

Poland, Land of Opportunities

Electromobility and other sectors
in the heart of Europe



Polish Investment
& Trade Agency
PFR Group

JP Weber

supporting decision makers

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Introduction

In recent years, Poland has been viewed as a reliable partner for international investment, attracting USD 197bn in foreign capital, and surpassing such big European players as Germany or UK in terms of jobs created through FDIs. This was made possible through a combination of economic stability, big internal market, highly skilled professionals and an advantageous logistical position. Companies from all around the world, including many Asian and American enterprises, have set up operations in Poland for those very reasons, bolstering the economic growth and development of the country.

Already a regional leader in automotive parts manufacturing, one of the biggest producers of food and furniture in Europe, and a significant player in Business Service Sector (BSS) activities, Poland is continuing its economic development that is based on innovation. With the world heading towards Industry 4.0 and electric vehicles, legislators face a challenge to keep up with a dynamically evolving world. For this reason, the Polish government has planned out an ambitious long-term economic program of the development of the electromobility industry in Poland, envisioning one million electric vehicles on Polish roads by 2025. Moreover, to remain competitive in the region and globally, the New Investment Support Act was introduced, encouraging investors to engage in creating highly specialized workplaces, boost export sales and collaborate with R&D institutions.

Korean companies have successfully managed to stay ahead of the curve in terms of high-technology and innovation, and many companies are looking to expand their operations into other continents to support an ever-growing demand. Many large corporations, such as LG and Samsung, have already trusted Poland and found plenty of talent to tap into.

The Polish Investment and Trade Agency has twenty years of experience in helping foreign companies – including those from Korea – establish their business in Poland. Overall, more than USD 22 billion CAPEX has been invested in cooperation with the Agency by multinational companies from the automotive, electronics, aviation, BSS, research and development, food processing, and many other sectors. During the past twenty years, Korea has become the third biggest non-EU investor serviced by the Polish Investment and Trade Agency. PAIH has assisted Korean entrepreneurs in setting up 53 projects that in total generated over 22,000 new jobs in Poland.

JP Weber has been supporting decision makers in all phases of their projects since 2001, with teams specializing in mergers and acquisitions, real estate, transaction advisory services, and restructuring projects. With a dedicated Korean desk located in Wrocław, the company also boasts extensive experience with foreign investments.

The following report is offered to all Korean companies interested in setting up operations in Poland in electromobility-related fields, but not only. From key business information to tax and legal digests, the report offers a comprehensive overview of the investment potential, business climate, and a vast range of opportunities awaiting Korean companies in Poland, the heart of Europe.

All the best in doing business in Poland!

– JP Weber & PAIH –

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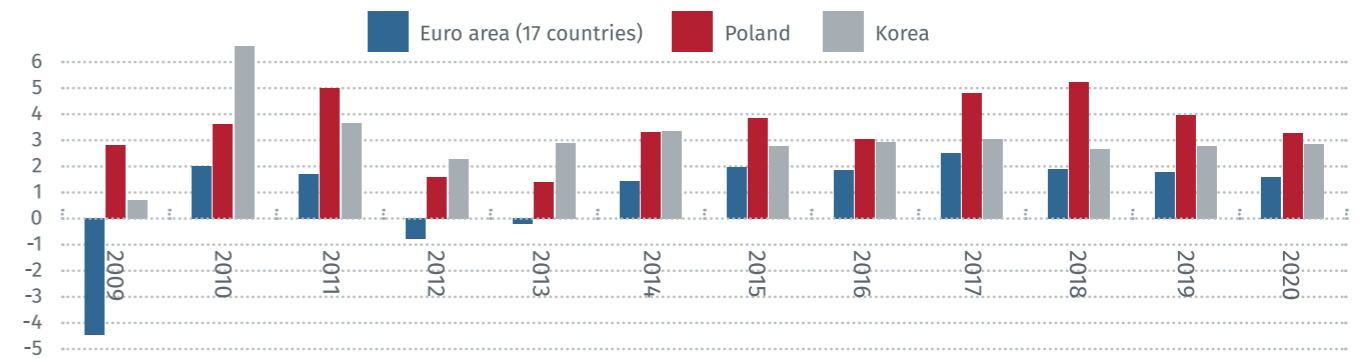
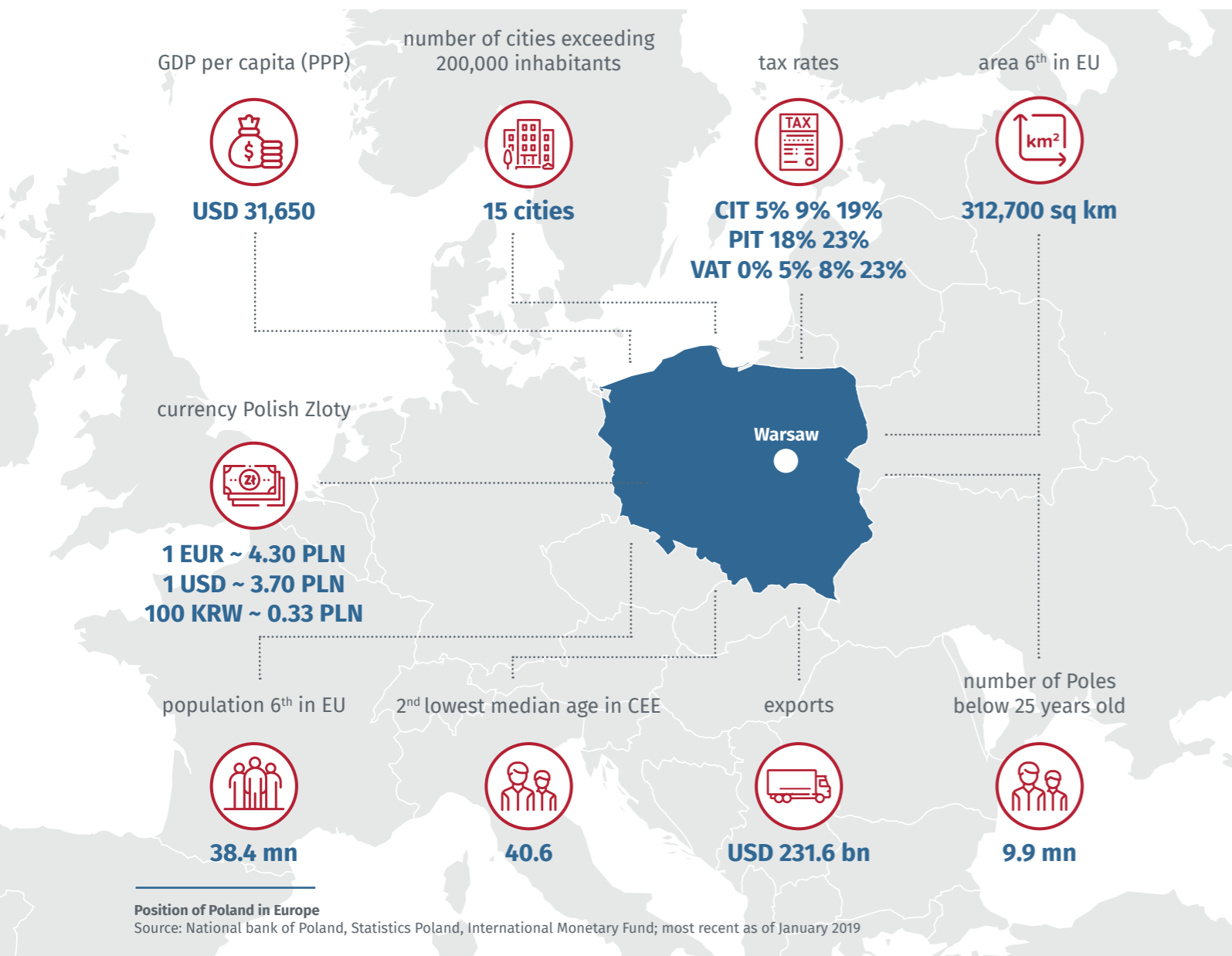
Please bear in mind that this document was made for information purposes only and presents an overview of the Polish business environment. This report has been created to the best of our knowledge and with use of the latest available information concerning the conditions of doing business in Poland. All publications made available in the report are of an illustrative nature and cannot be considered as a basis for determining the factual situation in a specific case. We would like to underline that the content of this report does not constitute professional advice and should not be used as a basis for making legal or business decisions.

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1. Key facts about Poland

Located in the heart of Europe and hence affording logistical advantages for exports heading both east or west, Poland is the 6th largest country in Europe in terms of population and area. Thus, it offers a large labor force and a broad selection of potential investment sites. Companies located here can also benefit from a strong

economic relationship with the Eurozone, with free trade access to the EU market and standardized regulations. Moreover, the Polish economy is stable and resistant to economic crisis thanks to having its own currency (the Polish zloty) and a large internal market.



GDP growth from 2009 and forecasts
Source: OECD 2018

The gross domestic product of Poland in 2017 amounted to USD 526 billion, with GDP per capita based on purchasing power parity equaling USD 31,650. According to a preliminary estimation by the Central Statistical Office in Poland, economic growth in 2018 amounted to 5.1%, compared to 4.8% in 2017 (in constant prices from the previous year). Annual inflation is also decreasing, with 1.6% in 2018, compared to 2% observed the previous year¹. The graph above presents GDP growth from 2009 and forecast to 2020. The comparison with the Eurozone shows Poland's rapid growth and its aforementioned resistance to the 2009 economic crisis.

It is also worth mentioning that, as in the case of Korea, the risk class in the OECD classification for Poland is 0. As a consequence, Polish importers can obtain cheaper loans for the purchase of foreign goods and services, as the insurance costs of such transactions by foreign insurers (EU and non-EU) are relatively low.

¹ World Bank, Statistics Poland, IMF World Economic Outlook 2018

² Statistics Poland

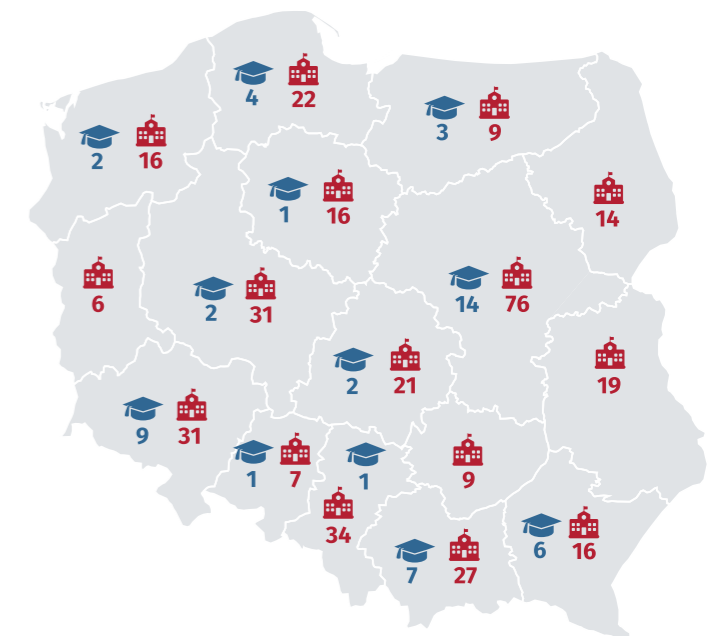
Labor Market

The population of Poland amounts to over 38 million people and comprises around 40% of the population of all the countries of Central & Eastern Europe (CEE). Despite being affected by the trend of an ageing society, almost 25% of Poland's population is under 25 years old. Furthermore, the unemployment level (average 5.8% in 2018²) and the number of registered unemployed is stable after a long period of decreases.

Poland's workforce is not only young, but also skilled. In the Polish education system, there are ca. 1.3 million students and, yearly, approximately 300 thousand graduates, 20% of these being technical students. What is more, university hubs are located in all large and many medium-size cities, unlike in other CEE countries, where there is usually one main university hub located in the capital region.

Higher education institutions

International schools



Education institutions in Poland
Source: Ministry of Education 2019, <https://www.ourkids.net/pl/>

1. Key facts about Poland

In recent times, Poland has been one of the fastest growing labor markets, combining a large pool of highly skilled professionals with relatively low labor costs, making it an attractive place to invest. The main regulation for the Polish labor law is the Labor Code, which applies directly to all employees and employers, regardless of the industry or job position held. At present, the Labor Code and the Polish employment law in general constitute an employee- and family-centered set of rules where under certain groups of employees, from those being in pre-retirement age to new parents, enjoy special protection and rights (e.g. 20 weeks of maternity leave and 32 weeks of parental leave).

Poland in the rankings

Poland is an attractive destination for foreign investors – within the last decade, the country has attracted around 3% of all foreign (non-EU) direct investment inflow to the European Union. The number of jobs created by foreign investors in Poland in 2017 reached 24,000. Investors appreciate Poland's progress over the last decade in the Ease of Doing Business ranking and the Economic Freedom indicator, as well as the presence of a cost competitive and highly specialized workforce.

Poland ranks 33rd out of 190 in the Doing Business ranking. In addition, the capital of Poland, Warsaw, won 3rd place among European business-friendly cities in the latest ranking published by fDi Intelligence, ahead of metropolises such as Berlin, Stockholm, or Copenhagen.

In the ranking, Warsaw was also listed among the 25 most promising cities in Europe. When it comes to the strategy of attracting foreign investment, Warsaw ranks 8th among all European cities, whereas in terms of cost-effectiveness the Polish capital is ranked 9th.

Last but not least, in the latest Transparency International Corruption Perception Index, Poland had the score of 60/100. This gives it 36th position among 180 countries included in the ranking. The perception of Poland's transparency is closer to European high-scoring economies like Sweden or Denmark than to CEE countries such as Hungary, Romania, or Croatia. This means that the Polish regulatory environment is much more similar to the ones present in Europe's highest performing economies.

Logistics

Poland's location in the center of Europe is highly favorable from the logistical perspective. Five out of nine Pan-European transport corridors go through Poland, enabling companies located there to easily access the global market. What is more, the quality and diversity of the Polish infrastructure supports the rapid growth of the economy.

Since 2004, the most important section of transport in Poland has been road transport. Approximately 3,750 km of express roads are currently in use, including 1,640 km of motorways and 2,100 km of expressways.

