

# Poland

- a true special economic zone



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## **Disclaimer**

The aim of this publication is to familiarize potential investors with the basics of the Polish business environment, especially in the Special Economic Zones, and to facilitate informed decision-making by providing pertinent information. Consequently, it is hoped that investors will be better placed to assess investment opportunities and weigh up potential benefits against potential risks. The publication offers an authoritative summary of the key areas of the business environment and is intended as a guide for investors with limited knowledge of the Polish economy. While the information it contains was to the best of our knowledge correct at the time of writing, the rapid pace of change in Poland and other countries included in this publication means that laws and regulations are unlikely to remain static. We would therefore urge readers to treat this publication as a general overview and to seek specific advice before any investment decisions are made. Simultaneously, EY assumes no responsibility for the decisions made on the basis of the information included in the publication.



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# Poland

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# Introduction

The last five years have been a challenging time for the global economy, recovering after the financial crisis. 'New normal' became a term that gained more and more attention expressing the fact that changes in the economy will not disappear and companies need to adapt to the new situation.

Poland is a country that alone among all EU member states maintained a steady GDP growth during the 2007-2009 financial crisis. It has been called a 'green island' on the European map as a destination immune to the global turmoil. There are several reasons for such results. One of them is the continuous strive to attract new investments and new investors.

One of the main instruments used to attract foreign investors to Poland are Special Economic Zones. They have been operating for almost 18 years and they resulted in investments of a total value over EUR 20 billion and over 186 thousand new jobs.

The main benefit for a SEZ investor is an exemption from income tax binding for the period of operating in a SEZ. As this exemption is a form of state aid, its maximum value is limited by the regulations on the so-called regional aid intensity levels. Moreover, the exemption refers to income; thus, the value of the SEZ benefit actually utilized by the investor - apart from profitability - depends on the remaining period of SEZs' existence.

SEZs' existence in Poland has recently been prolonged by 6 years - up to December 31, 2026. At the same time, the rules on regional aid will significantly change in the whole European Union starting from July 1, 2014 and will be less favorable. As a result, companies planning new investments should consider securing state aid by June 30, 2014. Moreover, as presented in the economic outlook section of our report, financial forecasts for Poland are positive and the estimated GDP growth should exceed the level of 3.5% in 2016, which is an impressive result for a country with a 38 million population and the 6<sup>th</sup> largest market in the EU.

The combination of the above gives a couple of reasons to call the first half of 2014 the right time to invest in Poland and apply for a SEZ permit.

It is worth mentioning that there is a wide offer of locations for new investments in the SEZs. The overall SEZ area still available for new investors exceeds 6,000 ha and may be extended by another 4,000 ha. Plots of land holding the SEZ status are available in each voivodeship in Poland and are spread throughout the country. Moreover, if none of the available SEZ plots meets the requirements of a given investor, there is a possibility - under certain circumstances - to include into the SEZ a private plot of land originally located outside the zone.

The above-mentioned outstanding performance of the Polish economy during the crisis, its stability and economic outlook as well as measures undertaken towards a more business-friendly environment make Poland a very attractive investment destination. Convenient conditions for running business are available not only in the SEZs, but in the entire country, **which makes Poland as a whole a true special economic zone.**

We will be happy to welcome your investment in Poland and in our Special Economic Zones!



**Paweł Tynel**

Director of the Grants and Incentives Advisory Services Department at EY



# 1. Polish SEZs - basic information

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## 1.1. What is the **SEZ benefit**?

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Special Economic Zone (SEZ) is an administratively separated part of Polish territory where investors may run their business activity based on specific preferential conditions. These preferential rules are presented in the graph below.

### Main rules for the SEZ benefit

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<b>What?</b>	<ul style="list-style-type: none"><li>Exemption in Corporate Income Tax (<b>CIT</b>) for legal entities or Personal Income Tax (<b>PIT</b>) for non-legal entities</li></ul>
<b>For whom?</b>	<ul style="list-style-type: none"><li>Investors who have obtained the <b>SEZ permit</b></li></ul>
<b>How much?</b>	<ul style="list-style-type: none"><li>30-70%<sup>1</sup> of capital expenditures or two-year employment costs</li></ul>
<b>How long?</b>	<ul style="list-style-type: none"><li>Till the end of SEZ existence, i.e. currently until <b>Dec 31, 2026</b></li></ul>
<b>Where?</b>	<ul style="list-style-type: none"><li>On the territory holding <b>SEZ status</b><sup>2</sup>, but in some cases also on private land that <b>may be included in the SEZ</b><sup>3</sup></li></ul>

<sup>1</sup> Depending on the location of the investment and the size of the investor

Source: own presentation

<sup>2</sup> Still approx. 6,000 ha available in SEZ

<sup>3</sup> Over 4,000 ha may still be included in SEZ

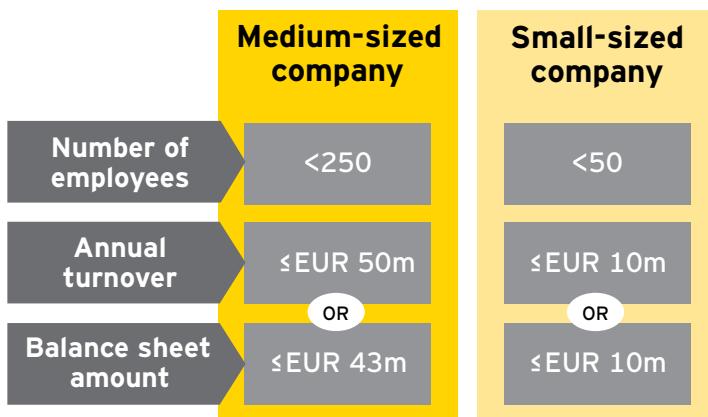
# 1.2. How is the **maximum value** of the SEZ benefit calculated?

The amount of the SEZ credit (possible CIT exemption) depends on:

- (a) The scope of the new investment - the amount of capital expenditures declared to be incurred or two-year employment costs for the new jobs declared in the SEZ permit
- (b) Size of the Company
- (c) Location of the new investment project

The size of the company is determined according to the criteria stated below. Companies that do not fulfill the conditions for small and medium-sized enterprises (SMEs) are classified as large companies.

## Small and medium-sized companies' definition

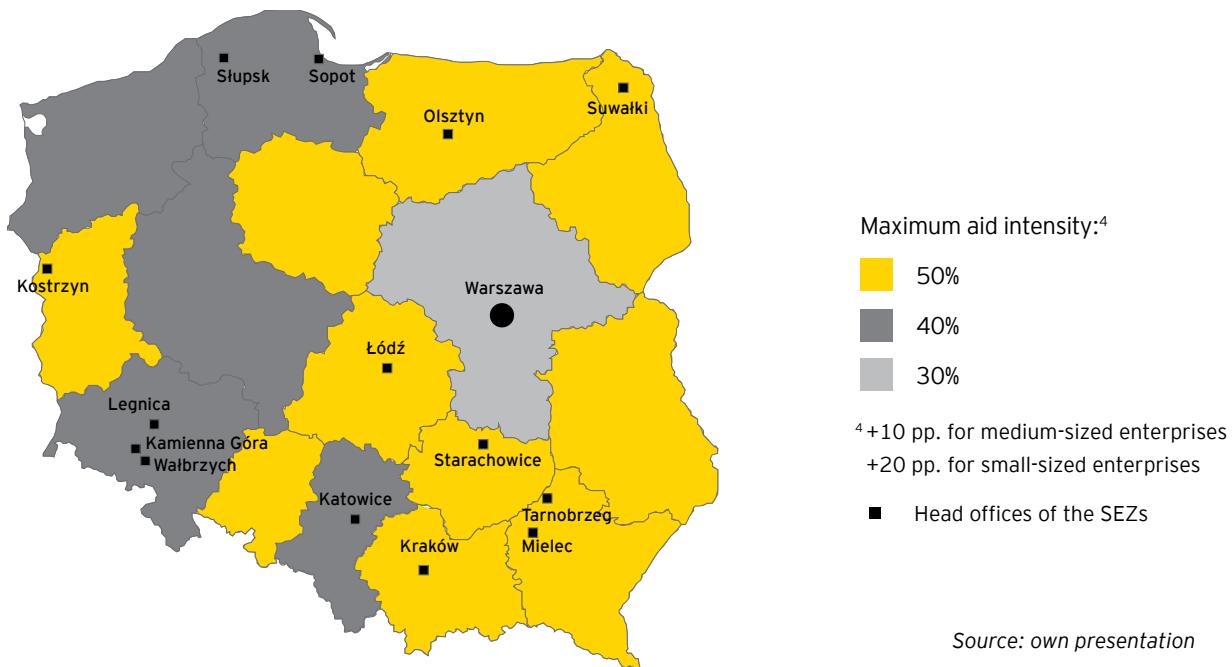


Source: own presentation

However, please note that, as a rule, the status of every entrepreneur is established taking into account the financial data (such as turnover or balance sheet amount) and headcount of its majority shareholders (in total) and minority shareholders (in relevant proportions). Therefore, the fact that a company belongs to a big capital group makes it more likely than not that it would be unable to qualify as a medium or small-sized entity, which could guarantee additional SEZ benefits. A newly established entity that is a subsidiary of a big capital group would not meet the above-mentioned criteria and would be treated as a large enterprise.

The size of the company (b) and the location of the project (c) together determine the so-called 'aid intensity' that, until June 30, 2014, may range between 30-50% for large investors according to the map below. SMEs are entitled to additional 10-20 percentage points compared to standard intensities.

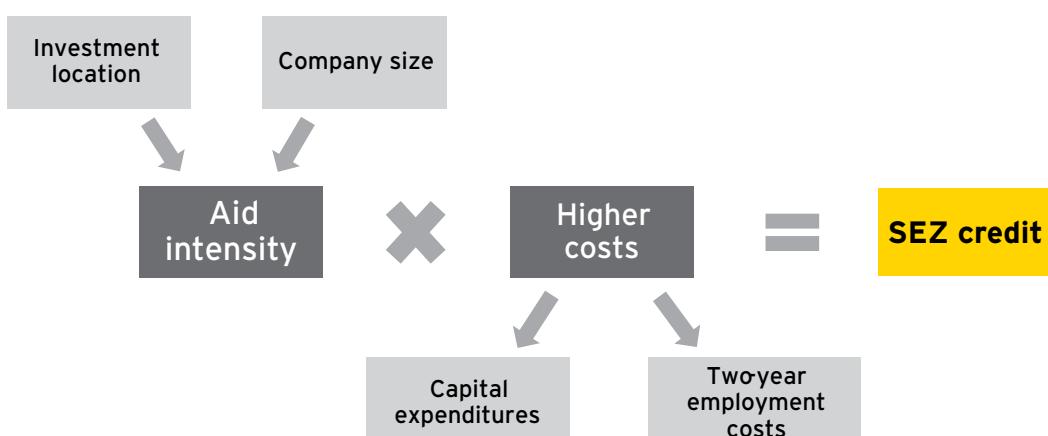
## Current regional aid intensity



The above-mentioned rules will apply to all investors who obtain the SEZ permit by June 30, 2014. It needs to be underlined that, starting from July 1, 2014, significant changes will be made to determining the 'aid intensity'. It will then range

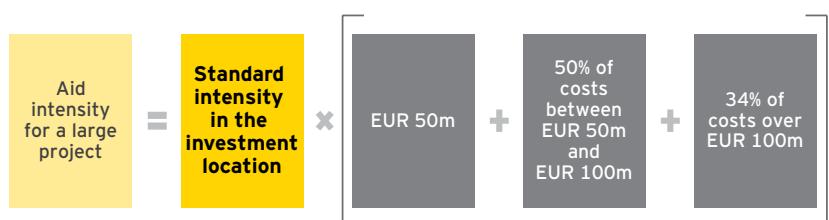
between 10-50% (30-70% for SMEs) and will apply to those investors who receive a SEZ permit dated July 1, 2014 and later – see Chapter 3 for details.

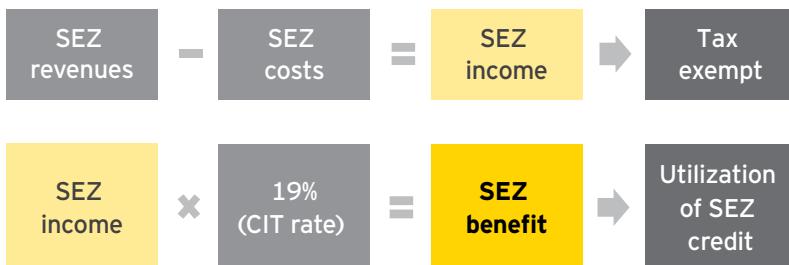
## Finally, the SEZ credit is calculated as follows:



Source: own presentation

The maximum aid intensity for large investment projects (above EUR 50 million of eligible expenditures) is additionally scaled down and the maximum amount of aid shall be established according to the following formula:





The SEZ credit calculated in the manner stated above may be utilized as a CIT exemption (or PIT for non-legal entities) for income that is generated:

- ▶ Within the Special Economic Zone area and
- ▶ From the business activity listed in the SEZ permit

The SEZ credit is available until the end of SEZs' existence, i.e. currently until **the end of 2026**.

The calculation of the available SEZ credit and potential SEZ income to be exempt for a sample SEZCo is presented in the graph below.

## SEZCo's benefits in the Special Economic Zone

	Scenario A	Scenario B
Scope of investment	EUR 20 million of capital expenditures	EUR 20 million of capital expenditures
Size of the company	Large (no premium for SME status)	Large (no premium for SME status)
Aid intensity in investment's location	50% aid intensity	40% aid intensity
SEZCo's SEZ credit <sup>5</sup>	EUR 10 million	EUR 8 million
SEZCo's SEZ income to be CIT exempt	EUR 52.63 million	EUR 42.11 million

<sup>5</sup> Simplified calculations using nominal values - the discounting effect was not taken into consideration

Source: own presentation



**Michał Tłaczała, Member of the Board**  
**IBM Global Services Delivery Centre Polska sp. z o.o.**  
**the Wałbrzych SEZ**

For our investment in the Global Services Delivery Centre Polska sp. z o.o. in Wrocław, we have applied for state aid in the form of both cash grants and SEZ exemption. At the beginning we were focused on the aid in the form of cash grants and treated the SEZ credit as an auxiliary support. However, at the end of the day it may be the case that the SEZ credit will be of a great value to us, due to the fact that it is quite certain and predictable.

## 1.3. How to obtain a SEZ permit?

In order to benefit from the SEZ credit, a company needs to first obtain a **SEZ permit**, which has a form of an administrative decision. The SEZ permit may be issued for an initial investment project involving minimum capital expenditures of EUR 100,000 and creating new jobs.

The initial investment project is defined as an investment in tangible and intangible assets relating to:

- ▶ The setting up of a new establishment
- ▶ The extension of an existing establishment
- ▶ Diversification of the output of an establishment into products not previously produced in the establishment
- ▶ A fundamental change in the overall production process of an existing establishment

It needs to be mentioned that some business activities are not allowed in SEZs<sup>6</sup>.

To apply for a SEZ permit the company has to prepare formal documentation ('the Offer'). In the Offer the company shall present:

- ▶ The business plan that describes its new investment project to be conducted in the SEZ, including an incentive effect analysis and financial projections
- ▶ Some additional formal documents (e.g. a decision granting the taxpayer identification number, REGON number, valid transcript from the National Court Register, documentation confirming the source of financing)

The content of the Offer may differ to a certain extent for particular SEZs.

Within the Offer, the company declares the main commitments for the activity to be conducted in the SEZ - the amount of capital expenditures to be incurred and the number of new jobs to be created. Such commitments are then listed in the SEZ permit as the obligations to be fulfilled by the company.



<sup>6</sup> The list of excluded activities includes e.g. manufacture of tobacco, manufacture of alcoholic beverages, services in wholesale and retail, hotel and catering services, services related to real properties, education, healthcare, activities which require concessions under the Energy Law. According to general regional aid rules, a SEZ permit may also not be granted e.g. in the fishery and aquaculture sectors, in the primary production of agricultural products, or in the steel, shipbuilding or synthetic fibers sector

## Sample SEZ permit

### Permit no. 100 dated October 31, 2013 to carry on business in the Special Economic Zone

In the name of the Minister of Economy, the following entrepreneur:

**SEZCo**

Based in Country: (Address)

Registered under no. 12345

has been granted a permit to carry on business in the Special Economic Zone, hereinafter 'the Zone'.

I. The business to be carried on in the Zone by SEZCo is manufacturing, commercial and service operations involving products manufactured and services supplied within the territory of the Zone, as set out in:

**29.32 Other parts and accessories for motor vehicles (excluding motorcycles)**

**72.19 Technological research and development**

of the Polish Classification of Goods and Services.

II. The following terms and conditions of carrying on business shall apply:

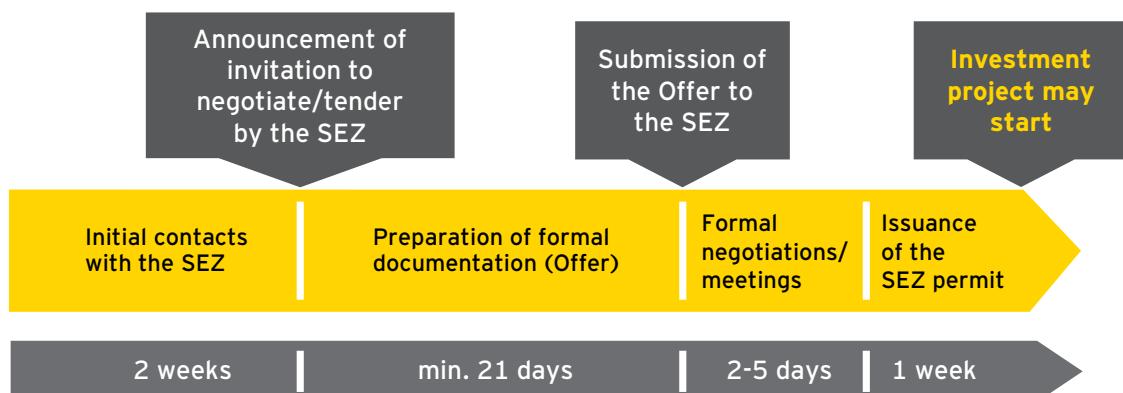
- ▶ After the date of this permit to carry on business in the Zone, SEZCo shall incur investment expenses (investment costs) within the meaning of the Council of Ministers' Regulation **in excess of EUR 20 million by December 31, 2015**
- ▶ After the date of this permit to carry on business in the Zone, SEZCo shall create **50 new jobs by December 31, 2016** and shall maintain this employment till December 31, 2021
- ▶ SEZCo will have completed the project by **December 31, 2016**

Source: own presentation

As a rule, a SEZ investment project **may be started only after the SEZ permit is issued**. 'Start of work' means either the start of construction work or the first firm commitment

to order equipment, excluding preliminary feasibility studies. The timeframe for the procedure of obtaining the SEZ permit is presented in the graph below.

## Procedure of applying for a SEZ permit



Source: own presentation

This is the basic procedure applicable to investments planned within the areas that already hold the SEZ status. In some cases, it is also possible to have a private plot of land originally located outside the SEZ included in the SEZ. In such a case, the standard procedure of applying for a SEZ permit is preceded

by the legislative process of extending the SEZ area to include the particular private plot of land. The criteria that have to be met by the investment project planned on the plot of land to be included in the SEZ are presented in the table below.

## Criteria for SEZ extension to include private land

Criterion	Minimum investment costs <sup>7</sup>		Minimum number of new jobs <sup>7</sup>
<b>I. Development of innovative, new products, processes or services</b>			
<ul style="list-style-type: none"> <li>▶ New or significantly improved products or services that have not been manufactured/offered on the Polish market so far, or</li> <li>▶ New technological solutions not used so far or used for no longer than 1 year on the Polish market</li> </ul>	PLN 20m (EUR 4.76m) <sup>8</sup>	<b>and</b>	30
<b>II. R&amp;D services</b>			
Investment made in R&D services	PLN 10m (EUR 2.38m)	<b>or</b>	50
<b>III. Supporting modern services sector</b>			
Investment made in IT services, financial auditing services, accounting or call centers	PLN 20m (EUR 4.76m)	<b>or</b>	150
<b>IV. Other investments – depending on the unemployment rate in the given county (powiat) as a % of the national average (U)<sup>9</sup></b>			
U <= 60%	PLN 350m (EUR 83.33m)	<b>or</b>	500
60% < U <= 100%	PLN 155m (EUR 36.9m)		250
100% < U <= 130%	PLN 138m (EUR 32.86m)		200
130% < U <= 160%	PLN 120m (EUR 28.57m)		170
160% < U <= 200%	PLN 100m (EUR 23.81m)		150
200% < U <= 250%	PLN 70m (EUR 16.67m)		100
U > 250%	PLN 17m (EUR 4.05m)		50

<sup>7</sup> In the following voivodeships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie, the criteria are reduced by 30%

<sup>8</sup> In the entire document, all EUR equivalents of PLN amounts were calculated using the exchange rate of EUR 1 = PLN 4.2

<sup>9</sup> Unemployment rate in the given county (powiat) based on the Central Statistical Office data as of the last day of the month preceding by 4 months the month in which the Council of Ministers' Regulation amending the SEZ area came into force

Source: own presentation



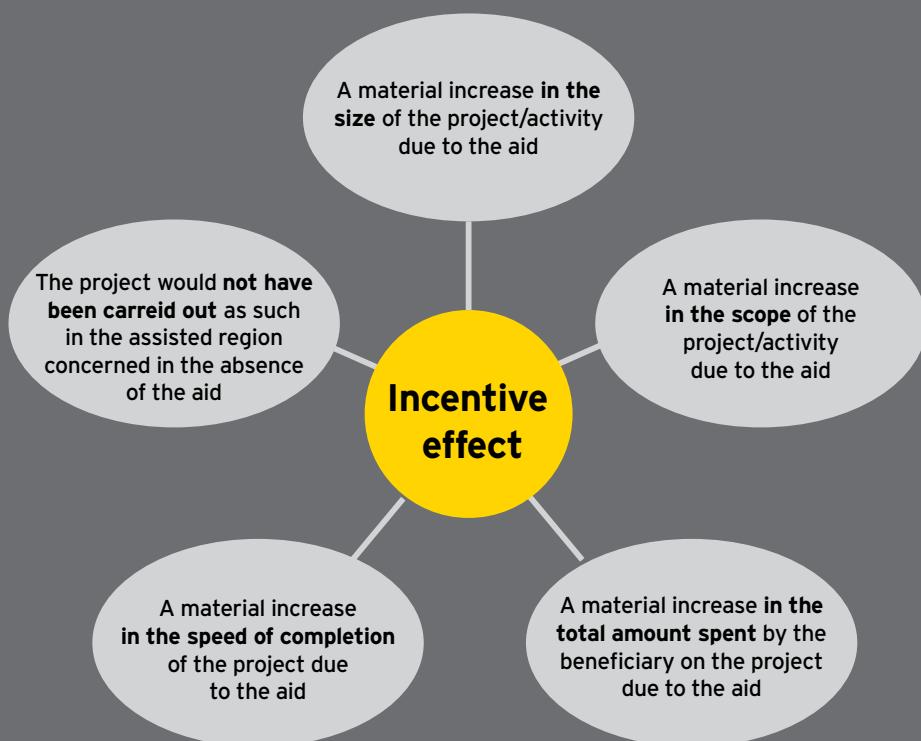
## 1.4. Benefits are clear – what in return?

Obviously, there are certain obligations for SEZ investors, as there is no such thing as a free lunch.

A SEZ investment project **may be started only after the SEZ permit is issued**.

Additionally, large enterprises are obliged to demonstrate in the application the so-called '**incentive effect**' of the aid to be granted. The aim of such an analysis is to confirm that the granted aid will result in a material change in the investment shape. Possible scenarios of the incentive effect are presented in the graph below.

### Incentive effect scenarios



Source: own presentation



The main obligations of SEZ investors result from the SEZ permit. However, some additional commitments result from SEZ regulations. The table below summarizes the main obligations of SEZ investors.

