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CASH AND TREASURY MANAGEMENT COUNTRY REPORT

POLAND

Executive Summary

Banking

The National Bank of Poland (NBP) executes monetary and foreign exchange policy in line with government objectives of price and currency stability. As well as issuance of currency, management of foreign currency reserves and regulation of liquidity in the banking sector, the NBP also maintains the stability of the financial sector through banking supervision (via the Commission for Banking Supervision) as well as maintaining and developing the country's payment systems.

All residents' assets and liabilities with non-residents must be reported to the NBP on a monthly or quarterly basis (reliant on the total assets, liabilities and equity capital).

Residents may hold accounts in local and foreign currency both domestically and abroad, but prior NBP approval is needed for accounts held outside the European Economic Area (EEA) or the Organization for Economic Co-operation and Development (OECD). Non-resident entities may hold accounts in Poland denominated in either local or foreign currency.

The Polish banking system has experienced considerable consolidation and the majority of large Polish banks are now foreign-owned. There are 35 domestic commercial banks and 554 cooperative banks in Poland, as well as 28 branches of foreign banks and 15 representative offices of foreign banks.

Payments

SORBNET, the central bank's real-time gross settlement (RTGS) system, clears all domestic payments above PLN 1 million. ELIXIR, operated by the Polish clearing house, clears all domestic non-cash retail payments and also processes retail-level euro payments. Poland joined the pan-European TARGET2 RTGS system on May 19, 2008, and now uses it for both high-value domestic and cross-border euro-denominated payments.

Credit transfers are by far the most popular payment instrument, both for retail and business transactions. The majority of credit transfers are paper-based, but electronic initiation is increasingly widespread. Cash remains important for retail payments, but both debit and credit cards are increasingly common.

Liquidity Management

Poland offers a range of short-term funding and borrowing options, with time deposits and treasury bills particularly popular for short-term investment purposes.

The combination of a lack of clear legal framework and the imposition of stamp duty means the scope for liquidity management is limited. However, zero-balancing is commonly used to concentrate cash within a single entity. Notional pooling is expensive as banks may not offset debit and credit balances.

Trade Finance

Poland applies the European Union (EU) customs code and all its associated regulations and commercial policies. All trade is free from tariffs between Poland and its fellow European Economic Area (EEA) member states.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a

point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.¹

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

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Financial Environment

Country Information

Geographical Information

Capital	Warsaw
Area	312,685 km ²
Population	38.48 million
Official language	Polish
Political leaders	Head of state — President Andrzej Duda (since August 6, 2015) Head of government — Prime Minister Beata Szydło (since November 16, 2015)

Business Information

Currency (+ SWIFT code)	Polish zloty (PLN)
Business/Banking hours	Business hours: 09:00–17:00 (Mon–Fri) Banking hours: 08:00–16:00 (Mon–Fri)
Bank holidays	2017 — December 25, 26 2018 — January 1, 6, April 2, May 1, 3, 31, August 15, November 1, 11, December 25, 26 2019 — January 1, 6, April 22, May 1, 3, June 20, August 15, November 1, 11, December 25, 26
International dialing code	+ 48

Source: www.goodbusinessday.com

Country Credit Rating

FitchRatings last rated Poland on July 7, 2017 for issuer default as:

Term	Issuer Default Rating
Short	F2
Long	A -
Long-term rating outlook	Stable

Source: www.fitchratings.com, November 2017

Economic Statistics

Economics Table

		2011	2012	2013	2014	2015
GDP per capita	(USD)	13,502	12,687	13,368	14,157	12,300
GDP	(PLN billion)	1,528	1,595	1,632	1,725	1,790
GDP	(USD billion)	516	490	516	547	475
GDP volume growth*	(%)	+ 5.0	+ 1.8	+ 1.7	+ 3.4	+ 3.9
BoP (goods, services & income) as % GDP		- 5.5	- 3.8	- 1.2	- 1.9	- 0.4
Consumer inflation*	(%)	+ 4.3	+ 3.6	+ 1.0	+ 0.1	- 1.0
Population	(million)	38.32	38.32	38.31	38.29	38.27
Unemployment	(%)	12.4	12.8	13.5	12.3	8.3
Interest rate (local currency MMR)[†] (%)		4.1	4.7	3.0	2.5	1.7
Exchange rate[‡]	(PLN per USD)[†]	2.9628	3.2565	3.1606	3.1545	3.7695
		2016		2017		
		Q4	Year	Q1	Q2	Q3
GDP per capita	(USD)	-	12,283	-	-	-
GDP	(PLN billion)	-	1,851	-	-	-
GDP	(USD billion)	-	469	-	-	-
GDP volume growth*	(%)	NA	NA	NA	NA	NA
BoP (goods, services & income) as % GDP		-	+ 0.04	-	-	-
Consumer inflation*	(%)	0.2	- 0.6	+ 2.1	+ 1.9	NA
Population	(million)	-	38.22	-	-	-
Unemployment	(%)	5.6	6.2	5.4	NA	NA
Interest rate (local currency MMR)[†] (%)		1.5	1.6	1.6	1.6	NA
Exchange rate[‡]	(PLN per USD)[†]	4.0575	3.9428	4.0612	NA	NA

*Year on year. †Period average. ‡Market rate.

Sources: *International Financial Statistics*, IMF, November 2017 and 2017 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture - 2.4%

Industry - 40.2%

Services - 64.2% (2016 estimate)

Major Export Markets

Germany (27.3%), UK (6.6%), Czech Republic (6.6%), France (5.4%), Italy (4.8%), Netherlands (4.5%)

Major Import Sources

Germany (28.3%), China (7.9%), Netherlands (6%), Russia (5.8%), Italy (5.3%), France (4.2%), Czech Republic (4.1%)

Political and Economic Background

Economics

Interest Rate Management Policy

The National Bank of Poland is responsible for managing monetary policy to achieve price stability (defined as keeping inflation close to 2.5% with a fluctuation band of +/- 1%).

Foreign Exchange Rate Management Policy

The value of Poland's official currency, the Polish zloty (PLN), has been allowed to float freely since a crawling peg policy was abandoned in April 2000.

Major Economic Issues

Having successfully implemented the economic policies required to accede to the European Union (EU) in May 2004, economic growth has increased by almost 50% over the past decade. Poland was the only country within the EU to avoid recession during the global financial crisis. GDP grew by 3.9% in 2010, as exports to Germany increased by 25%, and then by 5.0% in 2011; growth slowed to 1.7% in 2013 but picked up again in 2014 and 2015, standing at 3.4% and 3.9%, respectively. GDP growth slowed to an estimated 2.9% in 2016, as investment fell by 7.9%. Economic growth is expected to accelerate to 4.2% in 2017, supported by stronger investment and consumption, before slowing to 3.6% in 2018, according to central bank forecast. The budget deficit stood at 7.3% in 2009, up from 3.6% in 2008, affected by a reduction in taxes and higher social spending introduced to boost economic growth, and increased to 7.5% in 2010 before gradually falling to an estimated 2.5% in 2016. The deficit is expected to remain below the EU threshold of 3% of GDP in 2017, thanks to higher than expected tax revenue.

The unemployment has fallen markedly in recent years, standing at 6.8% in September 2017, the lowest level in over 26 years. Living standards differ sharply between urban and rural areas as well as between eastern Poland and the more affluent west of the country.

Politics

Government Structure

Poland is a parliamentary republic.

Executive

The Polish government, headed by the prime minister, is formed by the largest party or coalition of parties in the Sejm.

The current government, which took office in November 2015, is headed by Beata Szydło, of the conservative Law and Justice Party.

The head of state (president) is elected by popular vote every five years and the most recent election took place in May 2015. Andrzej Duda of the Law and Justice Party defeated incumbent Bronislaw Komorowski in the second round of the presidential election held on May 24, after neither candidate managed to gain a majority in the first round held on May 10. Mr Duda assumed office on August 6, 2015.

Legislature

Poland's bicameral parliament – Zgromadzenie Narodowe – consists of the Senat (Senate) and the Sejm (Lower House). The 100 members of the Senat are elected for four-year terms on a majority vote on a provincial basis, while the 460 members of the Sejm are also elected for four years via proportional representation.

The next parliamentary elections must be held by November 2019.

International memberships

Poland is a member of the (EU), the Council of Europe, the Organisation for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO).

