insurance system in Poland is regulated by the Law of 13 October 1997 on the social insurance system and includes:

- pension insurance,
- disability insurance,
- sickness insurance,
- accident insurance.

An insured is a natural person who is subject to at least one of the social insurances. The law on the social insurance system introduced obligatory and voluntary insurances, and the possibility to continue the insurance.

The following are, among others, subject to the obligatory pension and disability insurances: workers, entrepreneurs, and people on parental leave or drawing maternity benefits.

The individuals covered by the obligatory pension and disability insurances may, after the termination of the insurance, continue it voluntarily. The continuation is possible if the person has no other titles to social insurance.

The Social Insurance Institution bears the responsibility for the collection and registration of social insurance contributions. In the Małopolska Region, there are 4 branches of the institution:

Branch in Krakow, Pędzichów 27, 31-080 Krakow

Branch in Tarnow, Kościuszki 32, 33-100 Tarnow

Branch in Nowy Sacz, Sienkiewicza 77, 33-100 Nowy Sacz

Branch in Chorzow, Auschwitz 44, 32-500 Chrzanow

More information can also be obtained on [www.zus.pl](http://www.zus.pl).

## Social security contributions

Types of contributions	Employee's contributions	Employer's contributions	Total
Pension insurance	9.76%	9.76%	19.52%
Disability insurance	1.50%	6.50%	8.00%
Accident insurance		0.40 – 3.60%	0.40 – 3.60%
Sickness insurance	2.45%		2.45%
Labor fund		2.45%	2.45%
Guaranteed employment benefit fund		0.10%	0.10%
Bridge pension fund		0-1.5%	0 – 1.5%
Total (to PLN 121.650)	13.71%	19.21 - 23.91%	32.92 – 37.62%
Total (over PLN 121.650)	2.45%	2.95 – 6.15%	5.40 – 8.60%

## Health insurance

The health insurance system in Poland is governed by the Act of 27 August 2004 on healthcare services financed from public funds and it is mandatory. In return for the contributions levied, it offers free health care services in the network of healthcare facilities. Health insurance contributions amount to 9%, however the vast majority (7.75%) shall be deducted from the income tax on individuals. These contributions are collected by the Social Insurance Institution.





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# They invested in Małopolska

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The Małopolska Region primarily means people with passion and commitment, well-prepared to create the value-added business conducted here. Their creativity and entrepreneurship convinced many international partners to locate their operations in this region.

The total capital invested in the region after 1989 exceeded USD 18 billion, or USD 5374.6 per capita in the province. The Małopolska province is one of the regions with the most dynamic growth in the number of entities with foreign capital. In the years 1995-2013 the number of such companies in the region increased almost fourfold. Higher growth rates of companies with foreign capital in the period were exhibited by only two other provinces.

Both domestic and foreign investment have contributed to the creation the main sectors of the regional economy such as:

- the automotive industry – including companies such as MAN, Delphi, Valeo, Mitsui, Shougang Corporation, Brembo, NIDEC,
- the metallurgical industry – including companies such as Arcelor Mittal, Vesuvius, F&P Holding, Silgan, Amcor,
- the chemical industry – including companies such as St. Gobain, Air Liquide, Braxair, Lurgi Grupa Azoty, Synthos S.A., Zakłady Chemiczne Alwernia S.A., Rafineria Trzebinia S.A.,
- the energy industry – including companies such as EDF, Čez, PSEG Global,
- the food industry – including companies such as Balhsen, Coca Cola, Dan Cake, Carlsberg, The Nut Company, Maspex, Wawel S.A., Koral, Polan, Roleski, Teekane,
- trade – including companies such as Carrefour, Auchan, Metro, Ikea, Tesco, Jeronimo Martins, Tengelmann, Kingfisher, Schwarz Gruppe,
- the new technologies sector – including companies such as Motorola, Google, Cisco, ABB, IBM, Luxoft, ComArch, CD Project, Sabre Holdings,
- the biotechnology sector, including the medical and pharmaceutical industries – including companies such as TEVA Group, Selvita, Silvermedia, Bielenda Natural Cosmetics, Farmina, Lundbeck Poland Sp. z o.o.,
- the business services sector – including companies such as Capgemini, State Street, CH2M, Arup, Shell Business Operations (SBO) Kraków, EY, HSBC, Deloitte, PwC, Lufthansa, Brown Brothers Harriman.