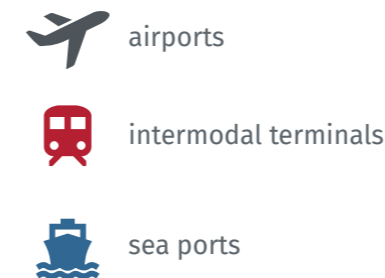
3,750 km Existing of express roads including:
1,640 km of motorways
2,100 km of expressways

1,489 km Under construction of roads, including:
153 km of motorways
1,205 km of expressways

over **3,262 km** Planned (with the prospect until 2025) of roads, including:
252 km of motorways
2,641 km of expressways
35 ring roads



Road network in Poland
Source: Generalna Dyrekcja Dróg Krajowych i Autostrad, 2019



Map of airports, intermodal terminals and seaports in Poland
Source: PAIH 2019

Air transport is also growing. As of 2017, the volume of cargo operations has risen by 11.7% year to year. The most popular cargo airport is Chopin Airport in Warsaw (79%) and the second is the Katowice-Pyrzowice Airport (14%). However, a growing importance of Poznań-Ławica Airport (displaying 119% growth) and Gdańsk Lech Walesa Airport (with 22% growth) has been recorded. It is also worth mentioning that the Warsaw Chopin Airport offers direct passenger connections to many Asian destinations, including Seoul.

There are three main seaports in Poland – Gdańsk, Gdynia, and Szczecin-Świnoujście. Comparing to 2009, all of Polish seaports have increased their capacity – Gdańsk by 215%, Szczecin-Świnoujście by 154%, and Gdynia by 160%.³ Currently, there are 30 intermodal terminals in Poland, with 6 of

them being sea terminals (serving sea-rail and sea-road), while the remaining are road-rail exchanges. One example of a growing road-rail intermodal terminal (displaying 18.7% growth annually) is the one located in Łódź, which connects Łódź with sea ports in Gdańsk and Gdynia, as well as international destinations in Slovakia and China (Chengdu). These terminals are more than merely reloading points, often becoming parts of bigger business units – logistic parks, distribution centers, etc.

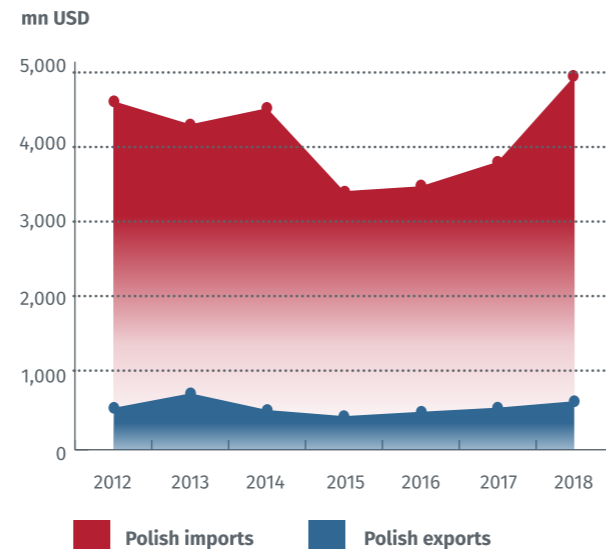
³ Civil Aviation Office, Cargo statistics, Access: http://ulc.gov.pl/_download/statystyki/2017/wg_org_cargo_4kw2017.pdf
Opracowanie Zbiorowe pod redakcją I. Fechnera i G. Szyszki, Logistyka w Polsce Raport 2017

1. Key facts about Poland

Trade between Poland and South Korea

For both, Poland and Korea, trade exchange is an important area of business cooperation. Poland is listed as Korea's top 10 trade partners in the European Union and at the same time one of the 15 biggest export counterparts from the region.

During the recent years, the export of the Polish goods has been stable, increasing by 5.9% per year. At the same time, imports of Korean products to Poland were characterized by a lower growth at this time, equaling 4.2% per year⁴. In 2018, the value of Polish exports to South Korea amounted to USD 615.31 mn, while the value of goods exported from South Korea to Poland amounted to USD 4,817.40 mn. Thus, the value of goods exported by Korea exceeds almost 8 times the value of Polish exports.



The value of Polish trade with Korea
Source: Poland Statistics 2019

The structure of Polish exports is an outcome of the presence of Korean companies in Poland, while that of Polish imports from Korea is traditionally reliant on the automotive branch.

The top 3 products most often exported by Poland to Korea include:

- ~ machinery and mechanical appliances, electrical and electro-technical equipment;
- ~ construction materials, ceramics and glass;
- ~ chemical industry products.

The top 3 most often exported products by Korea to Poland include:

- ~ machinery and mechanical appliances, electrical and electro-technical equipment;
- ~ vehicles, planes, ships and other means of transport;
- ~ plastics and articles thereof.

⁴ Statistics Poland

2. Korean investors in Poland

Currently, there are around 260 Korean companies operating in Poland, making South Korea one of the largest non-EU foreign investors in Poland. This number is impressive, especially when considering the fact that Korea and Poland are distant countries with various cultures and two different time zones. In addition, Korean investments focus on high technology sectors.

Overall, the Polish Investment and Trade Agency has assisted Korean investors in developing 53 projects with a total investment value of over USD 3 bn that have created over 22,000 workplaces. This makes Korea the 3rd largest country by project count in the Agency. The majority of Korean investment assisted by the Agency in Poland were completed in the automotive sector (21) and electronics sector (17).

It is worth noting Korean investors likely favor the similar business ethics, logistical advantages, and cost efficiency in Poland. With the establishment of the electro-mobility LG cluster, as well as the presence of other large Korean companies, it is likely that more investments will follow in the years to come. Currently, there are 11 projects in various industries put in place by Korean entrepreneurs with the help of by the Polish Investment and Trade Agency. The Agency also has a regional trade office in Seoul, which, in combination with a large project portfolio, makes it a natural partner for investment advice to Korean companies.

Plastic and metal part stream / machine construction

- LG Chem Poland
- Posco – PWPC
- Dongsung Poland
- Deerfos Europe
- Yushin Precision Industrial
- Erae Poland
- Starion Wroclaw/Starion Poland
- ST Automotive
- Dong Yang Electronics
- Mudeung Electronics
- KET Poland
- Seoyon Ehwa/Seoyon Elec./Koam
- Sekonix Poland
- Dongil
- Ace Rico
- ILP
- KCP
- Nara Battery Engineering
- Fine Altech
- Nifko Korea Poland
- Dongseo Display
- Dongshin Mo Tech
- BMC Poland
- Derkwo Electronics

Logistics and Service

- Pantos
- Samsung SDS
- Serveone MRO
- LS Mtron Poland
- Hanjin
- Air Container
- Adampol (Hyundai Glovis)

Construction

- S&I
- Samsung Heavy Industry
- Posco E&C
- GS E&C

Financial

- Industrial Bank of Korea
- Shinhan Bank
- Woori Bank

R&D and IT

- Samsung R&D
- LG CNS
- KT Corporation

Automotive related

- LG Chem Wroclaw Energy
- Mando Corporation
- SK Innovation
- LS EV Poland
- Woobo Tech
- S&T Motiv
- Daewon Europe
- LT Precision
- Humax

Electronics

- LG Electronics Wroclaw
- Samsung Electronics Poland Manf.
- LS Cable & System Poland
- Sam Dong Europe
- Samwha Poland
- Kyungshin Cable

Displays

- LG Electronics Mlawa
- LG Display
- Heesung Electronics
- SKC Hi-Tech and Marketing

Chemical and rubber industry

- MCNS Polyurethanes Europe
- Able Cosmetics
- DK Sungshin
- Dong-A Hwasung
- Enchem Poland
- Foosung
- Hanhwa Q Cells



Success Story

Umicore

electromobility

Belgium-based Umicore is building a production site of cathode materials for electric vehicles in **Nysa** (south-west Poland, Opole district). In the first phase, the investment will create up to **400 jobs**, including 120 for engineers. The total value of the project will reach

EUR 320 million. The company has chosen the southwestern part of Poland due to its close proximity to Europe's largest lithium-ion battery factory – the LG Chem plant in Kobierzyce. Umicore's production plant will be launched in 2020.

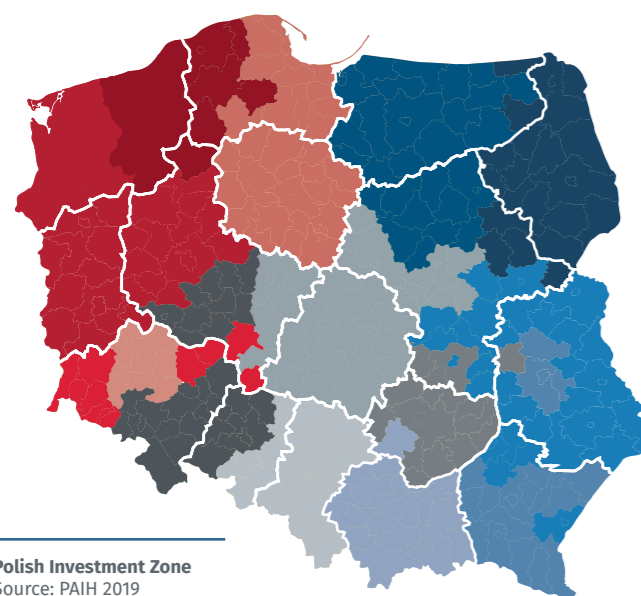
3. Incentives for investors

The Polish Investment Zone – a new regulation for business

In order to better address business expectations, in 2018 the Polish Parliament introduced the New Investment Support Act. By way of this new regulation, nearly all of Poland now constitutes a single investment zone in which companies can benefit from tax advantages in form of Corporate Income Tax (CIT) or Personal Income Tax (PIT) exemption for a period of 10, 12, or 15 years after fulfilling certain location-dependent conditions.

divided into two groups: sustainable economic development and sustainable social development. In order to meet the qualitative criterion, 4–6 points (depending on location) must be obtained from a total of 10. The quality criteria included in the Polish Investment Zone concept motivate investors to implement projects that create highly specialized workplaces which enhance export sales and which comprise partnerships with R&D institutions.

The decision to grant support applies not only to putting new projects in place, but also for planned expansion of existing businesses, such as opening new plants, increasing production capacity, and introducing new products or innovations.



- Name of zone**
- Kamiennogórska SSE Małej Przedsiębiorczości
 - Katowicka SSE
 - Kostrzyńsko-Stubicka SSE
 - Krakowski Park Technologiczny
 - Legnicka SSE
 - Łódzka SSE
 - Pomorska SSE
 - Słupska SSE
 - SSE "Starachowice"
 - SSE Euro-Park Mielec
 - Suwalska SSE
 - Tarnobrzaska SSE EURO-PARK WISŁOSAN
 - Wałbrzyska SSE Invest-Park
 - Warmińsko-Mazurska SSE

The criterion for granting public aid under the new regulation is two-fold. First, a minimum investment expenditure is required, based on the unemployment rate in a given district (pol. so-called powiat) and the size of the company involved. Next, certain qualitative parameters affecting the country's sustainable economic development are taken into consideration. These differ according to the type of investment - industrial or service sector. In both cases, however, criteria are

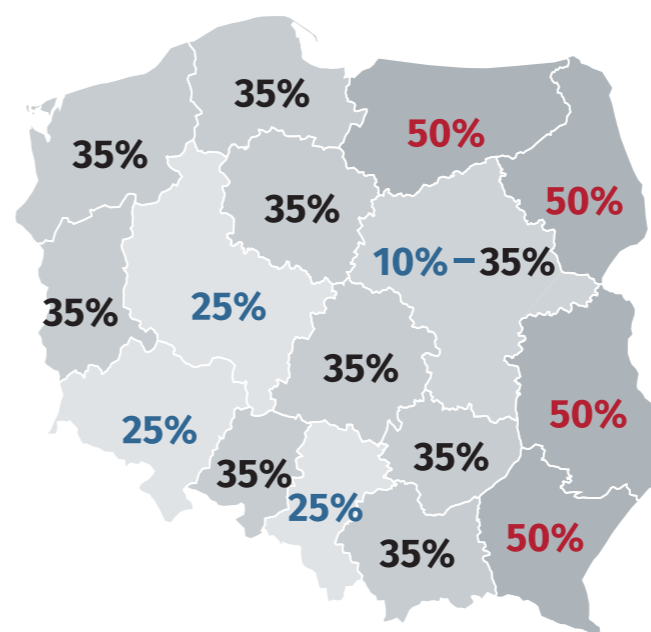
It must be pointed out that it is worth to consider the potential location of the investment as a crucial factor, as it conditions the following parameters:

- ~ minimum required value of eligible investment costs under the quantitative assessment;
- ~ maximum aid intensity and the amount of available tax exemption;

- ~ period of tax exemption;
- ~ number of required points within the qualitative evaluation.

Benefits for Investors

The new legal arrangements provide companies with the possibility of obtaining tax exemptions for investments, albeit so long as they comply with eligibility rules. The Polish Investment Zone (PIZ) exemption allows for Corporate Income Tax or Personal Income Tax relief for income generated by activities covered by the granted decision on support which are to be conducted within a specified territory.



The level of tax exemption, therefore, depends on the location of the investment and size of the given company. Currently, this equals 10%–50% for large enterprises, 20%–60% for medium enterprises and 30%–70% for micro and small enterprises. This means that in certain areas of Poland, an investor can enjoy the highest level of support available under EU regulations.

The value of aid is calculated as a product of the maximum aid intensity multiplied by the costs of two-year newly created employment or eligible investment costs, whichever is higher. The maximum amount of support for large investment projects (above EUR 50 mn of eligible expenditure) is scaled down, established on the basis of a specific formula – the product of standard intensity in the location of the investment and EUR 50 mn increased by 50% of costs between EUR 50 mn and 100 mn and 34% of costs over EUR 100 mn. It is worth noting that additional terms apply for public aid for projects exceeding EUR 100 million, and such projects should be consulted with PAIH.