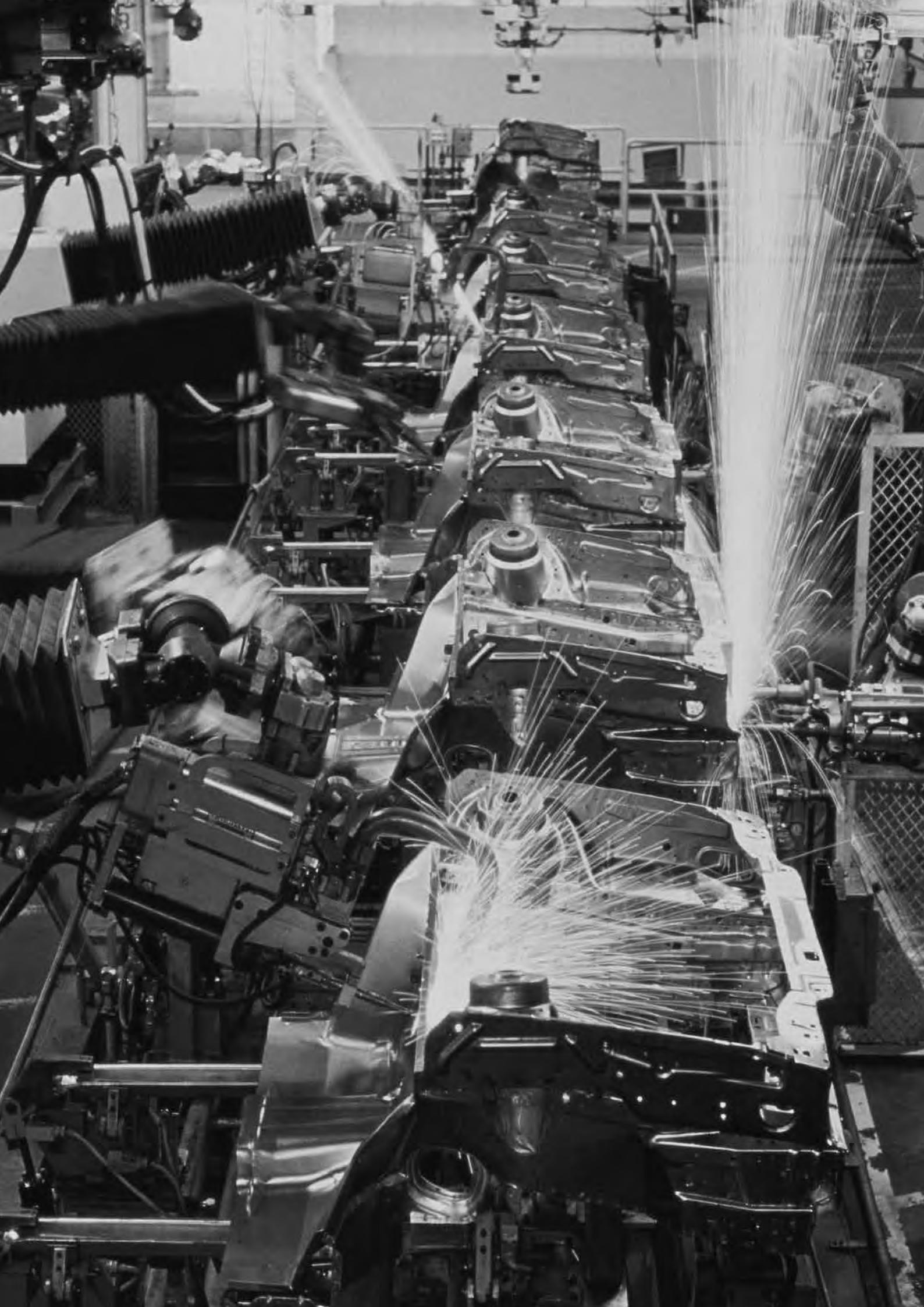
### Main obligations of SEZ investors

Obligation	SMEs	Large investors
Not starting the investment before the SEZ permit is issued	✓	✓
Proving the incentive effect	–	✓
Incurring the declared value of capital expenditures within the declared deadline	✓	✓
Maintaining the ownership of the assets purchased (capital expenditures)	3 years	5 years
Creating the declared number of new jobs within the declared deadline	✓	✓
Maintaining the jobs created	3 years <sup>10</sup>	5 years <sup>10</sup>
Maintaining the investment project in the region	3 years	5 years

<sup>10</sup> In some cases different periods are possible

Source: own presentation





# 2. Polish SEZs' history and statistics

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## 2.1. What are the 'milestones' in the SEZs' history?

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The history of SEZs dates back to mid 1990s. They were established based on the Special Economic Zones Act adopted in 1994, with an aim to revive the Polish economy and stimulate employment growth during the period of transformation of the Polish economy that started in 1989. The first SEZ was established in Mielec in 1995. In the following years, new zones were created, some of them merged or ceased to exist. Finally, in 2001 there were 14 zones that operate until now. Each SEZ consists of several subzones which are located in different places, not necessarily adjacent to each other (see the Attachment).

The initial rules for operating in SEZs were significantly changed due to Poland's EU accession in 2004, as they must comply with EU regional aid rules.

At that time, the limit of the total SEZ area in Poland was also introduced and set originally at the level of 8,000 ha. In the following years this limit was increased up to 20,000 ha.

The SEZs' lifetime has also been extended a couple of times already. Initially, they were established for the period of 20 years (i.e. until 2015-2017 depending on the Zone). Then, in 2008, they were extended till 2020. Recently, the Polish Government has decided to **extend the lifetime of Special Economic Zones from 2020 till the end of 2026**.

The main rules relating to the SEZ benefit changed in 2007 along with the introduction of Guidelines on national regional aid for 2007-2013 at the EU level. A similar change will take place next year, as on July 1, 2014 Guidelines on regional State aid for 2014-2020 will come into force.

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The SEZs' 'milestones' are summarized in the graph below.

## Milestones in Polish SEZs' history



The first SEZ was established (Mielec Special Economic Zone)



All current 14 SEZs established (the last SEZ - Pomorska was created as a result of the merger of the Tczew and Żarnowiec SEZs)



Introduction of the SEZs area limit of 8,000 ha

1994 1995

1996

1997

1998

1999

2000

2001

2002

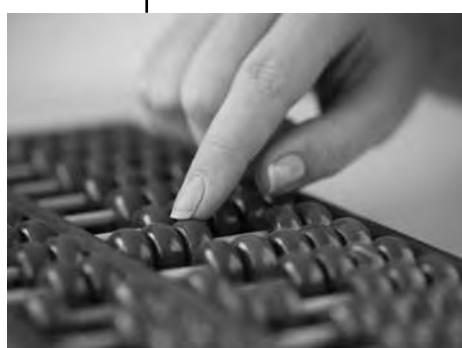
2003

2004 2005

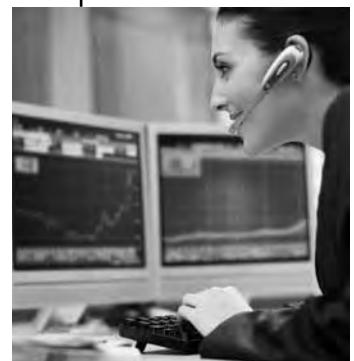
The Act on SEZs



Significant changes in SEZ regulations due to the planned EU accession (e.g. the SEZ credit amount limited by eligible costs and aid intensity - instead of unlimited aid in a limited time period)



Including modern services as an activity allowed in SEZs - with an aim to attract BPOs/SSCs





Extension of the SEZs area limit up to 12,000 ha



New regional aid regulations for 2014-2020 to come into force (e.g. new regional aid intensity map)



New regional aid regulations for 2007-2013 coming into force (e.g. new regional aid intensity map)



SEZ extension till 2020

2006 2007 2008 2009 2010 2011 2012 2013 2014

2026



Further extension of the SEZs area limit up to 20,000 ha



SEZ extension till 2026

Source: own presentation

## 2.2. How have the Polish SEZs grown?

Special Economic Zones are one of the main instruments used to attract foreign investors to Poland. They have been operating for almost 18 years and over that time they have developed and grown very extensively. Basic data that is collected and monitored to assess the effects of SEZs' operation for the economy is the number of SEZ permits granted, the amount of capital expenditures and the number of new or maintained jobs. These values as at December 31, 2012 are presented in the table below.

### Effects of SEZs' operation as at December 31, 2012

SEZ	Total SEZ area (ha)	Number of permits	Number of cities/communes		Capital expenditures amount (mEUR)	Number of new jobs	Number of jobs maintained
Kamienna Góra	367.14	50	7	8	442	4,545	245
Katowice	2,004.83	227	21	18	4,665	38,037	11,897
Kostrzyńsko-Słubicka	1,454.47	130	7	27	1,124	13,443	6,701
Kraków	558.72	77	8	13	425	6,398	3,174
Legnica	1,059.26	56	5	8	1,306	9,311	254
Łódź	1,276.63	163	22	25	2,376	19,085	6,836
Mielec	1,246.00	168	14	9	1,342	17,153	3,781
Pomorska	1,323.23	91	12	11	1,741	11,985	3,551
Słupsk	824.35	50	5	8	280	2,800	832
Starachowice	612.91	72	5	10	391	3,889	3,215
Suwałki	342.77	65	4	3	377	5,093	195
Tarnobrzeg	1,632.31	144	10	26	1,753	20,635	9,388
Wałbrzych	2,212.20	186	16	31	3,476	25,689	6,703
Warmińsko-Mazurska	914.51	66	11	15	739	8,224	4,392
<b>TOTAL</b>	<b>15,829.33</b>	<b>1,545</b>	<b>147</b>	<b>212</b>	<b>20,436</b>	<b>186,287</b>	<b>61,164</b>

Source: Ministry of Economy, Report on the Special Economic Zones - as at December 31, 2012,  
<http://www.mg.gov.pl/Wspieranie+przedsiebiorczosci/Wsparcie+finansowe+i+inwestycje/ Specjalne+strefy+ekonomiczne/Efekty+SSE>



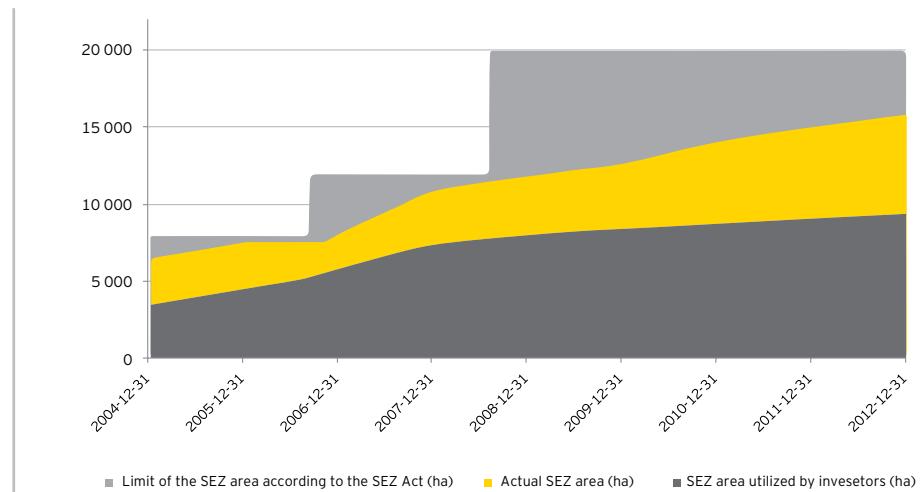
**Justyna Plaza-Szklarska, CFO**  
MAPEI Polska  
the Katowice and Pomorska SEZ

We have been operating in the special economic zone since 2000. Currently we are in the possession of four SEZ permits in two different zones (the Katowice SEZ and Pomorska SEZ). The main rules for benefiting from the SEZ credit are common for all zones in Poland, but certain detailed procedures, for example for applying for a SEZ

permit, may sometimes differ. Nevertheless, investors may always expect a proactive and friendly support from the SEZ authorities. Cooperation with them is a kind of partnership rather than standard formal relationship. Both zones in which we operate offer additional facilities and support for investors, such as infrastructure, trainings and networking.

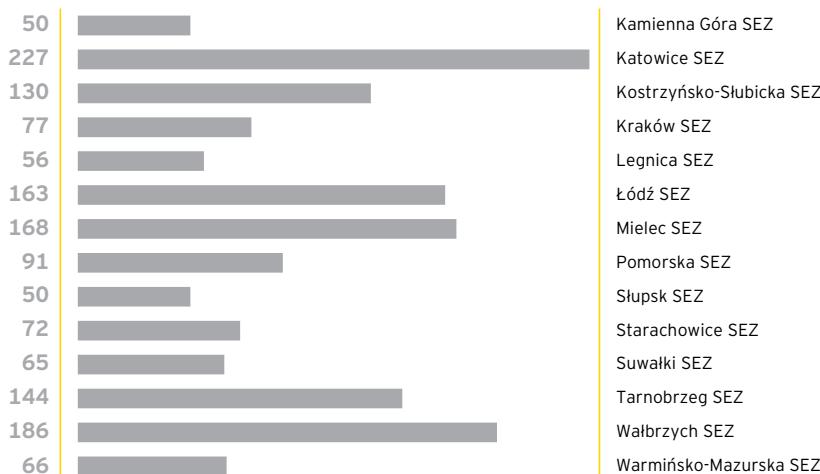
## Extension of the SEZ area in the period 2004-2012

The overall area actually covered by all zones now exceeds **15,800 ha**, out of which **40% (over 6,000 ha)** is still available for new investors. Moreover, the SEZ area may be extended by including new plots of land up to the limit of 20,000 ha. During almost 18 years of existence, the area of SEZs (utilized and available) extended steadily, which is presented in the graph beside.



Source: own presentation based on Ministry of Economy, Reports on the Special Economic Zones - for the years 2004-2012, <http://www.mg.gov.pl/Wspieranie+przedsiebiorczości/Wsparcie+finansowe+i+inwestycje/ Specjalne+strefy+ekonomiczne/Efekty+SSE>

## Number of SEZ permits as at December 31, 2012



As at December 31, 2012, **1,545** SEZ permits were granted. The largest number of permits was granted in the Katowice SEZ (227) and Wałbrzych SEZ (186), while the smallest number was granted in the Słupsk (50) and Kamienna Góra (50) SEZs.

Source: own presentation based on Ministry of Economy, Report on the Special Economic Zones - as at December 31, 2012, <http://www.mg.gov.pl/Wspieranie+przedsiebiorczości/Wsparcie+finansowe+i+inwestycje/ Specjalne+strefy+ekonomiczne/Efekty+SSE>

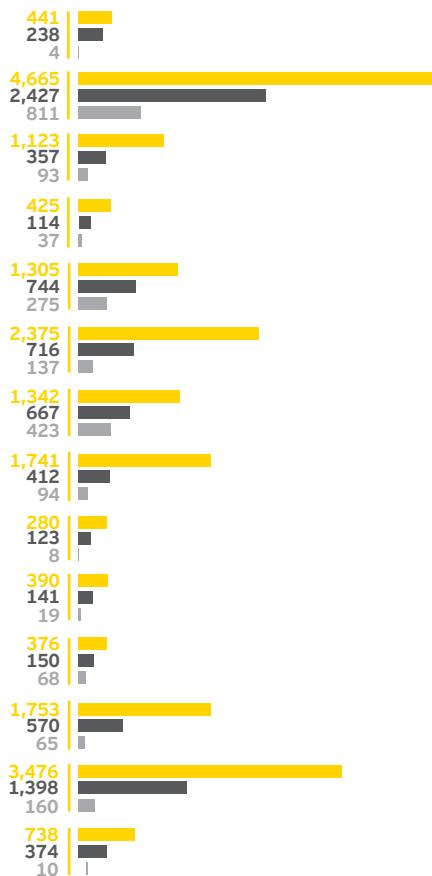
Until December 31, 2012, the amount of capital expenditures incurred in SEZs reached the level of over **EUR 20.4 billion**. The largest expenditures were incurred in the Katowice SEZ (over EUR 4.6 billion), the Wałbrzych SEZ (over EUR 3.4 billion) and the Łódź SEZ (over EUR 2.3 billion).

The Katowice SEZ has been the leader in terms of the amount of capital expenditures from the beginning. For a short period of time, the Mielec or Legnica SEZs held the second position, but since 2006 the Wałbrzych SEZ has been number two in terms of the amount of capital expenditures.

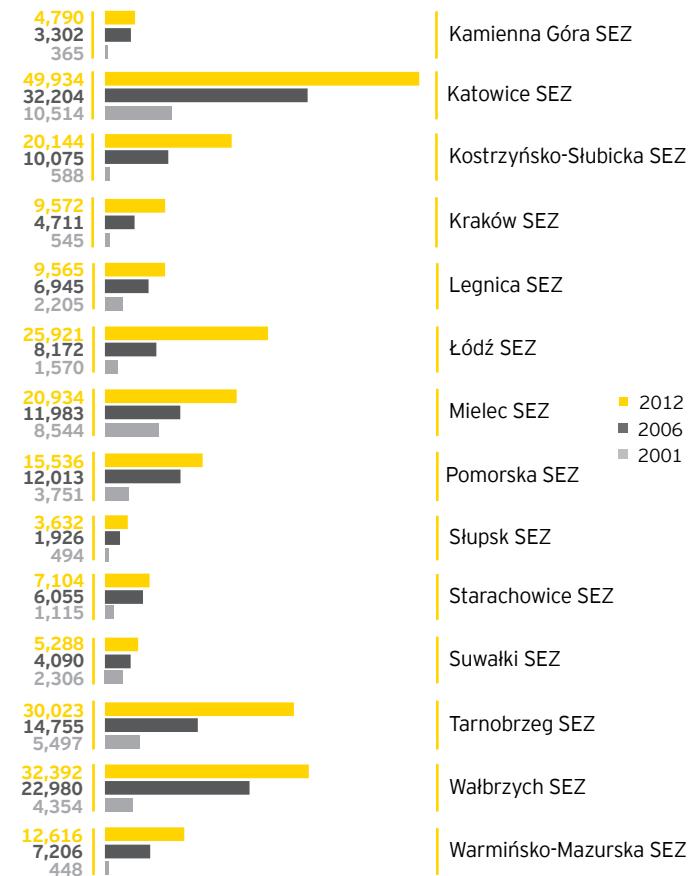
Until December 31, 2012, over **186 thousand** of new jobs were created in all SEZs and over **85 thousand** jobs were maintained as a result of new investments. The highest numbers of new jobs have been created so far in the Katowice SEZ (about 38 thousand) and the Wałbrzych SEZ (over 25 thousand).

The Katowice SEZ has reported the largest number of new jobs since 2001. Soon afterwards, the Wałbrzych and Tarnobrzeg SEZs established their positions as number two and three in terms of the number of jobs, which they have maintained until now.

### Cumulative amount of capital expenditures in SEZs in the years 2001, 2006 and 2012 (mEUR)



### Cumulative number of jobs created and maintained in SEZs in the years 2001, 2006 and 2012



Source: own presentation based on Ministry of Economy, Reports on the Special Economic Zones - as at December 31, 2012, as at December 31, 2006, as at December 31, 2004,  
<http://www.mg.gov.pl/Wspieranie+przedsiebiorczosci/Wsparcie+finansowe+i+inwestycje/ Specjalne+strefy+ekonomiczne/Efekty+SSE>

# 3. Recent and planned changes in SEZs

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## 3.1. Why is it recommended to apply for a SEZ permit NOW?

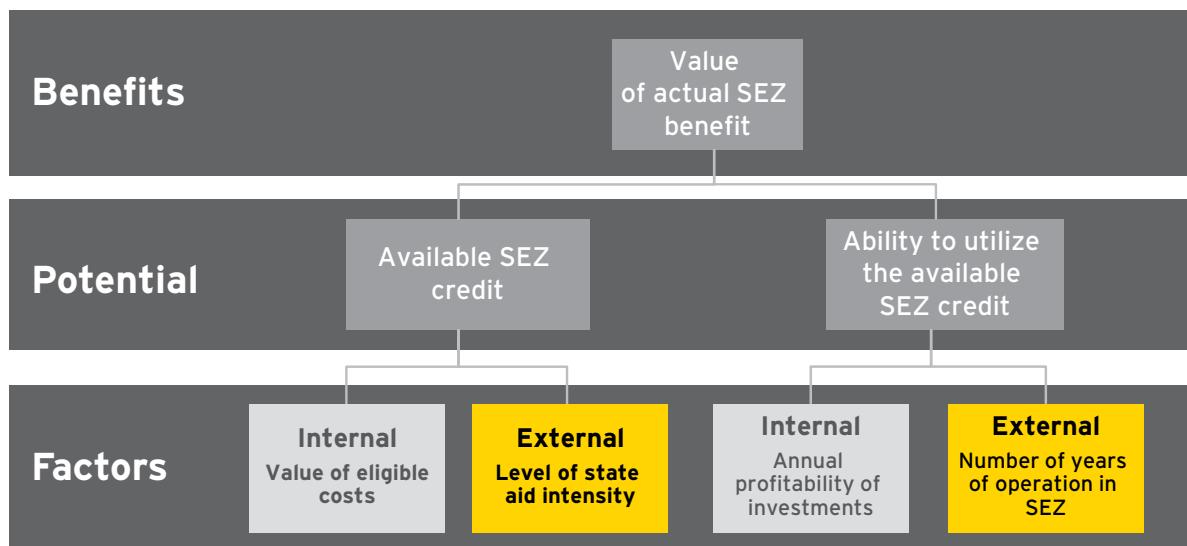
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The main benefit for companies operating in SEZs is CIT exemption. Its maximum value is indicated by regulations concerning regional aid intensity, but the value of the benefit actually utilized results from the company's profitability. Specifically, the value of the real benefit from operation in the SEZ depends on:

- ▶ The maximum aid level (SEZ credit) resulting from regional aid intensity and value of eligible costs (capital expenditures or two-year employment costs)
- ▶ The ability to utilize the SEZ credit until the end of the SEZ's existence depending on profitability of the investment and the remaining period of the SEZ's existence

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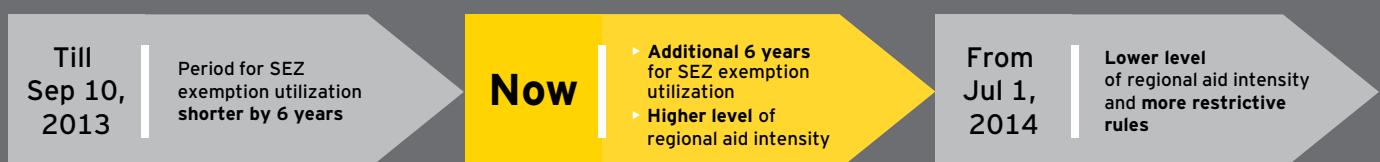
## Factors influencing the value of actual SEZ benefit



Source: own presentation

Out of these four factors having impact on the value of the actual SEZ benefit, two internal aspects (value of eligible costs and profitability of investment) are specific for each investment project and to some extent may be influenced by the investor. Two other - external - factors marked in yellow (level of state aid intensity and the remaining period of SEZs' existence) stem from legal regulations binding at the moment of obtaining the SEZ permit and may not be changed by the investors.

Right now, the remaining period of SEZs' existence is 6 years longer than it was in August 2013. On the other hand, the average level of regional aid intensity in the EU and thus in Poland as well will significantly decrease in July 2014. As a result, it can be concluded that both of **the external conditions mentioned above are more beneficial for investors now than they were in the recent past or will be in the near future.**



Thus, **right now** it is a very suitable moment to apply for a SEZ permit.

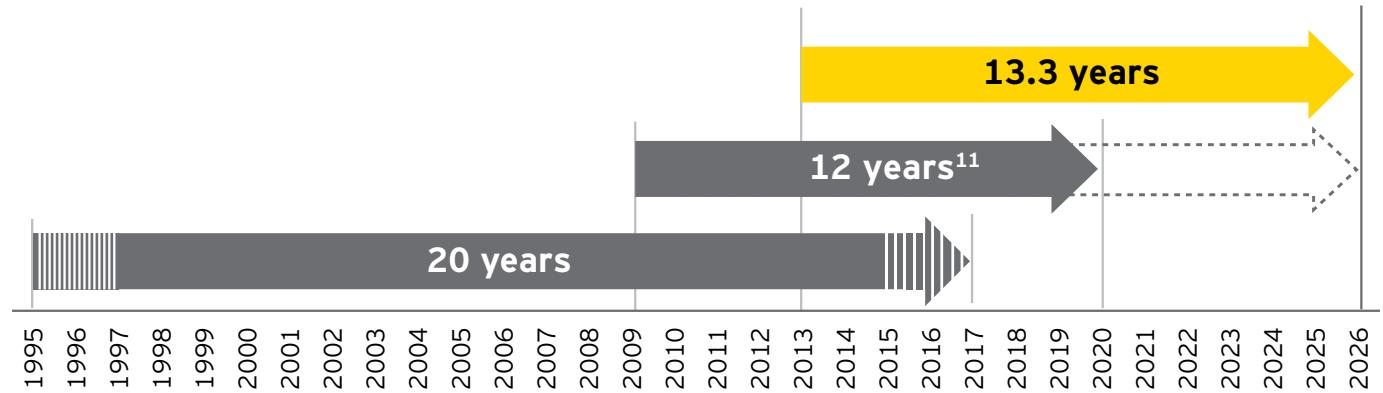
## 3.2. Why are the additional **6 years** of SEZs in Poland so crucial?