Major Political Issues

Successive post-communist administrations in Poland have pursued a largely Western-looking reform agenda, but progress toward a market economy and political stability has sometimes been slow and challenging. Having gained NATO membership in 1999, Poland joined the EU in May 2004. However, it has yet to set a date for adoption of the euro.

Donald Tusk was the leader of a coalition government between his center-right Civic Platform party and the centrist Polish Peasants' Party from November 2007 until September 2014. Under the coalition, plans were made to increase the retirement age to 67, reform the child benefit system, and cut tax breaks allocated to certain professions (including policemen, journalists, farmers and priests) with the objective of cutting Poland's budget deficit. The coalition also aimed to address the disparity between rural and urban incomes due to persistence of non-intensive farming techniques, and to attract investment into Poland continuing with privatization and easing regulatory burdens on business. The coalition government cut taxes and pushed through limited health, pension and labor market reforms.

The center-right coalition also established improved relations with the EU. Poland's parliament ratified the Lisbon Treaty in April 2008 and President Kaczynski eventually signed off on the Treaty on October 12, 2009. However, the government opted not to sign the EU Charter of Fundamental Rights. In March 2012, Poland signed a deal on closer EU fiscal union, which initially entered into force within the eurozone on January 1, 2013. However, Prime Minister Tusk only agreed for Poland to sign the inter-governmental Fiscal Compact on the condition that Poland be included in the eurozone summits where important economic decisions are to be made.

Ewa Kopacz replaced Donald Tusk as Prime Minister in September 2014 and as leader of the Civic Platform party on November 8, 2014, after Donald Tusk was appointed to chair the European Council from December 1, 2014.

In office since August 2010, President Bronislaw Komoroski, originally of the Civic Platform party, was supportive of consecutive center-right coalition governments. He was succeeded by the conservative Law and Justice Party's candidate Andrzej Duda on August 6, 2015.

The Law and Justice Party, with vice-chairman Beata Szydło as candidate for Prime Minister, then emerged victorious in the October 2015 parliamentary elections with 37.6% of the vote and 234 seats in the 460-seat Sejm as well as 61 seats in the Senate. The new government is the first single-party government established in Poland since the restoration of democracy in 1989. The new Law and Justice Party government has pledged to lower the retirement age, increase welfare (in the form of higher child care benefits and tax breaks), reduce taxes for small businesses, and raise taxes for banks and supermarket chains.

In January 2016, Parliament passed a law making the Justice Minister also Poland's Attorney General, overturning a 2009 reform and which could potentially see political vetting of prosecutors.

After launching an investigation into whether new constitutional reforms have breached EU rules, the European Commission stated on July 27, 2016, that Poland has asserted political control over its constitutional tribunal and failed to guarantee its independence. The European Commission gave Poland three months to take action or face possible sanctions. On October 27, 2016, the Polish government stated that it would not be making any changes to its legal system as they would be "incompatible with the interests of the Polish state and citizens and lack substantive grounds."

In July 2016, Parliament passed a law reforming the constitutional tribunal. However, Poland's constitutional tribunal ruled on August 11, 2016, that the new bill is unconstitutional.

In July 2017, Poland's president Andrzej Duda unexpectedly vetoed constitutional judiciary reforms which led to days of protests across the country and to the European Union threatening sanctions. The vetoed bills proposed that the Law and Justice Party would reduce the supreme court's independence and allow the justice ministry to appoint judges.

Poland's right-wing government has faced protests over what its critics see as an erosion of democracy.

Taxation

Resident/Non-resident

Under Polish corporate income tax law, a company is considered resident if its seat or place of effective management is located in Poland.

Tax Authorities

Ministry of Finance; Head of the National Tax Administration; Directors of tax chambers; Heads of tax offices; Directors of customs chambers; Head of custom offices; and some local authorities.

Tax Year/Filing

The Polish tax year usually corresponds to the calendar year, unless the taxpayer resolves otherwise and communicates this decision to the competent tax office.

Taxpayers are obliged to submit annual tax returns on predefined forms as to the amount of income or loss attained in the tax year, by the end of the third month of the following year. During that time, they are required to pay the tax due, or the difference between the tax due on income disclosed in the report and the sum of advance installments for the period from the beginning of the year.

Taxpayers are obliged to submit annual audited financial statements to the competent tax office within ten days of the date of approval of the financial statements by the competent authority within the company.

