



HOW TO DO A GOOD BUSINESS IN WARMIA AND MAZURY REGION

Business opportunities in the Warmia and Mazury region, together with information about discounts and exemptions from taxes



**WARMIA AND MAZURY
THE REGION OF UNITED EUROPE**

OLSZTYN, DECEMBER 2009



Warmińsko-Mazurska
Agencja Rozwoju Regionalnego S.A.
w Olsztynie



Warmińsko-Mazurskie
Local Government

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PROGRAM
REGIONALNY
NARODOWA STRATEGIA SPÓJNOŚCI



UNIA EUROPEJSKA
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1. Introduction

This publication is designed to give the entrepreneur, a potential investor, some basic information about the Warmia and Mazury region. It contains data about the economy of the region with particular emphasis on its key sectors and perspectives. Moreover the brochure contains essential information on starting and running a business in the Warmia and Mazury region. You will find here also a basic knowledge of the public charges for entrepreneur, and information about discounts and exemptions from taxes. In the next part of the brochure there was approximated a theme of functioning financial system in Poland and the responsibilities of entrepreneur in making payment transactions.

In the material there were also discussed issues of international economic cooperation of the Warmia and Mazury region and presented the main business support institutions engaged in the acquisition of investors.

Potential investor and entrepreneur will also find in this brochure contact details of institutions useful in setting up a business and in the process of investment service.

We hope that presented publishing will be helpful in your actions and prove that *the Warmia and Mazury region is a good climate for your investments.*

2. General information about the country and Warmia and Mazury region ¹

Poland is situated in the northern part of Central and Eastern Europe, by the Baltic Sea. Poland is one of the largest countries in Europe with regard to territory. It is in the Central European time zone (GMT +1). Area of the country is 312 679 km², what gives the eighth place (not taking into account the European territory of Russia) in Europe. Poland borders with 7 countries - Russia, Lithuania, Belarus, Ukraine, Slovakia, the Czech Republic and Germany. The longest boundary line is with the Czech Republic - 796 km, the shortest with Lithuania - 104 km. Polish borders are also the outer border of the European Union - the longest eastern border with Eastern Europe. Poland joined the European Union on 1 May 2004.

In Poland resides 38 230 080 people what gives 122 inhabitants per 1 km² of area.

According to the forecasts of the European Commission, Poland will be the only EU country which in 2009 reached a growth (plus 1.0%). Factors which had a positive effect on GDP growth: net export, which amounted to 3,1% and consumption - total 1,3%, while the negative effect had: the accumulation -3,3% and the decline of investment demand (-0,6%).

Warmia and Mazury region is located in the region of North-Eastern Poland. It borders on voivodships: Podlaskie, Pomorskie, Mazowieckie and Kujawsko-Pomorskie. In the north it neighbours on the Kaliningrad District of the Russian Federation, and on the north-west - the Vistula Bay. Province is divided into 19 districts and 2 cities at the rights of districts - Olsztyn and Elblag. Warmia and Mazury province covers an area of 24 173 km², of which 55% is an arable land, 32% a forest land, less than 5% - surface water and built-up areas only 3,5%.

Education

In the 2007/2008 school year in the region there were functioning 558 primary schools (96,7 thousand children were taught in them) and 270 secondary schools (60,8 thousand students), 117 (43%) of which on the village. The secondary-level schools taught 64,5 thousand people, that is over 40 thousand less than in 2000.

In recent period in the Warmia and Mazury region appears an increasing demand for personnel with specific professional skills. In the 2007/2008 school year in the region functioned 102 secondary vocational schools (8% of domestic amount) and 216 upper secondary schools (5% of domestic amount). 53,9 thousand students were taught in them (4% of domestic). In accordance with the development strategy of the Warmia and Mazury the construction, expansion and modernization of vocational education base, including catering - hotel is necessary. The region gives priority to the tourist industry, which aims to accelerate an economic-social development of the region.

In the academic year 2007/2008 17 universities (including subsidiaries) were functioning in the Warmia and Mazury. More than 58,6 thousand students were studied there, including more than 50% of the daily studies (country - 48%), the number of graduates is about 13 700. Only the University of Warmia and Mazury in Olsztyn and the State Higher Vocational School in Elblag are state colleges. The main directions of education in the region are: the technology of bio fuel production, construction engineering, mechanical engineering, bioengineering in food production, geodesy, agriculture and environmental protection. The largest university in the region is the University of Warmia and Mazury in Olsztyn - more than 40 thousand students, including 24,6 thousand daily students. UWM dominant directions are: biology, biotechnology, geodesy, environmental protection, agriculture, veterinary medicine, mechanics and mechanical engineering, construction, chemical and process engineering, commodity, economics, marketing and management, law, medicine.

¹ www.paiz.gov.pl

3. The economy of the region

In the Warmia and Mazury region there is produced 2,8% Polish GDP. The industry focuses only 3 per cent domestic employment and provides a 2,6 per cent of the total value of industrial sold output. Because of the agricultural character of the region, the production of wood and food processing prevail.

At the end of December 2008 in the REGON register of Warmia and Mazury, there were 116,1 thousand transactors. Public sector entities accounted for 5,8% and 94,2% in the private sector. In private sector individuals running a business accounted for 78,8%, most were engaged in trade - 29,6%, service of real estate and companies – 15,3% and building industry - 11%. However, in public sector, nearly half of entities (49,4%) dealt with the service of real estate and companies, 28% education, 8,3% public administration and 5,4% health. From the total number of employees 58,0% worked in industry, of which more than half in three sections: the production of food and beverages – 22,5%, production of furniture; other manufacturing activities – 17,5%, and the production of wood and wood products and straw and wicker – 11,5%.

Gross domestic product in the region in 2007 was 32 756 million PLN, representing only 2,78% of national GDP. The main sources of income were services (64% of GDP) and industry (8,2% of GDP). In the Warmia and Mazury province there is employed near 241 thousand people. Despite the nature of agric-tourism region, the industry employs 34% of people. Important from the standpoint of employment sectors are also education 15%, trade 9,8% and public administration.²

There is no doubt that Warmia and Mazury are a tourist region. However, thanks to the advantages of the environment, the position of the region and its geographical structure and low degree of pollution of the environment a **food industry** is included to key industries in the region. This section has a high share of industry in total industrial output, high employment and high level of availability of raw materials (agriculture). Greatest importance in this section has a production of food and beverages, its value is approximately 1 / 3 of the value of sold production. The region

has a dominant position on a national scale in the production of poultry meat (especially turkey), beef and pork, ham, butter, beer. Important position in the volume of food production in Warmia and Mazury occupy fruit and vegetable juices, frozen foods, cereal, flour, milk and haberdashery milk, honey, fish (smoked and canned). Food processing is based mainly on local raw materials of high quality, produced in a clean environment. Food products are largely exported, hence the level of production is quite strongly dependent on the situation on foreign markets. R & D units situated in the region are working for the food industry (mainly R & D units related with the University of Warmia and Mazury). They have achievements in research and development and implementation of innovations, especially in areas such as dairy (new technologies of ripened cheese, cottage cheese, cream, casein), meat industry, fruit and vegetable processing which are one of the largest in the country.

The basis for the development of the food industry is **agriculture**, which plays an important role in the economic structures of the Warmia and Mazury region. Farmlands cover more than half from 24,2 thousand sq km of area of the province and agriculture and forestry occupies about 17 percent of all the employed. In terms of the size of a farm the region of Warmia and Mazury with an average area of 21 ha of agricultural land occupies second place in Poland. Agriculture in the region produces and processes for market scale mainly cereals (79,4% of sown area) and potatoes (3,8 percent). Poultry, pigs, cattle, horses and a small percentage of sheep are raised here. In the region agricultural production run organically is increasingly important. Steadily there is increasing a number of organic farms: from 33 in 1999 to nearly 600 in 2006, there is also increasing the acreage of crops organically operated, similarly from 1264 ha to nearly 26 000 ha.

Another important sector for the region is a **wood and furniture** industry, which also generates a high proportion of the value of sold industrial production and employment, making it an economic flagship of the region. Large forest area favours improving the acquisition of raw materials. In addition, this sector is strongly export oriented. As a very strong branch of Warmia and Mazury economy for some time it is in a range of interest of foreign investors, mainly the capital of French, Dutch, German, Swedish. As previously mentioned Warmia and Mazury have extremely favourable

² Statistical Yearbook of Warmia and Mazury 2008, GUS 2008

conditions for the functioning of companies of the wood sector: the right climate, base of raw materials and a neighbourhood of provinces with large forest complexes to allow cooperative manufacturers and subcontractors, developed technical infrastructure and decades of tradition. Warmia and Mazury region occupies a leading position in Poland in terms of wood acquiring (above the national average) and the export of furniture and woodwork (about 15 percent of domestic production). There are many factories specializing in the wood industry or related to wood industry (numerous sawmills, furniture factories). Territorially the largest sections of the furniture industry companies are concentrated in districts Ilawa, Działdowo, Pisz, Elbląg and Olsztyn. Windows and doors produced in Warmia and Mazury are as good as western products, they are cheaper, and therefore they easily find customers in the European Union, and they are selling very well also in Poland.