The Special Economic Zones in Poland were intended to cease in 2020. The new regulations which came into force on September 10, 2013 prolonged SEZs' existence in Poland up to **December 31, 2026**.

As mentioned before, the remaining period of SEZs' existence is one of the key elements that should be taken into account by investors planning investments in SEZs. A longer period of operation in a SEZ usually results in a higher value of the CIT exemption utilized or at least higher probability of utilizing the entire SEZ credit available.

The investors starting operations in SEZs now will have an over 13-year perspective for utilization of CIT exemption. Longer perspective was available only to investors entering SEZs in the first years of their existence (until 2004) as shown in the graph below.

### SEZ credit perspective for investors at the moment of entering SEZ



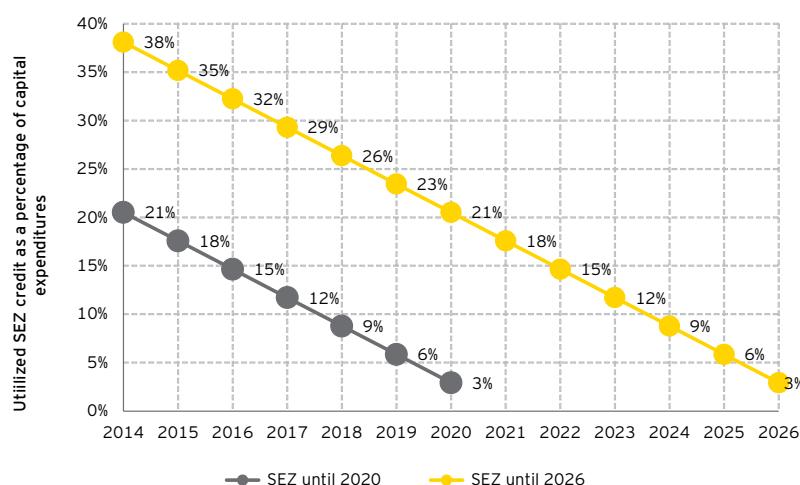
<sup>11</sup> The SEZ permits issued after 2008 that do not contain the end date will be valid until the end of 2026 as well, but at the moment of entering the SEZ these investors were aware that their SEZ credit would cease in 2020

Source: own presentation

This prolongation gives the investors entering SEZs additional 6 years to benefit from the CIT exemption. The investors entering SEZs in the first half of 2013 were aware that they would only have 6.5 years to utilize the SEZ credit. Now investors have **twice as much time** to benefit from the available SEZ credit.

What does it mean in terms of money? If we analyze the situation of an average investor from the automotive sector (predominating in Polish SEZs), the differences in the level of the SEZ credit utilized until 2020 and until 2026 depending on the year of entering the SEZ are very significant.

**SEZ credit likely to be utilized by the investor depending on the year of starting activity in the SEZ**



Source: own presentation based on a chart from the EY Report "Special Economic Zones beyond 2020. Analysis of current activities and an outlook for their existence" 2011, p. 55, 77-79 and its update for longer SEZs' existence, but based on input data (concerning average financial ratios for the automotive industry) from 2010 for comparison purposes

An investor starting business activity in a SEZ at the beginning of 2014 will be able to utilize the SEZ credit amounting to 38% of capital expenditures until 2026. Were the SEZ terminated in 2020, the CIT exemption that could be utilized would not exceed 21% of capital expenditures. This means an increase of the level of utilized SEZ credit by 86%. In each consecutive year this result will be even more considerable. For example, for investors entering the SEZ in 2019, due to the additional 6 years, the SEZ credit that they will be able to utilize will rise four times.



**Bertrand Touraton, CFO**  
MICHELIN Polska  
the Warmińsko-Mazurska SE

The additional 6 years of SEZs in Poland substantially increased the attractiveness of this investments' support scheme. That has also opened new perspectives and opportunities for us to consider applying for new SEZ permits for new investments which are planned in our firm for the next 5 years.

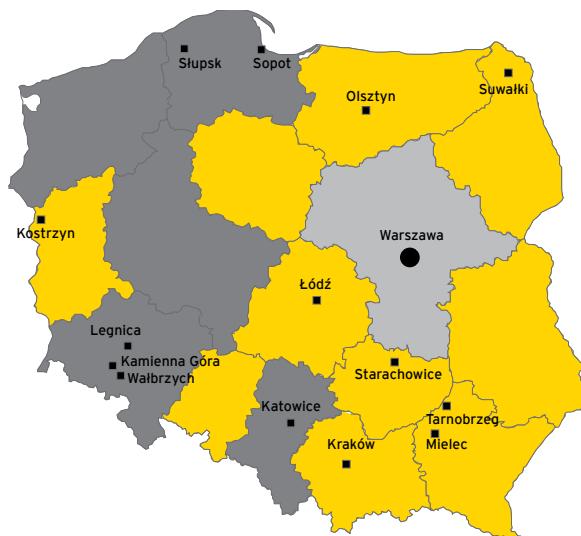


### 3.3. What will change in the new guidelines on regional aid?

Following the European Commission's decision, starting from July 1, 2014 the current guidelines on national regional aid will be replaced by the Guidelines on regional State aid for 2014-2020. The main change compared to the current regulations refers to maximum aid intensity, which will be significantly lower for almost entire Europe including Poland, as presented on the maps below.

#### Regional aid intensity map

Valid until June 30, 2014

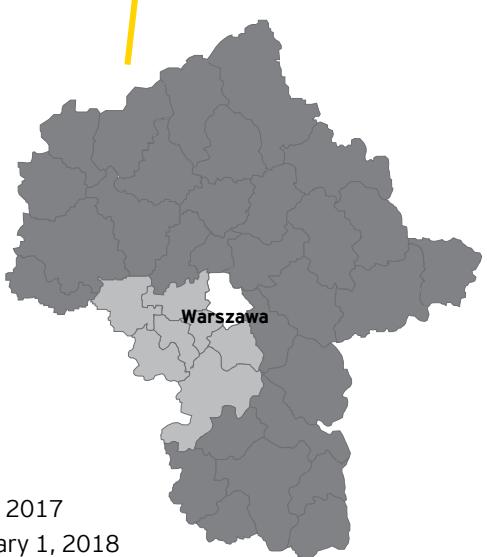
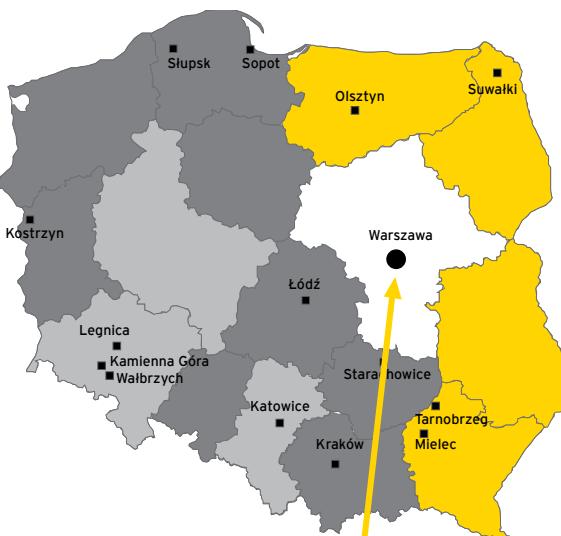


<sup>12</sup>+10 pp. for medium-sized enterprises

+20 pp. for small-sized enterprises

■ Head offices of the SEZs

Effective from July 1, 2014

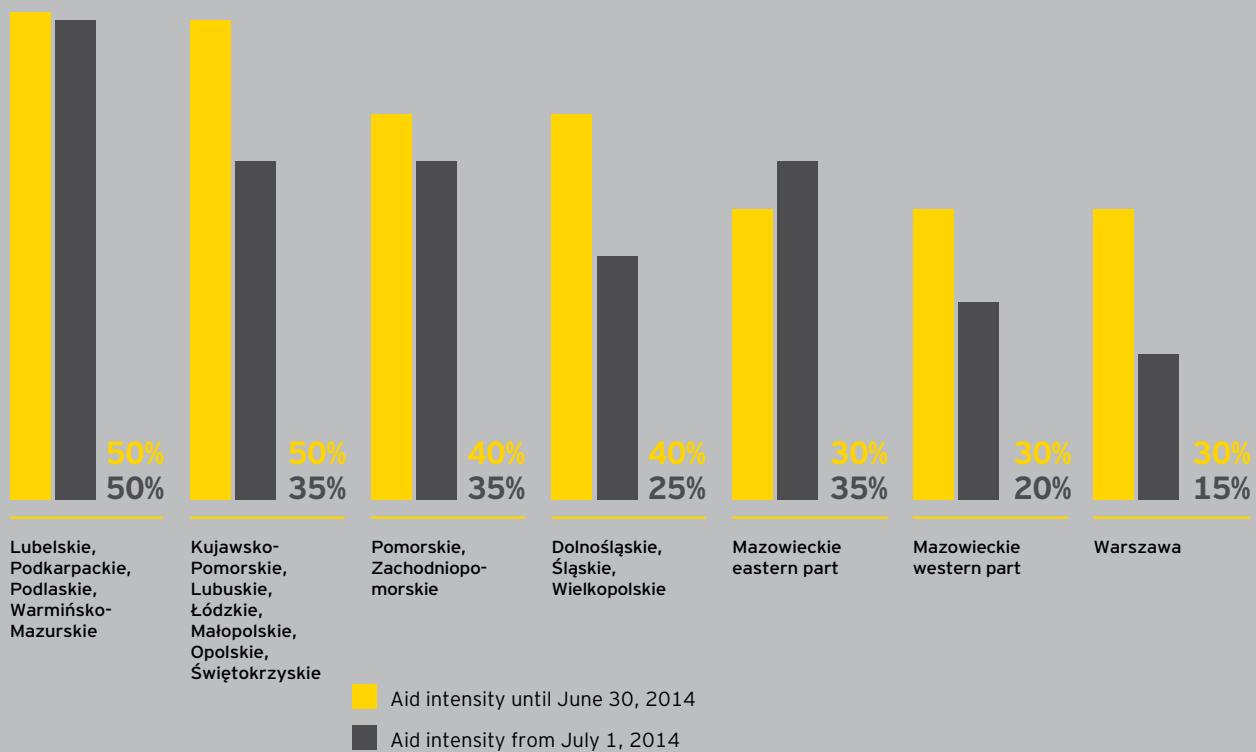


Source: own presentation

Only in 4 out of 16 voivodeships maximum aid intensity will remain at the same level of 50%, i.e. in the Lubelskie, Podkarpackie, Podlaskie and Warmińsko-Mazurskie voivodeships. Although in the eastern part of Mazowieckie Voivodeship

the intensity level will even increase from the current 30% up to 35%, in all other regions of Poland the intensity will be decreased - in 2 voivodeships by 5 percentage points, and in 9 voivodeships by 15 percentage points.

## Maximum aid intensity changes in voivodeships in Poland



Source: own presentation

However, the real revolution concerns the method of computing the aid value (also in the form of a SEZ credit) for large investors. The intensity levels from the map above will indicate the ultimate limit of the maximum aid value, while the available state aid amount will be calculated based on the 'net extra costs approach' comparing:

- Investment with and without aid (investment decision)
- Investment in a given region and in an alternative location (location decision)

Apart from the changes in the level of aid, the new guidelines will introduce many additional new requirements and restrictions for investors, which will make obtaining state aid much more difficult. Especially strict requirements will apply to investments in Mazowieckie Voivodeship.



**Piotr Pełka**, Director of State Aid Monitoring Department  
Office of Competition and Consumer Protection (UOKiK)

The general trend in the EU is to optimize the distribution of state aid among investments and to grant support in the minimum value required (the so-called proportionality of aid).

The new regulations on regional aid in the EU that will come into effect on July 1, 2014 will impose more obligations on

the beneficiaries of all forms of state aid. Moreover, the maximum aid intensity in the majority of regions in Poland will decrease due to positive trend, which is growth of their development level (measured by GDP per capita). Thus, the current regulations may be perceived as more beneficial for investors.



The main differences between current and future regulations are presented in the table below.

## Changes in regional aid guidelines

		Current regulations	Regulations effective from July 1, 2014
State aid value	Maximum aid intensity	50% in 10 voivodeships 40% in 5 voivodeships 30% in 1 voivodeship	50% in 4 voivodeships 35% in 8 voivodeships 25% in 3 voivodeships 10-35% in 1 voivodeship
	Decreased level of aid intensity for projects implemented by a capital group within a 3-year period and exceeding EUR 50m in total	Refers only to initial investments that consist of <b>fixed assets combined in an economically indivisible way</b> (in terms of technical, functional and strategic links and <b>immediate geographical proximity</b> )	Refers to <b>all initial investments</b> launched by the same capital group in the same NUTS 3 region (sub-region)
	Additional limitations	None	For large enterprises, state aid may not exceed: <ul style="list-style-type: none"> <li>▶ <b>Profitability gap</b> compared to e.g. the usual IRR (internal rate of return) of the beneficiary's projects or the capital cost of the company (investment decision)</li> <li>▶ <b>Gap in the NPV</b> (net present value) of the investment compared to higher NPV in an alternative location (location decision)</li> </ul>
Definition of an initial investment project other than greenfield investment	Extension of the existing facility	Eligible for state aid <b>without additional requirements</b>	Eligible for state aid <b>only if the production capacity of the existing facility is increased</b>
	Diversification of the facility's activity	Eligible for state aid <b>without additional requirements</b>	Eligible for state aid <b>only if eligible expenses equal at least 300% of the book value of re-used assets</b> reported in the financial year preceding the investment start date
	Major change in the overall production process of the existing facility	Eligible for state aid <b>without additional requirements</b>	Eligible for state aid <b>only if eligible expenses exceed cumulative depreciation for the last 3 financial years</b> of the assets associated with the business to be upgraded



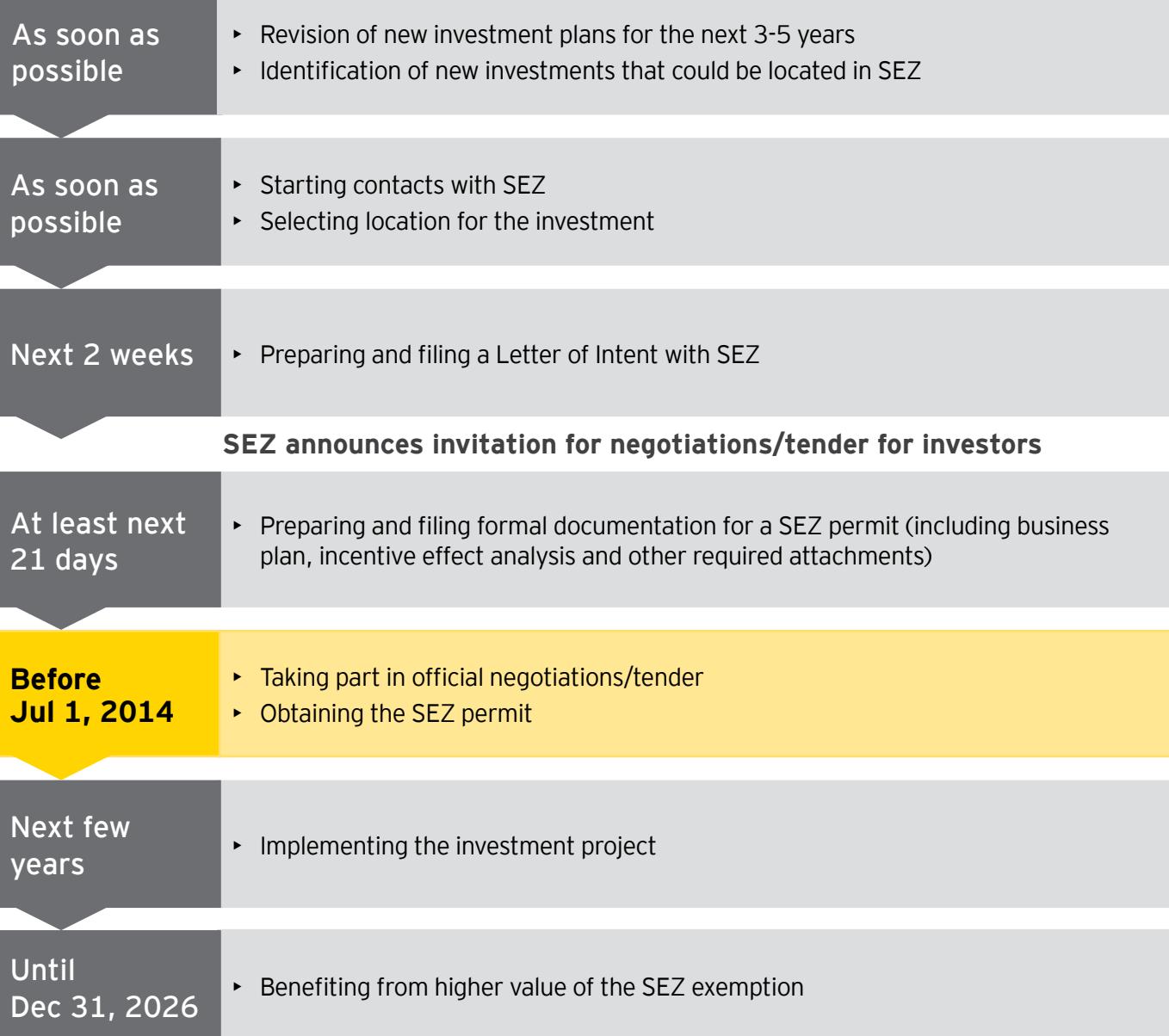
		<b>Current regulations</b>	<b>Regulations effective from July 1, 2014</b>
<b>Incentive effect</b>	Alternative scenarios analysis	Required <b>only from large enterprises</b>	Required <b>from all enterprises</b>
	Alternative scenarios	<p>5 possible scenarios:</p> <ul style="list-style-type: none"> <li>▶ Significant broadening of project scope as a result of aid</li> <li>▶ Significant increase of project size as a result of aid</li> <li>▶ Significant increase in the total amount spent by the beneficiary on the project as a result of aid</li> <li>▶ Significant acceleration of project completion as a result of aid</li> <li>▶ With no state aid, the project would <b>not be implemented in the given area</b></li> </ul>	<p>2 possible scenarios:</p> <ul style="list-style-type: none"> <li>▶ With no state aid, the project would <b>not reach the profitability threshold (in a given area)</b></li> <li>▶ State aid offsets the restrictions and net costs arising from the investment site in the given area</li> </ul>
	Required attachments to alternative scenarios analysis	Attachments have to be presented by large investors only during a potential control	Formal documents supporting alternative scenarios have to be attached to the application for aid by large investors
<b>Notification of aid</b>	Notification obligations for investments other than exceeding EUR 100m of eligible expenses	None	State aid is subject to the notification obligation if it is granted to a beneficiary who <b>closed the same or similar business in the EEA within 2 years</b> prior to the date of filing his application or <b>intends, on the date of filing the application, to close such business within 2 years</b> from the close date of the project to be subsidized
	Additional limitations for new investment projects	None	For large enterprises, eligible for aid are only: <ul style="list-style-type: none"> <li>▶ Greenfield investments or</li> <li>▶ Investments relating to diversification of the facility's activity understood as launching a new activity classified in another category (four-digit code) of the Statistical Classification of Economic Activities (NACE Rev.2)</li> </ul>
<b>Additional requirements or limitations for investments in Mazowieckie Voivodeship</b>	Additional notification obligations	None	All investments of large enterprises related to diversification of the facility's activity are subject to the notification obligation

Source: own presentation based on Guidelines on regional State aid for 2014-2020, Official Journal C 209, 23.07.2013, and Guidelines on national regional aid for 2007-2013, Official Journal C 54, 04.03.2006

### 3.4. What is the road map for new investors?

Taking into account the recent and planned changes in SEZ regulations, it is recommended that all investors considering new projects apply for a SEZ permit before July 1, 2014. This will provide them with additional 6 years (giving in total about 13 years) for utilization of the CIT exemption on one hand, and, on the other hand, will enable them to take advantage of higher aid intensity and less restrictive requirements than those effective from July 1, 2014.

#### Steps to be taken to benefit from preferential rules



Source: own presentation

## 4. Polish SEZs compared to investment incentives in other countries of the region

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### 4.1. What support for investments is available in other countries of the region?

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Tax incentives are used widely in the countries of Central and Eastern Europe, for example in the Czech Republic, Slovakia, Bulgaria, Hungary - i.e. countries which often compete with Poland for the location of large investments. Other developing countries also offer tax and other investment incentives. A brief summary of such incentives is presented in the table below.