Taxpayers are required to pay monthly advances corresponding to the difference between the tax payable on income earned from the beginning of the tax year and the sum of advances paid for the preceding months. There is no requirement to file monthly tax returns. Small companies that start their activities can remit advance corporate income tax (CIT) payments quarterly. A taxpayer may also choose to simplify the system by making advance payments which are equal to one twelfth of the taxpayer's CIT for the year $n-2$ (or for the year $n-3$ if no corporate income tax was payable for the year $n-2$).

Companies may form a tax consolidated group, whereby all companies in the group are treated as a single taxpayer for corporate income tax purposes.

Corporate Taxation

Resident companies are liable to corporate income tax at a rate of 19% on their total income, irrespective of the source of the earnings. A lower tax rate of 15% may be available to small taxpayers and taxpayers commencing business activity (with some exceptions). If a company does not have its seat or place of effective management in Poland, it is liable to tax only with respect to income earned in the territory of Poland.

There is no alternative minimum tax or surtax.

Dividends received by a Polish resident company from another Polish company or from an EU/EEA or a Swiss company are exempt from taxation provided certain conditions are met:

- the recipient company holds for an uninterrupted period of at least two years at least 10% of the shares in the company paying dividends;
- it does not enjoy an exemption from income tax on the total amount of its income, regardless of the source from which it is earned; and
- the dividend is not paid in relation to a transaction (or a set of transactions) undertaken to benefit from a tax exemption that does not reflect economic reality.

If the exemption does not apply, dividends received are subject to taxation, but a credit for foreign withholding tax and, in some cases, underlying foreign corporate tax paid is available.

Dividends received are subject to tax if the exemption does not apply. An ordinary tax credit is available for withholding tax on dividends received from a company based in the EU/EEA/Switzerland and any treaty country outside the EU/EEA/Switzerland. An additional ordinary tax credit for underlying tax is applicable when a Polish resident company holds for an uninterrupted period of at least two years at least 75% of the shares in an entity taxed on its income in any treaty country outside the EU/EEA/Switzerland. The additional tax credit for underlying tax does not apply to dividends received from a legal person resident in the EU/EEA/Switzerland.

Losses may be carried forward for five years, but the deduction in a given year may not exceed 50% of the loss incurred. The carryback of losses is not permitted.

An additional deduction for qualifying expenses (ranging from 30% to 50% of qualifying expenses) incurred for R&D activities may be available. A one-time depreciation write-off up to EUR 50,000 also may be available for small and start-up taxpayers.

Advance Tax Ruling Availability

Taxpayers may request a ruling on the tax treatment of a specific transaction (two or more interested parties participating in the same transaction may submit one request). If the background presented in the application for a binding tax ruling corresponds to the background covered by a general ruling issued based on the same legislation in force, the Ministry of Finance may issue a decision stating that the general ruling applies to the background presented in the application for the binding tax ruling.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Other income	Branch Remittances
Resident companies	None	0%/19%	None	None	NA
Non-resident companies	0%/20%	0%/19%	0%/20%	20%	None

Subject to a relevant double tax treaty, withholding tax of 20% is levied on income earned by non-residents from interest, copyrights, royalties, trademarks and know-how (including proceeds from the sale of property rights). In the case of payments made to EU companies, and provided certain conditions are met, the 20% withholding tax is reduced to 0%.

Income from interest and royalties paid by one Polish company to another is not subject to withholding tax but is taxed on a general basis at a 19% CIT rate.

Dividends paid by a Polish resident company to a non-resident company are subject to a 19% withholding tax rate, unless the rate is reduced under a tax treaty or the dividends qualify for an exemption under the EU parent-subsidiary directive, provided that the dividend is not paid in relation to a transaction (or a set of transactions) undertaken to benefit from a tax exemption that does not reflect economic reality.

Unless a relevant double tax treaty provides otherwise, payments made to non-residents for the following services are also subject to withholding tax at the 20% rate: consulting, accounting, market research, legal, commercial, management and control, data processing, human resources, and guarantees. Withholding tax of 20% is also levied on income earned by non-residents from entertainment and sporting activities.