Investments in the Warmia and Mazury formed in recent years at 2-3 percent of domestic investments. The most important are investments in the industry, which are - just like at home - over 1/3 of investment expenditure. Nearly half of the capital is located in the companies. There are nearly 5,000 commercial companies, including almost 800 companies with foreign capital. With the biggest foreign investors in Warmia and Mazury are: Michelin (France, tire production in Olsztyn), Saflin (France, processing flax in Milakowo and Szczytno), Philips Lighting (Netherlands, machine industry in Ketrzyn), Heineken (the Netherlands, the brewery in Elbląg), Schieder (Germany, furniture), Ikea (Sweden, furniture factories in Lubawa), Alstom Power (turbines producer in Elbląg), Smithfield Food (United States, a shareholder in the Meat Factory in Elk, Morliny and Ekodrob in Ilawa).

Incentive for economic activity is an operating in the region of Warmia-Mazury Special Economic Zone (WM SEZ) with 18 subzones (Bartoszyce, Ciechanów, Dobrze Miasto, Elbląg, Ilawa, Iłowo, Lidzbark Warmiński, Mława, Morąg, Mrągowo, Nowe Miasto Lubawskie, Olecko, Olsztyn, Ostrołęka, Ostroda, Pasłęk, Szczytno and Wielbark) and two subzones Suwałki Special Economic Zone (SSEZ) - Elk and Goldap. WM SEZ occupies an area of 700,2 hectares, while the SSEZ (only for Elk and Goldap) area of 155,8 hectares. These subzones create for investors a friendly business environment, which ensure the local authorities and numerous organizations and institutions

which facilitating an economic activity. One of such institution is Warmia and Mazury Regional Development Agency Joint Stock Company in Olsztyn, acting for the development of the Warmia and Mazury region and improving competitiveness of its economy. It inspires relationships between domestic and foreign transactors in the field of economic activity and stimulates the activities of institutions, social organizations and local government and businesses. Business services around the region are also provided by business consulting companies, branches and subsidiaries of banks, design offices, insurance companies and chambers.

Employment

Number of working in the region at the end of December 2008 was 336 191. The structure of working in the region varies relatively little from the national. Number of people employed in agriculture amounted to 6087, 81 640 in industry and construction 13 490, while 54 744 people were employed in market services and 78 650 non-market. Employment rate was in 2007 for women 48,94%, while for men – 51,05%. The average monthly salary in the enterprise sector of the Warmia - Mazury in the period of January - December 2007 was 2310 PLN. The average monthly salary is rising steadily, and last year, up to 13,8% in some sectors.

In 2008, in the Warmia - Mazury monthly salary in building industry was at the level of 2144,10 PLN. Private companies paid 2471 PLN, and the public 2585 PLN.

The lowest wages were recorded in trade and repairs section 1950 PLN. In a private trade there was paid 1948 PLN, and in the public 2876 PLN.

Unemployment

The unemployment rate registered in the Warmia - Mazury in 2008 amounted to 16,8%, in the country – 9,5%, while in the EU-27 – 6,8%. The

unemployment rate in the region is the highest in Poland. The level of long-term unemployment rate in the region is well above the average for the country and the European Union and it is: in the region 18,3%, in the country 10,2% and for the EU-27 4%.

Labour market problems in the region is deepening by the low professional and spatial mobility of employees (long and costly commuting to work) and the high proportion of long-term unemployed in total unemployed (more than half of the unemployed remain without work for more than 12 months). The largest share of long-term unemployed in the number of registered unemployed is in the northern districts of the province, that is on the national farms areas (reaches 77% of unemployed).

Expectations of regional employers regarding the qualifications of potential employees are different and depend on jobs. The most sought-after employees are professionals with higher and technical education. Needs of employers are constantly monitored by institutions, which are constantly working to expand its offer and adapting it to the needs of the labour market.

In the Warmia and Mazury region for years there have been realizing projects which are aimed at activation of the unemployed and threatened with unemployment, with an agricultural background, people threatened by restructuring processes, social and professional integration of women and persons with disabilities, who are focused on their professional reorientation, raising or retraining. Support was also directed to people wishing to start their own business activity. These projects were co-financed by the PHARE funds (about 25 million PLN) and the European Social Fund (about 140 million PLN). Within the pre-accession funds and structural funds in the Warmia and Mazury region there were implemented over 200 projects responding to the needs of the regional labour market. Around 50 thousand people have been included by this support so far.

4. International economic cooperation of the region

Foreign cooperation of Warmia and Mazury province is conducted in accordance with the principles contained in chapter 6 Foreign Cooperation of act of 5 June 1998 the province self-government (Journal of Acts No. 91 item. 576, with future changes). To formally recognize the relationship Warmia and Mazury with its foreign partners and create a platform for a multi-faceted cooperation Regional Assembly passed a 'Priorities for external cooperation of province'. First priorities were established on the basis of past experience of 5 provinces, which municipalities were a part of the Warmia and Mazury Regional Assembly, were adopted by the Regional Assembly of Warmia and Mazury by resolution No. X/118/99 on 14 October 1999. Implementation of international cooperation in the years 1999 - 2002 was the basis for extension of priorities. The new document was adopted by resolution No. XXXIX/560/02 of Warmia and Mazury Regional Assembly on 6 August 2002. Polish integration with the European Union set the region of Warmia and Mazury in a new situation, which led to the need to update the objectives of international cooperation, as well as its priority directions. Regional Assembly of Warmia and Mazury passed on 25 April 2006 the resolution on this matter. It was subsequently approved by the Minister of Foreign Affairs on 17 July 2007.

Province Autonomy cooperates on the basis of signed agreements with the following regions:

1. China - Heilongjiang Province - Memorandum of agreement between the Warmia and Mazury and Heilongjiang Province was signed on 18 February 2005.
2. Denmark - Bornholm Regional Municipality - Agreement on cooperation was signed on 29 September 2003 and 14 May 2008 signed annex to the Agreement on cooperation for years 2008-2010.
3. France - Department of Côtes d'Armor - Agreement on cooperation was signed on 24 June 2000, annex to the Agreement for the years 2003 to 2005 signed on 25 April 2003 and in February 2006 was signed annex II to the Agreement of 2006.
4. Spain - Autonomous Region of La Rioja - Agreement on cooperation was signed on 22 December 2003.

5. Lithuania - County Taurage - Agreement on cooperation was signed on 5 November 2004; cooperation plan for years 2007-2008 was signed on 22 June 2007.
6. Russia - Kaliningrad Region - Cooperation Agreement signed on 19 September 2001 and 9 June 2008 in Kaliningrad was signed Work Plan between the Warmia and Mazury Province and Kaliningrad Region for years 2008-2010.
7. Slovakia - Region Neusohl - Cooperation Agreement signed on 8 July 2003, annex 1 to the Cooperation Agreement of July 2003 was signed on 18 May 2005, the Cooperation Plan for years 2007-2008 was signed on 27 November 2007.
8. Sweden - Halland Region - Cooperation Agreement signed on 27 November 2000.
9. Ukraine - Rivne Oblast - Agreement on cooperation was signed on 9 December 2003, annex to the Agreement for the years 2004 -2006 was signed on 4 October 2004, 3 June 2008 in Olsztyn was signed the Work Plan between the Warmia and Mazury Voivodship and Rivne Oblast for years 2008-2010.
10. Italy - Autonomous Region of Vallée d'Aoste - Agreement on cooperation was signed on 11 April 1999 and on 15 April 2005 annex to the Agreement was initialled for years 2005-2007.
11. Italy - Perugia Province - Interregional cooperation agreement was signed on 22 April 2008.

International economic cooperation of entrepreneurs is independent, often assisted by the initiative of the business environment institutions operating in the region of Warmia and Mazury. For the activation of international cooperation, there is working Warmia and Mazury Regional Development Agency Joint Stock Company in Olsztyn, in which operates the Contact Point of the Enterprise Europe Network to support entrepreneurship through:

- providing information on how to use EU funds
- help entrepreneurs in finding suitable partners abroad to develop new products, entering new markets, undertake joint research and development works

- providing information to entrepreneurs about the EU policy on innovation, intellectual property rights, legislation
- by applying a „feedback mechanism” a network is news channel for the European Commission about the observations, experience with the legal circumstances in which entrepreneurs operate. Business contribution here is invaluable because provided knowledge will better shape the legislation in the EU.

EEN contact point belongs to net of points managed by consortia. **Warmia and Mazury Regional Development Agency** is a member of **BISNEP consortia - Business and Innovation Support for North - East Poland**, comprising the University of Warsaw - who is the coordinator of the project, Lublin Development Foundation, Podlasie Regional Development Foundation, University of Warmia and Mazur, Lublin University of Technology. Area of activity of a consortium are three voivodship from the territory of the North – Eastern Poland: Warmia and Mazury, Podlaskie and Lubelskie.

BISNEP is an international link of **Enterprise Europe Network**, which is a new initiative of the European Commission, whose strategic goal is to help develop the potential and innovative capacity of the sector of Small and Medium Enterprises in Europe. Which in turn increase its competitiveness in the global market. SMEs are particularly important for the European economy as a whole, constitute its core, they are the main source of jobs and innovation processes. The network brings together around 500 organizations from almost 40 countries: 27 EU, Candidate countries: Turkey, Former Yugoslavia, Republic of Macedonia, the Countries of the EEA: Norway, Iceland and third countries: Armenia, Israel, Switzerland. The network provides entrepreneurs a knowledge to use tools to help them adapt to continuous change.

Services provided by the network include:

- support for enterprises in obtaining information on the use of European funds
- help businesses in finding suitable partners abroad to develop new products, entering new markets, undertake joint research and development works
- providing information to entrepreneurs about the EU policy on innovation, intellectual property rights, legislation

- by applying a „feedback mechanism“ a network is news channel for the European Commission about the observations, experience with the legal circumstances in which entrepreneurs operate. Business contribution here is invaluable because provided knowledge will better shape the legislation in the EU.