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## Overview of main investment incentives in other countries of Europe and of the world

Country	Aim of the aid	Type of the aid
<b>European countries</b>		
Bulgaria	<ul style="list-style-type: none"> <li>▶ Support for investments in regions with high unemployment</li> </ul>	<p><b>Tax incentives:</b></p> <ul style="list-style-type: none"> <li>▶ Accelerated 2-year depreciation for computers and new manufacturing equipment</li> <li>▶ VAT exemption for imports of equipment for investment projects implemented within a period of 2 years</li> </ul> <p><b>Incentives under the Investment Promotion Act (IPA):</b></p> <ul style="list-style-type: none"> <li>▶ Support for investments in specified business activities</li> <li>▶ Faster administrative services</li> <li>▶ Additional aid for training</li> </ul>
Czech Republic	<ul style="list-style-type: none"> <li>▶ Increase in investment</li> </ul>	<p><b>Investment incentives for selected business activities:</b></p> <ul style="list-style-type: none"> <li>▶ CIT relief for 10 years</li> <li>▶ Transfer of land at a discount</li> <li>▶ Job-creation grants</li> <li>▶ Grants for training and retraining of employees</li> <li>▶ Cash grants on capital expenditures for strategic investments</li> </ul>
Hungary	<ul style="list-style-type: none"> <li>▶ Transfer of new technologies and know-how</li> </ul>	<p><b>R&amp;D costs double deduction:</b></p> <ul style="list-style-type: none"> <li>▶ In addition to being recognized as tax deductible costs for CIT purposes, direct costs of basic research, applied research and research and development additionally reduce the CIT base</li> </ul> <p><b>R&amp;D costs triple deduction:</b></p> <ul style="list-style-type: none"> <li>▶ Available for activities conducted in cooperation with the state</li> </ul> <p><b>Development tax relief:</b></p> <ul style="list-style-type: none"> <li>▶ Tax relief for up to 10 tax years for investments that meet certain conditions</li> </ul>
Latvia	<ul style="list-style-type: none"> <li>▶ Increase of investment in free zones and special economic zones</li> </ul>	<p><b>Free zones and special economic zones:</b></p> <ul style="list-style-type: none"> <li>▶ 80% relief on real estate tax</li> <li>▶ 80% relief on CIT</li> <li>▶ 80% relief on withholding tax for dividends, management fees and royalties paid to non-residents</li> <li>▶ 0% VAT for most goods and services provided to enterprises in free zones or exported out of them</li> <li>▶ 0% VAT for most goods and services supplied in free zones, including construction services</li> </ul> <p><b>CIT relief for large-scale investment projects in the amount of:</b></p> <ul style="list-style-type: none"> <li>▶ 25% of total initial long-term investment up to EUR ~49.8 million (LVL 35 million)</li> <li>▶ 15% of the part of total initial long-term investment exceeding EUR ~49.8 million (LVL 35 million)</li> </ul>



Country	Aim of the aid	Type of the aid
Lithuania	<ul style="list-style-type: none"><li>▸ Entrepreneurship development in free economic zones</li><li>▸ Increase in investment</li></ul>	<p><b>Free economic zones:</b></p> <ul style="list-style-type: none"><li>▸ Entities registered and operating in free economic zones benefit from: 100% exemption from income tax for 6 years and further 50% reduction of income tax for additional 10 years</li></ul> <p><b>Relief for investment projects:</b></p> <ul style="list-style-type: none"><li>▸ Taxable income may be reduced by up to 50% by the amount of expenses that are incurred at acquisition of fixed assets used in the investment project</li></ul>
Romania	<ul style="list-style-type: none"><li>▸ Transfer of new technologies and investment support</li></ul>	<p><b>R&amp;D costs:</b></p> <ul style="list-style-type: none"><li>▸ Taxpayers can benefit from an additional relief equal to 20% of eligible costs for R&amp;D activities</li></ul> <p><b>Disfavored economic zones (DEZs):</b></p> <ul style="list-style-type: none"><li>▸ Exemption from CIT for new investments (for investors with certificates obtained before July 1, 2013)</li><li>▸ PIT exemption for one-off relocation relief for employees in DEZs</li></ul> <p><b>Free-trade zones:</b></p> <ul style="list-style-type: none"><li>▸ VAT exemption for supplies of non-Community goods to be placed in a free-trade zone</li></ul> <p><b>Exemptions from property taxes:</b></p> <ul style="list-style-type: none"><li>▸ Available for legal entities</li></ul>
Slovak Republic	<ul style="list-style-type: none"><li>▸ Increase in investment and employment</li></ul>	<ul style="list-style-type: none"><li>▸ 100% tax reduction (full tax relief) for 10 consecutive tax years</li><li>▸ Financial grant or a discount from market price for transfer of immovable assets to investors by the state</li><li>▸ Cash grants on acquisitions of fixed assets</li><li>▸ Cash grants for newly created jobs</li><li>▸ Cash grants on training</li></ul>
Slovenia	<ul style="list-style-type: none"><li>▸ Support for investment</li><li>▸ Transfer of new technologies and know-how</li><li>▸ Increase in employment</li></ul>	<p><b>CIT relief for investments:</b></p> <ul style="list-style-type: none"><li>▸ Reduction of the tax base in the value of 40% of the amount invested in equipment and intangible assets</li></ul> <p><b>Special regulation in the region of Pomurje (CIT relief):</b></p> <ul style="list-style-type: none"><li>▸ Reduction of the tax base in the amount of 70% of salaries paid to employees</li><li>▸ Reduction of the tax base by up to 70% of the amount invested in equipment and intangible assets</li></ul> <p><b>Tax relief for R&amp;D costs:</b></p> <ul style="list-style-type: none"><li>▸ The tax base may be decreased by 100% of the expenditure incurred in R&amp;D activities</li></ul> <p><b>Tax relief for the hiring of employees:</b></p> <ul style="list-style-type: none"><li>▸ Relief in the amount of 45% of the salaries of employees for the first 24 months of employment, for employees fulfilling certain conditions</li></ul>



Country	Aim of the aid	Type of the aid
<b>Other countries</b>		
Brazil	<ul style="list-style-type: none"> <li>▶ Support for R&amp;D projects</li> <li>▶ Support for employment</li> </ul>	<p><b>Special tax benefits:</b></p> <ul style="list-style-type: none"> <li>▶ Tax benefits for investments in infrastructure and R&amp;D</li> <li>▶ Import, export and sales tax benefits</li> <li>▶ Suspension of import tax for investments in ports, warehousing and surveillance and monitoring systems</li> <li>▶ Temporary reduction of employer social security contribution in some industries</li> </ul>
China	<ul style="list-style-type: none"> <li>▶ Increase of investments in special economic zones</li> <li>▶ Support for investments in agriculture, forestry, coal production, oil and gas, environmental protection</li> <li>▶ Support for R&amp;D projects</li> </ul>	<p><b>Tax incentives:</b></p> <ul style="list-style-type: none"> <li>▶ 5-year tax holiday (exemption for the first 2 years and 50% reduction for the next 3 years), for some sectors may be extended to 10 years (exemption for the first 5 years and 50% reduction for the next 5 years)</li> <li>▶ Specified industries can benefit from a 5-year tax holiday</li> <li>▶ 150% of qualified costs incurred for research and development of new technologies and products can be deductible</li> </ul>
Turkey	<ul style="list-style-type: none"> <li>▶ Support for investments</li> </ul>	<p><b>Tax incentives for certain investments with 'investment certificates':</b></p> <ul style="list-style-type: none"> <li>▶ 50-90% reduction in CIT rate</li> <li>▶ Government support for interest on loans</li> <li>▶ Government support for employees' and employers' shares of social security contributions</li> <li>▶ Government support for income tax on wages</li> <li>▶ VAT and customs duty exemptions</li> </ul>

Source: own presentation based on: *Worldwide corporate tax guide 2013*, Ernst&Young March 2013; *Investment Incentives in Bulgaria*, InvestBulgaria Agency, <http://www.investbg.govtment.bg/en/pages/why-bulgaria-84.html>; *Tax incentives, Investment and Development Agency of Latvia* <http://www.liaa.gov.lv/invest-latvia/competitive-advantages/business-incentives/tax-incentives-0>



**David Gstalder**, General Manager  
VALEO Autosystemy  
the Kraków SEZ

Based on our two recent investments we have investigated and compared public funding possibilities in selected regions of Poland, Germany, France, Spain and Romania. When deciding on the location of an investment project we always take into account the proximity of our existing facilities, which allows us to take advantage of the economies of scale.

Eventually, in both cases we have decided for Poland, where we can benefit from CIT exemption within the SEZ as well as cash grants from domestic funds (MASP). However, the main

argument for us was the possibility of having our existing facilities included in the SEZ. As a result, we have carried out both of these investment projects as an extension of our existing plants, which gave us substantial savings in operating costs, and simultaneously we have received state aid in the form of a SEZ credit. What is more important, such favorable conditions will play an important role in our planning for future investments, especially in R&D as a next step.

Based on the summary presented above, it can be concluded that tax incentives are commonly used as an investment incentive in many developing countries that compete for the inflow of foreign direct investments. However, it should

be noted that some aspects of the incentives seem to be more preferential in Polish SEZs than the aid offered in other countries, as it is presented in the graph below.

#### Period of exemption

- ▶ CIT exemption in other countries is usually available for a period **not longer than 10 years** (e.g. Czech Republic, Hungary, Slovak Republic, China), while the Polish SEZ credit is valid until 2026 (i.e. **over 13 years**)

#### Percentage level as a share of income

- ▶ Even if in some countries the CIT exemption period is longer than 10 years (like in Lithuania), it is **not a 100% exemption** for the entire period, while in the case of the Polish SEZ credit, as long as the regional aid intensity is not exceeded, the SEZ income may be **fully CIT exempt** during the entire period of operation in the SEZ

#### Percentage level as a share of investment value

- ▶ In some countries, where the value of tax exemption is set as a percentage of the value of investment (like e.g. in Latvia), this share ranges between **15-25%**, while the Polish SEZ credit may amount up to **50%** of investment value

#### Decrease in taxable base or tax liability

- ▶ Moreover, the value of the exemption (limited by the above-mentioned percentage share) in other countries usually means a **decrease in taxable base** (like e.g. in Slovenia, Lithuania), while in the case of the Polish SEZ credit it means a **decrease in tax liability** (for 19% CIT rate, the decrease in tax liability means in fact an over 5 times higher benefit than the decrease in tax base)

Source: own presentation

## 4.2. How are the Polish SEZs perceived globally?

### TOP 50 free zones of the future 2012/13: overall

Rank	Name of zone	Country
1	Dubai Airport Free Zone	UAE
2	Dubai International Financial Centre	UAE
3	Shanghai Waigaoqiao Free Trade Zone	China
4	Iskandar	Malaysia
5	DuBiotech	UAE
6	Tanger Free Zone	Morocco
7	Freeport of Ventspils	Latvia
8	The Clark Freeport Zone	Philippines
9	Chittagong Export Processing Zone	Bangladesh
10	Dubai Media City	UAE
11=	JLT Freezone	UAE
11=	<b>Katowice Special Economic Zone</b>	<b>Poland</b>
13	Dubai Silicon Oasis	UAE
14	Mauritius Freeport	Mauritius
15	Bahrain International Investment Park	Bahrain
16	Khalifa Bin Salman Port	Bahrain
17	Salalah Free Zone	Oman
18	<b>Łódź Special Economic Zone</b>	<b>Poland</b>
19	Bahrain International Airport	Bahrain
20	Aqaba Special Economic Zone	Jordan
21	Twofour54 (Media Zone Authority, Abu Dhabi)	UAE
22	<b>Wałbrzych Special Economic Zone</b>	<b>Poland</b>
23	Dubai International Academic City	UAE
24	Dubai Healthcare City	UAE
25	Rakia Economic Zone	UAE
26	Dahej Special Economic Zone	India
27	Dubai Studio City	UAE
28	El Paso International Airport	US
29	Dubai Knowledge Village	UAE
30	Bahrain Logistics Zone	Bahrain
31	Ras Al Khaimah Free Trade Zone	UAE
32	Montreal Port	Canada
33	Aqaba International Industrial Estate	Jordan
34	Astana New City Special Economic Zone	Kazakhstan
35	<b>Pomorska Special Economic Zone</b>	<b>Poland</b>
36	Klaipeda Free Economic Zone	Lithuania
37=	<b>Starachowice Special Economic Zone</b>	<b>Poland</b>
37=	Sheffield City Region Economic Zone	UK
39	Industrial Free Zone - Togo	Togo
40	SEZ Alabuga	Russia
41	Free Zone Pirot	Serbia
42	International Media Production Zone	UAE
43	Zagreb Free Zone	Croatia
44	Dead Sea Development Zone & Jabal Ajloun Development Zone	Jordan
45	Polaris International Industrial Park	Egypt
46	Birmingham City Centre Enterprise Zone	UK
47	Technological Industrial Development Zone Skopje 1 & 2	Macedonia
48	Southeast-Ecka, Zrenjanin	Serbia
49	Freeport of Riga	Latvia
50	Rezekne Special Economic Zone Authority	Latvia

Source: Global Free Zones of the Future 2012/13 Ranking of the Financial Times' fDi Magazine, <http://www.fdiintelligence.com/Rankings/Global-Free-Zones-of-the-Future-2012-13>

The Polish SEZs are also very well evaluated considering all economic zones in the world.

**Five out of 14 Polish SEZs** were classified in the global ranking of top 50 special economic zones prepared by the British fDi Magazine of the Financial Times - "Global Free Zones of the Future 2012/2013". **The best result belongs to the Katowice SEZ, which was ranked 2<sup>nd</sup> in Europe and 11<sup>th</sup> globally.** Other Polish SEZs that were included in the ranking of top 50 economic zones are the **Łódź SEZ** (18<sup>th</sup> globally and 3<sup>rd</sup> in Europe), the **Wałbrzych SEZ** (22<sup>nd</sup> globally and 4<sup>th</sup> in Europe), the **Pomorska SEZ** (35<sup>th</sup> globally and 5<sup>th</sup> in Europe) and the **Starachowice SEZ** (37<sup>th</sup> globally and 7<sup>th</sup> in Europe). In the ranking it was emphasized that European economic zones are distinguished from other zones especially by the high quality of infrastructure and the developed network of all forms of transportation.

Some of the Polish SEZs report exceptional successes in specific areas.

For example, the Łódź SEZ is especially appreciated for its promotion and marketing strategy. In the fDi Magazine's ranking "Digital Marketing Awards 2012", **the Łódź SEZ ranked 1<sup>st</sup> in Europe and 4<sup>th</sup> worldwide in terms of economic zone digital marketing**. The ranking evaluated usage of marketing, strategies or online innovations to attract potential investors.

## TOP 10 Best FDI Promotion Strategy

Rank	Name of zone	Country
1	Dubai Media City	UAE
2	Dubai Airport Free Zone	UAE
3	Dubai Knowledge Village	UAE
4	DuBiotech	UAE
5	Dubai Studio City	UAE
6	<b>Łódź Special Economic Zone</b>	<b>Poland</b>
7	Free Port of Ventspils	Latvia
8	Free Trade Zones of Guatemala	Guatemala
9	Bahrain International Airport	Bahrain
10	Bahrain Logistics Zone	Bahrain

Source: *Global Free Zones of the Future 2010/11 Ranking of the Financial Times' fDi Magazine*, <http://www.fdiintelligence.com/Locations/Global-Free-Zones-of-the-Future-2010-11-Winners>

With regard to **cost effectiveness**, the best performance was reported by **the Starachowice SEZ, which ranked 3<sup>rd</sup> in Europe and 10<sup>th</sup> globally** in the "Global Free Zones of the Future 2010/2011" ranking of the fDi Magazine.

## Top economic zone digital marketing

Rank	Agency	Country
1	Ras Al Khaimah Free Trade Zone	UAE
2	Daegu Gyeongbuk Free Economic Zone	South Korea
3	Ohio Aerospace Hub	US
4	<b>Łódź Special Economic Zone</b>	<b>Poland</b>
5	Klaipeda Free Economic zone	Lithuania

Source: *Digital Marketing Awards 2012 Ranking of the Financial Times' fDi Magazine*, <http://www.fdiintelligence.com/Rankings/fDi-Digital-Marketing-Awards-2012>

This success of the Łódź SEZ is not surprising, as already in the "Global Free Zones of the Future 2010/2011" ranking of the fDi Magazine **the Łódź SEZ was evaluated as 1<sup>st</sup> in Europe and 6<sup>th</sup> worldwide in terms of promotion strategy**.

**The Łódź SEZ's new headquarters** which are located in the revitalized 19<sup>th</sup>-century former textile factory of Ludwik Grohman was **the winner of the international John Jacob Astor Competition** organized as part of the 16<sup>th</sup> International Trade Fair for Property and Investment EXPO REAL 2013 held in Munich.

## TOP 10 Best cost effectiveness

Rank	Name of zone	Country
1	Clark Freeport	Philippines
2	Togo Export Processing Zone	Togo
3	Chittagong Export Processing Zone	Bangladesh
4	Free Port of Ventspils	Latvia
5	International Media Production Zone	UAE
6	Rezekne Special Economic Zone	Latvia
7	San Luis Potosi	Mexico
8	Mauritius Freeport	Mauritius
9	Industrial Estates of Thailand	Thailand
10	<b>Starachowice Special Economic Zone</b>	<b>Poland</b>

Source: *Global Free Zones of the Future 2010/11 Ranking of the Financial Times' fDi Magazine*, <http://www.fdiintelligence.com/Locations/Global-Free-Zones-of-the-Future-2010-11-Winners>



**Marek Kapuściński**, General Manager and Vice President  
PROCTER & GAMBLE Central Europe  
the Łódź SEZ

P&G has been operating in the Łódź SEZ since 2004. Currently we have 3 plants within the territory of the Zone: the world's largest blades and razors Gillette plant, the biggest Skin Care Plant in Europe and the second biggest in the world Pampers plant. P&G makes investment decisions on the basis of detailed analyses, which take into account a wide range of factors, including: long-term development perspectives

and market stability, access to foreign markets, infrastructure and many other. The key factor for locating P&G investments in Poland is the availability of local technical, engineering and managerial talent as well as leadership qualities of Polish employees. Importantly, the existence of the Łódź SEZ and P&G's good experience of co-operation with the Zone have been an important incentive and enabler in the decision process.

# 5. Other forms of investment incentives in Poland

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## 5.1. Can the SEZ benefit be combined with other investment incentives?

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Apart from the SEZ credit, regional aid available in Poland can also be granted in other forms, *inter alia*:

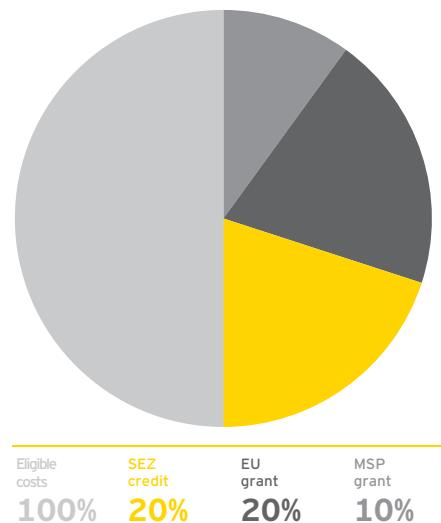
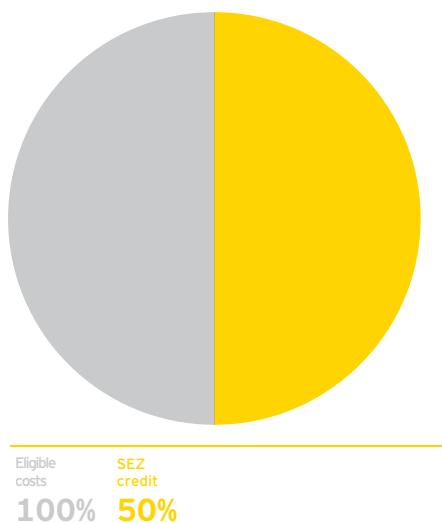
- ▶ Cash grants - support from EU funds
- ▶ Cash grants under Multi-Annual Support Programmes (MASP) - support from the domestic budget
- ▶ Real Estate Tax exemption

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Different types of regional aid can be combined together, but the total amount of all forms of aid may not exceed the limit resulting from the aid intensity level set for the region where the investment is located according to the aid intensity map. If an investor receives regional aid of different types for the same investment, currently the total amount of aid

cannot exceed 30-50% (50-70% for SMEs) of the value of the investment. For example, if a company secures SEZ credit and is also awarded a cash grant for the same investment, the amount of the tax credit will be reduced by the value of the grant, so that the total value of aid does not exceed the allowed limit resulting from aid intensity.

### **Example of combining different forms of regional aid as a percentage of eligible costs for an investment with 50% intensity**



*Source: own presentation*

**This rule applies only to aid granted for a single investment. It is not forbidden to receive additional aid for other investments in Poland.**

## 5.2. What other **investment incentives** are available in Poland?

### European Union funds

In the years 2007-2013, Poland has been granted EUR 67.3 billion from EU funds. Most of these funds have been utilized to date and currently there are no substantial opportunities available for enterprises. But within the new financial perspective, i.e. between 2014 and 2020, our country will jointly receive EUR 72.9 billion for cohesion policy from the EU budget. Poland has been the recipient of the largest

share of funds in the EU since 2007 and will continue up to 2020.

The details of the new programmes are being currently prepared and the final version of the criteria and documents are yet unknown, but the new EU funds will be allocated between 5 main national programmes according to the graph below.

### Domestic Programmes of EU funds for the years 2014-2020



Source: own presentation based on information from  
[http://www.mrr.gov.pl/fundusze/fundusze\\_europejskie\\_2014\\_2020/strony/start.aspx](http://www.mrr.gov.pl/fundusze/fundusze_europejskie_2014_2020/strony/start.aspx)



## Domestic cash grants under the Multi-Annual Support Programme (MASP grants)

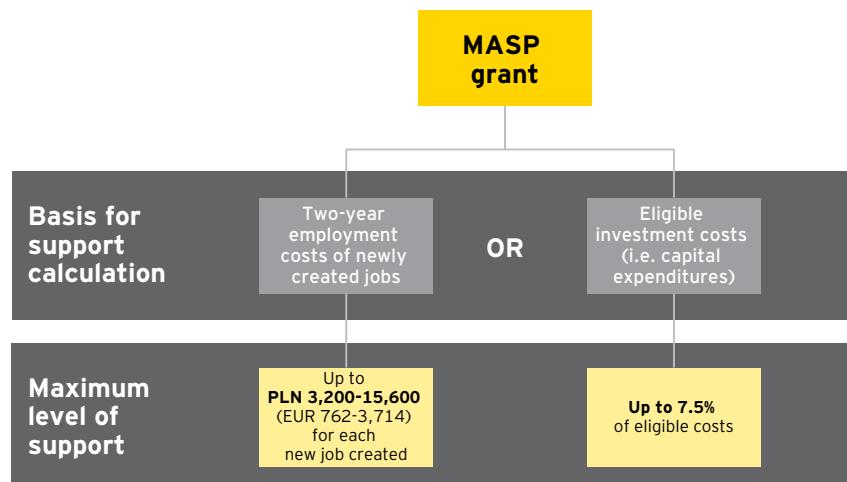
This type of support is a specific type of aid financed from the Polish budget. It is designated for large investments which are considered crucial to the Polish economy and their implementation in Poland depends on receiving a grant from the state budget.

In order to benefit from this form of support, a company should begin negotiations with the Polish Information and Foreign Investment Agency (PAIiIZ) and the Ministry of Economy.

There are no calls for applications - this aid scheme is available throughout the year.

Support is granted in the form of a cash grant based on a bilateral agreement between the Minister of Economy and the investor. The investment may start before the agreement is signed; however, not earlier than after obtaining a letter of intent from the Minister of Economy.

### Calculation of support level in the MASP grant



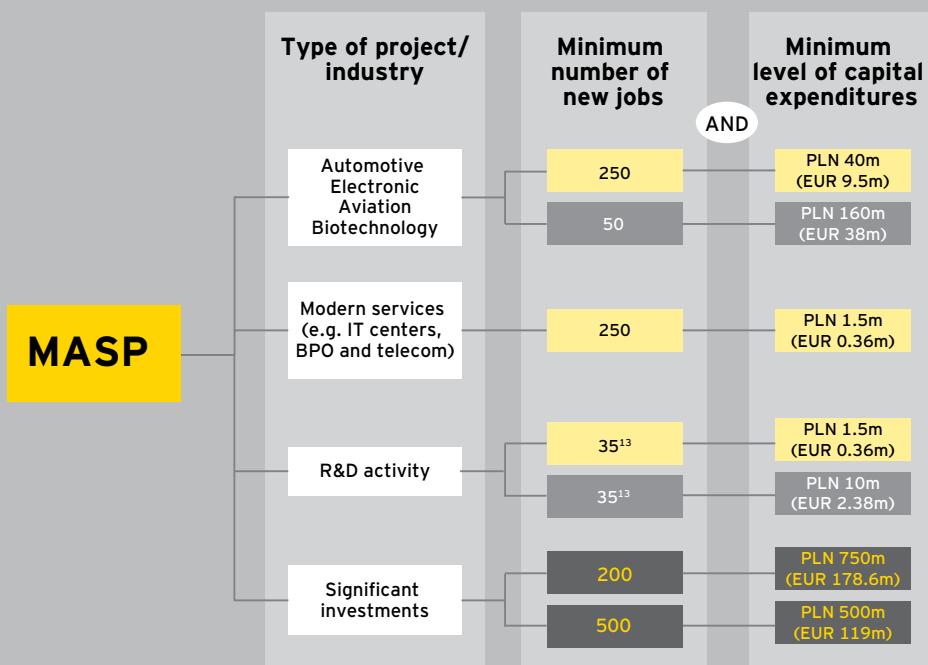
Source: own presentation based on the information from the "Programme for supporting investments of major importance to the Polish economy for years 2011-2020", <http://www.mg.gov.pl/Wspieranie+przedsiebiorczosci/Wsparcie+finansowe+i+Inwestycje/Pomoc+na+inwestycje+o+istotnym+znaczeniu+dla+gospodarki>

In some cases, the above-mentioned levels of support may be increased. For example, if an investment is located in eastern Poland (i.e. in one of the following voivodeships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie) the maximum level of the MASP grant may be raised by 20% for

support based on employment costs or by 5 percentage points for support based on capital expenditures (i.e. up to level of 12.5%).

The graph below presents types of investment projects that may be granted support under MASP.

## Types of projects supported under MASP grant



<sup>13</sup> For employees with higher education level

- projects eligible for support based on employment costs
- projects eligible for support based on capital expenditures
- projects eligible for support based on employment costs or capital expenditures

Source: own presentation based on the information from the "Programme for supporting investments of major importance to the Polish economy for years 2011-2020", <http://www.mg.gov.pl/Wspieranie+przedsiebiorczosci/Wsparcie+finansowe+i+inwestycje/Pomoc+na+inwestycje+o+istotnym+znaczeniu+dla+gospodarki>

The MASP grant is paid in annual installments in accordance with the schedule specified in the agreement with the Ministry of Economy on the basis of the process of incurring eligible costs. To receive and maintain support the investor is obliged to:

1. Fulfill all conditions enlisted in the agreement concluded with the Ministry of Economy, *inter alia*:
  - Create the declared number of new jobs
  - Incur the declared amount of eligible investment expenditures (if applicable)
  - Report annually on project implementation
  - Achieve the goals of the project
2. Ensure durability of investment:
  - Maintain all new jobs for at least 5 years after their creation
  - Maintain the investment itself for at least 5 years after its completion

The MASP grant may be combined with the SEZ benefit or cash grant from EU funds; however, some additional restrictions and limitations apply in such a case as shown in the graph below.