The greatest advantage of the new aid scheme is not only the increased flexibility in the investor's choice of location, but also the offer of a significantly longer period of tax exemption. This especially concerns investments located within a Special Economic Zone areas or regions with the highest (50%) aid intensity. In these locations, the exemption period could last up to 15 years. The decision on the support is granted via an administrative body, hence the procedure should not take longer than 30 days of the date of submitting the application, which can be submitted throughout the whole year.

Success Story

Mitsui High-tec

electromobility

A motor core stamping company for generator and motor parts of hybrid vehicles (HV) and electric vehicles (EV), Japan's Mitsui High-tec is to establish a manufacturing plant in **Opolskie** district. The company is to hire **200 people** and plans to invest **USD 43 million**. The investor expects to create 30 jobs initially, but foresees the creation of 70 jobs by 2024 and, with time, an additional 200 positions. This is Mitsui High-tec's first production site in Europe.

3. Incentives for Korean investors

Tax relief for research and development activities (R&D tax relief)

R&D tax relief allows taxpayers involved in R&D activities an additional “deemed” deduction of up to 100% of expenses incurred

in relation with R&D activities. The annual deduction of eligible expenditures, however, cannot exceed the amount of income in a given tax year. Still, the taxpayer may utilize the excess of tax relief available within 6 consecutive tax years.

How are “R&D activities” defined under the Polish CIT Act?



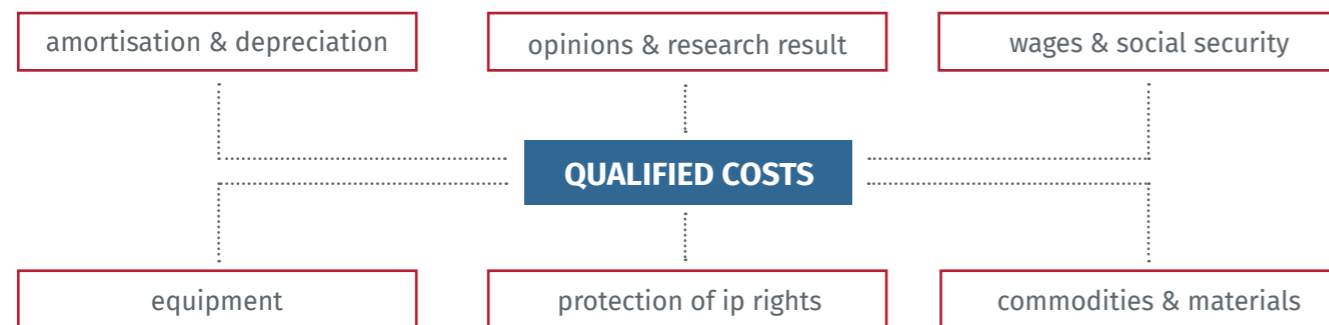
What types of costs qualify for the purposes of R&D tax relief?

Costs that qualify for the purposes of R&D tax relief are the costs incurred in relation with R&D activities that are then deducted from the taxpayer’s tax base. The deduction is allowed as long as the qualified costs have not been refunded to the taxpayer in any way (e.g. via grant) or have not been otherwise deducted from the tax base.

The catalogue of qualified costs includes:

- ~ employee wages and social security contributions: proportionally to the time spent by the employees on R&D works;
- ~ purchase of commodities and raw materials directly connected

- to R&D activities;
- ~ purchase of scientific equipment not treated as fixed assets for tax purposes;
- ~ experts’ opinions, advisory services and equivalent services, as well as research results purchased from the qualifying scientific units;
- ~ fees for the use of scientific equipment paid to unrelated entities;
- ~ costs of obtaining and maintaining the protection of intellectual property (IP) rights;
- ~ depreciation and amortization of the fixed and intangible assets used for the purposes of R&D activities; with the exception of vehicles and real estate.



A wider catalogue of qualified costs is available to entities of R&D center status. R&D centers are also entitled to a deduction of up to 150% of the qualified costs incurred. To benefit from R&D tax relief, the taxpayers should keep records of the qualified costs incurred in relation to R&D work in a given year. The relief applies regardless of whether the R&D activities are successful or of how innovative the

results are. This tax relief is also available for qualifying projects in progress.

Effectively, an entrepreneur can save up to PLN 190 on every PLN 1,000 spent on R&D (or as much as PLN 285 in the case of R&D centers).

How does the R&D tax relief work? – Example 1.

Assumptions

In 2018, a Polish subsidiary of the producer of rubber parts for the automotive industry conducted a successful research project resulting in the invention of a rubber mixture with high noise-reducing qualities. Taxable revenues of the subsidiary in 2018 amounted to PLN 7 mn, while the total tax-deductible costs amounted to PLN 6 mn. Among the tax-deductible costs, the following were incurred in the research activity:

- ~ purchase of research results from a scientific unit;
- ~ wages and social security contributions of persons engaged in the project -in the proportion to the time spent on the project;
- ~ purchase of lab equipment;
- ~ purchase of chemical components;
- ~ depreciation of production line used for test production;
- ~ cost of trials in a specialized research center;
- ~ legal fees incurred for obtaining patents.

Those costs amounted to PLN 600,000. The subsidiary created separate analytic accounts in their accounting books to record these costs.

CIT calculation

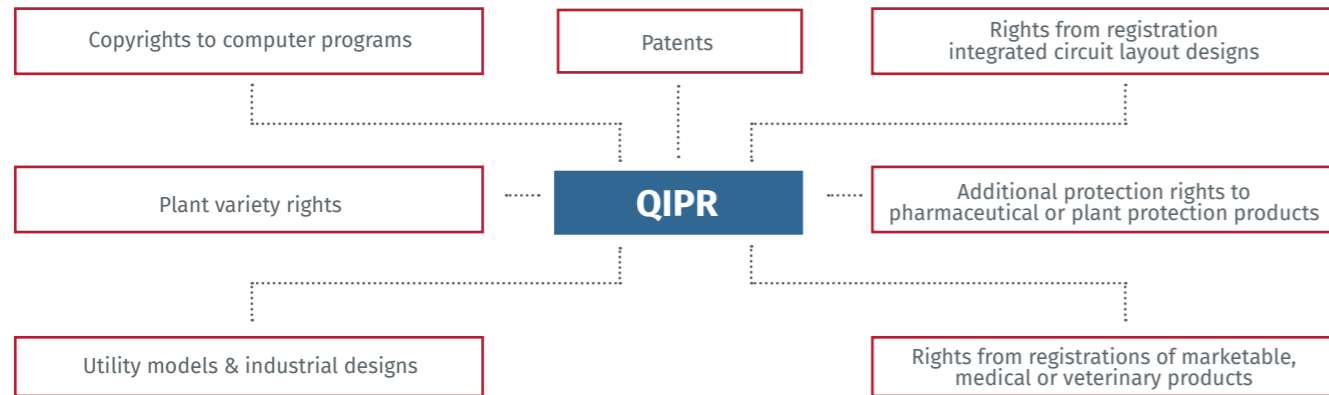
	R&D tax relief	No R&D tax relief
Taxable income:	PLN 7,000,000 - PLN 6,000,000 = PLN 1,000,000	PLN 7,000,000 - PLN 6,000,000 = PLN 1,000,000
Qualified costs:	PLN 600,000	PLN 0
Tax base:	PLN 1,000,000 - PLN 600,000 = PLN 400,000	PLN 1,000,000
CIT to be paid:	PLN 400,000 x 19% = PLN 76,000	PLN 1,000,000 x 19% = PLN 190,000

3. Incentives for Korean investors

Innovation Box (IP Box) tax relief

The Innovation Box tax relief allows for an application of a 5% tax rate (instead of the standard 19% rate) to the income derived from the qualified IP rights (QIPR). This tax preference applies when a taxpayer conducts R&D activity related to developing, creating, or improving a given intellectual property component. In order to benefit from the relief, the taxpayer will be obliged to separate the income from QIPR in his accounting books.

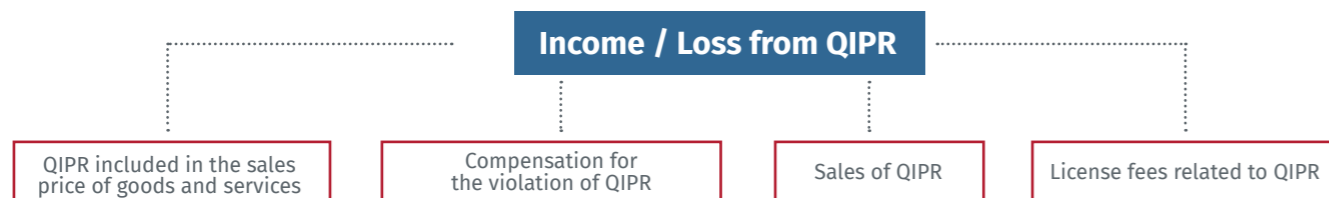
What are the qualified IP rights (QIPR)?



Calculation of the tax base

The amount that will be subject to the preferential 5% tax rate, i.e. the qualified IP right income (QIPRI), corresponds to the amount calculated as the income obtained from the qualifying IP right multiplied by the so-called 'nexus' as per the specific formula provided under the CIT Act. Taxpayers who develop innovative solutions

independently or in association with unrelated parties may expect the greatest tax relief. The nexus formula refers to the costs actually incurred by the taxpayer in conducting R&D activities related to the QIPR, as well as costs incurred for the acquisition of the results of R&D. The more cost generated within the first category, the more favorable the result of the formula. It should be noted, however, that the maximum value of the formula may be equal to 1.



Success Story

Varroc Lighting Systems

automotive

Originating in India, Varroc Lighting Systems, an international manufacturer of automotive solutions, chose Poland to expand its business. This is to come about in two locations. In **Niemcy** (near Lublin, in south-east Poland), Varroc is to establish a production plant and a research & development center; in Kraków (south of Poland), the company is developing a technical support center. The company is to hire **350 people**. The majority of new jobs are for engineers.

How to apply IP Box relief? – Example 2.

Assumptions

The entrepreneur obtained revenue from the sales of the right to an invention: a patent. The cost of obtaining this revenue amounted to PLN 800,000, of which:

- ~ The costs of the R&D activities connected directly with the sold right to the invention amounted to PLN 400,000;
- ~ The costs of the acquisition of research results connected with the invention from an unrelated scientific unit amounted to PLN 200,000; the entrepreneur bought no qualified IP or research results from related entities;
- ~ The entrepreneur financing costs amounted to PLN 100,000;
- ~ Other costs not directly connected with the invention amounted to PLN 100,000.

CIT calculation

	IP Box	No IP Box
Tax base:	PLN 1,000,000 - PLN 800,000 = PLN 200,000	PLN 1,000,000 - PLN 800,000 = PLN 200,000
Qualified costs ratio (QCR):	(PLN 400,000 + PLN 200,000) x 1.3 / (PLN 400,000 + PLN 200,000 + PLN 0 + PLN 0) = 1.3 1.3 > 1 => QCR = 1	
Qualified revenue from QIPR:	PLN 200,000 x 1 (QCR) = PLN 200,000	
CIT to be paid:	PLN 200,000 x 5% = PLN 10,000	PLN 200,000 x 19% = PLN 38,000

- ~ losses from QIPR can be offset against the taxable income from QIPR; subject to a carry-forward of 5 consecutive years after the year in which they have been incurred;
- ~ IP Box tax relief can also be applied before the IP protection rights are registered (once an application to the Patent Office is submitted); If the application is rejected, CIT has to be paid according to the regular rate.

3. Incentives for Korean investors

Summary of R&D in Poland.
Favorable conditions for shared growth



R&D Center Status	R&D Tax Cut	Innovation Box
Pursue R&D activities and benefit from the official status of an R&D Center	Easy-to-apply tax instrument for R&D activity	5% Tax Rate for qualified income related to sale of IP rights
Straight forward procedure – one-stop-shop at the Ministry of Investment and Economic Development	Deductions of 200% and 250% for R&D Centers – deduct costs 2 or 3 times!	Invent & Commercialise – sell it in Poland and enjoy a low tax rate
Easier access to funds for innovativeness development from public programs	Benefits regardless of the company size – SMEs and MNCs treated equally	Covers most popular IP rights – copyright in computer programs, patents, industrial designs
Annual benefits – R&D expenditures are deducted from your tax base	Long-term tax benefit – apply the cut across 6 consecutive tax years	Long-term tax benefit – applicable during the entire life span of the rights

4. Potential investment locations

As one of the largest countries in the CEE region, and the 6th largest in Europe, Poland provides a significant selection of potential investment locations. In any of Poland's 16 regions (voivodeships), an investor can find sites with the access to intermodal logistics hubs and thus, an easy link to the borders to other neighboring countries inside the European Union (such as Germany or the Czech Republic) and outside the UE. While entering each region in Poland investor gains the opportunity to cooperate with many regional business and education partners including industrial clusters and technological parks. Let's look at few regions of Poland and their business offer for foreign investors.

The Dolnośląskie (Lower Silesia) region is located in Southern-West of Poland. Due to its favorable location close to the German and Czech borders, a business friendly environment, highly developed infrastructure, and vast human resources, the Lower Silesia has established itself among the leaders of the Polish economic rankings in terms of investment attractiveness and quality of life. The region is a dynamically growing innovation hub, home to many large multinational corporations, especially for Korean investors. It is to be noted that Lower Silesia was chosen by the LG Group to erect there the company's first production site in Europe. The LG Group investment is the biggest project completed by the Korean company in Poland and the biggest ever supported by the Polish Investment and Trade Agency. Additionally, in Wrocław (the regional capital city), dozens international business service companies have set up their offices, including many with a dedicated Korean desk.

Dolnośląskie



Population: **2,901,003**
(7.6% of Poland, H1 2018)

Academia: **32 universities, 123,604 students**

Public Aid Intensity: **25%***
*for large companies

Example Industries

- Automotive & Electromobility
- IT
- SSC

To support the further dynamic development of the region central and local institutions together with key business players of the region have recently launched a new program aimed to expand transportation and business infrastructure, academic potential and other strategic areas.

In total, 4 special economic zones operate in the region, supporting enterprises in various sectors such as automotive, white goods, metal processing, plastic industry, and even FMCG (fast-moving consumer goods). According to a 2018 report on the Polish Investment Zones in the region, the total investment amount in all 4 zones amounted to PLN 31 bn (roughly equal to over USD 8 bn), creating over 57 thousand jobs.