Another initiative of WM Regional Development Agency in Olsztyn supporting cross-border business is Warmia and Mazury Investor Assistance Centre. Warmia and Mazury Investor Assistance Centre was established in February 2005 under a tripartite agreement between the Polish Agency for Information and Foreign Investment, Warmia and Mazury Marshall Office and Warmia and Mazury Regional Development Agency Joint Stock Company in Olsztyn. The main tasks of Warmia and Mazury Investor Assistance Centre (IAC) are working to promote the regional offer investment and active participation in the process of handling foreign and domestic investors, monitoring of the status of investments in the region, maintaining databases with investment offers and consulting for recipients of investment.

IAC activities are directed in particular to the promotion of Warmia and Mazury, as areas especially attractive to a potential investor. In cooperation with the Polish Information and Foreign Investment Agency in Warsaw, the IAC can reach a very wide range of potential investors, both domestic and foreign with the top offers.

Furthermore, IAC provides its help in a professional consultancy in the development of a comprehensive offers of areas and facilities prepared for new investments and in their promotion by domestic and foreign channels; provides investors with all the economic and other information needed at the stage of location selection; finding suitable locations for investment - both 'Greenfield' and 'Brownfield'; looks for locations for investments; helps in contacts with central and local government organizations in organization of cooperation with foreign partners.

5. Establishing and doing business activity

5.1 Basic concepts, definitions and rules

Business activity according to Polish law is paid producing, building, trade, service and searching, identifying and extracting of minerals from deposits activity, as well as the professional activity carried out in an organized and continuous way. This means that economic activity is always directed at achieving a profit, and this who performs it should act as an organized and constantly engaged in the exercise of economic activities unit in accordance with article 2 of the Act of 2 July 2004 – Economic Freedom Act (Journal of Acts of 2004 No 173 item 1807).

The concept of economic activity is limited only to certain areas of activity:

- production,
- building,
- trade,
- services,
- identifying and exploitation of natural resources.

It means that the **entrepreneur** is a private person, legal person and an organizational unit not being a legal person, for which a separate act confers legal capacity - carrying on business activity on their own behalf. For entrepreneurs are also found partners in a civil partnership in a scope of carry out their business. Thus, an entrepreneur is not a civil partnership itself, but all of its partners individually.

For entrepreneurs **are not found** (and regulations of the Act does not apply to this type of business) persons engaged in agriculture, manufacturing of agricultural crops and animal farming, horticulture, vegetable growing, forestry and inland fisheries, as well as farmers renting rooms, selling home-made meals and the provision of other services related to the stay of tourists on farms.

Because of this, what steps must be completed before the start up of business activity, it can be taken after:

- entry into the register of economic activities (required for individuals till 31 December 2003) or the relevant registry, Entrepreneur can take business activity in the day of application for entry into the register of economic activities or after obtaining a registration in the National Court Register
- concession or permit.

The principles of establishing a business activity for foreigners:

Article 13 of the Act of 02 July 2004 – Economic freedom act divides foreigners into:

1. foreigners from the Member States of the European Union and the Member States of the European Free Trade Association (EFTA) - parties of the Agreement on the European Economic Area
2. citizens of countries other than those mentioned above who have received permission to settle in Poland, a permit for permanent residence, refugee status granted in Poland or enjoy temporary protection on its territory
3. foreigners not listed in paragraph 1 and 2.

The definition of foreigner is explained in the article 5 of above-mentioned act and means:

- a. a private person resident abroad, not having Polish citizenship
- b. a legal person established abroad
- c. the organizational entity other than a legal entity endowed with legal capacity, based abroad.

Foreigners listed in paragraphs 1 and 2 of article 13 of the act may establish and carry out business activity in Poland under the same rules as Polish citizens, other persons (article 13 paragraph 3) have the right to take up and carry out economic activity only in the form: limited partnership, limited - a joint stock, limited liability or joint stock company, and also to join such companies and the placement or the purchase of their shares, unless international agreements provide otherwise.

Polish Constitution guarantees freedom of business activity, but some areas of this activity are reserved to the state for reasons of safety, protection

of its interests or to ensure the appropriate conduct of business. If the entrepreneur wants to operate in one of the restricted areas, must seek to obtain permission from the state (concession). Granting, refusal, amendment and revocation of the concession or limit its scope belongs to the minister responsible for the subject of economic activity requires a concession.

Concessions are required, among others on: searching or identifying of mineral deposits, extracting minerals from deposits, storage of substances without container and disposal of waste substances in the rock mass, including in underground mining, manufacturing and sale of explosives, weapons and ammunition, products and technology for military or police, manufacture, processing, storage, transmission, distribution and marketing of fuels and energy; people and property protection, the distribution of radio and television programmes; air transport. In some areas of economic activity separate regulations provide for the obligation to obtain permission. The need to obtain **permits** and rules of their giving are determined by specific regulations.

Before the start-up of business activity it is good to make sure that any license (or permission) is not required and make efforts to obtain it.

Possibility of conducting the business by commercial law companies already results from the fact that they occur (usually this is the purpose of their creation), and requires the registration of entrepreneurs in the National Court Register. The same is the case with other legal persons: they are entered into the appropriate registers.

When the activity will be lead by a private person (or members of the civil partnership), an application for **entry in the register of business activity** conducted by the office of the municipality should be submitted.

Summing up the future entrepreneur can take business activity after obtaining entry to:

1. register of entrepreneurs in the National Court Register
2. register of foreign companies led by the minister responsible for economy
3. Business Activity Register

Registered in National Court Register are:

- a. companies of commercial law
- b. branches of foreign companies

Doing business activity in the **form of commercial law** is governed by the Code of commercial companies. The Commercial Companies Code normalized two types of companies: personal and capital. There is defined a way of their formation, merger, transformation and distribution. Partnerships are: general, limited, limited-joint-stock company. On the other hand capital companies are: limited liability company and joint-stock company. Only capital companies have legal personality. Partnerships do not have a legal personality and their partners are responsible for the obligations of the company all their assets.

Foreigners from EU member countries and member states of the European Free Trade Association (EFTA) and citizens of other countries who have obtained permission to settle in Poland, a permit for permanent residence, refugee status granted in Poland or enjoy temporary protection on its territory may operate in all forms of legal instruments adopted in the Polish legal system. Other foreigners may operate only in a limited partnership, limited joint-stock, limited liability or joint stock company.

Branch office is organizationally distinct and independent part of the business done by the entrepreneur outside the premises of the trader or principal place of doing business. The basic feature of a branch office is the lack of legal personality separate from the foreign entrepreneur, although this does not mean total absence of autonomy of the branch office. The act provides, inter alia, obligation to maintain separate accounts for the branch office in accordance with Polish accounting regulations. The foreign entrepreneur who has established a branch office is required to use its original name sign with a translated into Polish name of the legal form and adding the words 'branch office in Poland'. Creating a branch office foreign entrepreneur can do business only in the scope of the foreign entrepreneur activity. This means that the subject of the activity carried out by a branch office cannot be wider than the subject of the foreign entrepreneur, but nothing precludes the branch office from realizing a narrower range of activity.

Legislature provided also the obligation for foreign entrepreneur of making a person who will represent him in the activities carried out within the branch office. Such a person will therefore occurred in any activities on behalf of and for the entrepreneur, with a branch office registered in the files revealed the identity of that person. Information about its address in Poland, as well as in the case of directors of companies - specimen signature of the person shall also be submitted to the court. Such a person will usually act either on the basis of the civil power of attorney or by proxy trading - procuration which may be limited on the basis of article 1095 of civil code to acting within the branch office (branch office procuration). Establishment of the person representing the branch office does not deprive the foreign entrepreneur an influence on the activities carried out by the branch office. Obligation to its presence in Poland is, however, dictated by practical considerations and the security of turnover and the confidence of customers doing business with foreign trader executing its business in Poland through a branch office. To eliminate the branch office should be conformed the rules of the Commercial Companies Code on the liquidation of a limited liability company.

The fee for entry a branch office in the National Court Register is PLN 1000, and notice in the Judicial and Economic Journal PLN 500.

Representative offices. Foreign entrepreneurs may establish representative offices established in the territory of Poland. The scope of the representative office may include only the activities of advertising and promotion of the foreign entrepreneur. Representative can also be created by a foreign person appointed to promote the economy of the country they are established, but the scope of activity of such representative can only cover the promotion and advertising of the economy of this country.

The creation of a representative requires entry in the register of foreign companies led by the minister responsible for economy. The entry is made at the request and in accordance with its contents.

The application drawn up in Polish includes:

- name, premises and legal form of the foreign entrepreneur
- subject of economic activity of the foreign entrepreneur
- name and address in Poland of a person authorized in the representative office to represent the foreign entrepreneur
- address of the representative office in Poland.

The application should include:

- if the foreign entrepreneur operates on the basis of the memorandum, contract, or the statute - a copy of this document,
- if the foreign entrepreneur is or operates on the basis of registration - a copy of this register,
- a statement of the foreign entrepreneur to set up representation on territory of Poland,
- an evidence of legal title of the foreign entrepreneur to the premises (real estate), in which the activity will be performed. About an entry in the register of representatives there is issued a certificate ex officio. Register of representatives is open.