### Combining MASP with SEZ benefit and EU cash grant possible for:

Investments in <b>R&amp;D acitivity and significant investments</b> without additional conditions	Investments in <b>automotive, electronic, aviation and biotechnology</b> only if <b>capital expenditures</b> amount to at least <b>PLN 350m (EUR 83.3m)</b>	Investments in <b>modern services</b> only if at least <b>500 new jobs are created</b>	<b>Other</b> investments only if the <b>MASP grant does not exceed PLN 3m (EUR 0.7m)</b>
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Source: own presentation based on the information from the "Programme for supporting investments of major importance to the Polish economy for years 2011-2020", <http://www.mg.gov.pl/Wspieranie+przedsiebiorczosci/Wsparcie+finansowe+i+inwestycje/Pomoc+na+inwestycje+o+istotnym+znaczeniu+dla+gospodarki>



**Sławomir Majman, President of the Board**  
Polish Information and Foreign Investment Agency (PAIiIZ)

The mission of the Polish Information and Foreign Investment Agency (PAIiIZ) is to facilitate a two-way investment traffic to and from Poland.

Paradoxically, in the course of a global economic crisis, Poland emerged as one of the European leaders and number one regional leader in terms of inbound investments. The political and financial stability, human resources and the economy generously oiled by UE funds were the prerequisites of Poland's unquestionable success.

At the same time, Polish authorities worked out an efficient system of public backing for foreign and local investors. 'The pearls in the crown' of the system are the fourteen Special Economic Zones with their tax relief instruments. Recently, the Polish government has decided to extend SEZs' activity until 2026. As a result, as it has recently been mentioned by the US Secretary of State John Kerry, "Poland is one of the best places in the world to invest (...) Poland is an economic miracle".

It is a great honor for the Polish Information and Foreign Investment Agency to be in charge of the foreign investment process in Poland.

## Real Estate Tax (Retax) exemption

Another investment incentive for entrepreneurs is the exemption from real estate tax. This form of aid is available based on a resolution of the City/Municipal Council. Retax exemption applies to land, buildings and structures associated with an investment within the area of the city. Detailed conditions of the Retax exemption (especially the minimum level of capital expenditures and/or minimum number of new jobs created as a result of the investment) are listed in the resolution and may be different in each city.

It is required to submit an application to the City/Commune Council before the project starts.

The amount of aid may be calculated in relation to:

- ▶ Costs of investment in tangible and intangible assets associated with the completion of the new investment, or
- ▶ Costs of creating jobs associated with the completion of the new investment

## Tax incentives for R&D activity

### R&D center status

The status of an R&D center may be granted to entities with revenue generated from sales of goods and products and from financial operations worth at least EUR 1,200,000, where minimum 20% is generated from sales of the results of own R&D activity. Additionally, there is a requirement to have no tax or social security arrears. The centers may create the so-called 'innovativeness funds' - up to 20% of their monthly revenue can be allocated to the fund and recognized as tax deductible costs for CIT purposes. The requirement necessary to create the fund is that its resources must cover the expenses associated with its own R&D activity.

### CIT and other incentives (non-state aid)

The following additional R&D incentives are available under the Polish tax law:

- ▶ Entrepreneurs acquiring a new technology in the form of intangible assets are allowed to deduct from the tax base up to 50% of the expenses actually paid for the purchase of the new technology (entities operating in SEZs are not eligible) in addition to standard depreciation write-offs. A new technology has been defined as technical knowledge in the form of intangible assets (in particular the results of R&D works) enabling production of new or modernized goods/services that has been applied globally for less than 5 years (this must be confirmed by an independent scientific body)
- ▶ Expenses for completed R&D works can be deducted from the tax base regardless of the outcome (unless they can be classified as an intangible asset and depreciated)
- ▶ 12-month depreciation period for completed R&D works (shortened from 36 months)

# 6. Investment climate in Poland

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## 6.1. What is the current economic situation in Poland?

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### **Outstanding performance of the Polish economy during the crisis**

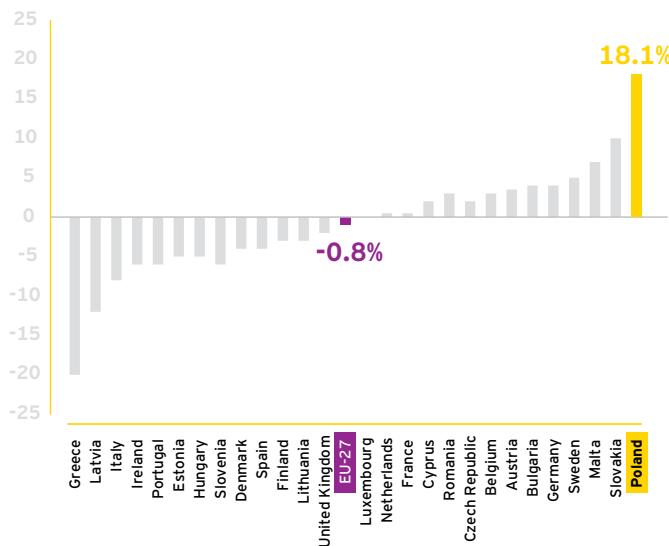
Poland is the only EU country that avoided recession in 2009 as well as during the whole period of crisis. Polish cumulative GDP growth in 2008-2012 amounted to 18.1%, which is by far the best result in the EU and one of the best in the OECD.

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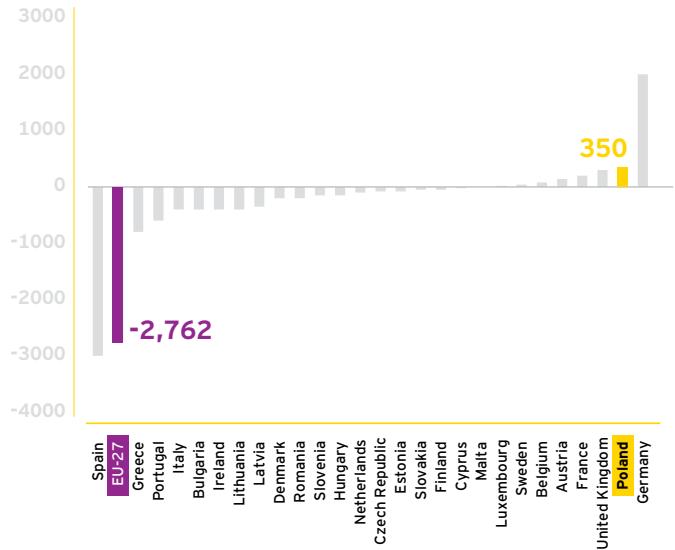
Outstanding economic performance has also been reflected in the Polish labor market development. Despite economic slowdown, over the crisis years employment in Poland has increased by over 0.35 million, greatly supporting the growth

of private consumption in economic 'bad times'. Among the EU member states, only Germany has recorded a higher increase in the number of employees. Over the same period of time, employment in the EU has gone down by nearly 3 million.

## Cumulative GDP growth in the EU-27, 2008-2012



## Change in the number of employed, 2008-2012 (thousand)



Source: Eurostat



**Ilona Antoniszyn-Klik, Undersecretary of State  
Ministry of Economy**

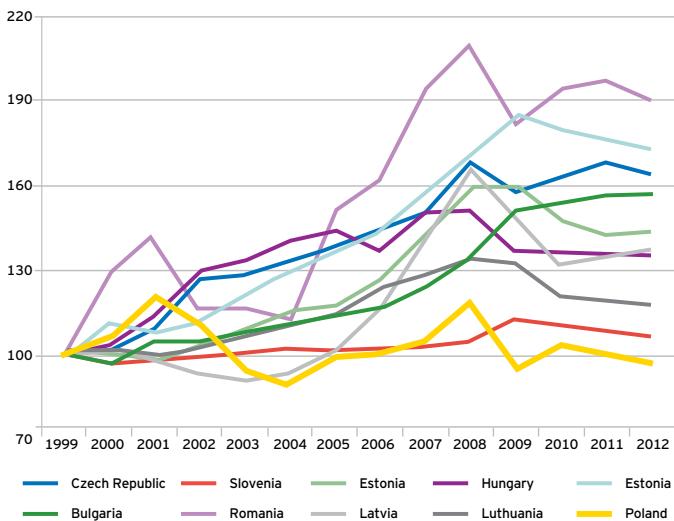
Current economic situation in Poland is very stable, which is not that common in the CEE region. Despite the global crisis, our GDP has been continually growing and the growth rate in the years 2008-2012 was high above the EU average. This situation is also reflected in the stable inflow of investments to Polish SEZs. We noted a drop in the number of issued SEZ permits in 2009, when only 131 new investments were placed in the SEZs. However, starting from 2010 this number has fluctuated between 170 and 190 and

we expect that the extension of SEZs' lifetime by additional 6 years will result in a record-breaking volume of new investments in 2013-2014. Nevertheless, we do not rest on our laurels, but we are still working on new solutions and improvements for investors, to make Poland a true special economic zone. A package of such facilitations has just been approved by the Polish government and we welcome new projects from both our existing investors as well as newcomers.

Many factors have contributed to the Polish 'green island' phenomenon. One of them is the continuous improvement in labor cost competitiveness that domestic producers have for many years benefited from. This tendency of an increase in labor productivity exceeding growth in wages is expected to continue for at least a few more years, thus leading to further

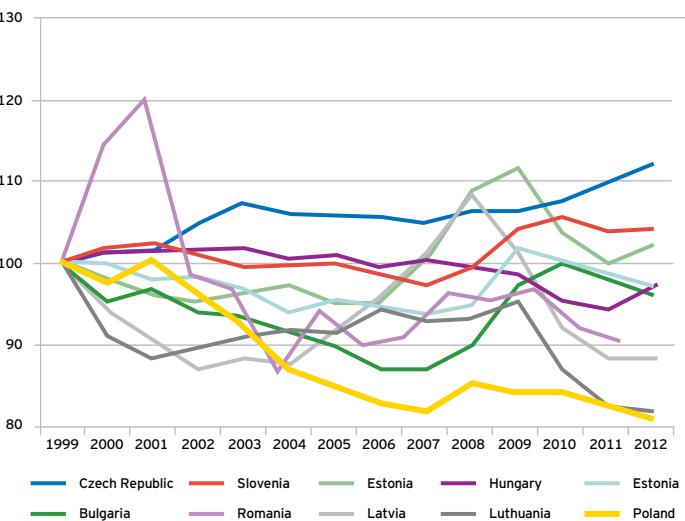
improvement in cost competitiveness of producers in Poland. This competitiveness gain has not been reversed by exchange rate movements. In fact, the real effective exchange rate of the Polish zloty (deflated by unit labor cost) has depreciated in the period 1999-2012, in contrast to other Central and Eastern Europe currencies.

## Real unit labor cost (1999=100)



<sup>14</sup> Real effective exchange rate deflated by unit labor cost (1999 = 100)

## Labor cost competitiveness<sup>14</sup>



Source: Eurostat and the European Commission

Favorable productivity and labor cost dynamics have greatly supported the performance of Polish exporters. The volume of Polish exports to the euro-area has been on the upward trend. Since mid-1990s it has increased 4 times and the exports-to-GDP ratio has doubled. During the crisis years Polish producers have successfully increased their market share in foreign markets, which has (partly) compensated for the weakness of external demand.

Another factor that supported price competitiveness of domestic producers during the economic slowdown was the depreciation of the Polish zloty exchange rate, not least at the outburst of the crisis. The flexible exchange rate has thus proven to be an efficient stabilization mechanism. Importantly, whereas it is relatively volatile in the short-term, in the longer term the zloty turns out to be one of the most stable currencies in the EU. This contributes to the stability of the Polish economy, which in turn should play an important role for investment decisions.

## Poland - a "safe haven" in the CEE region

Macroeconomic stability has been supported by exports performance, whose resilience to external shocks has exceeded analysts' expectations. And the prospects are promising, since a rising percentage of companies are projecting expansion to new markets. Therefore, an increase in the diversification of exports, and thus in the stability of the Polish economy, is very likely.

Soundness of the financial system is another factor strengthening the stability of the Polish economy. In contrast to many EU member states, no single financial institution in Poland has been bailed out during the crisis nor required recapitalization with the use of public funds. Conservative financial supervision contributed to sound balance sheets of the banking sector that is free of toxic assets. Consequently, Polish banks are among the strongest in Central and Eastern Europe, benefiting from strong capital ratios, good asset quality

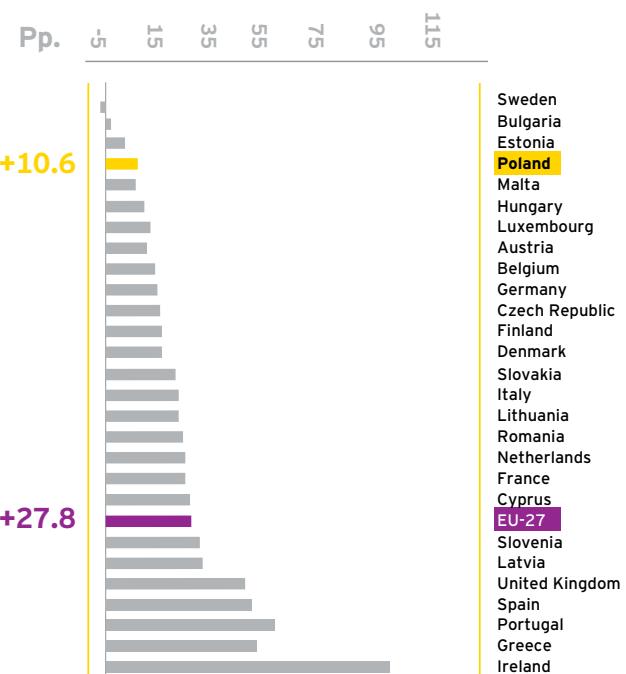
and Poland's comparatively robust economic performance. As a result, the share of consumers expressing their increased confidence in the banking industry in Poland is way above the EU average.

Soundness of the financial sector and the highest GDP growth in the EU have also helped to limit the growth of public debt in the Polish economy, which, during the crisis years, has turned out to be one of the lowest in the EU. Indeed, despite the current level of general government deficit exceeding 3% of the GDP, medium- and long-term fiscal outlook is favorable. In structural terms, since 2011 the pace of deficit reduction has been outstanding and has exceeded EU requirements. A new, recently proposed, fiscal rule is to limit general government expenditure and ensure that general government deficit will on average amount to 1% of the GDP and public debt will be reduced over time to below 40% of the GDP.

## General government debt in the EU-27, 2012



## Change of general government debt in the EU-27, 2008-2012



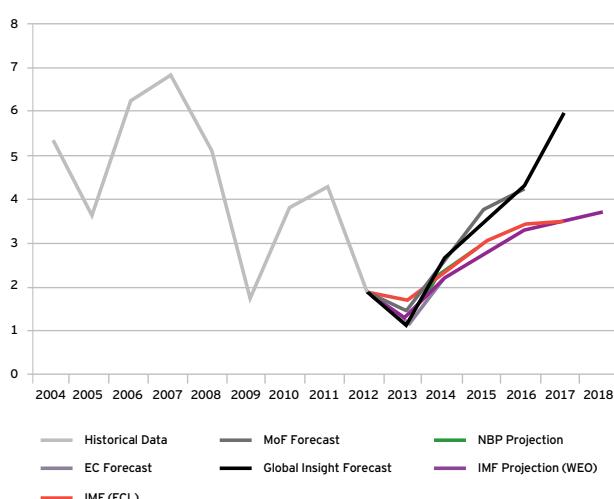
Source: Ministry of Finance, AMECO

The macroeconomic and fiscal stability of the Polish economy is also confirmed by the fact that Poland has never been subject to the Macroeconomic Imbalance Procedure. It is one of only 7 EU countries that have never been at the risk of imbalances in the process carried out by the European Commission.

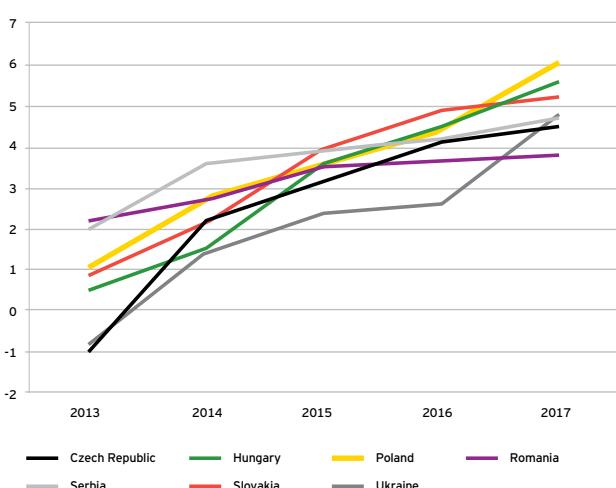
Despite outstanding performance of the Polish economy when compared to other EU member states, the slowdown has not been avoided. Still, medium-term growth prospects are healthy and, following the trough in 2013Q1, a gradual economic recovery is already visible, supported by a (moderate) revival

in the EU. GDP growth is forecasted to accelerate to above 2.5% in 2014 and exceed 3% from 2015 onwards. Once again, the projected growth path for the Polish economy is among the highest and, at the same time, the least volatile in the group of CEE countries. It confirms the assessment that the risk of macroeconomic imbalances is very limited. Add to that political stability and the fact that Poland is the biggest beneficiary of EU funds constituting a stable source of financing current account deficit, and it should not come as a surprise that Poland has been dubbed the 'safe haven' in the CEE region.

## Real GDP growth forecasts for Poland, 2013-2018 (%)



## GDP growth rate forecasts for Poland and selected CEE countries, 2013-2017 (%)



Source: IHS Global Insight (for CEE GDP growth rate forecasts)

## Poland - more and more attractive investment destination

The recent crisis, despite the indisputable costs it has entailed, has improved the perception of the Polish economy, which has proven to be largely crisis resistant.

It improved attractiveness of the Polish economy as an investment destination, which is confirmed by the UNCTAD World Investment Report 2013, in which Poland has been ranked 14<sup>th</sup> top destination for investment.

The latest EY European attractiveness survey, in turn, indicates that Poland has become the leading destination for FDI projects in CEE. It was the Europe's strong performer in 2012, attracting 22.3% more projects than in 2011. With 13,111 jobs created by FDI, up 67.3%, Poland ranked 3<sup>rd</sup> in terms of job creation for the whole of the continent (after the UK and Russia) up from

7<sup>th</sup> place in 2011. US investments rose sharply, notably in services projects, while German companies increased their presence in the automotive and logistics sectors. It is also worth to mention that Poland and Ireland were leading destinations for shared service centers, together accounting for 48.6% of these new operations in Europe.

Poland has won attention as the fastest growing EU member since 2008, and benefits from a skilled native workforce and an extensive and able migrant workforce. Adding to that healthy medium-term growth prospects, very limited risk of macroeconomic imbalances and government activities aimed at further improvement of business environment, Poland should be considered an attractive investment destination target.



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**Jacek Drabik, Country Manager**  
**MOTOROLA Solutions Poland**  
**the Kraków SEZ**

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One of the most important conditions for dynamic development of Motorola Solutions in Poland is a broadly defined diversity of its employees. In addition to finding a large number of highly qualified engineers, Poland - and in particular Kraków, where our Software (R&D) Center has been located for 15 years - makes it possible to build a diversified team in terms of experience, education, approach to realization of tasks or innovativeness. Kraków universities release very well-educated and ambitious graduates who are ready to take up challenges and open to novelties, while we provide them with the possibility of further unlimited development in an international firm.

## 6.2. What are the main legal regulations for business in Poland?

### Legal forms

There are several legal forms available for doing business in Poland. Their main aspects are presented in the table below.

### Overview of legal forms of business activity in Poland

Legal form	Legal personality	Founders/Partners	Taxation	Minimum capital
<b>Joint-Stock Company</b> (spółka akcyjna – S.A.)	Legal entity	One or more parties out of the following groups: <ul style="list-style-type: none"><li>▶ Individuals</li><li>▶ Legal persons</li><li>▶ Organizational units without legal personality which have been granted legal capacity under a specific act</li></ul>	CIT	PLN 100,000 (EUR 23,800)
<b>Limited Liability Company</b> (spółka z ograniczoną odpowiedzialnością – sp. z o.o.)	Legal entity		CIT	PLN 5,000 (EUR 1,190)
<b>Limited Joint-Stock Partnership</b> (spółka komandytowo-akcyjna – S.K.A.) <sup>15</sup>	None	At least 2 parties out of the following groups: <ul style="list-style-type: none"><li>▶ Individuals</li><li>▶ Legal persons</li><li>▶ Organizational units without legal personality which have been granted legal capacity under a specific act</li></ul>	Partners are PIT or CIT payers dependent on their status <sup>16</sup>	PLN 50,000 (EUR 11,905)
<b>Limited Partnership</b> (spółka komandytowa – sp.k.)	None			N/A
<b>Registered Partnership</b> (spółka jawna – sp.j.)	None			N/A
<b>Civil Law Partnership</b> (spółka cywilna)	None			N/A
<b>Professional Partnership</b> (spółka partnerska – sp.p.)	None	At least 2 individuals qualified to pursue the given profession	Partners are PIT payers	N/A
<b>Sole Proprietorship</b> (indywidualna działalność gospodarcza)	None	One individual	PIT	N/A

<sup>15</sup> There are plans to change taxation of Limited Joint-Stock Partnerships. Starting from January 1, 2014 Limited Joint-Stock Partnerships should be taxed similarly to Joint-Stock Companies and Limited Liability Companies

<sup>16</sup> PIT (Personal Income Tax) refers to individuals, while CIT (Corporate Income Tax) refers to legal persons and organizational units without legal personality (further details on income taxation in Poland are presented in the following parts of the report)

Source: own presentation

# Taxation

The taxation of standard business activity in Poland embraces mainly the following burdens:

- ▶ Corporate Income Tax (CIT)
- ▶ Value Added Tax (VAT)
- ▶ Personal Income Tax (PIT)
- ▶ Real Estate Tax (Retax)

- ▶ Withholding tax (WHT)
- ▶ Transfer Tax (TT)

The basic aspects of the above-mentioned taxes are presented in the table below.