Although the region and its main metropolis, already attracted numerous large investments, there is little indication that Lower Silesia is slowing down. The recent investments from Daimler, LG Chem, Schaeffler Olympus and Smith & Mathew show that there is still much potential to be exploited in the region.

Success Story

GTHR
automotive

One of the biggest producers of materials for lithium batteries inserts, Chinese-owned GTHR is building a manufacturing center in **Oława** (south-west Poland). This is the latest investment of this company in the Silesia region in Poland. The total expenditures have been estimated at **USD 50 million**.

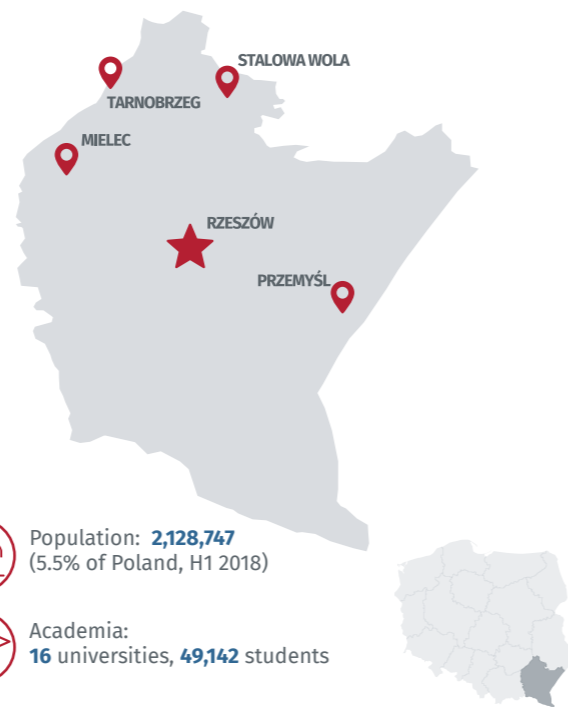
4. Potential investment locations

Podkarpackie

Located in Southern-East of Poland, the Podkarpackie region is a rising star in terms of investment location. Due to infrastructure development and the establishment of the nationally renowned Aviation Valley cluster, in recent years, the region has become a hub of innovation gaining popularity among both domestic and foreign companies. The aerospace industry has strong presence there, with international companies such as Pratt & Whitney, Goodrich Aerospace, MTU Aero Engines, Lufthansa and many others having set up their investment in the region.

Two special economic zones operate in the region, with a combined total investment value of approximately PLN 20 bn (over USD 5 bn), and the creation of over 36,000 jobs. Far from being specialized just in aviation, the region is home to many industries such as automotive, plastics, and metal processing.

One of the assets of Podkarpackie is the academic hub with local universities keen on interacting and cooperating with entrepreneurs in the region. Through a combination of business-friendly regulations, the access to talent pool, and good infrastructure, the region is definitely an investment destination to keep in mind when considering Poland.



Population: **2,128,747**
(5.5% of Poland, H1 2018)

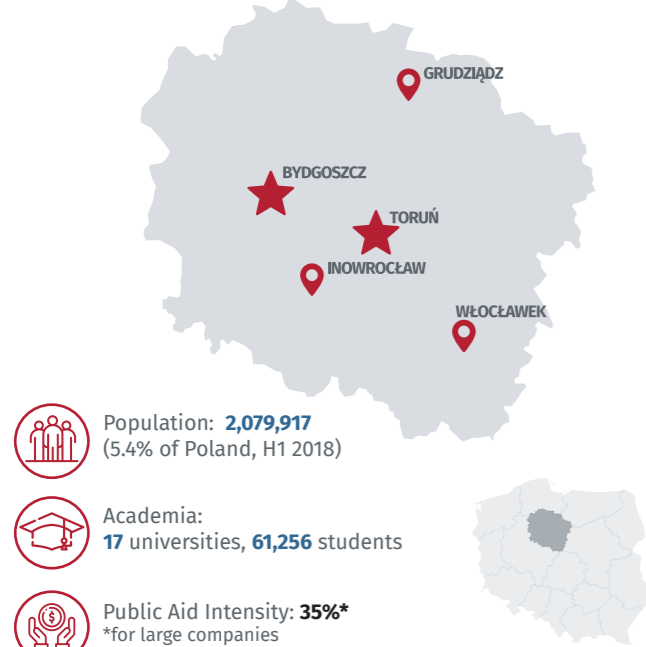
Academia:
16 universities, **49,142** students

Public Aid Intensity: **50%***
*for large companies

Example Industries

Aerospace Automotive IT

Kujawsko-Pomorskie



Population: **2,079,917**
(5.4% of Poland, H1 2018)

Academia:
17 universities, **61,256** students

Public Aid Intensity: **35%***
*for large companies

Example Industries

Metallurgy Food industry Plastics industry

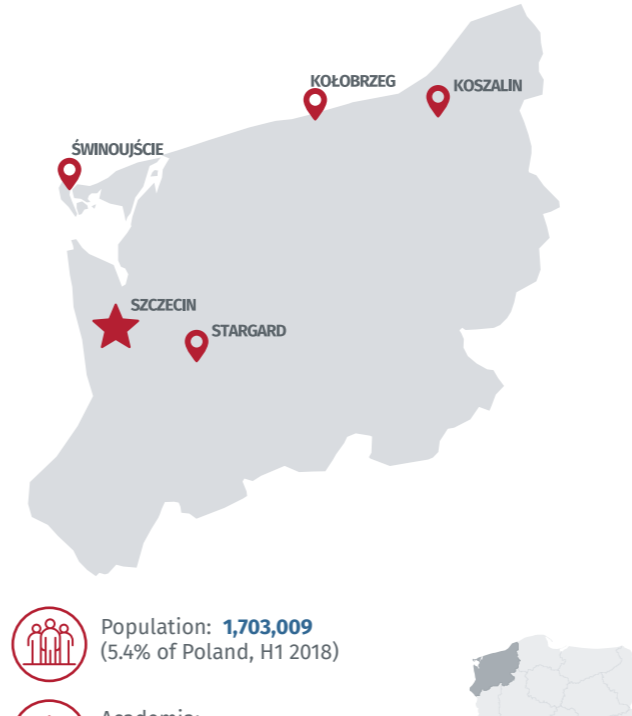
Conveniently located in the center of Poland, the Kujawsko-Pomorskie region is situated along the major transportation routes: the A1 motorway (North-South) and the S5 expressway. Additionally, the presence of an international airport in Bydgoszcz, offering connections to major cities in Europe, such as Frankfurt am Main, has set the stage for new investments. Currently, Kujawsko-Pomorskie is home to many companies from the plastics, chemical, and pharmaceutical industries, as well as the business service sector. The special economic zone operating in the area, covering both Kujawsko-Pomorskie and a large part of the Pomorskie (Pomerania) region in the north, has helped over 120 companies to flourish. These have invested a total of around PLN 11 bn (USD 3 bn), and created over 15,000 new jobs.

Indeed, many local and International investors have already chosen Kujawsko-Pomorskie as their home in Poland, with companies such as Mondi, UMC, PESA Bydgoszcz, and Anwil the most important examples. Thanks to the presence of two large academic cities (Bydgoszcz, Toruń), and a key national cluster (Bydgoszcz Industrial Cluster), the region is very well prepared for new investments and new challenges.

Zachodniopomorskie

Last, but definitely not least, much promise is also offered by the most Northern-West region of Poland, Zachodniopomorskie (Western Pomerania). Boasting one of the largest sea-ports in Poland, Western Pomerania offers both good in-land connections to Germany and to overseas destinations. The region is highly attractive for technologically advanced businesses. This is already evident in business-related rankings, as the region holds 4th place in Poland in terms of its attractiveness for industrial activity.

Zachodniopomorskie is divided into 2 special economic zones in which investors can take advantage of the Polish Investment Zone preferential regulations. The zones have attracted around PLN 9 bn (over USD 2 bn) in investment and have created 21,277 new workplaces. With key investors such as Nordglass, Bridgestone, Kronospan, Grupa Azoty, and many others, the region is highly alluring to many industries. From logistics, plastics, metal products and processing, to furniture, the area encourages collaboration between and within industries.



Population: **1,703,009**
(5.4% of Poland, H1 2018)

Academia:
16 universities, **43,124** students

Public Aid Intensity: **35%***
*for large companies

Example Industries

Bioeconomy Logistics Metal industry

Success Story

Equinix

ITC

At the end of 2018, the Nasdaq-listed software company, Equinix, announced the establishment of a Product Development Center in **Warsaw**. In Poland, this American data center company will invest approximately **USD 45 million** over the next five years to support this talent initiative. The expenditure will make Warsaw one of three innovation locations of its kind globally, in addition

to Singapore and Silicon Valley. Equinix's Warsaw office will be focused on designing advanced, customer-inspired, software-defined networking products. It will also develop virtual IT infrastructure capabilities, and perform data science-backed IT infrastructure research aimed at accelerating global digital businesses.

Industrial Development Agency (IDA) | Agencja Rozwoju Przemysłu (ARP)

IDA is a state-owned, joint-stock company, supporting business development in Poland by financing industrial projects, offering investment sites and production facilities IDA is managing 2 Special Economic Zones: Tarnobrzeg SEZ and Mielec SEZ (in total 55 sub-zones around Poland) and is responsible for public aid for investors in South Eastern Poland, including Podkarpackie region. Vast number of the Korean companies invested in IDA's sub-zone in Koberzyce (Dolnośląskie region).



Invest with Industrial Development Agency

www.arp.pl/en



INDUSTRIAL FACILITIES

IDA offers the possibility of implementation of build-to-suit projects – construction of large space facilities according to the needs of the entrepreneur.

The industrial facility under construction, available for sale or lease.

Location: near Rzeszów

Property information: a production and warehouse hall (5,000 sq. m) with two unloading docks, a social-office building (1,000 sq. m)

Transport links: access to public road by two exits

Planned infrastructure: internal communication including roads, sidewalks, maneuvering and parking spaces lorries, fencing and connections for: electricity, telecommunication, water supply, sanitary and rainwater drainage, as well as gas.

Link to Maps: https://drive.google.com/open?id=11HHzvqq_OdFGe8cmLURMHvRzqnCgj9TC&usp=sharing



GREENFIELD SITES

Industrial Park Lubin

The growing interest in Lower Silesia among investors implicates the demand for well-prepared investment sites. Companies representing high-technology sectors require the best quality locations for their specialized facilities.

The Industrial Development Agency has prepared an industrial park investment area in Lubin to meet these expectations.

Location: 90 km from Wrocław

Transport links: near the junction of the S3 expressway, connection to Wrocław and onwards to Dresden (Germany) via the A4 highway, proximity of Poland's largest copper mining company, KGHM Polska Miedź SA

Max. available area: around 400 ha (individual plots can range from 5 ha to 200 ha)

Type of investment: production, services, or storage facilities – possibility to construct an enclosed and heated intermodal logistics center to enable the transport of goods by rail

Existing infrastructure: all utilities accounted for: electricity, gas, water



Contact data: SPI.lubin@arp.pl

5. Electromobility sector – opportunities and trends

Characteristics and trends of the market in Poland

In the past few years, the discussion about the future of transportation has become a major environmental topic worldwide. Agreeing that changes must be made, all major car manufacturers have continued to expand the number of models that rely on zero-emission engines, especially electric cars (BEVs). According to a market survey conducted by PWC in 2017¹, while 16% of those surveyed are indifferent and 44% of all Poles who responded would still choose a combustion vehicle as their new car, even now, 40% would choose an electric car. Furthermore, among those interested in buying an electric car, as many as 64% of all respondents are ready to pay as many as USD 22,000. Currently the Polish market for electric vehicles offers a lot of potential as it is less saturated than other Western European markets. The growing interest in electric cars and hybrids in Poland is based on the following market trends:

- ~ **Falling battery prices:** this contributes to the popularization of electric cars, in 2018, the cost of purchasing 1kWh of battery energy was approximately USD 170, compared to approximately USD 200 in 2017. A further decline in prices is forecast for the coming years - down to USD 100 in 2020.
- ~ **Decreasing charging time and increasing range.** As batteries evolve, the charging time is also decreasing. Currently, superchargers (rapid chargers of 150 kW) are capable of charging a BEV's electric cells within one hour - allowing Tesla cars to run for 300 miles.
- ~ **Growing social environmental awareness:** in recent years, the demand for vehicles with limited or zero emissions has significantly increased.
- ~ **Maintenance costs of electric cars:** these have been recognized as significantly lower than those of internal combustion cars. These results from lower breakdown rates and a much higher energy ef-

ficiency (about 90% of generated energy is used to power the car, compared to the maximum levels of about 30%–40% for internal combustion cars, with the rest lost as heat).

- ~ **Incentives for the purchase of electric cars:** Poland is currently following in the tracks of Western European countries, and, starting from 2019, will introduce various subsidies and discounts related to the purchase of electric cars. Moreover, many of Poland's major municipalities will soon introduce restrictions for internal combustion vehicles in their urban centers – allowing free access only for zero-emission vehicles.

Market structure

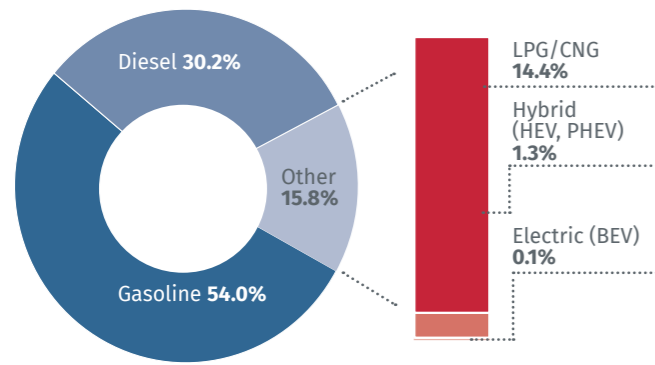
There are almost 29 million cars on Polish roads, 75.7% of them are passenger cars and 12.4% are commercial vehicles. In terms of the number of vehicles, Poland is ranked 6th in Europe. In the current structure of the Polish market, internal combustion-powered vehicles predominate. As of the end of 2017, 54.0% of the cars on Poland's roads had petrol engines, while 30.2% were powered by diesel engines. Vehicles with alternative propulsion systems, i.e. LPG or CNG, took the remaining 15.8% of the market share, while electric and hybrid vehicles hold about 1.4%.