5.2 Forms of business³

Polish law offers entrepreneurs a wide spectrum of available legal forms, guaranteeing a choice between an individual doing business, a civil partnership, unincorporated partnerships without legal personality and capital companies. Factors that determine the final decision as to the form, include requirements for initial capital, scope of responsibilities of partners and formalities associated with establishing the legal form of establishment.

One of the simplest forms, available to every citizen of Poland and foreigners from the member states of the European Union, the member states of the European Free Trade Association (EFTA) - parties of the Agreement on the European Economic Area and foreigners from countries not being a party of the European Economic Area, which can benefit from the freedom of entrepreneurship on the basis of agreements concluded by these countries with the European Community and its member states, citizens of the European Economic Area, individual conducting business as an individual and civil partnership can be indicated in the first place. Other foreigners have the right to take up and doing economic activity only in the form of a partnership: registered, limited, limited-joint-stock, limited liability or joint stock company, and to join such companies and the placement or the purchase of their shares, provided that international agreements do not constitute otherwise.

Persons wishing to conduct business on bigger scale should choose a form of business listed in the Commercial Companies Code (CCC).

As a first step should be taken into account partnerships, which the law does not confer the right personality, although they may on their own behalf acquire the rights, including properties and other property rights, incur obligations, sue and be sued. In the case of partnerships, each of the partners account for by general tax rates on individuals.

The Code specifies the partnership: general partnership, limited partnership, limited-joint-stock company. All of them require registration in the National Court Register and pay costs of 750 PLN per entry in the Register of Entrepreneurs (plus the cost of

³Chalas J. Managing Partner, Law Office Chalas i Wspólnicy

advertising in the Judicial and Economic Journal - 500 PLN), and additional expenditures associated with drawing up a notarial deed of association (other than general partnership).

General partnership is a basic form of partnership. The legislation does not require the assembly of initial capital, as in the case of a registered and limited partnership. Its characteristic feature, and a factor which must be taken into account when deciding on the choice of legal form, is the liability of shareholders. They bear the subsidiary, unlimited responsibility for the obligations of the company, which means that a creditor of the company may result in the execution of partner wealth if the execution of company's assets proves to be ineffective.

Registered partnership, in contrast to other forms of economic activity is designed merely to exercise the professions listed exhaustively in article 88 of Commercial Companies Code: attorney, lawyer, pharmacist, accountant, architect, doctor, engineer, auditor, insurance broker, tax advisor, dentist, veterinarian, notary, nurse, midwife, patent attorney, property appraiser, certified translator, broker securities investment adviser. Limitation of the number of entities authorized to establish a registered partnership is compensated by a suitable settlement of the issue of liability. Partner in the registered partnership is not responsible for the obligations of the partnership in connection with the performance by the other partners in the company of professional services, as well as the company's obligations resulting from acts or omissions of persons employed by the company under a contract of employment or another legal relationship, which were subordinated to the leadership of another partner.

Limited partnership is designed for individuals and legal persons, it enables a significant restriction of liability. At least one of the partners - general partner is responsible for the liabilities of limited partnership without limit, while the limited partner liability is restricted to a limited amount - the amount of partnership. However, if a name of limited partner or name of the company of a limited partner appear in the company of a limited partnership, limited partner is responsible for the liabilities of limited partnership without limit.

More complex structure is a **limited partnership joint stock company**, which in spite of being a partnership requires a minimum capital of 50

thousand PLN. The range of responsibilities is regulated in a similar way as in the limited partnership: at least one of the partners - general partner is responsible for an unlimited liability of the company, the shareholder is excluded from it. However, if a name of shareholder or name of shareholder's company appear in the company of a limited partnership, a shareholder is responsible for the obligations of the limited partnership joint stock company without restriction.

Limited Liability Company and Joint Stock Company. Entities which are designed to achieve the biggest business ventures, while enjoying the greatest popularity, are a company with limited liability and joint-stock company. The fee for registration of a limited liability company and joint-stock company is 1000 PLN. Both, under the provisions of the Commercial Companies Code, are legal entities and it is connected with the fact that their shareholders are liable only to the amount of capital. It should however be noted that if execution against the company with limited liability proves to be ineffective, the members of the board of the company jointly and severally liable for its obligations, unless they timely notify the application for bankruptcy proceedings, there will be instituted a composition proceedings or they will prove that non-notification of an application for bankruptcy and non-instituting of composition proceedings was not their fault, or that despite non-notification of an application for bankruptcy and non-instituting of composition proceedings a creditor suffered no damage.

Branch office and representative office. It should not be forgotten that to aim of reducing the costs of the entrepreneur may use the secondary freedom of entrepreneurship and establish a branch office or a representative office. A branch office, according to the law on freedom of economic activity, is a separate and independent organizationally part of the business done by the entrepreneur outside the premises of the trader or principal place of doing business. The foreign entrepreneur, on a reciprocal basis (art. 85 of the act) may establish a branch office. The principle of reciprocity states that a foreign person may establish and carry out an economic activity in Poland under the same conditions as Polish entrepreneur, if in the country of origin of foreign entrepreneur Polish transactors have guaranteed such a rights Branch office is obliged to carry out activities only in the range of the business activity of foreign entrepreneur. Starting a business activity

requires entry into the National Court Register and meeting the extra conditions, such as: identification of the person authorized to represent the branch office of a foreign entrepreneur, deposit a copy of the articles of association and a copy of the registry of the foreign entrepreneur. The entrepreneur is also obliged by the legislature to keep the accountancy of a branch office in Polish and reporting any changes in actual and legal status to the minister responsible for the economy. Minister of Economy has the power to make a decision to ban the activities described above if the branch office flagrantly violates the Polish law or does not report factual or legal changes, ensued the opening of the liquidation of the foreign entrepreneur, business activity of the entrepreneur threatens security and defence of the state, protection of state secrets or other public interests. In contrast to the branch offices, the range of activity of representative offices may include only the activities of advertising and promotion of the foreign entrepreneur. Representative office requires the registration in foreign delegations register led by the Minister of Economy. Detailed requirements for the content of the application, required documents and the possibility of prohibiting the operations of the representative office determines, as it is in the case of a branch office, the Law on freedom of economic activity.

Other forms of economic activity. On the margins of the considerations should be noted that in connection with the Polish membership in the European Union the choice of form of business should be viewed much more broadly - in terms of the new European cross-border cooperation structures such as the European Economic Interest Group (EEIG) and the European Joint Stock Company (EJSC).

EEIG does not require an initial capital to its existence and groups units form European Union countries not to make a profit, but in an aim of their own promotion, which differs from the classical form of business. Access to the EJSC can be reduced by introducing a high minimum amount of initial capital – EUR 120 000 - needed for registration, as well as the closed circle of persons entitled to its creation. However, notwithstanding the reasons mentioned above, the specific features of these entities, the possibility of their creating complements the economic freedom, and also contributes, on an equal footing with the financial policy of the EU, to reduce differences in economic development among member countries.

5.3 Obligations relating to the establishment of business activity

If we want to do business as an individual we have to obtain **entry into the register of business activities**.

If we want to do business in the **form of a company** we have to obtain entry in the registration court. To obtain an entry we have to:

1. Go to the office of the register court (these functions perform economic district courts, including their area of jurisdiction province or part thereof) and submit an application for registration. The application should be prepared on official form, about which you should ask in the office of the register court.
2. There has to be paid a legal fee and if the entry is subject to the notice also a fee for an advert in the Judicial and Economic Journal has to be paid.
3. **The application should include:**
 - authorized signatures of persons authorized to represent the company certified notary or made before a judge or court employee,
 - a document being an evidence of our right to the premises or property in which we conduct our business,
 - the relevant documents (company contract, company statute), either as originals or officially certified as true copies or extracts.
4. Pay the **tax on civil law transactions**. For this purpose, the entrepreneur has to go within 14 days after the establishment of the company to the tax office and pay at the cash-desk or on the bank account of the tax office, or it will do the notary – if company contract was made in the form of notarial deed. The basis of taxation with the drawing up a company contract is a value of shares contributed to the company's assets or the value of the initial capital (joint stock).
5. To the tax office we have to make a proper declaration, which forms are available at the tax offices, and proof of payment of tax. Proof of payment should include: your name or the name or the company of a taxpayer making the payment, tax identification number, date of filing the civil action and its object.

REGON

Entries into the register of economic operators (REGON), run by the Central Statistical Office should be made within 14 days from the date of creation of the entity, which will be doing a business activity. Application should be made at **the statistical office of the province, which houses the business office (place of residence)**.

To the application there must be attached a copy of the certificate of formation of this unit (from the relevant register) or an extract from the register of businesses activities. Those entities whose business is not subject to registration records are also obligated to appearance. The register is kept for statistical purposes and businesses are required to provide certain information relating to their operation, using the REGON number.

NIP

A tax identification number (NIP) application should be submitted before the first taxable transaction for VAT or excise duty or before the first tax return (for income tax). It should be submitted **at the tax office of place of residence (business office) of entrepreneur**.

The declaration must contain specific information on the entrepreneur (if it is a private person such as name, address, citizenship, Social Security number) and its business activity (its organizational-legal form, location, REGON number, the authority of the registrant).

Application with start-up of business to the tax office aims at obtaining a tax identification number (NIP), which will be used by a person who conducts business activities in the performance of tax obligations. This number is given only once, regardless of how many and what taxes a person will pay.

ZUS

A person establishing a business activity must report to the Social Insurance:

- people being a subject to compulsory social insurances
- payer of premiums for such insurance.