Moreover, withholding tax of 10% is levied on income arising from non-resident maritime enterprises using Polish ports for the transportation of goods and/or passengers, and on income earned in Poland by non-resident air transport companies. Income from the aforementioned services received by resident companies is not subject to withholding tax but is taxed on a general basis at a 19% CIT rate.

Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Poland has exchange of information relationships with 99 jurisdictions through 86 double tax treaties and 14 TIEAs (www.eoi-tax.org, February 2017).

Tax treaties may reduce withholding tax to between 0% and 15%.

To benefit from withholding tax reductions, a certificate of residency is required.

On January 27, 2016, (name of country)Poland, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries ("the MCAA"). Under this multilateral agreement, information will be exchanged between tax

administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

There are currently 87 signatory countries, including:-

- Australia, Austria, Belgium, Chile, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

Transfer Pricing

The Polish transfer pricing rules generally follow the OECD guidelines and if prices in related party transactions are not in accordance with the arm's length principle, the tax authorities may make an adjustment. A related party is an entity that owns (directly or indirectly) 25% or more of the capital of another entity.

Certain transfer pricing documentation must be prepared for related party transactions exceeding a certain threshold by taxpayers whose revenues or costs exceeded the equivalent of EUR 2,000,000 in the preceding tax year. In addition:

- Taxpayers whose revenues or costs exceeded the equivalent of EUR 10,000,000 in the preceding tax year also must prepare benchmarking studies;
- Taxpayers whose revenues or costs exceeded the equivalent of EUR 20,000,000 in the preceding tax year also must prepare a 'master file' which contains certain additional information about the whole related party group; and
- Taxpayers whose consolidated revenues exceeded the equivalent of EUR 750,000,000 in the preceding tax year also must produce a "country-by-country report," which contains additional information about the income and tax paid by group subsidiaries, their places of conducting business as well as their permanent establishments.

All taxpayers obliged to prepare transfer pricing documentation (i.e. those exceeding the threshold of EUR 2,000,000 of revenues or costs) need to submit (with the annual corporation income tax return) a statement confirming that they have the compliant transfer pricing documentation ready. Taxpayers whose revenues or costs exceed EUR 10,000,000 also need to submit a simplified report on related party transactions with the annual corporation income tax return.

Transfer pricing documentation requirements also apply to taxpayers conducting business operations in forms not having legal personality (e.g. partnerships).

Advance pricing agreements are permitted.

Thin Capitalization

Thin capitalization rules apply to broadly defined related party debt and provide for a debt-to-equity ratio of 1:1. Any interest on debt exceeding this amount is non-deductible.

The rules allow a taxpayer to use an alternative method to determine the limit on tax-deductible interest. Under the alternative method, deductible interest may not exceed the value of the taxpayer's assets multiplied by the reference rate published by Poland's central bank. If a taxpayer opts to use the alternative method, it must be used for both related party and third-party loans for at least three tax years.

Controlled Foreign Companies

Under CFC rules, Polish taxpayers are taxed at a rate of 19% on the income of their CFCs. A subsidiary is characterised as a CFC if any of the following requirements are met:

- the company is located in a country that engages in "harmful tax practices";
- does not engage in an exchange of information with Poland or the EU; or
- the Polish company owns, for an uninterrupted period of at least 30 days, a shareholding of at least 25% of a foreign company that derives mainly passive income that is taxed at a rate lower than 14.25%.

The rules are not applicable if a CFC carries out genuine economic activities or if the income of a CFC is lower than EUR 250,000 per year. The tax base (taxable income) under the CFC regime may be reduced by the amount of dividends received by the Polish taxpayer from a CFC and amounts received from a sale of shares in a CFC by the Polish taxpayer.

Disclosure Requirements

Certain transactions must be reported to the tax authorities and/or the National Bank of Poland.

Anti-avoidance Rules

A general anti-avoidance rule (GAAR) was introduced into Polish tax law in July 2016 that allows the tax authorities to eliminate the effects of tax optimisation in cases of 'tax avoidance'. Tax avoidance is defined as occurring where a transaction/action is performed primarily in order to obtain a tax benefit, while the commercial or economic aims of the transaction/action, if any, are immaterial.

Stamp Duty

Stamp duty is levied, for example, when filing a power of attorney and when central or local authorities are requested to perform activities such as issuing certificates or grant permission.

The applicable rates or fixed amounts are set forth in the stamp duty law.