It is also worth mentioning that Poland is above the EU average when it comes to the number of cars per inhabitant, with 672, as compared with 587 for the EU.

Trends dominating in Western Europe have a growing impact on the Polish market. This means that the structure of the car park in Poland will change strongly in favor of electric vehicles, as it is now in Western Europe. The abovementioned factors imply that Poland is an above-average country when it comes to demand for vehicles.

¹ PWC Autofacts 2017

5. Electromobility sector – opportunities and trends



Type of vehicle propulsion in Poland in 2017
Source: JP Weber analysis based on CEP 2018

By comparing these data with Poland's economic growth forecasts and the increasing pressure of the European Union's environmental policy, it can be clearly seen that the growth potential of internal combustion vehicle stock is already limited.

The future of Poland's mobility market

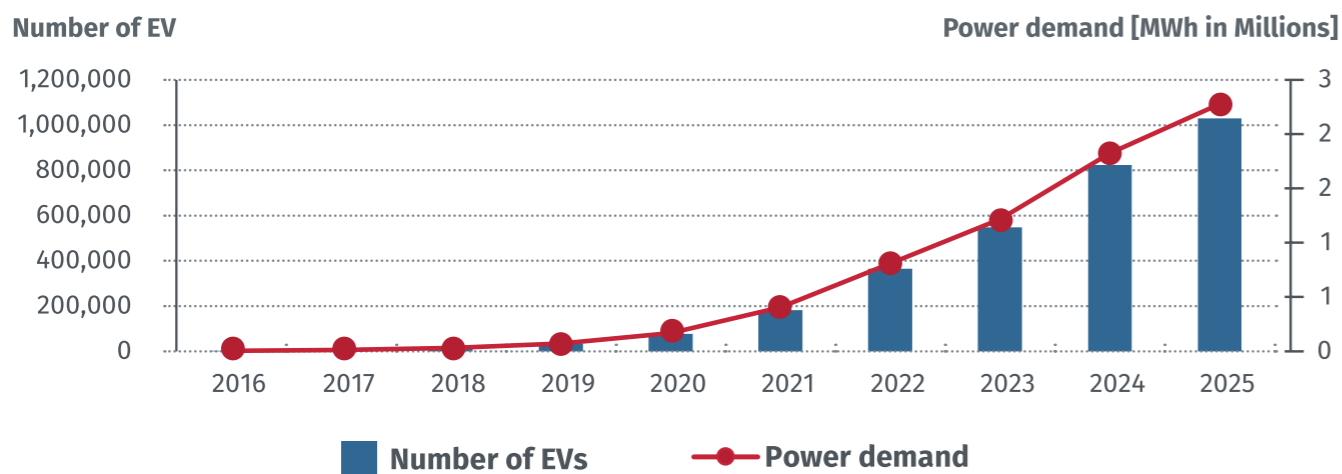
When it comes to future of Polish electromobility, in comparison to Western European countries Poland is considered a market with high growth potential. The current structure of the Polish market described in the previous paragraphs shows a vast space for the electromobility revolution. Moreover, electromobility development in Poland may contribute to growth in other sectors of the economy. At the same time, with the development of electromobility, it is expected that regulations at European Union level will favor electric propulsion over combustion engines. Indeed, the European Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) has approved a proposal to implement targets

for EU member countries which assume that by 2025 car manufacturers will be required to have 20% of their entire car sales comprising fully electric vehicles or very low emission vehicles (ULEVs). By 2030, this figure is expected to rise to 40% of all sales, and from 2040 onwards, only zero-emission vehicles will be allowed to be sold. As of now, there are about 3,500 electric cars (BEV and PHEV) on the Polish roads, with ca. 850 public charging stations available (according to the data by the Polish Alternative Fuels Association). According to the government's electromobility development plan, there will be 6,400 charging points available in Poland by 2020, with 50,000 electric cars on Polish roads.

Further forecasts concerning changes in the Polish mobility market assume that the number of electric cars will grow exponentially to 1 mn in 2025, and the infrastructure for charging cars will be fully developed.

The state authorities also have a strong influence on the creation of demand for electric cars on the Polish market, and, within the framework of the electromobility program, the Polish government wants to support the development of new means of transport and stimulate the market to increase the share of electric vehicles. For this purpose, two major projects have been implemented:

~ The E-bus project is intended to lead to the creation of a robust Polish electric bus manufacturing industry that will be competitive on the global market. The project assumes that by 2025 Poland will boast an electric bus market of at least USD 650 mn in annual value. A key component to the success of the program is the support of domestic research and development institutions.



Electric vehicles and energy demand
Source: JP Weber analysis based on CEP 2018

~ Electric Car Project: stimulating the development of technology, the production and the marketing of electric cars.

In addition, Poland's local governments and local public institutions have committed to having 10% of their vehicle fleets composed of electric vehicles by 2020. This figure is to gradually increase to:

- ~ 30% – for municipalities with more than 50,000 inhabitants, as of 2025;
- ~ 50% – for central authorities of state administration, as of 2025.

terms of the value of production, employment, capital expenditures and share in exports.

Taking into account the number of manufactured vehicles, Poland remains the third largest country in Central and Eastern Europe. In 2018, 451,600 passenger cars were produced in Polish factories. However, taking into account not only direct production, but also services provided, indirect production and repairs, Poland is a leader in this market segment in the CEE region.

In terms of the market closely related to electromobility, the most dynamically developing industry is bus production. In Poland, 6 major bus manufacturers have their production facilities: Autosan, MAN, Scania, Solaris, Ursus, Volvo. Local OEMs such as Solaris and Ursus have already taken steps to consolidate their suppliers on the Polish market, creating dedicated clusters. It is important to note that the e-bus segment has high growth potential in Poland because of a combination of Government support through the E-Bus pro-

Electromobility Cluster

In recent years Poland has attracted a significant number of foreign investments in the automotive production sector and, consequently, has become one of the major producers of cars, car parts and components in Central and Eastern Europe. At the same time, the automotive industry has become one of the key industries in Poland in



- Gdańsk
Northvolt Poland Sp. z o.o
- Bolechowo
Solaris Bus & Coach S.A.
- Konin
Johnson Matthey

- Warszawa
Impact Clean Power Technology S.A.
- Jawor
Mercedes-Benz Manufacturing Poland sp. z o.o.
- Wałbrzych
Toyota Motor Manufacturing Poland Sp. z o.o.

- Kobierzyce
LG Chem Wrocław Energy Sp. z o.o
- Wrocław
Volvo Polska sp. z o.o.
- Oława
Guotai Huarong (Poland) Sp. z o.o.
- Jelcz-Laskowice
Toyota Motor Manufacturing Poland Sp. z o.o.
- Skarbimierz
Mitsui High-Tec Europe Sp. z .o.o
- Nysa
UmicorePoland Sp. z o.o.
- Kędzierzyn-Koźle
Foosung Poland sp. z o.o.
- Gliwice
BMZ Poland Sp. z o.o.
- Zabrze
Korea Electric Terminal
- Dąbrowa Górnicza
SK Innovation
- Starachowice
MAN Bus sp. z o.o.
- Lublin
URSUS BUS S.A.

Poland as a hub for electromobility – main enterprises
Source: PAIH 2019

5. Electromobility sector – opportunities and trends

gram, the interest of municipalities in modernizing public transport fleets, and the efforts of local producers to actively develop their product portfolios.

At the same time, Poland is becoming a European leader in terms of power storage manufacturing. The largest company producing lithium-ion batteries for electric vehicles in Poland is LG Chem in Biskupice. The plant is developing dynamically and, according to the plans of new investments, by 2021 it will employ 6,000 people and produce batteries with a total capacity of 70GWh per year. The company has already declared investment of over EUR 1.3 bn and further investments being considered aspires to become the largest battery factory in Europe or maybe even in the World. LG Chem's investment is closely followed by an increasing number of suppliers, which following their start of operations in the upcoming years will form a well developed supply chain for cell and battery manufacturing.

Daimler-owned Mercedes-Benz which in 2019 starts production of high-tech engines in Jawor announced in January that it would

Moreover, the creation of electromobility cluster is not limited to manufacturing activities but is also stimulating the growth of R&D works. As a result, in February 2018 PolStorEn was created, a consortium of leading scientific institutions conducting research in the field of chemical power sources (AGH University of Science and Technology, Institute of Non-Ferrous Metals, Gdańsk University of Technology, Poznan University of Technology, Warsaw University of Technology, Jagiellonian University, University of Warsaw). The purpose of establishing a scientific and industrial consortium is to develop and implement innovative solutions in the field of energy storage. The Consortium's organization assumes the involvement of scientific units, investment funds, and industrial industry partners interested in the final development and implementation of developed technological solutions. PolStorEn is open for cooperation also with foreign investors.

Thanks to the strong presence of traditional automotive industry and increasing investment in the production of EV cells and batteries, hybrid engine components, transmission systems or eBuses, a thriving electromobility ecosystem has formed in Poland. This gives

Success Story

Lufthansa Technik AG and MTU Aero Engines AG

aviation

In May 2018, the facilities of EME Aero have begun construction in **Jasionka** (Southern-East of Poland), in the Aviation Valley of Poland (Poland's southern-east). This is to be one of the most advanced maintenance facilities in the aerospace industry. Within this joint-venture project run by Lufthansa Technik AG and MTU Aero Engines AG, a

total amount of around **USD 170 million** will be invested. EME Aero is slated to be up and running in 2020, and will have a workforce of around **800 employees**. The planned annual capacity is over 400 shop visits of the PW1000G-series geared turbofan engines that power the Airbus A320neo family of aircraft, as well as other airliners.

invest approximately EUR 200 mn in the construction of a second plant, in the same location, for the production of car battery packs. With the construction of a battery pack factory, approximately 300 new jobs will be created. The above mentioned investments stand as a testament to the rising position of Poland as a major Li-ion battery production hub.

the country an advantageous position in the wake of the eMobility revolution. In this context, large investors continue valuing Poland's strategic location, macroeconomic stability, a well-developed network of suppliers and co-operators, a competitive cost base, and business-friendly environment.

6. Regulatory framework: legal and tax rules

Conducting business activities

Polish regulations allow domestic and foreign enterprises to operate under a wide variety of legal forms. Hence, besides the limited liability company, which is probably the most attractive legal form for foreign investors to conduct business in Poland, there are a number of other forms of business organization that can be considered.

Limited liability company

Limited Liability Company (LLC) is the most popular legal form for foreign companies investing in Poland.

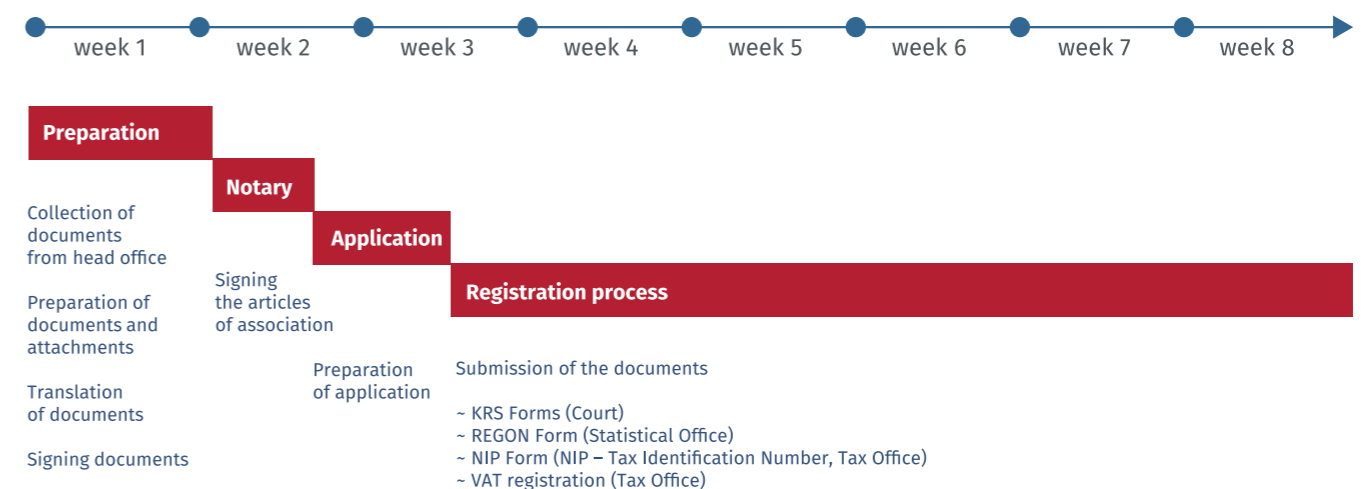
The major advantages of LLC as compared with other legal forms provided by Polish law are as follows:

- ~ relatively low costs of incorporation of the company;
- ~ possible start of operation immediately after signing the Articles of Association;
- ~ fast registration process at register of entrepreneurs of the National Court Register (KRS);
- ~ limited liability and a low minimal share capital;
- ~ clear and simple rules in relation to the day-to-day management of the company;
- ~ low operational costs.

The establishment of a branch office in Poland has similar advantages, however, in case of companies located outside of EU, a permit to purchase real property in Poland is required.

Establishing and registering an entity

LIMITED LIABILITY COMPANY (sp. z o. o.)



Success Story

Johnson & Johnson

R&D

Global **FMCG leader**, Johnson & Johnson (J&J) opened the Consumer Biomedical Information Centre (CoBIC) in **Warsaw**. This is the first-ever global R&D center of excellence within the company's consumer sector. CoBIC is home to a team of business, science and data experts focused on the development, registration and launch of new Johnson & Johnson

personal and consumer healthcare products worldwide. The center supports such J&J functions as: regulatory, medical affairs, clinical operations and laboratory information systems. It will serve as a vital connection point, not only for local employees, but also throughout the rest of the world.

Taxation of companies in Poland

Corporate Income Tax (CIT)

Taxpayers

Polish residents are subject to CIT on their worldwide income, whereas non-resident entities are subject to CIT on the Polish source income only. A company is considered a Polish resident if it has either a registered office or place of management in Poland. Taxation of non-residents may be further limited in accordance with the provisions of any double tax treaty (DTT) concluded by the non-resident's home country with Poland. Poland has an extensive treaty network with 90 DTTs in place as of 2019.