Obligation to social security (pension, disability pension, accident and sickness) covers as an entrepreneur doing business and employed by that person staff. Obligation to notify those persons in the insurance arises at

the commencement of business (for entrepreneur) or at the moment of employment of worker. Application must be made within 7 days from that date and must be personally signed by the person submitted. In the case of non-fulfilment of application duty by the entrepreneur, the Social Insurance shall register the same person who is subject to compulsory insurance.

In addition, the entrepreneur who has employees, it also has an obligation to notify each other in the records as paying Social Insurance contributions when employing at least one person covered by the obligation of insurance (within 7 days of the employment of that person).

Bank account

The entrepreneur is obliged to have a bank account to make or accept payments through a bank account in any case where the counterparty is an entrepreneur, a single value of the claims or liabilities exceed the equivalent of EUR 3000 or the equivalent of EUR 1000 when the sum of the value of those assets and liabilities arising in previous month exceeds the equivalent of EUR 10000.

If the entrepreneur has opened accounts in several banks, it must specify one of them as a primary and tell (with account number), all our banks, as well as the tax office and Social Insurance.

In doing business, you should remember that:

- Managing your own property (e.g. rental housing for tenants in your building) is not essentially an economic activity.
- Conducting business activity without the required notification to the registration or non-notification of the changes is an offense which is threatened by the penalty of restriction of liberty or a fine.
- For a non-fulfilment a duty of necessary applications to REGON register, social insurances and record of taxpayers and payers the regulations provides a penalty of fine.
- Tax ID number (NIP) is transmitted to a person only once, so if someone who pays income tax and therefore has a NIP number and intends to start a business, do not have to apply for it a second time.

The following definitions are provided to allow to identify entrepreneurs correctly broken down into micro, small, medium and large companies which is of great importance in the case of state aid and to apply for funds from the EU.

Table 1. Classification of enterprises

	Number of employees in one of the last two financial years	Annual net turnover from sales of goods, products and services and financial transactions does not exceed	Balance sheet total assets at the end of one of the last two financial years has not exceeded
Micro entrepreneur	Less than 10	2 million EUR	2 million EUR
Small entrepreneur	Less than 50	10 million EUR	10 million EUR
Middle entrepreneur	Less than 250	50 million EUR	43 million EUR
Large entrepreneur	Above 250	Exceeds 50 million EUR	Exceeds 43 million EUR

The entrepreneur, in which the other entrepreneurs, the Treasury and local government units have the following:

- 25% or more contributions, or shares,
- the right to 25% and more profits,
- 25% or more votes in the assembly of shareholders, general meeting or general meeting of the cooperative

Is not considered as micro-, small or medium entrepreneur.

5.4 Obligations of employer

Doing business activity the employer must pay social and health insurance contributions of employees.

Social security includes:

- 1) pension insurance;
- 2) retirement insurance;
- 3) sickness insurance (sickness and maternity benefits);
- 4) accident (for accidents at work and occupational diseases).

Table 2. Rates of social insurances contribution

Pension insurance	Retirement insurance	Sickness insurance	Accident insurance
19,52%	6%	2,45%	From 0,40% to 8,12%
9,76% financed by the insured	1,50% financed by the insured		
9,76% financed by the payer	4,50% financed by the payer		

Prepared on the basis of Act on 13 October 1998 on Social Insurance System (Journal of Acts. 1998 No 137 pos. 887)

Principle of differentiation, rate of accident insurance premiums shall be determined by the regulations of social insurance for accidents at work and occupational diseases.

Payer is obliged to forward to the Social Insurance personal monthly reports, after the end of each calendar month, within the time fixed for settlement of contributions.

Retirement and pension insurance

In the article 6 of the social security system are listed individuals who are subject to mandatory retirement and pension insurances. Below are listed some of them:

- employees, excluding prosecutors,
- people performing cottage industry,
- members of agricultural production cooperatives and associations of agricultural circles,
- people performing work under an agency contract, contract-order or other service contract, which according to the Civil Code, are related with orders and people cooperating with them,
- people conducting non-agricultural business activity and people cooperating with them.

Sickness insurance

Following persons are subject to sickness insurance:

- employees,
- members of agricultural production cooperatives and association of agricultural circles,
- persons serving a replacement service.

The following persons covered by **compulsory retirement and pension insurance** are a subject to sickness insurance, **from their own choice**, on their own application:

- performing cottage industry,
- performing work under contract-order, agency contract or other service contract, which according to the Civil Code, are related with orders and people cooperating with them,
- conducting non-agricultural activities and those cooperating with them,
- performing a paid work on the basis of an assignment to work at the time of imprisonment or a preventive detention, clericals.

Accident insurance

Persons who are a subject to retirement and pension insurances are also a subject to compulsory accident insurance. Persons who are not subject to accident insurance:

- unemployed collecting an unemployment benefit or the benefit of integration,
- people receiving a scholarship under the provisions on promotion of employment and labour market institutions during the post-graduate studies and not remaining in employment,
- persons performing cottage industry,
- non-regular soldiers performing active duty,
- persons on parental leave, persons receiving maternity benefit or allowance in the amount of maternity allowance,
- people receiving social security benefit paid during the leave and people receiving social allowance paid on time retraining and seeking new employment, as well as people receiving remuneration paid during the period of use of the benefits of mining or during use of the grant for retraining,
- people receiving training benefits after the termination of employment,
- persons subject to a voluntary retirement and pension insurances,
- persons performing work under an agency contract, contract-order or other agreement for the provision of services, to which in accordance with the Civil Code, are used regulations concerning orders and persons cooperating with them when they carry out work outside the office or principal place of business.

Health insurance

Persons who fulfil the conditions to be covered by social insurance or social insurance for farmers are a subject to mandatory health insurance. The person subject to mandatory health insurance after the notification to the Fund is entitled to the benefits of health insurance.

Health insurance contribution is 9% of the base premium. It will be paid monthly and is indivisible.

A basis for assessing health insurance contributions is a statement of the amount not less than 75% of the average wage. The contribution of the

new rate applies from the third month of next quarter. A basis for assessing health insurance contributions is reduced about the amount of the pension contributions, sickness and retirement contributions financed by insured which are not contributions payers, deducted by payers from the insured resources, in accordance with the provisions of the social security system.

For a person employed the employer calculates, collects the income of the insured and paid a contribution to the Social Insurance.

Health insurance contribution is deductible from income tax for individuals in the amount of 7,75% of premiums.

Obligation of health insurance is regulated by the Act of 6 February 1997 on general health insurance.

Potential investor and entrepreneur striking over the start-up of business operation should also be aware of available support tools such as the Special Economic Zones or exemptions and reliefs from local taxes offered by the local authorities aimed at encouraging entrepreneurship in the area.

Information about those you will find in the publication **'Reliefs and exemptions for investors in Warmia and Mazury region, broken down by municipalities and special economic zones'** prepared by the Warmia and Mazury Regional Development Agency Joint Stock Company in Olsztyn (WMARR SA) on order of Local Government of Warmia and Mazury region, and in Warmia and Mazury Investor Assistance Centre at WMARR SA in Olsztyn, whose main task is to actively participate in the process of handling foreign and domestic investors, monitoring of the status of investments in the region, maintaining databases with investment offers and consulting for recipients of investment.

Furthermore, IAC provides its help in a professional consultancy in the development of a comprehensive offers of areas and facilities prepared for new investments and in their promotion by domestic and foreign channels; provides investors with all the economic and other information needed at the stage of location selection; finding suitable locations for investment - both 'Greenfield' and 'Brownfield'; looks for locations for investments; helps in contacts with central and local government organizations in organization of cooperation with foreign partners.

Thanks to cooperation with the Special Economic Zones, the Warmia and

Mazury Investor Assistance Centre provides potential investors with access to the full and current information and provide quick and efficient handling of the investment process.

The main tasks of Investor Assistance Centre:

- Working to promote the region from the investment point,
- Providing comprehensive services for investors of the Warmia and Mazury region,
- Professional consulting assistance in developing a comprehensive tender areas and facilities prepared for new investments.

Investor Assistance Centre provides investors with:

- All information, economic and other needs at the stage of location selection,
- Help in finding a suitable location - both Greenfield and Brownfield,
- Support in dealing with local authorities,
- Assistance in the organization of cooperation with foreign partners.

6. Tax System

Tax System in Poland

Legal grounds for the imposition of the tax liabilities is in force since 17 October 1997 Constitution of Poland of 2 April 1997 (Journal of Acts No. 78, item. 483). In article 217 constitutional legislator has decided that:

1. imposition:
 - of taxes,
 - other contributions,
2. defining:
 - subjects of taxation,
 - objects of taxation,
 - tax rates,
 - categories of persons exempt from taxes,
 - principles for granting tax reliefs and tax write-offs can be made solely by the way of act.

In accordance with the principle expressed in article 8 of the Constitution its provisions apply directly, unless the Constitution provides otherwise. This means that if the tax law is contained regulate conflict with a provision of the Constitution, the provision of the Constitution should be used.

The tax system generally consists of taxes collected in the country at any given time. **The Polish tax** system consists of eleven titles of tax contained by material special tax law. **The concept of tax** is defined in article 6 of the act of 29 August 1997 - the Tax Code (Journal of Acts of 2005 No. 8, item. 60 with future changes) as a legal public, free, compulsory and non-refundable cash benefit to the Treasury, province, district or municipality, resulting from the Tax Act. The provisions of the tax regulations also apply to fees and other non-tax charges for national budget and budgets of local government units to determination of which are tax authorities and the fees referred to in the regulations on local taxes and charges.