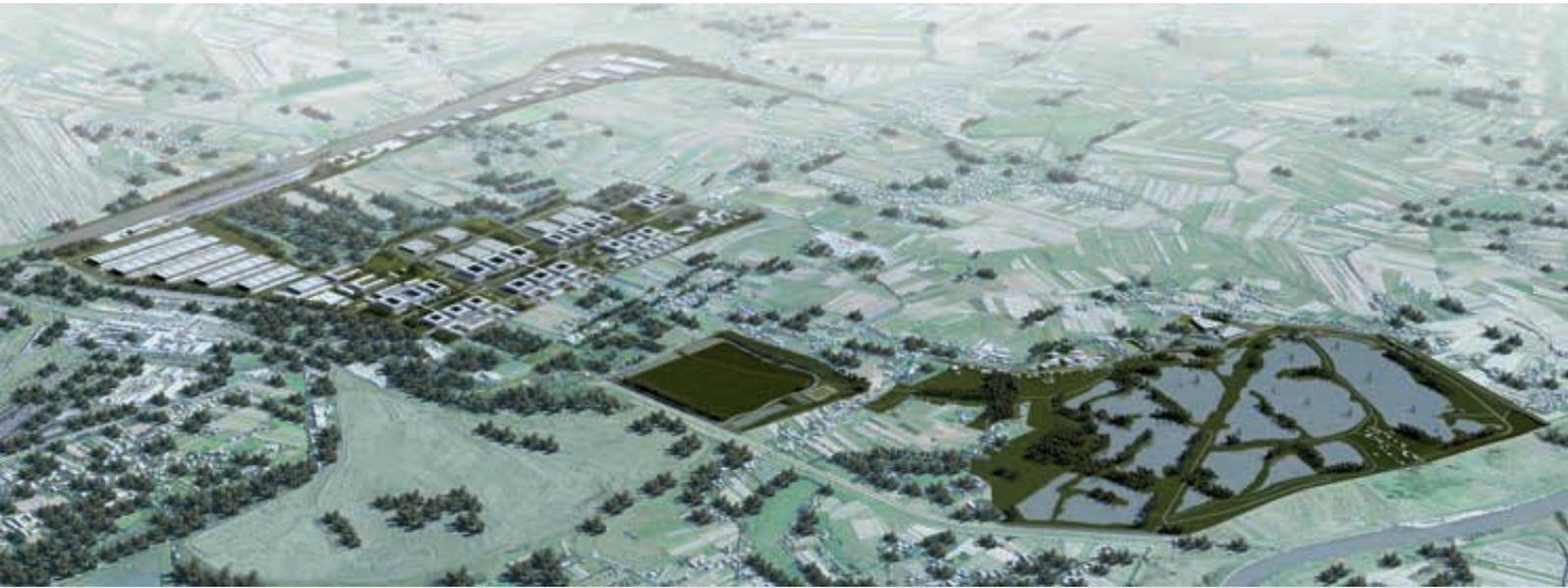
Among the factors indicative of Małopolska as a location for investment, primarily mentioned are:

- access to a highly qualified, multilingual group of professionals,
- expanded airport infrastructure,
- good office and communication infrastructure,
- a mature market with a strong academic centre,
- the central position of the country and region on the continent,
- experience of the public sector in the field of comprehensive support to investors,
- well-prepared and constantly evolving infrastructure prepared for investment (special economic zones, zones of economic activity),
- a well-developed educational base,
- the provision of a wide range of high quality medical services.



It should be emphasized that the unanimous satisfaction of investors with the choice is manifested not only in people's opinions, high positions in all sorts of rankings, even such as the "European Cities & Regions of the Future 2016/2017" (fDi Intelligence), "Investment attractiveness of Polish regions 2014" (the Institute for Market Economics), Top 10 Emerging Outsourcing Cities List (Tholons, 2016), but it is also reflected in the strive for broadening the scope of activities and the sustainable development of the centers existing here. The Małopolska Region is also one of the most attractive tourist destinations in Europe and worldwide (Krakow, Wieliczka, the Tatra Mountains, Wadowice, Oswiecim), attracting approx. 12 million tourists per year. All of the factors result in the fact that the Małopolska Region is the subject of the sustained interest in investments manifested by the world's largest companies in the industrial sector, business services, processing, automotive, commercial, and scientific research industries. Investing here simply pays off.

# KRAKÓW NOWA HUTA OF THE FUTURE



**Kraków Nowa Huta Przyszłości S.A.** company was founded in November 2014 by the Municipality of Kraków and the Małopolska Region in order to carry out the project titled “Kraków – Nowa Huta of the Future”. The key task of the Company is to undertake efficient activities in order to support the economic development of the eastern part of Kraków on the infrastructural, functional and social level, through developing the area in a way increasing the attractiveness of Nowa Huta for investors, residents of the city and the Municipality of Kraków, as well as inhabitants of the region and tourists.

The strategic project “Kraków – Nowa Huta of the Future” entails the implementation of four independent investment initiatives:

- **Branice Science and Technology Park**
- **Ruszcza Logistics and Industrial Center**
- **Center for Large-Scale Cultural Events The Błonia 2.0**
- **Przylasek Rusiecki Recreation and Leisure Center**

If you are looking for **new business locations and support at each stage of investment plans implementation**, the “Kraków – Nowa Huta of the Future” project is the answer to your needs.

**Kraków Nowa Huta Przyszłości Spółka Akcyjna**

Address: Osiedle Willowe 30, 31-902 Kraków, Poland

Telephone: +48 12 348 01 55 +48 727 432 104

E-mail: [office@knhp.com.pl](mailto:office@knhp.com.pl)

[www.knhp.com.pl](http://www.knhp.com.pl), [www.facebook.com/krakownowahutaprzyszlosci](https://www.facebook.com/krakownowahutaprzyszlosci)

## Getting you closer to the business

Małopolska Regional Development Agency is a leading regional institution in the field of business development. The Agency specialises in providing comprehensive know-how and modern financial solutions to businesses. It provides services related to the acquisition of EU funds, and helps entrepreneurs invest safely in the Małopolska Region. It actively supports export, offering professional consulting services and access to an international network of business contacts.

## Twój partner w biznesie

Małopolska Agencja Rozwoju Regionalnego - wiodąca, regionalna instytucja działająca na rzecz rozwoju biznesu. Specjalizuje się w obsłudze przedsiębiorstw, zapewniając kompleksowy know-how i nowoczesne rozwiązania finansowe. Świadczy usługi w zakresie pozyskiwania środków unijnych i pomaga bezpiecznie inwestować w Małopolsce. Dynamicznie wspiera eksport, oferując profesjonalne doradztwo i dostęp do międzynarodowej bazy kontaktów biznesowych.

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# FIND YOUR SUCCESS AT KRAKÓW TECHNOLOGY PARK

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**EXEMPTION FROM CORPORATE OR PERSONAL INCOME TAX (CIT/PIT)**

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**LAND FOR INVESTMENT**

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**CONFERENCE ROOMS & SHOWROOM**

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