Tax base

Income from a source of revenue is the surplus of the sum of revenues obtained from this source of revenue over the costs of obtaining the said revenue, generated in a given tax year. Should the costs exceed the sum of revenue, the difference is a loss from the source of revenue. Tax losses can be deducted from income derived from the given source of revenue during five subsequent tax years ("loss carry-forward system"). Generally, the amount of the deduction should not exceed 50% of the loss in a given tax year. Alternatively, the taxpayer is allowed a one-time recognition of tax loss in an amount not exceeding PLN 5 mn with the remaining amount of the loss to be offset during five subsequent tax years in amounts not exceeding 50% of the loss in each of the years.

Sources of revenue

As of 2018, revenues derived by Polish taxpayers should be split and taxed separately in respective revenue baskets i.e.: (1) capital gains basket, including, in particular, dividends and other revenues actually derived from participation in profits of legal persons, and (2) other revenue basket, including revenues derived from operating activities.

Tax-deductible costs

- ~ Tax-deductible costs are generally costs incurred for the purposes of the taxpayer's business, with the exception of expenditure listed in the closed catalog of tax non-deductible costs.
- ~ The expenditures incurred for acquisition of fixed and intangible assets are recognized for tax purposes via depreciation and amortization write-offs, using depreciation rates provided in the CIT Act (e.g. 2,5% for non-residential buildings, 20% for vehicles, 30% for computers). In the case of intangible assets, the period of amortization cannot be shorter than 60 months, with the exception of software licenses and copyrights (24 months), licenses for films, radio and TV productions (24 months) and costs of the finished development work (12 months).
- ~ Poland's thin capitalization rules limit the deduction of financing costs to 30% of the adjusted tax basis (basically, tax-adjusted EBITDA). The limitation also applies to third-party financing (e.g. bank debt). The said limitation is applied to surpluses of the net financing costs over a safe harbor – which is set at PLN 3 mn (ca. EUR 700,000) annually. Non-deductible excess of financing costs can be carried forward and utilized in the subsequent five limitations.
- ~ Limitations also apply as to the tax deductibility of royalties and of remuneration for certain non-material services paid to related entities and to entities from tax havens, to the extent of the fees paid by Polish taxpayer that exceed the amount of PLN 3 mn increased by 5% of tax adjusted EBITDA. Non-deductible excess of fees for intangible services can be carried forward and utilized in the subsequent five limitations. The said limitation should not apply to, inter alia: (1) costs of services and payments directly related to the creation/acquisition by a taxpayer, of goods or services, (2) costs that have been recharged to other entities (re-invoices), (3) costs of services rendered between companies forming a tax capital group, (iv) if an Advance Pricing Agreement ("APA") has been obtained from Poland's tax authorities to confirm the arm's length nature of fees paid for intangible services.

CIT rates

19% standard CIT rate in Poland

9% applicable for newly established companies and so-called "small taxpayers" i.e. companies whose revenues in a tax year do not exceed the PLN equivalent of EUR 1.2 mn. This rate is only applicable to revenues from operating activities (i.e. revenues other than capital gains)

Withholding tax (WHT)

Scope

- ~ WHT is collected by Polish entities (payers) for dividends, interest, license charges, as well as fees for the provision of certain types of services that are paid to non-resident taxpayers.

10% for certain shipping and transportation services

19% for dividends

20% inter alia for interest, royalties, know-how and certain intangible services such as consulting, management and control, guarantees and sureties and benefits of similar nature

Rates

- ~ Generally, WHT exemption can be applied as based on the provisions of the CIT Act implementing the EU Parent Subsidiary and Interest and Royalties Directives – provided that certain conditions are met. Should the exemption be not applicable, reduced WHT rates provided under DTTs that Poland is party to can be applied.
- ~ As of 2019, the direct application of the exemption or preferential rates provided under DTTs has been replaced with new regimes depending on whether the total amount of payment that qualifies for WHT in Poland and transferred to a foreign taxpayer in one tax year exceeds a PLN 2 mn equivalent.
- ~ With respect to payments exceeding PLN 2 mn, the general rule is to remit the WHT at an appropriate rate and pay it to the respective tax office. The WHT paid could be then claimed back by the foreign recipient ("pay and refund" system). The Polish tax authorities should grant the WHT refund no later than within 6 months following the date of filing the WHT refund claim.
- ~ A Polish payer could still apply preferential WHT rates if any of

the below options are followed:

- A statement by members of the board of the Polish company is submitted to the Polish tax office confirming that all the requirements stipulated under the Polish CIT Act have been met with respect to outbound payment to given recipient, or
 - The payment's recipient (or the remitter in certain cases) obtains an advance opinion from the Polish tax authorities confirming that the payment to a given recipient may benefit from WHT exemption in Poland¹. The opinion is issued within 6 months upon an electronic application and it is valid for 36 months.
- ~ If the annual total amount of qualified payments does not exceed PLN 2 mn, it is now explicitly stated that when determining whether a reduced rate or exemption provided for in the relevant DTT can be applied, the tax remitter is obliged to verify with due diligence whether the reduced rate or exemption is in fact applicable, taking into account the nature and scale of the tax remitter's business activity. Misrepresentations in this regard may trigger penal fiscal liability.

Transfer pricing

Transfer pricing regulations in Poland are generally in line with OECD guidelines. Transfer pricing documentation is required for transactions of values exceeding the following thresholds:

- PLN 100,000** for transactions with entities from "tax havens";
- PLN 2,000,000** for service transactions and transactions other than regarding goods or financial services;
- PLN 10,000,000** for transactions in goods and for financial transactions.

Deadline for the preparation of the local file is 9 months after the end of the tax year.

Transfer pricing documentation should generally include a benchmarking study. Exception has been made for certain transactions in the low value-added services, as well as for loans concluded according to the conditions specified in the CIT Act (so-called safe harbors). Related entities consolidated using the full or proportional method who are obliged to prepare the local file, must attach group transfer pricing documentation to this documentation if they belong to a group of related entities whose consolidated revenues exceeded PLN 200 mn in the previous financial year.

¹ Please note that this option is available only for payments exempt from WHT under the regulations implementing Parent-Subsidiary and Interest-Royalty Directives.

6. Regulatory framework: legal and tax rules

VAT

- ~ The Polish VAT system is generally harmonized with the VAT systems of other EU countries, with certain exceptions.
- ~ The following activities are subject to VAT in Poland:
 - supplies of goods and services in Poland for consideration. A supply of goods includes a taxpayer handing over business-related goods for nonbusiness purposes, e.g. donations. However, VAT is not payable on a supply of samples or for small gifts;
 - export of goods outside the EU/import of goods from outside the EU;
 - an intra-community acquisition of goods for consideration in Poland;
 - an intra-community supply of goods.
- ~ Entrepreneurs conducting activities subject to VAT in Poland should register as VAT taxpayers.
- ~ Taxpayers from outside the EU conducting activities in Poland subject to VAT must appoint a fiscal representative who will be responsible for the settlement of the VAT liabilities of the non-EU company in front of Polish tax authorities.
- ~ The VAT rates are as follows:



- ~ Generally, taxpayers are entitled to deduct the input VAT from the goods and services purchased for the purposes of their activities subject to VAT, with certain exceptions or limitations.
- ~ In the case of a surplus of input VAT over output VAT, the taxpayer may either opt to carry it forward to the next reporting period or to claim for a direct refund to their bank account. The basic term for the refund is 60 days, but if the refund is claimed for periods in which no VAT-able activities have been recorded, the term is 180 days. The refund can be obtained within 25 days upon the request of the taxpayer when additional requirements laid down in the VAT Act are met.

Legal regulations regarding purchase of real estate in Poland

Legal entitlement to real estate

The Polish legal system offers several types of rights to real estate:

- ~ ownership;
- ~ perpetual usufruct;
- ~ limited property rights - usufruct, easements, mortgage;
- ~ obligation relationship - lease, tenancy.

Ownership

Full ownership gives the widest scale of rights related to real estate and can be restricted only by certain circumstances defined by the Civil Code (neighbor or zoning regulations), administrative law or the owner's will. Ownership is the ultimate right to real estate and provides the owner with complete range of usage. Ownership is legally protected against any third parties acting against the owner. Ownership is not time-limited. Neither the government nor public offices have any right to intrude upon the ownership - the only exceptions being those presented in the zoning plan.

Perpetual usufruct

Perpetual usufruct is established in regard to land owned by the State Treasury or local government authorities.

Normally created for 99 years (the minimum period is 40 years), it may be extended. The holder of perpetual usufruct is allowed to use the land in the same way as the owner. However, the purpose of land use is defined by an agreement and should be recognized before purchasing the right of usufruct. The holders of perpetual usufruct are obliged to pay to the government an annual fee on top of the obligatory land tax. The fee is calculated by the owner, based on the land

value and cannot be changed more than once a year (for special types of land, this period can be extended to five years). The perpetual usufruct is transferred in the same way as regular ownership and property rights for real estate.

Real estate acquisition

Property transfer may be based only on a sales agreement that stipulates all the parties' rights and obligations. Both real estate and perpetual usufruct transfers become valid through a sales agreement that is obligatorily signed in front of public notary in the form of the notarial deed. Depending on the type of land, former or current ownership of the land or location, the sale of the real estate may be subject to limitations, restrictions and statutory pre-emption right. Purchasing real estate from public or government controlled authorities requires a special procedure and involves public tender or auction. Additionally, trade in agricultural real estate in Poland is subject to numerous limitations and restrictions. Restrictions regarding the sale of state owned land have been imposed by the Act of 14 April 2016 on suspending the sale of real estate of the Agricultural Property Stock of the State Treasury and amending certain acts. According to this regulation, a 5-year suspension (beginning with 01.05.2016) of state owned land has been imposed - with only some minor exceptions.

General limitations regarding the trade of agricultural land

Trade in agricultural real estate in Poland between entities on the private market is regulated by a number of regulations, including the Act of 11 April 2003 on shaping the agricultural system (Journal of Laws of 2018, item 1405, as amended), the provisions of which apply to the agricultural real estate specified in the Act. Pursuant to Article 2(1) of the aforementioned Act, the term "agricultural real estate" should be understood as agricultural real estate within the meaning of the Civil Code, with the exception of real estate located in areas designated in spatial development plans for purposes other than agricultural. Pursuant to Article 461 of the Civil Code, agricultural real estate (agricultural land) are real estates which are or may be used for agricultural production activities in the field of plant and animal production, including horticultural, fruit and fish production.

The provisions of the Act on Shaping the Agricultural System do not apply among others to:

- ~ agricultural real estate with an area of less than 0.3 ha;
- ~ agricultural real estate, which on 30.04.2016, in the final decisions on the conditions of development and land use are intended (in their entirety) for purposes other than agricultural.

The Act on shaping the agricultural system introduces a general rule that the purchaser of agricultural property may only be an individual farmer, unless the Act provides otherwise. Purchase of an agricultural real estate by other entities and in other conditions is possible only after receipt of a permit from the National Support Centre for Agriculture (KOWR) to buy land (an administrative decision) if all the pre-emptive buyers are excluded.

The purchaser of agricultural real estate is obliged to run the agricultural holding that includes the purchased agricultural real estate, for at least 10 years from the date of acquisition of the real estate by the purchaser, and in case of a natural person, to run the holding in person. During the 10-year period, the purchased real estate may not be sold or handed over to other entities.

Statutory pre-emption right

A number of statutory pre-emption rights exist under Polish laws, incumbent upon the public authorities. The investors will most often have to deal with the pre-emption of the:

- 1) National Support Centre for Agriculture (KOWR), in case of sale of agricultural real estate;
- 2) municipality - in sales of undeveloped land formerly purchased from the state or municipality;
- 3) State Treasury as represented by the State Forests, in case of sale of designated forest lands;
- 4) State Treasury as represented by the county governor in case of sale of land under inland standing waterways;
- 5) manager of a special economic zone, in case of sale of the ownership right and perpetual usufruct of real estate located within a special economic zone.

The provisions of the Act of 11 April 2003 on shaping the agricultural system (Journal of Laws of 2018, item 1405, as amended) regarding the pre-emption right of National Support Centre for Agriculture (KOWR), in case of sale of agricultural real estate apply accordingly to the sale of shares of companies that own agricultural real estate and other cases of acquisition of shares in a capital company (which is the owner of agricultural property) under an agreement other than a sale agreement, unilateral legal action, a court or public administration or enforcement body ruling, other legal action or other legal event (including a division, transformation or merger of commercial companies).

Success Story

Standard Chartered

banking sector

In 2018, one of the leaders of the international banking sector, British Standard Chartered, opened a global service center of excellence in **Warsaw**. The company has already hired **300 people** in its Warsaw office and is planning to

create additional 450 new jobs in the nearest future - in such roles as cybersecurity, anti-financial crime, human resources, liquidity/interest-rate risk management and corporate client management.

6. Regulatory framework: legal and tax rules

Acquisition of real estate by foreigners

Since Poland's joining of the European Union and European Economic Area on 1st May 2004, its real estate market has become more attractive for foreigners interested in investing in Poland. However, certain regulations of Polish Law apply. These are defined by the Act from 24th March 1920 about the Acquisition of Real Estate by Foreigners (further referred to as the AARE), and these state that foreigners registered outside the EEA intending to purchase real estate in Poland must obtain a permit from the Minister of Interior and Administration. The required permission is issued in the form of an administrative decision. This means that neither a public notary nor a Polish court or Government can register or proceed with such action, and that the non-EEA entity cannot become the owner or holder of perpetual usufruct.

Shares acquisition by foreigners

This rule also applies to transactions or other legal actions when the transaction concerns the shares/stocks (with the exemption of listed companies) of a legal entity with a registered seat in Poland, regarding the owner or perpetual usufructuary of the real estate. Permission from the Ministry of Interior and Administration is required by acquisition or other legal action. A Polish company becomes controlled by a foreign company when more than 50% of all votes on a Shareholder/Stakeholder Meeting belong to a foreign entity or when the company is controlled by similar natural persons as members of governing bodies such as the Board of Directors.