Public duties are similar economic category to the taxes. Public duties like taxes are the burden imposed as opposed taxes only on those, existing outside the country (or other legal public connection) entities, which

benefit directly from services and activities performed by state authorities (or other legal public connection). In the case of public charges there is a connection between the use of certain public services and official acts and collection of public charge.

Duties are a special case of taxes, which because of their importance and specificity are considered separately, and some even treat them as a case of public charges. Duties are charged at the border of a country or a customs union in connection with the transported goods across the border.

Taxes at the same time are economic and legal category. In technical and financial terms taxes are cash, forced, non-refundable, free of charge, the general provisions imposed and collected by the state (and other public-law associations) on the basis of legal provisions defining the amount, terms and other conditions for their imposition and collection.

Coercive nature of taxation is expressed in the fact that they are levied and collected in the power of the governmental authority (usually defined constitutionally) defined authorities of the state (and other public-law unions, such as local government) and can therefore be enforced with the use of compulsion in means provided by law.

Non-refundable as a feature of the tax means that the amount of taxes already collected will not be returned to taxpayers, except in evident cases of corrections and amendments of taxes dimension. Collected taxes constitute a public revenue, which immediately are transformed in public expenditure and about their return to taxpayers is out of the question.

Taxes free of charge means that in return for paid taxes, any benefit is not entitled to taxable persons from the state (and other public-law associations). Even if the public authorities justify the need to introduce a specific tax (or increase already existing tax) the intention to introduce or increase certain benefits for citizens, this justification does not matter (except for possibly political). In the past, sometimes pointed out that while taxes are free benefits in direct sense, but we can speak of a certain indirect taxes remuneration expressing in the total activity of the state (and other public-law associations) to the general public. Today, such views are not supported.

Generality of taxes - which is also called sometimes less aptly universality - is their extremely important and difficult to explain and to

meet in practice feature. Generality means that taxes are levied and collected on uniform terms and with use of conditions described in the application of generally applicable laws. Tax legislation may therefore be general legal norms, and these taxes cannot be individually determined. It can be said that any individualization (or personification) of taxes is contrary to the legal definition of the tax. Practical solutions have never and nowhere did not go so far, which makes interpretation of the law formal feature of a tax is still controversial.

Elements of the tax technique and tax procedure

Determination of the tax structure and establishment of the tax debt requires a knowledge of elements of the tax, also known as variable elements of the tax or the most often - elements of the tax technique. The most important elements of tax techniques include tax entity, the subject of tax, the tax base, rates and scales for tax exemptions and tax credits and tax rises.

There are distinguished active and passive subject tax. **Tax active subject** is a state or other public-law association (e.g. local government) authorized to levy and collect taxes. **Tax passive entity** is an entity to which the State or other relationship under public law imposes the tax. A tax liability consists of bear the tax burden and procedural obligations expressed in the activities related to the payment of tax, which allows to separate the taxpayer and the payer. **Taxpayer** is the person who bears the tax burden. **Payer** is the person who makes payment of the tax. Taxpayer and the payer may be the same entity, but sometimes - like in indirect taxes - these are different entities.

Subject of tax are the things, events or phenomena that involve a tax liability. For example, the subject of taxation may be property, receive inheritance, achieving income.

The taxable amount is quantified, and therefore included in the measurable expression, the subject of taxes. Frequently, the taxable amount is expressed in monetary terms, the value of taxation, there will be times that the tax base is determined in physical units. Exceptionally there is departure from precise measurement of the tax base, confining on estimated tax base or by specifying a flat tax burden. In some cases, it is possible to determine the total tax base for the various items of taxation, which leads to the accumulation of tax.

The calculation of tax debt requires knowledge of the tax rates. **The tax rate** is the ratio of tax to the tax base. There are used Rates amounts and percentages (fractions). Rates amounts, are generally used when the tax base is expressed in physical units, they will inform what amount is the tax of that tax base. Percentages inform what proportion of the tax base is the tax due.

Tax rates are expressed in the **tax scales**, which are a set of the next size of the tax base and the corresponding tax rates. There are distinguished a linear or proportional scale (at which the tax debt is growing in the same way as the tax base) and three types of variable scales of tax: progressive, regressive, and digressive.

There should be also mentioned the concept of **tax rate**, which is the percentage ratio between the tax duty and tax base. In the case of proportional tax scale a rate is also the rate of tax, however in the case of a progressive scale there should be used the average tax rate.

Exemptions and tax reliefs are treated as a separate element of the technique. Tax exemptions are a total exemption from taxation of the entity collecting the tax, and tax reliefs are a partial reduction of the tax burden. Tax exemptions may be without time limit or may be determined on a strictly fixed period and then receive a name of tax holiday.

Tax credits are a reduction in the amount of tax or postpone the date of payment or the distribution of tax in instalments. Both exemptions and tax credits can be divided into objective and subjective. Exemptions and subjective reliefs are used in conjunction with the circumstances relating to the subject of taxation. Objective exemptions and reliefs are used in connection with the circumstances of the object of taxation, which may even lead to impersonate of a tax if it is taken into account the personal situation of the taxpayer in the application of exemptions and tax reliefs. Taxonomy. Taxes can be and are classified according to various criteria, what in conjunction with the development of tax systems has led to the development of extensive and complex scheme of taxation.

Particularly relevant is the breakdown of taxes according to the subjective criterion. According to this criterion there are distinguished following taxes: income, profit, wealth, and taxes on expenditure (or cost) also called a consumer tax.

Income taxes collected from the reached revenue from various business entities as a result of business activities of these entities. These taxes are generally levied at the time of achievement of revenue and even regardless of how much will it cost to achieve revenue. Income taxes are relatively simple and easy in measurement and collecting, and to their use is specifically required neither extensive accounts and record in the subjects achieving revenues nor taxes require a particularly efficient and complex tax apparatus. Some of the income taxes, especially in the past, even referred to the estimated, not actual revenue, what determined their unique simplicity. Today structures of tax income have been undergone a considerable expansion, making their size and collection more difficult.

Profit taxes are levied on the income achieved by various business entities as a result of their business activities, while revenues are understood here as revenue lessened by cost of their acquisition. Profit taxes are much more difficult to apply than income tax. It is necessary to clearly define not only income but also determine what costs may be considered as tax deductible expenses and the cost - despite the fact that they are incurred - cannot be regarded as deductible expenses. Measurement and collection of profit taxes, therefore, requires extensive accounting and record in entities achieving the revenue and the existence of an efficient and appropriately expanded tax apparatus. Today, we observe the growing importance of income taxes, which is reflected in the fact that two of them, and therefore income tax of personal income (i.e. personal income tax) and income tax of companies, definitely play a major role in modern systems of taxes.

Property taxes are assessed on the basis of the value of assets (usually property). Traditionally there are real property taxes, reduction in taxable property of the substance occurs as a result of sampling real property taxes, and nominal property taxes, so those that relate to the true value of the assets, but their collection does not reduce substances of taxpayer property, as it is or with the utility, which brings fortune, or even from other sources. Extremely real property taxes are in the form of partial confiscation of property. Among the property taxes can be distinguished state property taxes, changes in property rights taxes and taxes from capital appreciation. Taxes on state property or the possession of that property used extensively in the past do not find bigger application now. However, in the tax systems

of all developed countries there are taxes from the change (and hence the acquisition or disposal) of property rights, and therefore such taxes as inheritance and gift, the transfer of ownership, etc.

Expenditure taxes (or cost), also known as consumer are used in relation to expenditure incurred by households as final consumers of goods and services regardless of who pay a tax debt. In market economy countries this group of taxes includes taxes on turnover of various constructions, which can be reduced to one of the following three groups: multistage turnover taxes, turnover taxes and value added taxes.

Among consumption **taxes the excise duty** deserves for our attention and therefore the tax levied on goods of population general consumption (such as salt, tobacco, alcohol, petrol and diesel), for which production and distribution public authority in the past had a monopoly. An excise duty was continued today even in these countries where production and distribution of goods included an excise duty is neither a state monopoly, nor licensed by the state. Excise duty has also began to refer to goods considered luxuries. Consumer taxes are gaining in importance due to their prevalence in these countries where there is a value added tax, also known as general turnover tax.

In the tax-sharing next to subjective division there is applicable division of taxes at the breakdown of who bears the burden what allows the distinction of direct taxes and indirect taxes. **Direct taxes** are these taxes which burden is directly borne on this entity, for which the tax is levied, that is - in other words - these taxes that are charged directly an income or assets of the taxpayer.

While **indirect taxes** are these taxes which burden is not borne by entities on which the tax is levied, but by third parties. Entities that are imposed indirect taxes are merely intermediaries between public authorities, setting taxes, and those who actually have to bear their weight.

Another, often used criterion for classification of taxes is a subjective criterion, so **the division of taxes at the entity** (known as an active entity), which imposes a tax and for which the tax is levied, and according to the company (so-called passive entity) to which the tax is levied and who is liable for its payment.

Classification according to the active subject allows to extract the **state taxes** (levied by state and coming in to the state budget), **local taxes** (imposed by the local authorities and coming in to the budgets of local governments), **taxes for churches and religious associations** (imposed by authorities of the churches and religious associations and coming in to their budgets), or **taxes for other public-law associations** (if they have so-called dominions tax). Today, basic meaning have state taxes and local taxes (and taxes for other public-law associations) are not spontaneous. Due to the fact that the tax ability of tax payers is the unity and from the other mainly technical and financial reasons, local taxes and taxes for other public-law associations have a nature of public benefits to state taxes, shares in state taxes or there is a division of public revenue between the state and local governments and possibly other public-law associations.