## Overview of taxation in Poland

Tax	Tax base	Tax rate
CIT	Income (revenues minus tax deductible costs) of legal entities ( <b>SEZ exemption available</b> ) and in certain cases - revenues	Standard rate - 19%
VAT	Net turnover	<ul style="list-style-type: none"> <li>▶ 23% - standard rate</li> <li>▶ 8%, 5%<sup>18</sup> - reduced rates</li> <li>▶ 0% rate<sup>19</sup></li> </ul>
PIT	Income of Polish residents (e.g.): <ul style="list-style-type: none"> <li>▶ Remuneration of employees</li> <li>▶ Income of entrepreneurs conducting business activity not as a legal entity (<b>SEZ exemption available</b>)</li> </ul>	<ul style="list-style-type: none"> <li>▶ 18% - up to PLN 85,528 (EUR 20,364) of annual income per employee<sup>22</sup></li> <li>▶ 32% - for annual income over PLN 85,528 (EUR 20,364) per employee<sup>22</sup></li> </ul> <p>For the self-employed or members of civil partnerships a flat 19% tax rate is available if certain conditions are met</p>
Retax	<ul style="list-style-type: none"> <li>▶ Surface of land and buildings</li> <li>▶ Value of structures</li> </ul>	Rates are set individually by each commune, but may not exceed the following maximum rates for business activity: <sup>23</sup> <ul style="list-style-type: none"> <li>▶ PLN 0.89/1 sqm (EUR 0.21) for lands</li> <li>▶ PLN 23.03/1 sqm (EUR 5.48) for buildings</li> <li>▶ 2% of book value for structures</li> </ul>
WHT	Dividends, interest, royalties and service payments made to non-residents	Standard rates: <sup>24</sup> <ul style="list-style-type: none"> <li>▶ 19% on dividends</li> <li>▶ 20% on interest, royalties and payments for services</li> </ul>
TT	<ul style="list-style-type: none"> <li>▶ Sale not subject to VAT<sup>25</sup></li> <li>▶ Loans</li> <li>▶ Articles of association and increase of capital</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1-2% of sale value</li> <li>▶ 2% of loan value</li> <li>▶ 0.5% of contributions value for articles of association or value of capital increase</li> </ul>

<sup>17</sup> In some cases it is possible to pay CIT advances quarterly

<sup>18</sup> 8% rate applies e.g. to healthcare related goods and hotel services, 5% rate applies e.g. to selected food items

<sup>19</sup> 0% rate applies e.g. to exports of goods outside the EU and intra-Community supplies of goods

<sup>20</sup> In some cases it is possible to pay VAT quarterly

<sup>21</sup> In some cases it is possible to file VAT returns quarterly

<sup>22</sup> The final PIT liability is decreased by the tax-free amount of PLN 556.02 (EUR 132.39)

<sup>23</sup> Rates that apply starting from January 1, 2014

<sup>24</sup> In some cases, under a given double tax treaty or under domestic law, these rates may be reduced or even an exemption may be applied

<sup>25</sup> TT is not applicable if the transaction is exempt from VAT unless relates to real estate

<sup>26</sup> If the transaction is concluded in the form of notarial deed, the tax is withheld and paid and the return is filed by the notary within a separate deadline



	<b>Tax period</b>	<b>Tax returns</b>
	Tax payable annually until the end of the third month of the subsequent tax year (usually 31 <sup>st</sup> March), but tax advance payments payable monthly until 20 <sup>th</sup> of the subsequent month <sup>17</sup>	Annual returns to be filed until the end of the third month of the subsequent tax year (usually 31 <sup>st</sup> March)
	Tax payable monthly until 25 <sup>th</sup> of the subsequent month <sup>20</sup>	Monthly returns to be filed until 25 <sup>th</sup> of the subsequent month <sup>21</sup>
	Tax payable annually by all individuals until 30 <sup>th</sup> April of the subsequent year, but tax advance payments payable monthly by: ▶ Employer for remuneration or ▶ Entrepreneur until 20 <sup>th</sup> of the subsequent month	Annual returns to be filed by an individual until 30 <sup>th</sup> April of the subsequent year, additionally annual collective returns for all employees to be filed by employer until 31 <sup>st</sup> January of the subsequent year
	Tax payable by: ▶ Legal entities monthly until 15 <sup>th</sup> of the given month (except for January, when the deadline is 31 <sup>st</sup> ), ▶ Individuals quarterly until 15 <sup>th</sup> March, 15 <sup>th</sup> May, 15 <sup>th</sup> September and 15 <sup>th</sup> November	Annual returns to be filed by: ▶ Legal entities until 31 <sup>st</sup> January of the given year ▶ Individuals within 14 days after any change in the tax obligation
	Tax payable until 7 <sup>th</sup> of the subsequent month	Annual collective returns to be filed until the end of the first month of the subsequent tax year (by payer).  Additional returns - separate for each non-resident - to be filed by the payer until the end of the third month of the subsequent tax year or at the non-resident's request - within 14 days.
	Tax payable within 14 days after the transaction date <sup>26</sup>	Returns to be filed within 14 days after the transaction date <sup>26</sup>

Source: own presentation

## Social security contribution overview

Social security contribution	Contribution as a percentage of the calculation base	Financed by	
		Employer	Employee
Pension	19.52% <sup>27</sup>	9.76%	9.76%
Disability	8.00%*	6.50%	1.50%
Health	9.00%		9.00%
Sickness	2.45%		2.45%
Industrial injury	0.67%-3.86% <sup>28</sup>	0.67%-3.86%	
Labor Fund	2.45%	2.45%	
Employee Benefit Fund	0.10%	0.10%	
<b>Total in 2013</b>	<b>42.19%-45.38%</b>	<b>19.48%-22.67%</b>	<b>22.71%</b>

<sup>27</sup> Pension and disability contributions are paid from the income up to a specified limit, which amounts to PLN 111,390 (EUR 26,521) in 2013

<sup>28</sup> The level of contributions in respect of industrial injury insurance is generally established on an annual basis. The contribution ranges from 0.67% to 3.86% of the calculation base, depending on the type of business

Source: own presentation

Additionally, employees' remuneration is subject to social security contributions. Social security contributions are paid monthly until the 15<sup>th</sup> of the month following the payment of remuneration. The level of social security contributions as a percentage of the calculation base is presented in the table beside along with an indication of the financing party.

## Labor law

The most common legal base for employment relationship is the employment contract. An employment contract can be concluded for:

- ▶ An indefinite term
- ▶ A fixed term
- ▶ The time required to complete a specific task
- ▶ A fixed period to replace an absent employee

Once a third subsequent fixed-term contract is signed (where the interval between them is no longer than 1 month), it is deemed to have become an indefinite term contract.

An employment contract can be preceded by a trial period of no more than three months.

In addition to the employment contract, other forms of employment relationships are available: appointment, election, nomination and co-operative employment contracts. All employment relationships have to be documented in writing.

### Minimum remuneration

The general rule is that an employee cannot be offered remuneration lower than specified in the law. For example, the minimum monthly wage in 2013 has been set at **PLN 1,600** and in 2014 - at PLN 1,680 (EUR 400). Remuneration in Poland is set gross, i.e. before payment of any taxes, social security contributions or other mandatory payments.

### Working time

Working time cannot generally exceed eight hours per day and an average of **40 hours per week** in a five-day week within a reference period of not more than four months. Other working time systems and reference periods are also allowed in specific circumstances.

### Overtime

Employees working overtime are entitled to an additional overtime pay of:

- ▶ **100% of remuneration** (double time) for overtime at night, on Sundays or during holidays that are not working days for the employee according to the applicable work schedule
- ▶ **50% of remuneration** (time and a half) for overtime on any other days

### Holiday entitlement

In general, holiday entitlement is:

- ▶ **20 working days per year** - for the first ten years<sup>29</sup> of service
- ▶ 26 working days per year - after ten years of service

### Temporary work

As a rule, a temporary worker cannot work for a given employer for more than 18 months within a period of 36 months.

Temporary workers work under fixed-term employment contracts or employment contracts for the time required to complete specific work concluded with employment agencies entered in the register of employment agencies kept by the voivodeship marshal relevant for the agency's registered office.

<sup>29</sup> Education period up to a certain limit is also included as a service

## 6.3. How easy is **doing business in Poland** compared to other countries of the region?

According to the Doing Business 2013 ranking prepared by the World Bank and launched in October 2012, Poland was announced a **global and regional leader in implementing investors-friendly regulatory reforms**. Poland registered the biggest progress in the ranking - by 19 positions upwards. In the latest release of the Doing Business 2014 ranking launched on October 29, 2013, Poland's rank improved by another 3 positions and was classified as the 45<sup>th</sup> country in the world (out of 189 countries) in terms of ease of doing business.<sup>30</sup> The ranking rates the following ten aspects of doing business:

- ▶ Starting a Business
- ▶ Dealing with Construction Permits
- ▶ Getting Electricity
- ▶ Registering Property
- ▶ Getting Credit
- ▶ Protecting Investors
- ▶ Paying Taxes
- ▶ Trading Across Borders
- ▶ Enforcing Contracts
- ▶ Resolving Insolvency

**"Poland was the global top improver in the past year. It enhanced the ease of doing business through four institutional or regulatory reforms, making it easier to register property, pay taxes, enforce contracts, and resolve insolvency."**

Source: <http://www.doingbusiness.org/rankings>

### Recent investors-friendly reforms in Poland

In 2012 Poland implemented 4 institutional and regulatory reforms improving registering property, paying taxes, enforcing contracts and resolving insolvency.

The process of **resolving insolvency** in Poland was strengthened and simplified e.g. by updating guidelines on the information and documents that need to be included in the bankruptcy filings.

In terms of **enforcing contracts** Poland introduced a new civil procedure code that, along with an increase in the number of judges in commercial courts, reduced the time required to enforce a commercial contract.

With regard to **registering property** the increase of efficiency was achieved through a series of initiatives in recent years, embracing creation of 2 new registration districts in Warsaw,

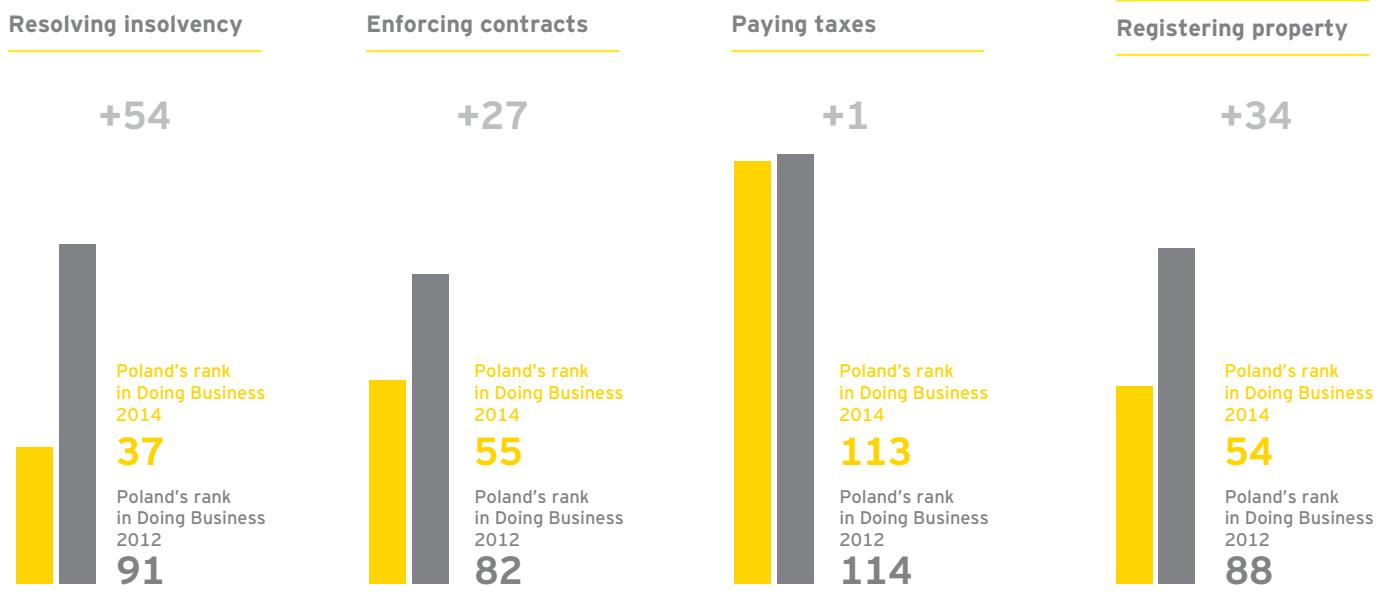
introduction of a new caseload management system for land and mortgage registries and continuing digitalization of registries' records. These changes resulted in a significant reduction of time necessary to process property applications at the registries. In the Doing Business 2014 ranking, Poland was ranked as the 54<sup>th</sup> country in these terms, while the regional average for OECD high income countries was 58.

In respect of **paying taxes** Poland simplified tax compliance process by promoting the use of electronic filing and payment systems.

These reforms resulted in significant improvements in Poland's positions in the Doing Business ranking, as illustrated in the chart below.

<sup>30</sup> According to "Doing Business in Poland 2013" and "Doing Business in Poland 2014" which present adjusted ranks for previous periods, <http://www.doingbusiness.org/data/exploreeconomies/poland/>

## Change in Poland's rank<sup>31</sup>

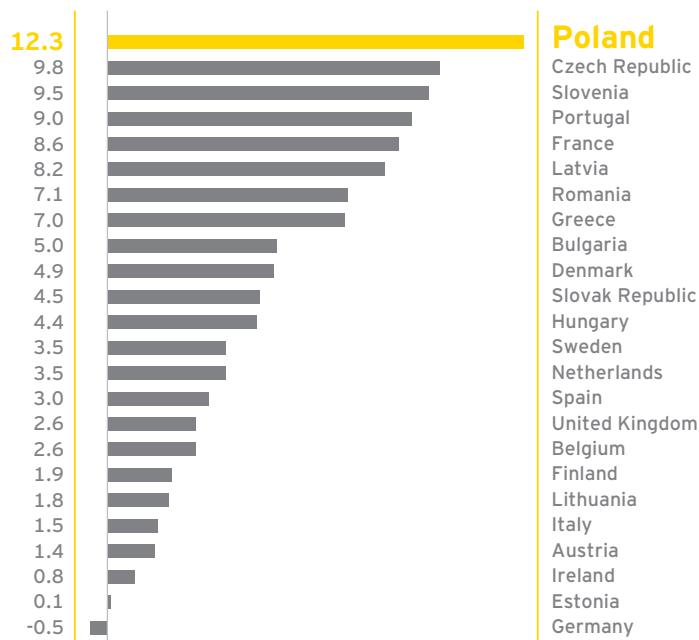


<sup>31</sup> Poland's rank in Doing Business 2012 adjusted to present cumulative change in the ranking for two years according to the data from "Doing Business in Poland 2013", and "Doing Business in Poland 2014", <http://www.doingbusiness.org/data/exploreeconomies/poland/>

Source: own presentation based on data from <http://www.doingbusiness.org/rankings>

## Poland is approaching the leader of the ranking faster than other EU countries

### Progress in narrowing distance to frontier since 2005 (pp.) for EU countries<sup>32</sup>



Poland achieved spectacular successes in improving business regulations not only in the recent years, but also in a longer perspective. Since 2005 Poland has recorded the biggest progress in shortening its distance to the leader in the Doing Business ranking among EU countries.

<sup>32</sup> Except for Cyprus, Luxembourg and Malta, which were added to the Doing Business sample after 2005.

Source: <http://www.doingbusiness.org/ranking>

## Other strengths of Poland

With regard to the remaining six aspects, in the Doing Business 2014 ranking Poland was especially appreciated for getting credit and protecting investors. Poland's position in these areas

Economy	Getting Credit
Latvia	3
<b>Poland</b>	<b>3</b>
Romania	13
Bulgaria	28
Lithuania	28
Croatia	42
Estonia	42
Slovak Republic	42
<b>Regional average<sup>33</sup></b>	<b>47</b>
Czech Republic	55
Hungary	55
Slovenia	109

<sup>33</sup> OECD high income countries

Poland's outstanding performance in terms of protecting investors should be especially important for investors during the crisis time in Europe.

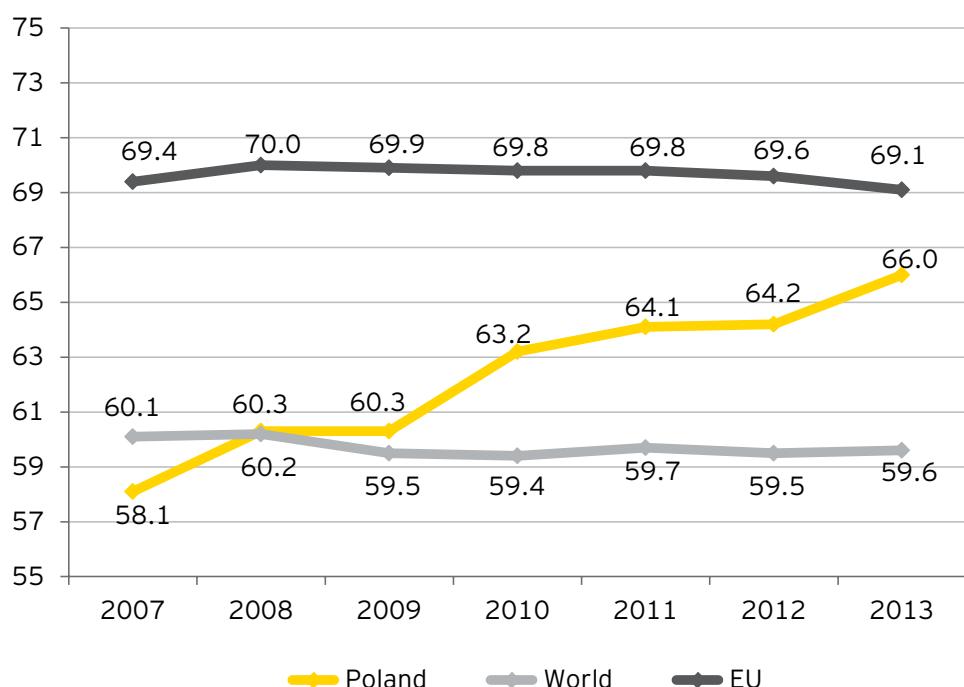
along with positions of other countries of Central and Eastern Europe is presented in the tables below.

Economy	Protecting Investors
Slovenia	14
Bulgaria	52
<b>Poland</b>	<b>52</b>
Romania	52
<b>Regional average<sup>33</sup></b>	<b>56</b>
Estonia	68
Latvia	68
Lithuania	68
Czech Republic	98
Slovak Republic	115
Hungary	128
Croatia	157

Source: <http://www.doingbusiness.org/rankings>

Moreover, Poland has recorded a continuous increase of economic freedom, as measured by the Heritage Foundation Index of Economic Freedom. Since the pre-crisis period, the index overall score for Poland has increased the most among all EU countries.

## Index of Economic Freedom scores for the world, EU<sup>34</sup> and Poland in 2007-2013



<sup>34</sup> Average for EU countries, excluding Poland

Source: The Heritage Foundation Index of Economic Freedom  
(in partnership with The Wall Street Journal)



# Attachment

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# Ministry of Economy

**The main activity of the Ministry of Economy is aimed at creating favorable conditions to run business activity for both foreign and domestic investors. In this respect one of the key factors of investors-friendly environment is sustainable economic growth in the long term. This leads to improving companies' economic situation, stimulating the businesses to invest and enables Polish companies to compete at international level.**

## Scope of the Ministry's activities within SEZs

As part of its aim to support entrepreneurship the Ministry of Economy supervises and manages all Special Economic Zones (SEZs) in Poland. The Ministry's activity in the field of SEZs includes in particular:

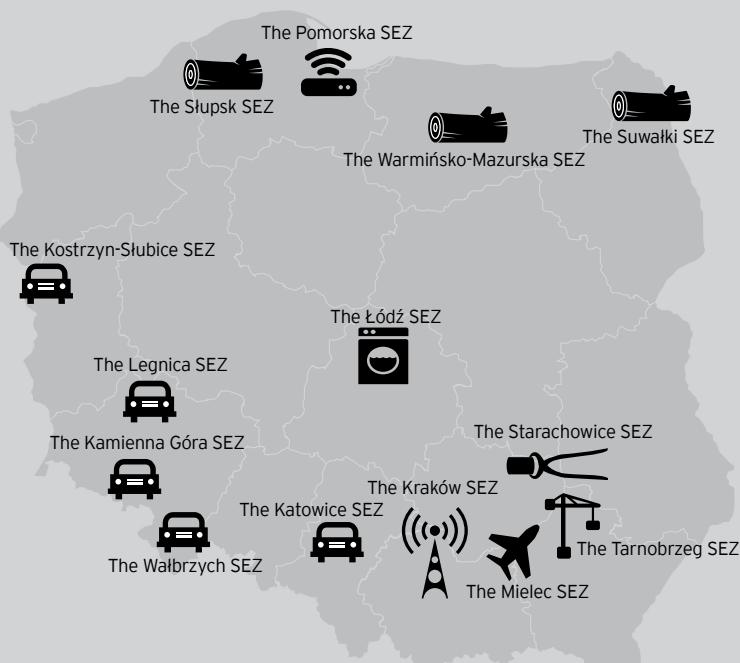
- ▶ Acceptance of draft permits issued by the special economic zones' authorities (in cases where the SEZ area has been extended to include private land)
- ▶ Issuing decisions on permits' amendment, withdrawal, expiration
- ▶ Monitoring the effects of SEZ investors' activities
- ▶ Initiating, developing new solutions and preparing draft legislation relating to SEZs, including draft regulations amending the SEZ area or extending SEZ lifetime
- ▶ Support in preparation of reporting to the European Commission for large investment projects
- ▶ Promoting SEZs as a good place to invest in Poland
- ▶ Cooperation with companies to create solutions aiming to maintain employment and encourage investors to carry out their business projects in the SEZs

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The map below presents the main seats of all Polish SEZs, along with their main specialization meaning the predominating sector



Automotive sector



Information & Communication Technology



Household appliances sector



Aerospace industry



Electronic sector



Wood industry



Metal sector



Construction chemicals

# Polish Information and Foreign Investment Agency (PAIiZ)

**The Polish Information and Foreign Investment Agency (PAIiZ) has been servicing investors for over 20 years. Its mission is to create a positive image of Poland in the world and increase the inflow of foreign direct investment by encouraging international companies to invest in Poland.**

The Agency offers foreign entrepreneurs: quick access to information regarding the economic and legal investment environment, assistance in finding a convenient investment location, help in obtaining investment incentives, guidance through all of the necessary administrative and legal procedures, and advice in each phase of the investment process. PAIiZ also implements the Go China and Go Africa programmes, supporting Polish business in scouting those markets

## Go China

At least 27% of Polish companies do business with China and over 11% declare a will to start business cooperation with the Chinese. Owing to not only cultural differences or geographic distance, doing business with an Asian partner can be a challenge. To support them, PAIiZ has introduced the Go China programme consisting of a vast range of activities including trade missions, conferences, expert support and the Go China portal that is a platform of the most important guidelines and information about the country, its regions, people and the economy. Every Polish investor, importer and exporter interested in doing business with a Chinese partner can there find economic analytic studies and

a database regarding Chinese law and regulations as well as practical advice on the founding of companies in China. In addition, owing to content-related cooperation with institutions, portal users have an access to complex professional knowledge by asking experts to answer their questions. A monthly online Go China Newsletter is also issued with the most up-to-date events, data and interesting tips to make operating in the Chinese market easier.

## Go Africa

The rising popularity of the African market among Polish companies led to the implementation of the Go Africa programme under PAIiZ's support. Ranks leave no doubts: 6 out of 10 fastest growing economies in the world are in Africa. It is worth mentioning that Polish business has a great advantage over other international companies entering African markets - no colonial past. This gives a unique chance to create a strong image of Poland and a solid background for business cooperation just from scratch. Therefore, the Go Africa project aims to increase trade cooperation between Poland and African countries with the best investing opportunities - Angola, Algeria, Nigeria and South Africa, Kenya, Mozambique. PAIiZ's activities under the Go Africa programme include organization of fact-finding missions and participation in events and fairs. In 2013, Polish businessmen visited Nigeria, South Africa and Zambia and took part in economic forums together with the Polish prime minister. In addition, this autumn PAIiZ has signed a cooperation agreement with its counterpart TISA in South Africa. PAIiZ also runs the Go Africa portal where one can find crucial economic information and useful guidelines about doing business in the above-mentioned African markets.