Exemptions for EEA companies

AARE provisions classify foreigners according to a foreign company's registered seat or foreign natural person's place of residence when they are located both within and outside the EEA. When foreign companies and nationals are registered inside the EEA, they are exempt from obtaining acquisition permits. Hence, these entities do not require any permit for the acquisition of shares/stocks or real estate, with the exception of designated agricultural or forest lands.

Procedure of permission process

The standard procedure involves obtaining a permit from the Ministry of Internal Affairs and Administration. The relevant administrative procedures take, on average, three to four months. Moreover, it is also necessary to collect all required documents (which is a time-consuming process). However, a foreign businessperson may apply for a promise regarding a prospective acquisition. Such a promise is in the form of a guarantee that they will obtain the permit

without any special conditions or requirements. Of note, the promise is still not considered an act that allows purchasing real estate or shares/stocks. In order to close or transfer ownership, a permit is mandatory.

Environmental aspects

Local zoning plan (MPZP)

The local plan is the basis zoning plan in a given commune. It establishes the regulations that are universally binding in a given area, and which are the basis for issuing administrative decisions. The zoning plan sets out the types of activities that are allowed in the given area. The local plan may contain provisions significant from the environmental point of view, including provisions concerning the percentage of biologically active area that must be maintained on the property.

Environmental Impact Decision

The Environmental Impact Decision (EID) indicates to the investor how the project is to be carried out in order to minimize the deterioration of the condition of the environment. Obtaining an EID is necessary if the investment qualifies for projects that may significantly affect the environment. The list of projects for which an environmental decision should be obtained may be found in the Regulation of the Council of Ministers of 9th November 2010 on types of projects likely to have a significant impact on the environment. The EID imposes environmental conditions for the planning, construction and activity of an investment, and architectural design, building permit and other permits have to be compliant with conditions set in the EID. As the EID defines the level of noise and emissions, it has an impact on future operations as well.

The above mentioned Regulation divides projects into the following categories:

- ~ projects that will always have a significant impact on the environment (group I);
- ~ projects that have a potentially significant impact on the environment (group II).

An environmental impact assessment (EIA) is obligatory in the case of projects that will always have a significant impact on the environment. However, in the case of projects likely to have a significant impact on the environment, the authority will decide (in the form of resolution) whether an environmental impact assessment of the project needs be carried out. If the EIA is carried out, the investor is

obliged to submit an environmental impact report. The authority shall specify the scope of the report in the resolution.

Integrated permit (IPPC)

The integrated permit is a permit to conduct the necessary environmental and industrial activities of industrial and other installations (e.g. farming, municipal sewage treatment plants). This replaces the partial environmental permits valid thus far, and which covered all environmental impacts specified in the partial permits. The integrated permit includes the issue of a permit for the:

- ~ introduction of gases or dusts into the air;
- ~ generation of waste.

As well as:

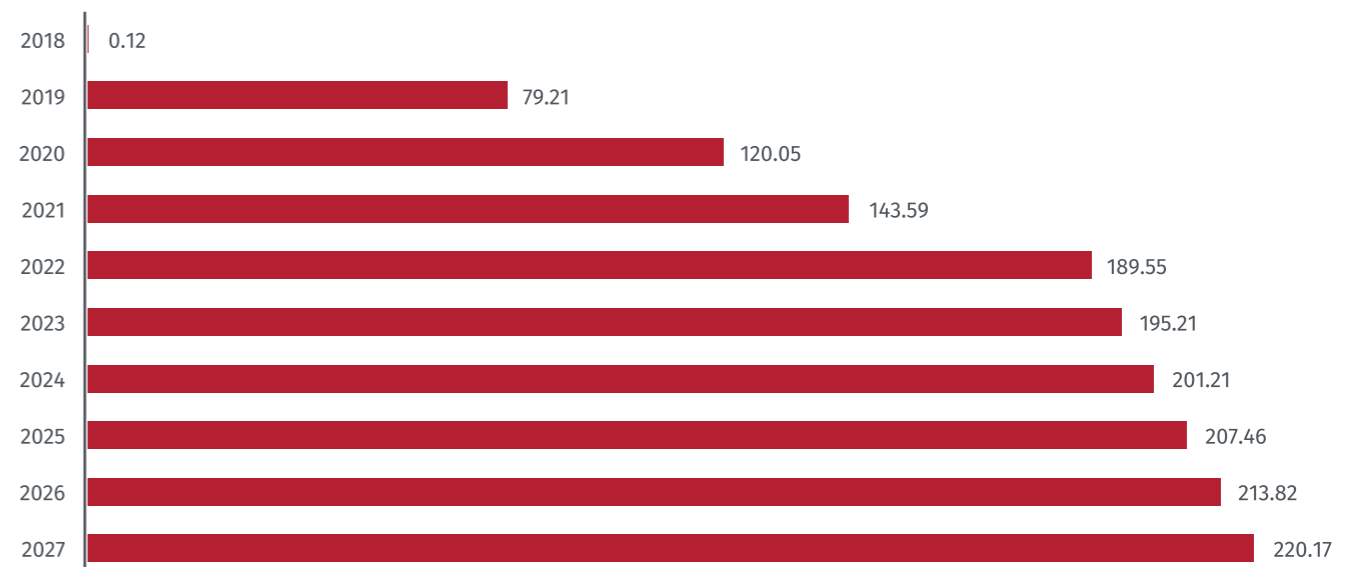
- ~ water-law permits for water intake;
 - ~ water-law permits to discharge sewage to water or to the ground.
- Issuing an integrated permit excludes the necessity of conducting separate proceedings and issuing the separate permits mentioned in the above.

In principle, the entities obliged to obtain the permit are the entities whose investment may pollute the environment. For example, this could be an installation for the generation of energy and fuels or an installation operating within the chemical industry.

Low emission transport fund

The Low Emission Transport Fund, hereinafter referred to as the "Fund", is a state special purpose fund established by the Act of 6 June 2018 amending the Act on biocomponents and liquid biofuels and certain other acts (Journal of Laws of 2018, item 1356). The purpose of the Fund will be to finance projects related to the development of electromobility and transport based on alternative fuels. The disposer of the Fund is the minister in charge of energy. The management of the Fund has been entrusted to the National Fund for Environmental Protection and Water Management. Bank Gospodarstwa Krajowego provides banking services for the Fund and offers consulting and advisory services in financial matters for the Fund.

The statutory maximum limit of expenditure from the Fund in 2018-2027 is set on a yearly basis:



Low Emission Transport Fund in mn EUR
Source: Journal of Laws of 2018

The list of entities obliged to obtain the integrated permit was specified in the Regulation of the Minister of the Environment of 27 August 2014 on types of installations that may cause significant pollution of particular natural elements, or the environment as a whole (Journal of Laws of 2014, item 1169).

Types of activities and entities eligible for support:

- ~ investments in the production of bio-components, liquid biofuels, or other renewable fuels; eligible entities: manufacturers, producers, or farmers; possible support until the end of 2025;

6. Regulatory framework: legal and tax rules

- ~ investments in construction or extension of infrastructure for the distribution or sale of CNG, LNG, hydrogen or charging of electric vehicles used for transport; eligible entities: entrepreneurs; possible support until the end of 2027;
- ~ aid to manufacturers or producers of bio-components, liquid fuels, liquid biofuels, other renewable fuels, CNG or LNG used for transport; eligible entities: manufacturers or producers; possible support until the end of 2019;
- support for:
 - manufacturers of means of transport using electricity, CNG or LNG or hydrogen,
 - enterprises engaged in the production of subassemblies for means of transport referred to in the above point,
- ~ eligible entities: manufacturers or entrepreneurs as mentioned above; no limitation on the duration of the support;
- ~ support for public transport operating, in particular, in urban agglomerations, health resort areas or nature protection areas - using liquid biofuels, other renewable fuels, CNG, LNG, hydrogen or electricity; eligible entities: entrepreneurs, transport operators, municipalities, counties; no limitation on the duration of the support;
- ~ co-financing of port fees collected for mooring at the quay or harbour of vessels powered by CNG, LNG, hydrogen or using electric energy for propulsion; eligible entities: port operators, possible support until the end of 2021;
- ~ support for:
 - research related to the development of new bio-components, liquid biofuels, other renewable fuels, or the use of CNG, LNG, hydrogen or electricity, for transport or related new design solutions,
 - the operational implementation of the results of the studies referred to in the point above;
- ~ eligible entities: scientific entities or scientific consortiums; no limitation on the duration of the support;
- ~ support for educational programs to promote the use of liquid biofuels or other renewable fuels, CNG, LNG, hydrogen or electricity for transportation applications; eligible entities: entrepreneurs, chambers of commerce, public benefit organizations, employers' associations, other associations and agricultural advisory units; possible support until the end of 2027;
- ~ support for the purchase of new vehicles and vessels fueled with liquid biofuels, CNG, LNG, hydrogen or electricity; eligible entities: entrepreneurs or local government units, possible support until the end of 2027;
- ~ support for analysis and research of the market for bio-components, liquid fuels, liquid biofuels, other renewable fuels, CNG, LNG, hydrogen or electricity used in transport; eligible entities: entrepreneurs, chambers of commerce, public benefit organizations, employers' associations, other associations, agricultural advisory units; no limitation on the duration of the support;

- ~ promotion of production and use of bio-components and liquid biofuels; eligible entities: enterprises, chambers of commerce, public benefit organizations, employers' associations, other associations, agricultural advisory units; no limitation on the duration of the support;
- ~ carrying out other tasks specified in separate acts.

To the extent that the support referred to above constitutes state aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union, the detailed conditions for granting such aid or the minimum aid shall apply.

Support for projects from the Fund may take the following form of support:

- ~ grants;
- ~ loans or other repayable financial support;
- ~ subscribing for or acquiring by the Minister of Energy for the benefit of the State Treasury, shares, stocks in companies or bonds issued by entities other than the State Treasury or local government units.

The selection of projects to be supported from the Fund's resources shall be made in the mode of:

- ~ competition;
- ~ non-competition. The non-competition procedure is applied exceptionally in the cases listed in Article 28 of the Act on Bio components and Liquid Biofuels.

The Fund may be used to support an applicant who:

- ~ has the human resources and organizational potential to implement the project;
- ~ has the technical capacity to implement the project;
- ~ as a result of project implementation, will achieve the desired environmental effect;
- ~ is not in arrears with taxes, fees and social and health insurance contributions;
- ~ ensures that funds for the project implementation will not come from undisclosed sources or from money laundering;
- ~ has not been punished for a fiscal offence, an offence against property, the reliability of documents, as well as against trading in money and securities and economic turnover, and in the case of an applicant who is a legal person or an organizational unit other than a legal person to whom a separate act grants legal capacity - whose management board members or persons authorized to represent them, respectively, have not been punished for these offences.

7. Investment process in overview

Whether to exploit an opportunity on the market, or to fulfil commitments made to existing business partners, the timeline of a project will be a key factor to consider. Currently, there are three main types of industrial investments: brownfield, greenfield and Build to Suit (BTS). While each of these will bear some similarities, they will often differ in how fast the company can start to operate from the moment of final location decision. In Poland, the most common solutions are greenfield projects, which encompass building an entirely new facility on an empty plot, and BTS projects, in which a developer adapts an

- ~ Pre-design documentation development
- ~ Development of investment projects
- ~ Construction process
- ~ The process of obtaining the occupancy permit

Greenfield projects

The graph below presents detailed stages of the investment process with their approximate duration.



existing space within an industrial park or builds a new facility to the specification of the investor. Brownfield projects, in which an existing facility is adapted to the needs of an investor, are less common. This is in part due to availability, but also because high technology projects often require more advanced solutions, which would mean too extensive adaptation works. The entire investment related to the construction process can be divided into four stages:

Stage 1:

The first step of the process is to analyze the key parameters of the investment, such as the demand for utilities, required space for operation, important location factors, etc.

Stage 2:

The next move is to find an appropriate plot of land, which fulfils most (if not all) of the required parameters, and, in case of greenfield projects, purchase it. Depending on the state of the land, a plot division proce-

7. Investment process in overview

duration might be necessary, which can add up to 4 months to the timeline of the project. Additionally, if the land belongs to local government units, a tender is necessary which also extends the expected timeline. Due to the need to conduct a tender for real estate belonging to territorial units, this time may be extended to 4 months.

Before finalizing the purchase, it is important to verify that the purpose of the plot indicated in the Zoning Plan is consistent with the planned company profile. Moreover, especially in case of privately held land, it is important to check the legal status of the plot. The right to dispose of the property is limited not only by technical and construction regulations, but also by local regulations.

Stage 3:

In order to proceed with the implementation of the investment, the entrepreneur must complete the necessary documentation of the construction process. This can be either done by an internal department in the parent companies structure, or by an exterior design company.

The entire process of designing the facility can take up to 4 months to assure compliance with all local laws and the Zoning Plan. Once filed, the design needs to be approved through a building permit and environmental permit. The issuance of the building permit takes up to 6 weeks. In turn, the environmental decision will vary on the complexity of the production process, and requires filing either an environmental card (simpler process) or a full report (complex process). Usually, the environmental decision is issued within 3 to 6 months, respectively. In this phase, the Project's harmfulness to the environment must be assessed. Depending on the type of investment, an environmental card or a full environmental report is required. Applying for Environmental Decision usually lasts from 3 to 6 months, depending on the classification and complexity of the project.

Stage 4:

Either the investing company or a general contractor must then complete all legal procedures related to the commencement of construction, such as: construction design including all required arrangements. Of course some of the steps mentioned above can be completed simultaneously in order to accelerate the schedule¹. Moreover, some companies might offer complex design&build services, further accelerating the process.

Stage 5:

Once the company has all required permits and plans for the future facility, the construction process can begin. On average, the construction process can take between 8 and 16 months, depending largely on the

scale of the project and the complexity. In order to save time, the investor can start installing machinery within the facility before the finishing works are completed. An inspection report and handover protocol is required in order for the construction process to officially come to an end. The last stage of the investment is the process of obtaining a permit to use a given object. It consists of a notice of completion and an intention to use it.