Classification by passive entity allows to distinguish business taxes and taxes on households. In the first case we are dealing with business taxation in the form of business enterprises and commercial companies, as well as the economic activity carried out by individuals at their own risk and on their own account. This division can be developed further, using various criteria. In the second case we are dealing with taxation of households as those achieving revenue (mainly from the labour and social benefits), incur expenses and gathering savings.

Special type of public revenues are charges. The fee can be defined as: a cash payment consideration of a forced, non-returnable, reward, unilaterally determined and collected by public authorities for specific official acts and public service units. Essential feature of the charges is that they incur by entities outside the public sector has always been associated with some kind of benefits from the authorities and public administration (administrative decision, such as permission to build a house) or from public sector entities (kindergarten for child). That's what distinguishes the charges from taxes which is a gratuitous transfer of income (wealth) to the taxpayer of the public authorities.

There can be distinguished the following two basic types of fees used by the public authorities: **charges connected with activities related to public authorities, fees for services produced by public sector entities.**

The fees of the first type are similar in nature to the taxes because the costs are minimal in comparison with the amount of fees. The fees of the second kind are formed mostly at the level of the actual cost of service, possibly with a small spread (profit).

As it is previously written the Polish tax system consists of eleven titles of tax:

Corporate Income Tax (CIT - income tax of companies) it is a tax directly burdening revenue generated by legal persons. The basic legal act, which regulates CIT tax is the act of 15 February 1992 on income tax from legal persons (Journal of Acts of 2000 No. 54, pos. 54, with future changes) and the act of 5 March 2009 about change of act of the income tax of individuals and the act of income tax of legal persons (Journal of Acts of 7 May 2009). The tax is **19%** of the tax base.

Personal Income Tax (PIT) is a personal tax, which means that the taxpayer is any person reaching revenue. Income tax from individuals is governed by two acts:

- Act of 26 July 1991 on income tax from individual persons (Journal of Acts of 2000 No. 14, item. 176, with future changes) and
- Act of 20 November 1998 on a flat-rate income tax on some incomes of individual persons (Journal of Acts No. 144, item. 930 with future changes).

Individuals are subject to tax on all their income (revenue) regardless of the location of sources of income (unlimited tax liability).

Individuals who do not have a place of residence on Polish territory are subject to tax only on income (revenue) performance on Polish territory (limited tax liability).

Spouses which are a subject to the tax and between which there is an asset commonality through the whole tax year may account for the joint annual tax return.

Property tax, whose legal basis is the Act of 12 January 1991 on local taxes and charges⁴. Subjects to taxation on real estate are:

- 1) land,

⁴ Act of 12 January 1991 r. on local taxes and charges, Journal of Acts of 2006 r., no 121, pos. 844, with future changes

- 2) buildings or parts thereof,
- 3) buildings or parts involved in running a business.

Land classified in the land register and building as agricultural land, wooded land and shrubs on farmland or forests, with the exception of the forests busy for business activities are not subject to tax on property.

The following is not subject to the tax on real estate:

- 1) under the condition of reciprocity - property owned by foreign states or international organizations or transferred to them in the lease payments, for the establishment of diplomatic, consular and other missions enjoying privileges and immunities under the laws, treaties or international customs,
- 2) land into surface waters flowing and navigable channels, with the exception of lakes and occupied land on water reservoirs or hydropower reservoirs,
- 3) land under the internal sea waters,
- 4) properties or their parts occupied for the purposes of local government entities, including municipal offices, the county and district offices of marshal,
- 5) lanes along the roads and buildings, connected with the handling, protection and maintenance of traffic.

Property tax taxpayers are individual persons, legal persons, organizational units, including the company without legal personality, which is:

- 1) owners of real estate or buildings,
- 2) autonomous holders of the properties or buildings,
- 3) perpetual land-users,
- 4) Property owners or their parts or constructions or parts thereof, held by the Treasury or local authorities if holding:
 - a) results of an agreement with the owner, the Agricultural Property Agency of the Treasury or other legal claims, with the exception of the possession by individuals of dwellings not constituting a separate estate,
 - b) is without legal title.

Tax on means of transport, whose legal basis is the Act of 12 January 1991 on local taxes and charges⁵. The subjects of Tax on means of transport:

- 1) trucks with a maximum mass of 3,5 tonnes and under 12 tonnes,
- 2) trucks with a maximum mass equal or greater than 12 tonnes,
- 3) saddle and ballast tractors adapted for use in conjunction with semi-trailer or a maximum permissible weight of the vehicle from 3,5 tonnes and under 12 tonnes,
- 4) saddle and ballast tractors adapted for use in conjunction with semi-trailer or a maximum permissible weight of the vehicle equal or greater than 12 tonnes,
- 5) semitrailers and trailers, which together with a motor vehicle have permissible gross mass from 7 tonnes and under 12 tonnes, with the exception related only to the agricultural activities carried out by the taxpayer of agricultural tax,
- 6) semitrailers and trailers, which together with a motor vehicle have permissible gross mass equal or greater than 12 tonnes, with the exception related only to the agricultural activities carried out by the taxpayer of agricultural tax,
- 7) buses.

Tax liability for tax on means of transport burdens on individual persons and legal persons who are owners of means of transport. As the owners are also considered organizational units without legal personality, which means transport is registered.

Value Added Tax (VAT) - is an indirect tax, a burden in the final analysis the ultimate consumer. VAT is included in the price of the goods or services by a vendor who is taxed for VAT. VAT is paid by the acquired business turnover (sales).

According to the Act on tax on goods and services, the turnover is a tax base. Turnover is the amount due on the sale, lessened by the amount of tax due. Amount due covers the whole of the benefit due from the buyer. Turnover increases by the received subsidies, grants and other payments of similar nature having a direct impact on the price (the payable amount)

⁵ Act of 12 January 1991 on local taxes and charges, Journal of Acts of 2006, no 121, pos. 844, with future changes

of supplied goods or services rendered by the taxpayer, lessened about the amount of tax due.

The VAT act defines a VAT taxpayer as legal persons, organizational units without legal personality and individuals performing their own business activity, regardless of the purpose or result of such activities.

VAT is counted for:

- 1) payed supply of goods and services on the territory of the country
- 2) export of goods,
- 3) importation of goods,
- 4) within community purchase of goods for pay on the territory of the country,
- 5) within community delivery of goods.

The tax rate on goods and services is 22%. There are planned lower rates for:

- 7% for food, agricultural and forestry products and goods relating to health, catering services, hotel facilities, housing. 7% rate also applies to the importation of works of art, collectors' items and antiques.
- 3% for unprocessed agricultural products
- 0% for maritime and air transport

Excise duty tax (*excise duty comes from the Latin word accidere - set, cut*) This is a special kind of indirect tax from consumption levied on products such as tobacco and alcohol, and the production such as imposed on minerals. Excise duty has an impact on prices of products, which implies that the actual taxpayer of this tax is the final purchaser of the goods. All goods and services being a subject to excise duty are listed in the annex to the excise duty act.⁶

Local charges:

- 1) The market charge – Market charge is collected from individuals, legal persons and organizational units without legal status which are selling on the markets. This fee is not collected for sales made in buildings or parts of buildings, with the exception of markets under the roof and the halls used for trade fairs, auctions and exhibitions. The quantification

⁶ Financial system in Poland, Bogusław Pietrzak, PWN 2004

and collection and payment terms, and the rate of the fee are defined by resolutions of the municipal council. The municipal council may order the collection of the levy and define collectors and determine the amount of remuneration for the collection. In addition, the municipal council may make other than the above mentioned subjective exemptions from market charge.

- 2) The Spa fee - The spa fee is collected from individuals staying longer than a day for health, tourism, leisure or training purposes in the villages located in areas which have been given the status of the spa under the terms of the act of 28 July 2005 on the therapeutic spa resorts and areas protection of the resort and spa communities (Journal of Acts No. 167, pos. 1399, with future changes) for each day of stay in these places. From the person from whom Spa fee is collected, there are not charged local fees. The quantification and collection and payment terms, and the rate of the fee are defined by resolutions of the municipal council. In addition, the municipal council may make other than the above mentioned subjective exemptions from spa fee.
- 3) Local charge – local charge is levied on individuals staying longer than a day as a tourist, recreational or training purposes:
 - in places with favourable climatic characteristics, landscape values and conditions to enable people to stay for those purposes;
 - in the villages located in areas which have been given the status of a spa conservation area under the terms of the act of 28 July 2005 on the therapeutic spa resorts and resort areas, spa protection areas and the municipalities spa resort (Journal of Acts No. 167, item. 1399 with future changes)
 - for each day of stay in such places.The rules of quantification and collection and payment terms, and the rate of the fee are defined by resolutions of the municipal council. In addition, the municipal council may make other than the above mentioned exemptions from city tax question.
- 4) Junk fee - The municipal council may by resolution, on the basis of acceptance of people expressed in a conducted previously municipal referendum, take over from property owners all or advisable obligations regarding the collection and export of junk. Taking over the duties, the

municipal council shall determine the fee paid by property owners for carrying out the assumed responsibilities. This fee is fixed to a flat rate for the periodic disposal of a specified quantity of specified types of municipal waste or liquid filth. The fee depends on the actual costs incurred by the municipality for organizing and functioning of the collection, transport, recovery and disposal of municipal waste or liquid filth.