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www.goafrica.gov.pl  
www.eksporter.gov.pl



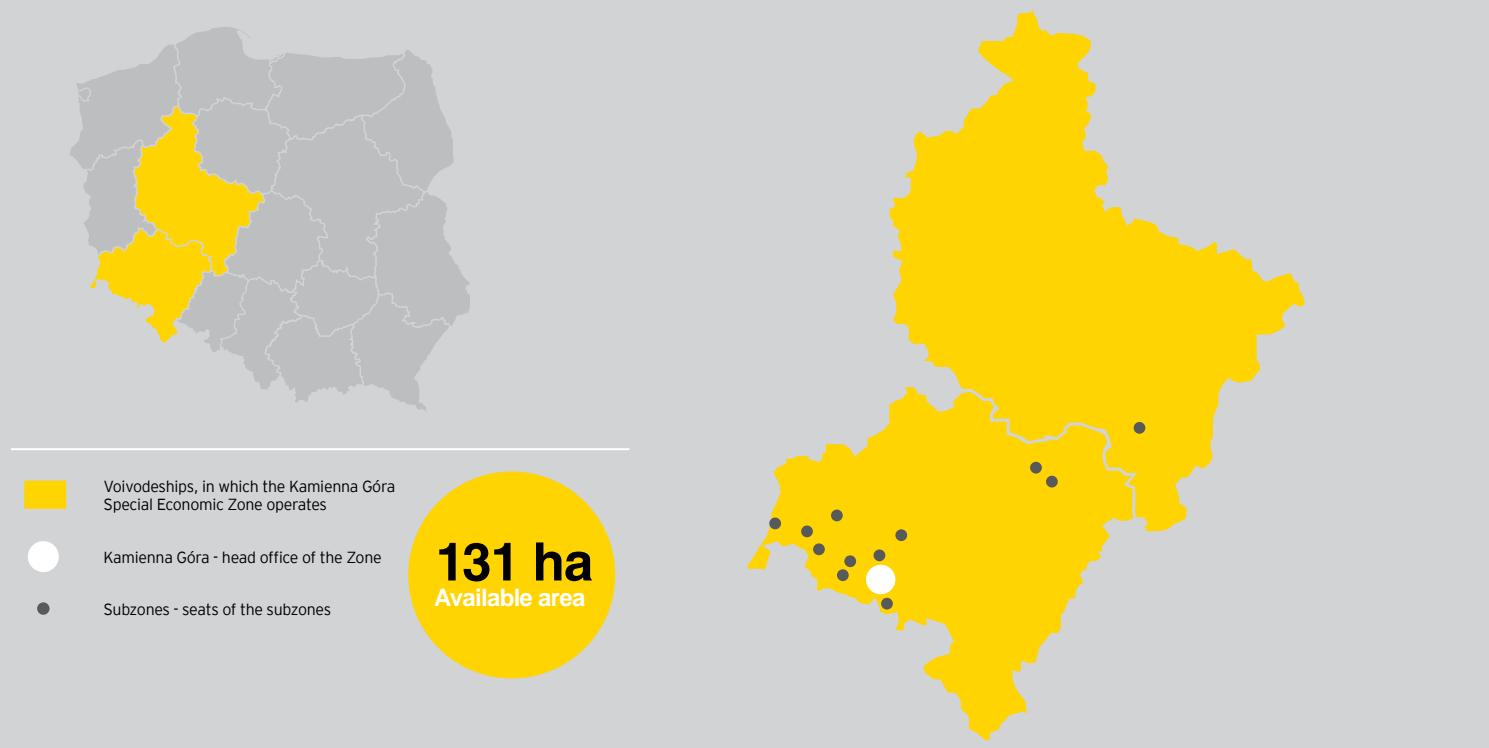
**Invest  
in Poland**

POLISH INFORMATION AND  
FOREIGN INVESTMENT AGENCY



**Polska**

# The Kamienna Góra Special Economic Zone



## Specialization of the Zone

- ▶ Automotive
- ▶ Printing
- ▶ Metals

## Top 10 investors

- ▶ BDN
- ▶ TBAI POLAND
- ▶ POLCOLORIT
- ▶ TAKATA PARTS POLSKA
- ▶ AUTOCAM POLAND
- ▶ DR. SCHNEIDER AUTOMOTIVE POLSKA
- ▶ WEPA PROFESSIONAL PIECHOWICE
- ▶ WEBER-HYDRAULIKA
- ▶ RENA POLSKA
- ▶ JOH. CLOUTH COMPOSITE TECHNOLOGY

## Additional facilities for investors

- ▶ "A graduate in an opportunity zone" - a cooperation programme for graduates and employers operating in the Kamienna Góra SEZ
- ▶ Cooperation with the Ministry of Economy within the "Vocational training for the needs of the economy" project. The newest idea aiming at creation of an educational programme through a close cooperation between SEZs, companies and vocational schools

## Others

- ▶ The Business Gazelle 2012 Award in Dolnośląskie Voivodeship

## Contact details

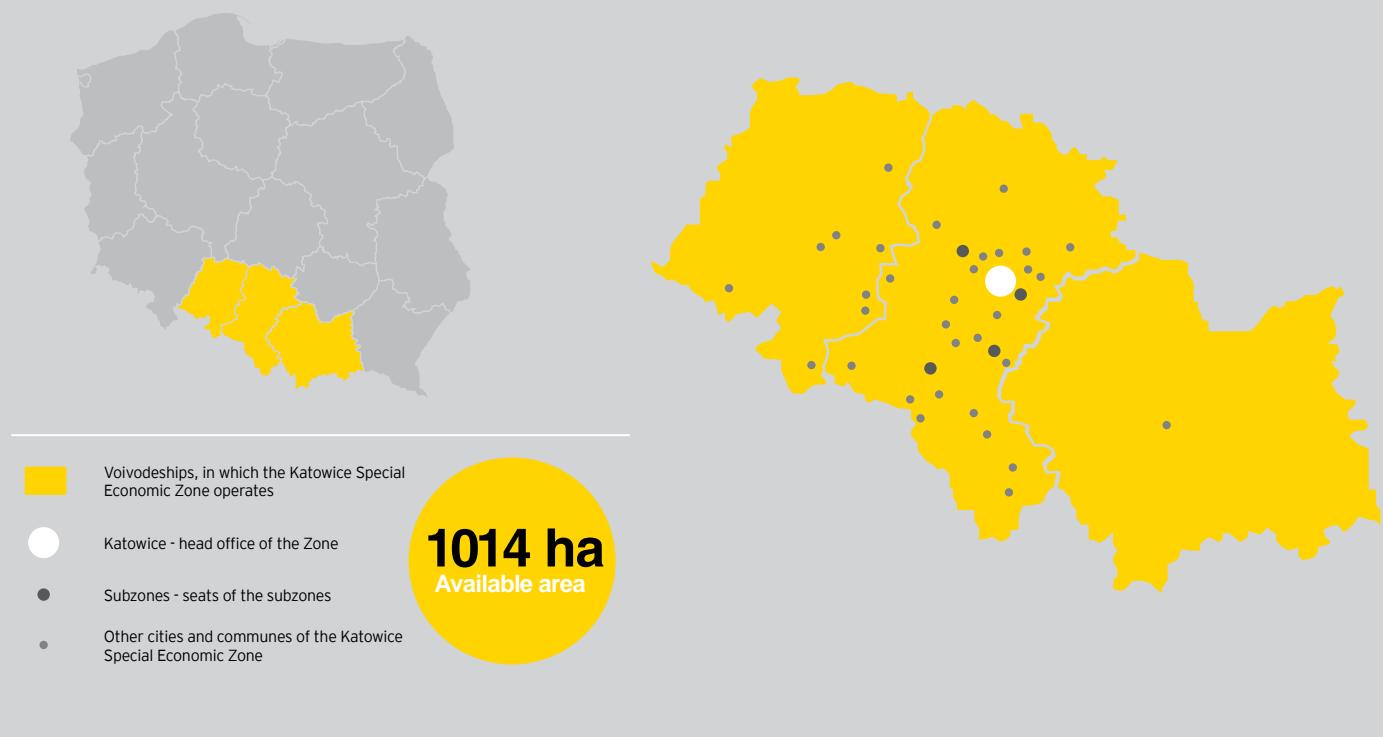
Specjalna Strefa Ekonomiczna Małej Przedsiębiorczości S.A.  
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# The Katowice Special Economic Zone



## Specialization of the Zone

- ▶ Automotive
- ▶ Glassware
- ▶ Construction

## Top 10 investors

- ▶ GENERAL MOTORS MANUFACTURING POLAND
- ▶ FIAT POWERTRAIN TECHNOLOGIES POLAND
- ▶ NGK CERAMICS POLSKA
- ▶ NEXTEER AUTOMOTIVE POLAND
- ▶ BREMBO POLAND
- ▶ GUARDIAN CZESTOCHOWA
- ▶ DSO
- ▶ JOHNSON CONTROLS SIEMIANOWICE
- ▶ SAINT-GOBAIN GLASS POLSKA
- ▶ EATON AUTOMOTIVE SYSTEMS

## Additional facilities for investors

- ▶ The Silesia Automotive Platform - an initiative for the automotive industry and its cooperants to establish the Silesia and Opole regions as the mid-European center of automotive industry
- ▶ Personnel Development Centre (CRK) - trainings, simulation trainings as well as individual managerial coaching (seated in the Tychy subzone)

- ▶ "Mother in an opportunity zone" - a cooperation programme for young unemployed mothers and employers operating in the Katowice SEZ
- ▶ "A graduate in an opportunity zone" a cooperation programme for graduates and employers operating in the Katowice SEZ
- ▶ Ultra-med Zone - a clinic providing services in the field of occupational medicine

## Others

- ▶ 2<sup>nd</sup> position in Europe and 11<sup>th</sup> position globally in the "Global Free Zones of the Future 2012/2013" ranking of the fDi Magazine of the Financial Times Group
- ▶ Forbes's Company of The Year 2007 (Śląskie Voivodeship)
- ▶ Silesian "Reliable in business" 2012 certificate
- ▶ The Business Gazelle 2009 Award in Śląskie Voivodeship
- ▶ The "Marka Śląskie" (Silesian Brand) 2012 title in the Economy category

## Contact details

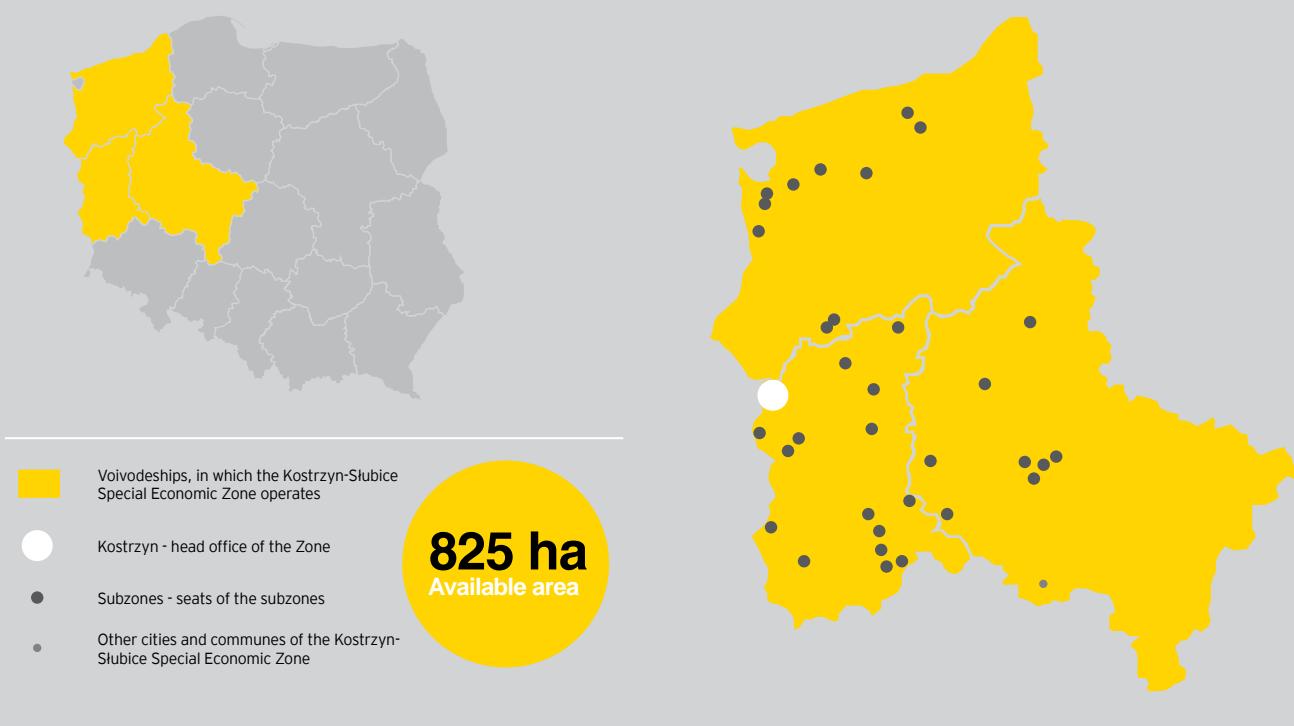
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# The Kostrzyn-Słubice Special Economic Zone



## Specialization of the Zone

- ▶ Automotive
- ▶ Wood
- ▶ Paper

## Top 10 investors

- ▶ VOLKSWAGEN POZNAŃ
- ▶ ARCTIC PAPER KOSTRZYN
- ▶ ICT POLAND
- ▶ FAURECIA GORZÓW
- ▶ TPV DISPLAYS POLSKA
- ▶ OLSA POLAND
- ▶ GEDIA POLAND
- ▶ GEDIA POLAND ASSEMBLY
- ▶ HOMANIT POLSKA
- ▶ BARLINEK INWESTYCJE

## Additional facilities for investors

- ▶ Lubuskie Metal Cluster - an initiative of entrepreneurs representing the metal industry in Gorzów Wielkopolski and the northern part of the Lubuskie Region
- ▶ Lubuskie Innovation Council - an advisory body represented by local governments, universities, R&D units, non-government organizations and entrepreneurs from the Lubuskie Region to support innovative projects
- ▶ Cooperation with universities and technical schools
- ▶ Cooperation with science and technology parks in the territory of Lubuskie and Zachodniopomorskie Voivodeships

## Others

- ▶ Pillar of the Polish Economy 2012
- ▶ Business Gazelle 2011 Award
- ▶ Fair Play Business 2006-2009
- ▶ The Lubuskie Business Leader 2009-2012
- ▶ Forbes's Company of The Year 2007

## Contact details

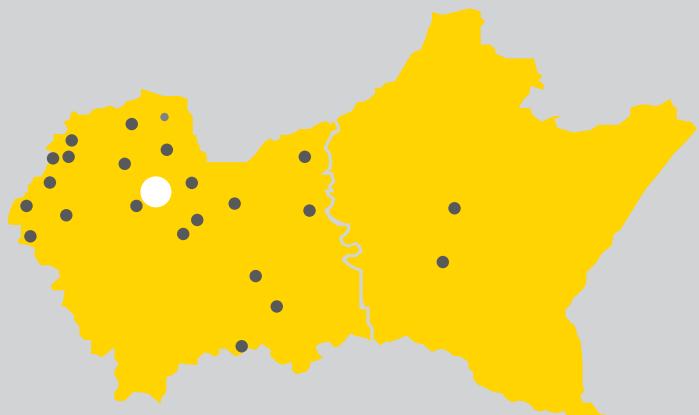
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# The Kraków Special Economic Zone



Voivodeships, in which the Kraków Special Economic Zone operates



Kraków - head office of the Zone



Subzones - seats of the subzones



Other cities and communes of the Kraków Special Economic Zone

**220 ha**  
Available area

## Specialization of the Zone

- ▶ Information & Communication Technology (ICT)
- ▶ Shared Service Centers
- ▶ Automotive

## Top 10 investors

- ▶ MAN TRUCKS
- ▶ SHELL POLSKA
- ▶ HCL POLAND
- ▶ NIIDEK MOTORS & ACTUATORS (POLAND)
- ▶ WOODWARD POLAND
- ▶ BAHLSSEN POLSKA
- ▶ SOPEM - SOMFY GROUP
- ▶ VALEO GROUP
- ▶ MOTOROLA SOLUTIONS SYSTEMS POLSKA
- ▶ HSBC SERVICE DELIVERY (POLSKA)

## Additional facilities for investors

- ▶ The Małopolska Information Technology Park - offering rental of offices, laboratories and incubators (total of 12,000 m<sup>2</sup>)
- ▶ Business in the Małopolska Center - an integrated service system for investors (one stop-shop) - a joined office of the Małopolska Regional Development Agency, the Małopolska Marshal Office and the Kraków SEZ

- ▶ Technology Incubator for ICT companies
- ▶ Digital Entertainment Cluster - a support programme for clusters
- ▶ Start-up Fund for Innovative Projects - financial support for innovative projects
- ▶ Investors Network - a cooperation platform for investors and entrepreneurs
- ▶ Innovation Broker - a tool for effective commercialization of technology and development of small and medium-sized entrepreneurship

## Others

- ▶ Host of the Business in the Małopolska Annual Meeting
- ▶ Contribution to the successes of Kraków and the Małopolska Region i.e. 1<sup>st</sup> position in the "European Cities & Regions of the Future 2010/2011" ranking of the fDi Magazine of the Financial Times Group for promotion strategy to attract foreign direct investment
- ▶ 10<sup>th</sup> position globally for SSC, BPO, IT locations in the "Tholons: Global Services" report

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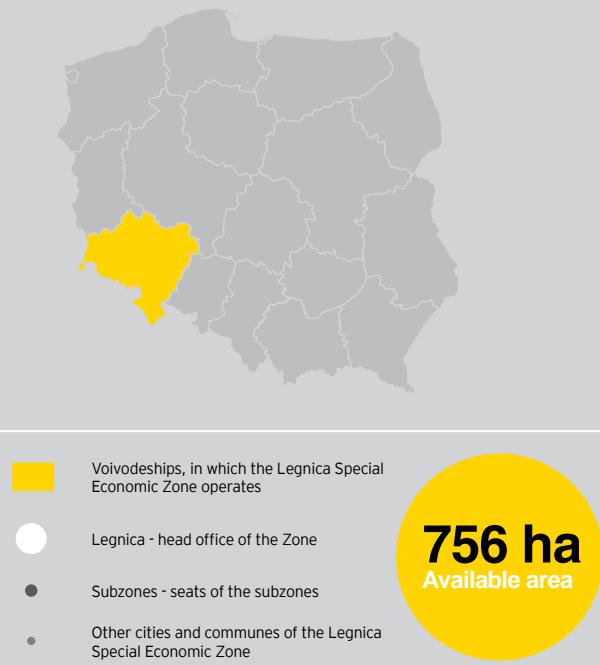
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KRAKOWSKI  
PARK  
TECHNOLOGICZNY

# The Legnica Special Economic Zone



**756 ha**  
Available area



## Specialization of the Zone

- ▶ Automotive
- ▶ Metals
- ▶ Plastics

## Top 10 investors

- ▶ VOLKSWAGEN MOTOR POLSKA
- ▶ SITECH
- ▶ FAURECIA LEGNICA
- ▶ CCC GROUP
- ▶ GATES POLSKA
- ▶ WINKELMANN
- ▶ BASF POLSKA
- ▶ SANDEN MANUFACTURING POLAND
- ▶ VIESSMANN TECHNIKA GRZEWCZA
- ▶ PITTSBURGH GLASS WORKS (POLAND)

## Additional facilities for investors

- ▶ Investors Council - representation of SEZ investors for collective discussing, solving problems or negotiating with suppliers
- ▶ Organization of the "Vocational Education for Industry" conference
- ▶ Meetings and trainings for investors on tax and legal issues connected with operating within the SEZ area
- ▶ Periodical meetings of HR departments of SEZ investors

## Others

- ▶ Cooperation with the "Women's Activity in the Dolnośląskie Region" Association

## Contact details

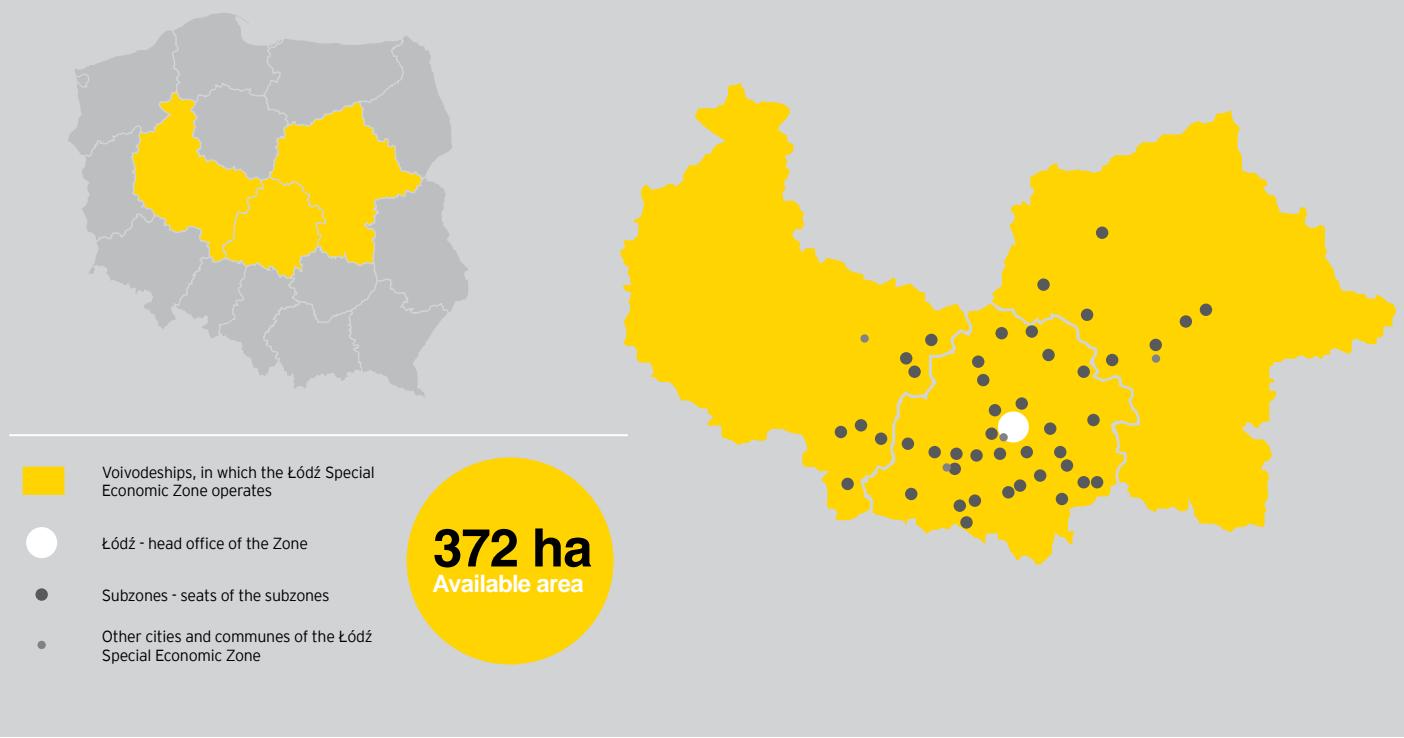
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# The Łódź (Lodz) Special Economic Zone



**Top 10 investors**

- PROCTER AND GAMBLE
- BSH SPRZĘT GOSPODARSTWA DOMOWEGO
- INDESIT COMPANY POLSKA
- ABB
- AMCOR FLEXIBLES REFLEX
- CERAMIKA PARADYŻ GROUP
- EUROGLAS POLSKA
- INFOSYS BPO POLAND
- FUJITSU TECHNOLOGY SOLUTIONS
- ERICPOL

**Additional facilities for investors**

- ICT Central Poland Cluster - brings together several companies and Łódź University of Technology
- The "Partner" Programme - matches investors with reliable business partners who operate in different business sectors - i.e. HR, advisory, construction services
- Partnership for vocational education - cooperation with the School of New Technologies (promotion of dual education system among Łódź SEZ investors)

▶ Creation of International School in cooperation with the University of Łódź (for expatriates' children)

## Others

- ▶ 3<sup>rd</sup> position in Europe and 18<sup>th</sup> position globally in the "Global Free Zones of the Future 2012/2013" ranking of the fDi Magazine of the Financial Times Group
- ▶ 1<sup>st</sup> position in Europe and 4<sup>th</sup> position globally in terms of economic zone digital marketing in the "Digital Marketing Awards 2012" ranking of the fDi Magazine of the Financial Times Group
- ▶ The revitalized Ludwik Grohman's factory being the property of the Łódź Special Economic Zone has won the international John Jacob Astor Competition for the best commercial project during the October Expo Real 2013 in Munich
- ▶ fDi IPA (Investment Promotion Agency) Innovation Awards 2013 - title of the most creative institution in raising investments and for conducting unique activities in this area (award in the Special Economic Zone category)

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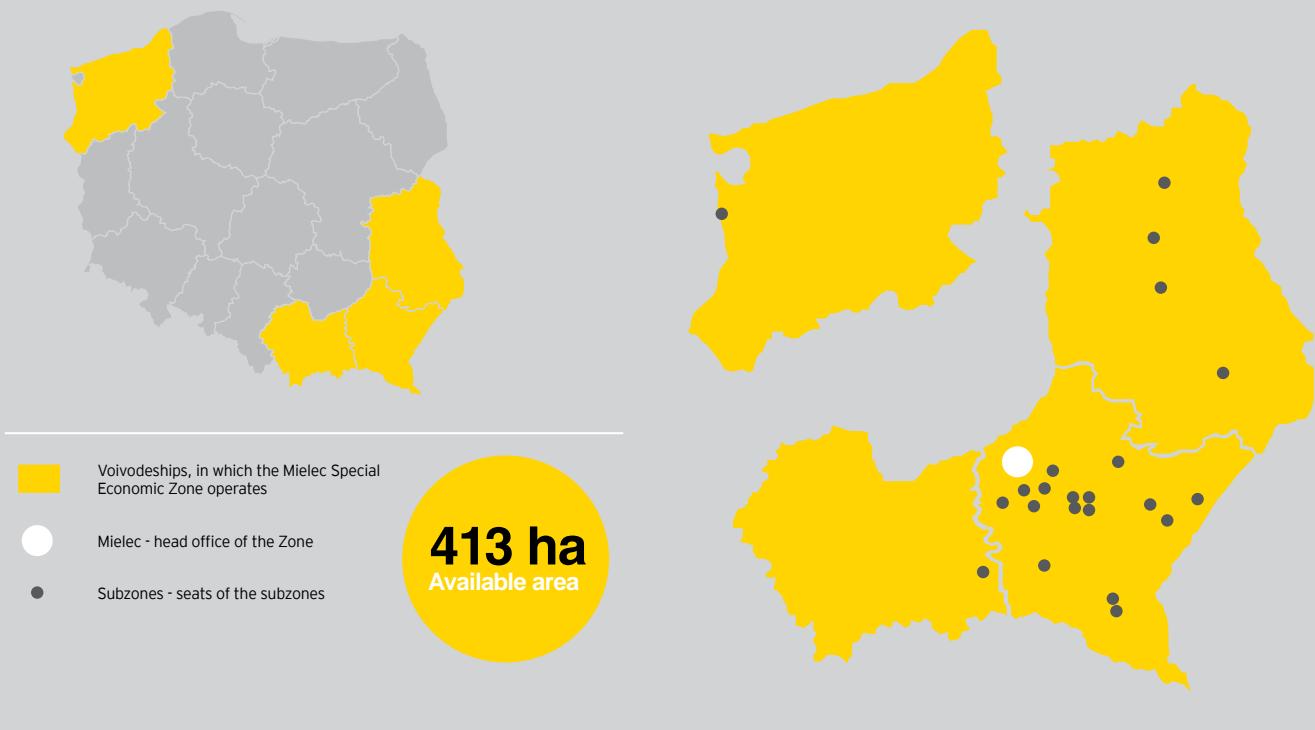
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# The Mielec Special Economic Zone