Built to Suit projects

Although greenfield projects are the most common, there are alternative means for an investor to complete their project. One such solution, currently gaining popularity, are the Build to Suit (BTS) projects. In general, BTS projects involve just two parties: the investor and a developer. There are two main ways a BTS partnership is realized – either the construction of an industrial facility from scratch, or the adaptation of an existing area within a park. The first option, in essence, is the same as a greenfield investment with the key difference being that the developer is responsible for carrying out the investment. The investor provides all the necessary information about the projects such as the desired building specifications and the required machinery to the developer, and can then supervise the investment. On the other hand, the developer completes all necessary paperwork, and constructs the building for the investor on either a plot that is in the developer's portfolio or on a different plot chosen by the investor. Once the process is completed, the entrepreneur leases the facility from the developer for a specified period of time and at an assumed rate.

In some cases, the planned investment project does not require a dedicated plot or a large facility. This is where the second BTS option can be applied, where the developer offers to adapt an area in an existing facility according to the specification of the investor. Usually this will mean locating within an existing logistics center or industrial park, usually owned by the developer. These parks, offering both individual units to tenants as well as certain shared spaces, offer logistical advantages as well as significant cost and timeline reduction.

Often, the investor will be presented with a choice of units from either an existing facility or a planned facility that will be constructed once enough of the offered space has been leased. Once selected, the unit must be adapted to the specification of the project, which might take from 2 to 6 months, depending on the complexity of the project and at what stage the unit was leased. After the adaptation period is over, the investor will need to carry out start up tests and obtain a usage permit, after which the production can start.

Analysis of the investor's needs	0.5-1 months
Selection of the leased surface from available units	Up to 1 month
Construction works Adaptation of chosen unit	2-6 months (depending on the advance of works)
Partial and fade works, as well as tests and start-ups of the process installations	1-3 months
Usage permit	1-2 months

Modern investment challenges

In relation to the practice of conducting existing projects in the field of electromobility market, the following types of investments can be distinguished:



1. Production companies manufacturing mechanical parts for specific solutions, for example cable bundles used in electric car panels, battery separators, etc.



2. Manufacturing companies of advanced chemical technologies producing electrolytes for batteries.

Considering the specificity of both types of projects and analyzing the specific requirements of the electromobility investments, greenfield type investments are proposed much more often for specialized chemical projects for electric vehicle manufacturing. Such investments usually require complex solutions that impact the planned capital expenditure (capex) of the investment, which makes adapting existing facilities

difficult or, in some cases, impossible. Furthermore, some projects cannot be located within logistics or technological parks as they would often cap the cumulative environmental impact possible for such areas. Finally, in some cases it might be important for the investor to be the owner of the facility rather than lease it for a given period of time, which is also possible in a BTS partnership as the Build-to-Own option (BTO).

Depending on the complexity of the production process, companies producing mechanical parts can opt for either greenfield projects or BTS partnerships. For light production facilities a BTS partnership in existing parks offers a chance for a quick implementation of the project, while keeping the required costs low and in the form of leasing. Additionally, the developer might offer tailor-made solutions for the tenant such as advisory services for cost and logistics optimization.

In relation to the dualism of BTS projects¹, a comparison of key investment characteristics between Greenfield and BTS projects is presented below. In relation to the dualism of BTS projects², a comparison of key investment characteristics between Greenfield and BTS projects is presented below.

	GREENFIELD	BTS (Adaptation of existing unit)
Estimated duration	24 months ³	6 months
Partner for a project	- Land Owner - Land Authorities - Design Company - Construction Company - Environmental Company	- Developer
Technological requirements	High media demand Specific building solutions	Typical construction and technological solutions
Suitable for	Complex production processes	Light production and storage operations
Legal title to property	Ownership	Lessee/Tenant
Possibility of investment location	no limitations	a limited list of locations

² BTS projects are divided into investments in separate production and warehouse spaces in existing logistics parks, and projects built by the developer for the investor in a structure similar to Greenfield - a detailed description is in the study above.

³ Depending on the complexity, the period may be slightly shorter.

¹ Tender for Design Company, General Contractor can be proceeded simultaneously

8. Other business opportunities

The Polish economic policy in recent years has underlined the importance of industries that contribute to the long-term economic growth and development, generating high value added and creating a business infrastructure for new, innovative investment projects. In order to attract such processes to Poland, the government has undertaken various steps to set the scene for innovators and high-tech market disruptors. An example of such support is the Polish Investment Zone, established in mid-2018, creating a system of tax exemptions for enterprises established in Poland. On top of that, the government also created various tax breaks for R&D and intellectual property sale. One of the industries that create a business infrastructure for the innovative investment projects is the Polish IT sector, which has been growing dynamically in recent years.

IT sector



The Polish IT market in 2017 reached the value of approximately USD 11.2 bn (according to IDC); in comparison, the global investment costs in IT reached USD 3.5 bn. The largest share in the market, as much as 55%, belonged to the sale of IT equipment with services (32%) and software (16%) following. Employment in the Polish ICT sector exceeds 430,000 people, and the share of the ICT industry in GDP is around 8%. Over 75% of people employed in the sector work in ICT services. The significant increase in employment in the ICT sector in recent years is influenced by the cost-driven foreign investments and the subsequent creation of service centers (SSC and BPO).



One of the specialties of the ICT industry is definitely the creation of computer games. The popularity of titles published by such studios as CD Projekt Red, Techland or 11bit Studios significantly affects the popularity of this sector in Poland.

This sector is characterized by significantly higher level of innovation than other sectors and a wide range of offered services and products - business solutions, consumer products (including both applications

and programs, as well as equipment) and immense exports potential. The high growth potential of the industry is evidenced by the fact that more than 50% of startups are being created in the ICT sector. The specialists in technological areas working in Poland have been in the forefront in terms of knowledge and skills for years, and Polish universities in the technical fields are educating successive generations of experts.

Food sector



The food sector is one of the most important and fastest growing branches of the Polish economy. Poland ranks 6th biggest EU food producers with a market value of nearly USD 50 mn, and employment reaching over 391,000 people¹. The key exports of the Polish food sector include meat, with Poland being a EU leader in terms of poultry production, cigarettes, dairy products, juices and fruits.

Since the early 1990s, many international corporations such as Danone, Heinz, Unilever, Cadbury, Mondelez and Nestle have been expanding their operations in the Polish market. Still, there is a room for new investments in food processing in Poland. The sector is powered by big internal market of over 38 mn consumers (and the easy access to other 500 mn potential clients in the UE) as well as a growth private consumption and a rising popularity of organic and healthy food. Companies looking to set up a business in Poland can expect a well-developed network of suppliers, high quality products and a qualified staff with great R&D potential.

Real estate market



Moreover, with USD 5.6 bn in investment transactions in 2017, Poland is also a leader in the CEE region in terms of capital allocated. Following the development of business in Poland, the real estate market

Success Story

Honeywell

Business Service Center

In **February 2019**, Honeywell, a renowned global aircraft technology provider, opened a Customer Experience Excellence Center in **Katowice** (South of Poland). The company's business share service center provides world-class customer support for Honeywell's clients across Europe. The company has been present in Poland and across

Central and Eastern Europe since the early 1990s. Currently, more than **8,000 employees** are based in the region in roles such as sales, customer support, business administration and supply chain functions, as well as product development, production and engineering services.

is growing thriving, providing new companies with the space necessary to run a business. The property market in January 2018 was estimated at 12.5 mn m² in warehousing space, 9.5 mn m² in office space and 13.8 mn m² in retail space. This means that the Polish real estate market is the largest in the CEE region in terms of stock. Additionally, due to strong interior demand in both retailing and industrial sectors, there is a high pipeline supply.

Poland continues to be attractive to real estate investors, with Asian and South African companies seeking new ventures in both the capital of Warsaw, and other regional markets. When considering to invest in the market, it should be noted that Poland offers more attractive yields with relatively low risk, in comparison to other Western European countries. While the Warsaw market is important, investors continue to explore Tier-2 and Tier-3 regional cities, which have a slightly higher risk profile but also higher yield.

Apart from a strong retailing and warehousing demand, it is also worth to notice the strong hotel sector. In recent years, fueled by a steady stream of tourists and increasing occupancy rates, the sector is

undergoing a boom. It is likely that this trend will continue in the future as more investment transactions are made in this sector.

The very good situation on the real estate market is proved by the rates of return on investment in the largest cities in Poland - the lowest rate of return on investment of the most attractive office buildings in Warsaw reaches 4.5%, in Krakow 5.7%, and in Wrocław 5.9%². Among others, Korean investors are also active in this field - in November 2018 CEDET building located in central Warsaw has been sold for EUR 129.5 mln to a fund managed by GLL Real Estate Partners on behalf of Korean investors³. It is worth mentioning that the building is currently the location of the Investment and Trade Agency. Moreover, last month's Korea-based Hana Financial Investment acquired two buildings of the Lixa office complex⁴. The activity on the market is not surprising, as Warsaw was ranked 11th best European city of the future in "European cities and regions of the future", publication prepared by the fDi Intelligence⁵.

² <https://www.pwc.pl/pl/media/2019/2019-04-02-pwc-investor-survey-real-estate.html>

³ <https://www.immobelpoland.com/en/news/178-immobel-sells-landmark-cedet-building-in-poland-to-asian-funds-for-eur-1295-million>

⁴ <http://english.eurobuildcee.com/?page=news&id=27113>

⁵ <https://www.fdiintelligence.com/Locations/Europe/fDi-s-European-Cities-and-Regions-of-the-Future-2018-19-Winners?ct=true>

¹ In companies with more than 9 employees

9. About PAIH and JP Weber



Polish Investment and Trade Agency (PAIH) works to increase the inflow of investments to Poland, supports Polish foreign investments and intensifies Polish export. The Agency is also involved in building the image of the Polish economy and strengthening the recognition of the Polish brands and products worldwide.

To offer in direct assistance for business on the site, the Agency has established a system of international support all over the world. The PAIH Foreign Trade Offices are a global network of the Agency's 70 international divisions responsible for providing support for Polish exporters and investors who look for new opportunities overseas. PAIH Foreign Trade Offices are focused on distant markets of rapid growth that represent the greatest potential for Polish companies. The offices have also been designed to attract foreign investors and assist them on their way to set business in Poland. Supporting entrepreneurs, the Agency assists them in overcoming administrative and legal procedures related to specific projects as well as helps to develop legal solutions, find a suitable location, reliable partners and suppliers.

The Agency also implements pro-export projects such as the Polish Tech Bridges dedicated to expansion of innovative Small and Medium-Sized enterprises. PAIH is also responsible for the promotion of Poland at the incoming Universal Exposition EXPO Dubai 2020.

See where you can find us:

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149 Sejong-daero, Jongno-gu, Seoul 03186, Republic of Korea
82-2-735-0303, 82-2-735-0909 (fax)
www.paih.gov.pl/foreign_trade_office_seoul

invest@paih.gov.pl www.paih.gov.pl/en



JP Weber is an independent advisory firm specializing in transactions. For over 18 years it has been supporting decision makers in their M&A projects, real estate transactions, due diligence projects, restructuring processes, direct investments, financing as well as their day-to-day tax and legal dealings.

The JP Weber team consists of more than 60 members, including attorneys at law, tax advisors, project managers and business advisors, operating in offices in Wrocław, Warsaw and Berlin. Within the Korean Desk, JP Weber has established its professional roots via personally accompanying Korean decision-makers through the intricate and complex investment process in Poland. The Korean Desk team assists them in location planning, strategic and operational decisions, real estate transactions, as well as in ongoing business activity.

For 18 years, JP Weber has been supporting dozens of international brownfield and greenfield projects, including projects for such companies as Posco, LG and Samsung. In 2018, JP Weber advised on the process of locating a new Korean investor, LS Cable, and accompanied the investment process of Foosung, leader in the field of chemical solutions for the electromobility sector.

JP Weber is a founding member of Eight International, a global organization of independent advisors in the field of transactions, restructuring and transformation, and is a member of the international M&A Worldwide network of 45 M&A advisory firms from over 40 countries.

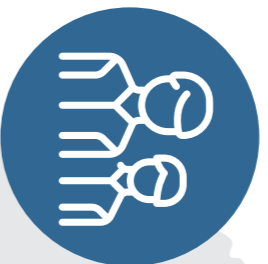
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Poland. Your place to Invest.

Highly skilled and young laborforce

26.5 mn inhabitants under the age of 55
Healthy unemployment level of **5.9%**



고도로 숙련된 젊은 노동력

2650만 명의 거주자가 55세 이하
건설한 수준의 실업률 **5.9%**

Big internal market

6th biggest country in the EU (area, population)
Unlimited access to the EU market of over **510 mn** inhabitants



거대한 내수 시장

6번째로 큰 EU 국가(영토, 인구)
거주자 **5억 1천만**명 이상의 EU 시장에 제한 없는 접근

Academic hub

1.32 mn students
335,000 graduates each year



아카데미의 중추

132만명의 학생
매해 **33만 5천**명의 졸업생

Quickly developing infrastructure

Almost 1,500 km of high-speed roads under construction
5th longest high-speed road network in Europe



빠르게 발전하고 있는 인프라

건설 중인 **약 1,500 km**에 달하는 고속 도로
유럽 내에서 **5번째로** 긴 고속 도로 네트워크

Business friendly environment

1st place in the CEE region – most attractive country to establish operations
Katowice SEZ best free zone in EU **2015, 2016, 2017**
Poland has advanced **41 positions** in the Doing Business ranking since 2012



기업 친화적 환경

중부 및 동부 유럽에서 가장 매력적인 국가 **1위**
기업체 설립을 위한 국가 **2015년, 2016년, 2017년** 유럽 최고의 자유 지역인 카토비체 경제 특구
폴란드는 Doing Business 랭킹에서 **41 단계** 상승
2012년 기준

Attractive incentives

Poland Investment Zone up to **15 years** CIT free, **throughout Poland**
Government cash grants for strategic projects
50% intensity in eastern Poland (max. level in EU)



매력적인 인센티브

폴란드 투자 지역 **최대 15년**에 달하는 폴란드 전역에서의 CIT 면제
전략적 프로젝트를 위한 **국가 지원금**
폴란드 동부에서 **50%**에 달하는 집약도(EU에서 최고 수준)

폴란드. 당신의 투자처.