7. Financial system

Poland observes the principles and international standards in financial and banking policy, as confirmed by the report of the International Monetary Fund and World Bank. Polish banking system is strong and stable. Since the constitutional transformation, which took place in 1989, we avoid major shocks that have occurred in other countries of the region undergoing a similar transformation as Poland.

Polish currency is zloty (PLN). In 2009, it fluctuated at the level of 4,30 PLN per 1 EUR. However, U.S. dollar oscillated at the level of 3,30 PLN.

The shape of the Polish banking system is a result of the processes that occurred in this market over the past several years. These are mainly:

- change of the banking law in 1989, which laid the foundation for construction of two-tier system: central bank and commercial banks,
- market transformation of the economy, which allows the intensification of changes in the banking sector and create conditions for the development of market forms of conducting transactions between banks and transactors, and between commercial banks and the central bank,
- adaptation to the functioning conditions of the European financial sector and the standards developed in the process of monetary integration of the European Union,
- impact on banking services and products of contemporary trends such as: globalization of financial markets, liberalization and deregulation of flows of financial services and capital, the development of banking techniques, changes in scale and structure of demand.⁷

Among the dozens of commercial banks (71 – in October 2009) operating on the Polish banking market, the largest group is presented by banks in most, or totally privatized. In their privatization participated the biggest financial institutions in Europe and the world, hence the very large property shares in Polish banks have foreign investors.

At the same time next to the large commercial banks also several hundred cooperative banks operate in Poland (579 - ditto) – these are mainly small banks, operating in local markets of banking institutions.

⁷ www.nbp.pl on 21 October 2009

In the Polish banking system, as in other banking systems characteristic for a market economy, there are distinguished two levels:

- central bank,
- commercial banks.

The basic elements of the banking system in Poland are:

- the National Bank of Poland, which is the central bank,
- the Financial Supervision Committee,
- the Bank Guarantee Fund,
- banking sector includes commercial banks and cooperative banks.

Polish central bank - the National Bank of Poland (NBP) – is a national bank and has a fundamental role in the Polish banking system in carrying out three essential functions:

- bank of issue,
- bank of banks,
- bank of the national economy.

The Monetary Policy Council forms monetary policy and identifies ways of its implementation, including in particular the level of interest rates of the NBP (rediscount, pawn, deposit, reference) and the minimum reserves of commercial banks and the amount of their interest, and also sets out the principles of open market operations.

The main objective of the central bank is to ensure the stability of national currency, and such an impact on the national economy that followed the sustained economic growth and falling unemployment.⁸

⁸ www.nbp.pl on 21 October 2009

Table 1 Number of banks with regard for the form of ownership

Detailed list	2008	2009	Change of the number of banks
	state on 30 June		
Total	644	650	+6
Commercial	65	71	+6
with the prevailing Polish capital	10	10	-
with predominantly foreign capital, including:	55	61	+6
with 100% share of foreign capital, including:	34	41	+7
branches of foreign banks in the form of joint stock companies	15	19	+4
Cooperative	579	579	-

Source: www.stat.gov.pl

The banking system

A list of centrals of national banks (excluding cooperative banks) and branches of credit institutions operating in the Warmia and Mazury region:

AIG Bank Polska SA
Alior Bank SA
Allianz Bank Polska SA
Bank BPH SA
Bank DnB NORD Polska SA
Bank Gospodarki Żywnościowej SA
Bank Gospodarstwa Krajowego
Bank Millennium SA
Bank Ochrony Środowiska SA
Bank Pocztowy SA
Bank Polska Kasa Opieki SA
Bank Zachodni WBK SA
BRE Bank Hipoteczny SA
BRE Bank SA
Deutsche Bank PBC SA
Deutsche Bank Polska SA
EFG Eurobank Ergasias S.A. SA Oddział w Polsce
Euro Bank SA
Fiat Bank Polska SA
FORTIS BANK POLSKA SA
GE Money Bank SA
Getin Bank SA
ING Bank Hipoteczny SA
ING Bank Śląski SA
INVEST - BANK SA
Kredyt Bank SA
LUKAS Bank SA
NORDEA BANK POLSKA SA
Pekao Bank Hipoteczny SA
Powszechna Kasa Oszczędności Bank Polski SA
Raiffeisen Bank Polska SA

10 largest cooperative banks in the Warmia and Mazury region:

1. Bank Spółdzielczy w Szczytnie
2. Warmiński Bank Spółdzielczy
3. Warmińsko-Mazurski Bank Spółdzielczy
4. Bank Spółdzielczy w Iławie
5. Mazurski Bank Spółdzielczy w Giżycku
6. Braniewsko-Pasłęcki Bank Spółdzielczy w Pasłęku
7. Bank Spółdzielczy w Nidzicy
8. Bank Spółdzielczy w Olecku
9. Bank Spółdzielczy w Węgorzewie
10. Bank Spółdzielczy w Suszu

Setting up a bank account

According to the Act of 2 July 2004 on Freedom of Economic Activity (Journal of Acts 2004 No. 173 item. 1807) a person starting a business activity has an obligation to set up a bank account.

Making or receiving payments related to the business activity is done through a bank account of the entrepreneur, where:

- 1) a party of the transaction, according to which the payment is following, there is other entrepreneur and
- 2) one-time transaction value, regardless of the number resulting from the payment exceeds the equivalent of EUR 15 000 converted into PLN at the average exchange rate announced by the National Bank of Poland on the last day of the month preceding the month in which the transaction was closed.

Setting up a bank account in Poland is not complicated. When you are setting up your personal account, you must show proof of identity, only in the case of foreigners - passport or identity card and registered address in Poland. When you open a company bank account, there are required NIP and REGON numbers, address, place of business, legal form and number of Polish Classification of Activities (PKD) activity.

If the entrepreneur has opened accounts in several banks, it should be noted, one of them as a primary and inform (with account numbers), all our banks and the Tax Office and Social Insurance.

8. Useful guide-book for a potential investor

Marshall Office of Warmia and Mazury Voivodship

ul. Emilii Plater 1, 10-562 Olsztyn
tel. +48 89 521 91 00; fax. +48 89 521 91 09
marszalek@warmia.mazury.pl; www.wrota.warmia.mazury.pl

Warmia and Mazury Provincial Office in Olsztyn

Al. Marsz. J. Piłsudskiego 7/9, 10-575 Olsztyn
tel. exchange +48 89 523 22 00
www.uw.olsztyn.pl

Warmia and Mazury Tax Office

ul. Lubelska 37, 10-408 Olsztyn
tel. +48 89 537 50 00; fax. +48 89 537 50 01

Statistical Office in Olsztynie

ul. Kościuszki 78/82, 10-959 Olsztyn
tel. +48 89 524 36 66; fax. +48 89 524 36 67
sekretariatUSOls@stat.gov.pl; www.stat.gov.pl/olsztyn

V Economic Division of the District Court in Olsztyn

ul. Dąbrowszczaków 44, 10-001 Olsztyn
tel. +48 89 523 02 10; fax. +48 89 523 01 99
V_gospodarczy.srolsztyn@olsztyn.so.gov.pl

Olsztyn City Office

Customer Service Office

Plac Jana Pawła II 1, 10-101 Olsztyn
tel./fax +48 89 527 48 15
www.olsztyn.eu

Elbląg City Office

Faculty of Clients Services

ul. Łączności 1, 82-300 Elbląg
tel.: +48 55 239 31 07, fax: +48 55 239 33 43
e-mail: janczuk@umelblag.pl, www.umelblag.pl

Elk Town Office

Independent Office of Economic Activities

ul. Marszałka Józefa Piłsudskiego 4, 19-300 Elk
tel. +48 87 732 62 46
www.elk.pl

Provincial Social Insurance Office in Olsztyn

Pl. Konsulatu Polskiego 4, 10-959 Olsztyn
Tel.: +48 89 521 22 22, Fax.: +48 89 527 21 18

Provincial Labour Office in Olsztyn

ul. Głowackiego 28, 10-448 Olsztyn
tel. +48 89 522 79 00; fax. +48 89 522 79 01
olwu@up.gov.pl; www.up.gov.pl

District Labour Office in Olsztyn

Al. Piłsudskiego 64b, 10-447 Olsztyn
tel. +48 537 28 00; fax. +48 89 537 28 01
olol@praca.gov.pl

Warmia and Mazury Investor Assistance Centre

Warmia and Mazury Regional Development Agency Joint Stock Company in Olsztyn

Plac Gen. Józefa Bema 3, 10-516 Olsztyn
tel. +48 89 521 12 80; fax. +48 89 521 12 60
coi@wmarr.olsztyn.pl; www.coi.wmarr.olsztyn.pl

Warmia and Mazury Special Economic Zone Joint Stock Company

ul. Kasprowicza 1, 10 - 219 Olsztyn
tel. +48 89 535 02 41; fax. +48 89 535 90 02
wmsse@wmsse.com.pl; www.wmsse.com.pl;

Suwalki Special Economic Zone Joint Stock Company

Subzone Elk
ul. Mickiewicza 15, 19-300 Elk
tel./Fax.: +48 87 610 62 72
elk@ssse.com.pl; www.ssse.com.pl

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Action 1.2.3. Investor assistance system on the regional level



**PROGRAM
REGIONALNY**
NARODOWA STRATEGIA SPÓJNOŚCI



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