## Specialization of the Zone

- ▶ Aerospace
- ▶ Automotive
- ▶ Plastics

## Top 10 investors

- ▶ POLSKIE ZAKŁADY LOTNICZE
- ▶ KRONOSPAN MIELEC
- ▶ BRW
- ▶ KIRCHHOFF POLSKA
- ▶ MTU AERO ENGINES POLSKA
- ▶ LEAR CORPORATION POLAND II
- ▶ BORGWARNER POLAND
- ▶ GOODRICH AEROSPACE POLAND
- ▶ HUSQVARNA POLAND
- ▶ HAMILTON SUNDSTRAND POLAND

## Additional facilities for investors

- ▶ The "Aviation Valley" aerospace cluster - an association that concentrates several aircraft industry companies and a pilot training center
- ▶ Cooperation with the Mielec Industrial Park, the Podkarpacki Science and Technology Park Aeropolis and the Industrial Park of the Leżajsk Commune

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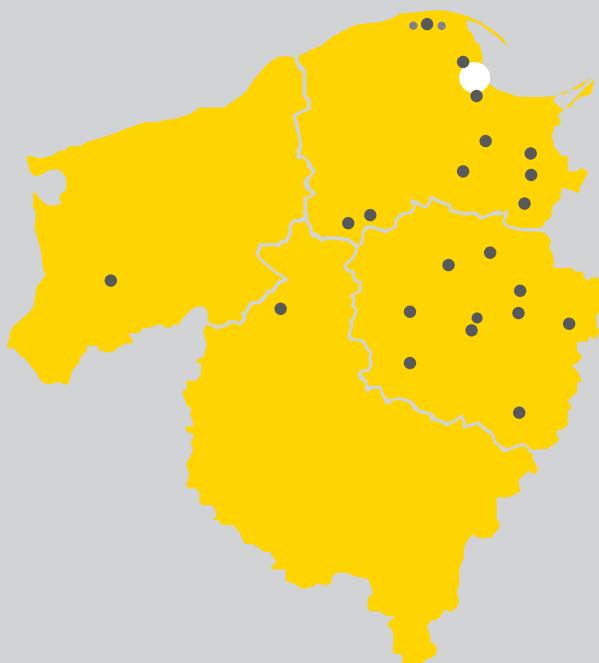
EURO - PARK  
MIELEC

SPECJALNA STREFA EKONOMICZNA



INDUSTRIAL DEVELOPMENT AGENCY  
• JOINT STOCK COMPANY •

# The Pomorska (Pomeranian) Special Economic Zone



 Voivodeships, in which the Pomorska Special Economic Zone operates

 Sopot - head office of the Zone

 Subzones - seats of the subzones

 Other cities and communes of the Pomorska Special Economic Zone

**294 ha**  
Available area

## Specialization of the Zone

- ▶ Electronics
- ▶ Paper
- ▶ Machinery

## Top 10 investors

- ▶ MONDI ŚWIECIE
- ▶ BRIDGESTONE STARGARD
- ▶ FLEXTRONICS INTERNATIONAL POLAND
- ▶ INTERNATIONAL PAPER - KWIDZYN
- ▶ JABIL CIRCUIT POLAND
- ▶ ZAKŁADY FARMACEUTYCZNE POLPHARMA
- ▶ WEYERHAEUSER POLAND
- ▶ LAFARGE CEMENT
- ▶ PLASTICA
- ▶ ORION ELECTRIC (POLAND)

## Additional facilities for investors

- ▶ The Gdańsk Science & Technology Park - a joined enterprise of the Pomorska SEZ, Pomorskie Voivodeship, the city of Gdańsk and Gdańsk University of Technology
- ▶ The Baltic Port of New Technologies in Gdynia - an innovative business project providing attractive, developed land located at the premises of the former shipyard

- ▶ Realization of projects aimed at improving energy security and the development of new technologies in the energy sector, i.e. The „Energy and Self-governance” Forum for Dialogue and Cooperation of Pomorskie Voivodeship, Pomeranian Energy Technology Platform and Eco-Energy Cluster
- ▶ Networking for Pomorska SEZ companies: organization of seminars, trainings and other integration activities for Pomorska SEZ investors

## Others

- ▶ 5<sup>th</sup> position in Europe and 35<sup>th</sup> position globally in the “Global Free Zones of the Future 2012/2013” ranking of the fDi Magazine of the Financial Times Group
- ▶ Quality of The Year 2012 Award
- ▶ Teraz Polska (Time for Poland) logo for Innovation
- ▶ Honorable mention in the Pomeranian Competition “Economic Griffin 2012” in the small enterprises category
- ▶ Forbes Diamonds Award
- ▶ Ambassador of the Polish Economy Award
- ▶ Welcome Firm Award
- ▶ “Reliable Company” Certificate

## Contact details

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# The Słupsk Special Economic Zone



 Voivodeships, in which the Słupsk Special Economic Zone operates

 Słupsk - head office of the Zone

 Subzones - seats of the subzones

 Other cities and communes of the Słupsk Special Economic Zone

**585 ha**  
Available area

## Specialization of the Zone

- ▶ Wood
- ▶ Plastics
- ▶ Metals

## Top 10 investors

- ▶ KRONOSPAN POLSKA
- ▶ PAULA-TRANS
- ▶ NORDGLASS II
- ▶ JERONIMO MARTINS POLSKA
- ▶ OZEN PLUS
- ▶ PRZETWÓRSTWO RYBNE ŁOSOŚ
- ▶ Q4GLASS, ABJ INVESTORS
- ▶ VNH-FABRYKA GRZEJNIKÓW
- ▶ HYDRO-NAVAL
- ▶ A J FABRYKA MEBLI

## Additional facilities for investors

- ▶ The Słupsk Technological Incubator - a special communication platform for SEZ and non-SEZ companies as well as R&D institutions created to facilitate development and operations of modern companies implementing innovative projects
- ▶ Trainings for investors, personnel searching and training (employment agency), real estate brokerage
- ▶ The Zone is in the process of creation of a furniture industry cluster and wood processing cluster in Szczecinek

## Others

- ▶ Promotion of sustainable human development
- ▶ Promotion of investments in the renewable energy sources sector

## Contact details

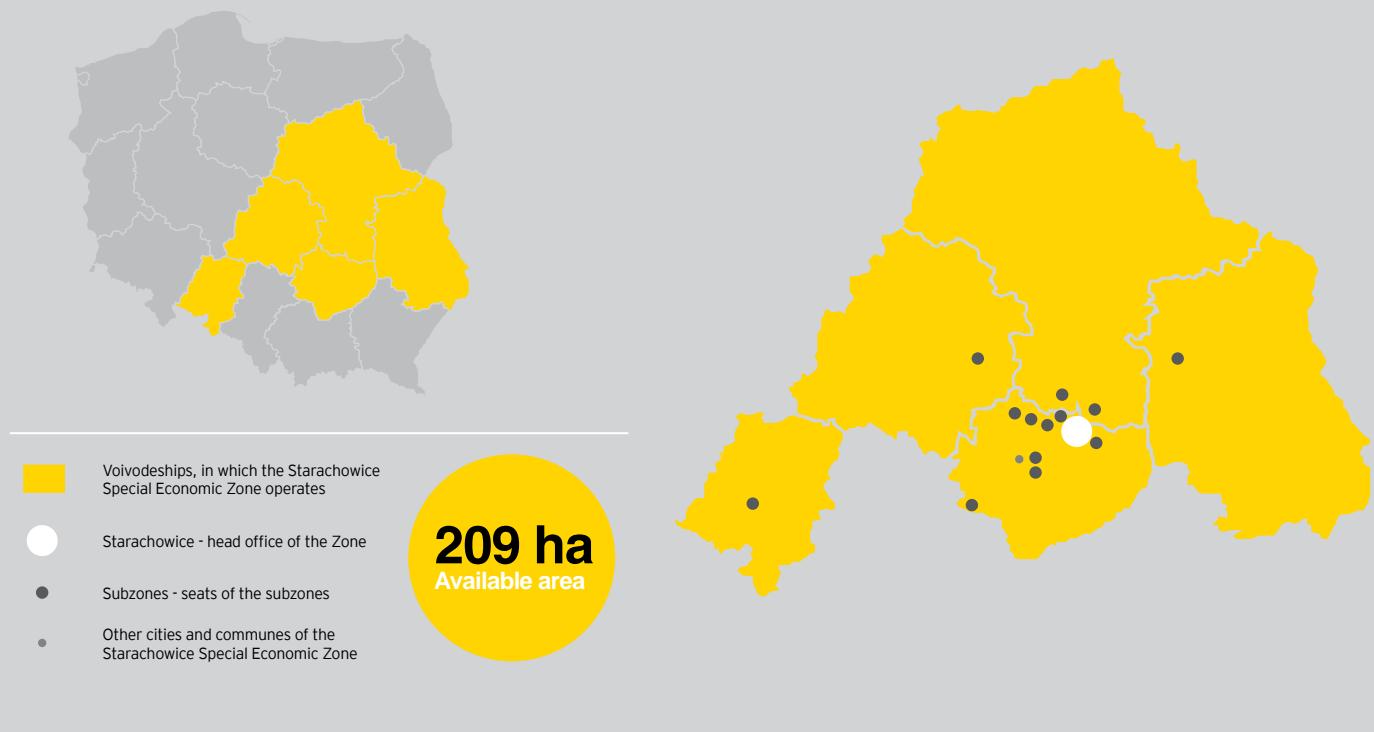
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# The Starachowice Special Economic Zone



## Specialization of the Zone

- ▶ Metals
- ▶ Automotive
- ▶ Ceramics

## Top 10 investors

- ▶ MAN BUS
- ▶ RRD STARACHOWICE
- ▶ BIELLA SZYDŁOWIEC
- ▶ CERRAD
- ▶ CERSANIT II
- ▶ GERDA 2
- ▶ GRUPA AZOTY ZAKŁADY AZOTOWE PUŁAWY
- ▶ AIR LIQUIDE POLSKA
- ▶ GRUPA CERAMIKA - KOŃSKIE
- ▶ CERAMIKA NOWA GALA II

## Additional facilities for investors

- ▶ The Investor Assistance Center in Kielce for foreign companies starting activity in Świętokrzyskie Voivodeship
- ▶ Metal Cluster - a cooperation platform for investors representing metal industry
- ▶ The Kielce Technology Park - an area of 200 ha with modern architecture and technical infrastructure
- ▶ The Zone is in the process of creating a ceramics cluster in the Końskie and Opoczno area

## Others

- ▶ 7<sup>th</sup> position in Europe and 37<sup>th</sup> position globally in the "Global Free Zones of the Future 2012/2013" ranking of the fDi Magazine of the Financial Times Group
- ▶ 3<sup>rd</sup> position in Europe and 10<sup>th</sup> position globally in terms of cost effectiveness in the "Global Free Zones of the Future 2010/2011" ranking of the fDi Magazine of the Financial Times Group

## Contact details

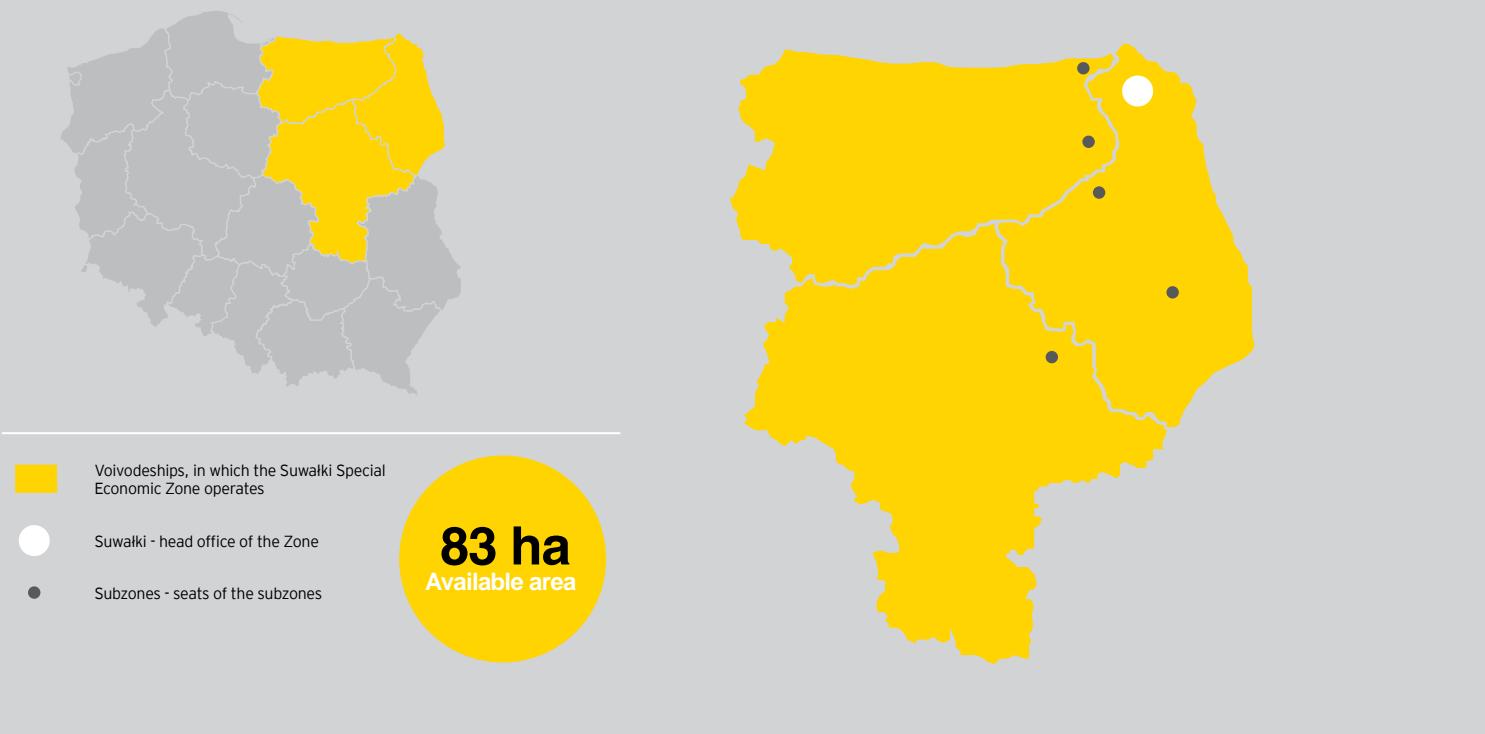
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# The Suwałki Special Economic Zone



## Specialization of the Zone

- ▶ Wood
- ▶ Metals
- ▶ Plastics

## Top 10 investors

- ▶ PORTA KMI POLAND
- ▶ IRYD
- ▶ MALOW
- ▶ PFLEIDERER MDF
- ▶ ROCKWOOL POLSKA
- ▶ IMPRESS DECOR POLSKA
- ▶ AQUAEL
- ▶ BIANOR I
- ▶ SERWISTAL
- ▶ CEZAR

## Additional facilities for investors

- ▶ Service Department for new investors
- ▶ Meetings and trainings for investors on tax and legal issues connected with operating within the SEZ area
- ▶ Convenient geographic location: immediate vicinity of the eastern border of the European Union, proximity of borders with Russia, Lithuania and Belarus
- ▶ Good transport connections: roads connecting Scandinavian countries and Eastern Europe with southern and western part of the continent

## Contact details

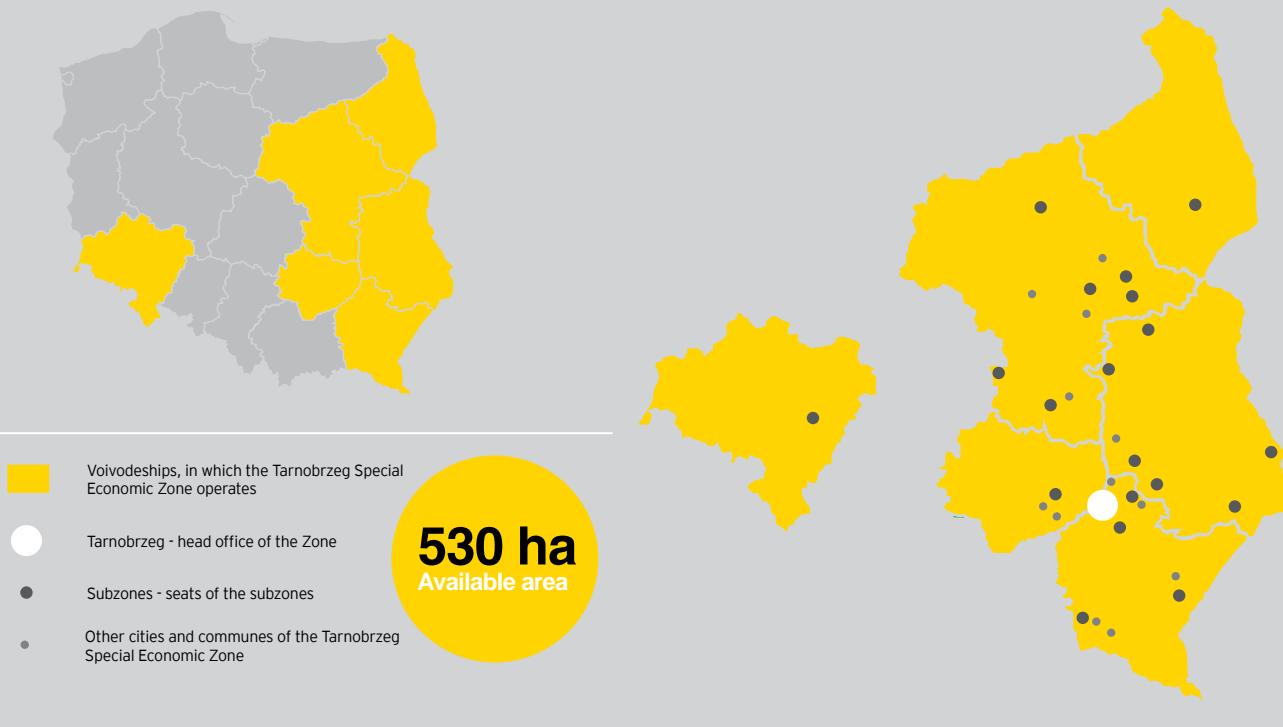
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# The Tarnobrzeg Special Economic Zone



## Specialization of the Zone

- ▶ Construction chemicals
- ▶ Machinery/metals
- ▶ Electronics

## Top 10 investors

- ▶ LG DISPLAY POLAND
- ▶ LG ELECTRONICS WROCŁAW
- ▶ HEESUNG ELECTRONICS POLAND
- ▶ UPM RAFLATAC
- ▶ PILKINGTON AUTOMOTIVE POLAND
- ▶ DONGSEO DISPLAY POLAND
- ▶ QUAD/GRAPHICS EUROPE
- ▶ TECHMATIK
- ▶ ZBYSZKO COMPANY
- ▶ UNIWHEELS PRODUCTION (POLAND)

## Additional facilities for investors

- ▶ LG Technology Park for electronics and household appliances producers located in the Wrocław-Kobierzyce subzone
- ▶ Transportation to Russia and Far Eastern countries, due to the proximity of terminals and transfer stations of the LHS line
- ▶ Technology parks and entrepreneurship incubators in the subzones: Radom, Tarnobrzeg and Stalowa Wola

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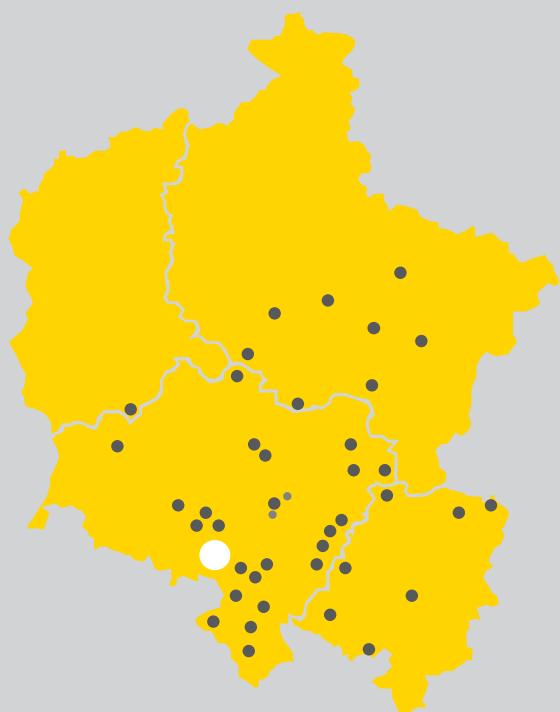
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INDUSTRIAL DEVELOPMENT AGENCY  
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# The Wałbrzych Special Economic Zone



## Specialization of the Zone

- ▶ Automotive
- ▶ Household appliances
- ▶ Food

## Top 10 investors

- ▶ TOYOTA MOTOR MANUFACTURING POLAND
- ▶ CERSANIT III
- ▶ ELECTROLUX POLAND
- ▶ GENERAL ELECTRIC POWER CONTROLS POLSKA
- ▶ COLGATE-PALMOLIVE MANUFACTURING (POLAND)
- ▶ POLARIS POLAND
- ▶ 3M WROCŁAW
- ▶ IBM GLOBAL SERVICES DELIVERY CENTRE POLSKA
- ▶ MONDELEZ POLSKA PRODUCTION
- ▶ FSB PIEKARNIE

## Additional facilities for investors

- ▶ Meetings with representatives of local authorities and investors
- ▶ Trainings led by industry experts and experts in the fields of taxes and law
- ▶ Activities aimed at establishing cluster initiatives
- ▶ Cooperation with vocational schools aimed to adapt their educational programmes to the needs of the labor market

## Others

- ▶ 4<sup>th</sup> position in Europe and 22<sup>nd</sup> position globally in the "Global Free Zones of the Future 2012/2013" ranking of the fDi Magazine of the Financial Times Group

## Contact details

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# The Warmińsko-Mazurska Special Economic Zone



Voivodeships, in which the Warmińsko-Mazurska Special Economic Zone operates



Olsztyn - head office of the Zone



Subzones - seats of the subzones



Other cities and communes of the Warmińsko-Mazurska Special Economic Zone

**370 ha**  
Available area

## Specialization of the Zone

- ▶ Wood
- ▶ Food
- ▶ Rubber

## Top 10 investors

- ▶ MICHELIN POLSKA
- ▶ LG ELECTRONICS MŁAWA
- ▶ SWEDWOOD POLAND
- ▶ WÓJCIK FABRYKA MEBLI
- ▶ DFM
- ▶ FABRYKA MEBLI SZYNAKA
- ▶ W-M GLASS
- ▶ WIPASZ
- ▶ CEDROB
- ▶ CORAB

## Additional facilities for investors

- ▶ Representative office in Kaliningrad
- ▶ Meetings and trainings for investors on tax and legal issues connected with operating within the SEZ area
- ▶ Contribution to the creation of educational programmes in cooperation with investors and vocational schools

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