Capital Duty

Capital duty is levied at 0.5% of the nominal value of share capital.

Sales Taxes/VAT (including Financial Services)

All resident legal entities are subject to VAT, as are non-residents who sell, import or export goods and/or services on Polish territory.

The standard rate of VAT is 23%, although a reduced rate of 8% applies to certain goods and machines used in agriculture and forestry, health care appliances, transportation services, certain children's articles, and building materials for housing purposes (the social housing programme). Beginning from 2011, a reduced rate of 5% for food and books has been implemented.

Exports are zero-rated. Certain goods and services, including insurance and banking, are exempt from VAT (see below).

Input VAT is recoverable by offsetting it against output VAT or by refunds to the taxpayer's account, provided that it refers to supplies that are subject to VAT.

As a rule, financial services are exempt from VAT. This financial services that are exempt from VAT are explicitly identified in the VAT Act. However, some financial services, including debt collection services, factoring services, financial advisory services and leasing services, are not exempt from VAT.

All companies with a turnover exceeding PLN 150,000 per year must register for VAT.

Capital Gains Tax

Chargeable capital gains are calculated by deducting the costs and expenses of purchase and sale from the sale proceeds and are taxed in the same way as other income. If the sales price differs substantially from market value, tax authorities may require a valuation from an independent expert.

Chargeable capital gains are taxed as ordinary income at the standard corporate income tax rate of 19%.

An exemption may be available for venture capital companies (limited liability companies and limited partnerships resident in Poland) on gains from the transfer of shares that are acquired in 2016 or in 2017 in companies performing R&D activities, provided certain requirements are met.

Financial Transactions/Banking Services Tax

No specific financial transactions and/or services tax applies to services, loans, money transfers, letters of credit and/or foreign exchange, etc.

Cash Pooling

The Polish tax system does not include specific tax rules for cash pooling arrangements.

Tax treatment may vary, depending on the type of cash pooling arrangements adopted.

Real Property Tax

Tax generally is levied on the owner of real estate (land, buildings and construction) at rates imposed by the local authorities.

Transfer Tax

Tax is imposed at a rate of 1–2% on certain types of transactions (e.g. sales, exchangeable of rights, loans) that generally are not covered by VAT. As a rule, transactions exempt from VAT are exempt from transfer tax (except for real estate and shares).

Payroll and Social Security Taxes

There is no payroll tax in Poland; however, employers are obliged to collect and remit advances towards the personal income tax of employees.

Employers and employees must make social security contributions in an amount that is approximately 35% of an employee's remuneration (with certain caps).

In addition, employers are also required to contribute 2.45% of employees' wages to the Labor Fund to cover unemployment. The contributions are deductible for corporate tax purposes.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2017 (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The responsibilities and duties of the National Bank of Poland (NBP) are established in the Constitution of the Republic of Poland, the Act on the National Bank of Poland, and the Banking Act of 1997.

The NBP executes monetary and foreign exchange policy in line with government objectives of price and currency stability. Other responsibilities include issuance of currency, management of foreign currency reserves and regulation of liquidity in the banking sector. The NBP is also responsible for maintaining and developing the country's payment systems.

Other banking supervision bodies

A new body, the Polish Financial Supervision Authority (PFSA), replaced the Commission for Banking Supervision on January 1, 2008. The PFSA is now responsible for regulation and supervision of the Polish banking sector. This change resulted from the implementation of the 2006 Act on Financial Market Supervision.

The Polish Bank Association (Związek Banków Polskich or ZBP) was established as an autonomous public body by the 1989 Chamber of Commerce Act to improve banking operations in Poland and enhance interbank cooperation. As well as its involvement in the development of banking legislation, the ZBP represents its members (licensed commercial and cooperative banks) domestically and internationally. The ZBP is a member of the European Banking Federation.

Central Bank Reporting

General

The National Bank of Poland is obliged to collect balance of payments data under the Act on the National Bank of Poland, the Foreign Exchange Act, the Resolution of the NBP of October 29, 2009, and the Regulation of the Minister of Finance of October 23, 2009.

What transactions - listed

All residents' assets and liabilities with non-residents must be reported to the NBP on a monthly or quarterly basis (reliant on the total assets, liabilities and equity capital).

Whom responsible

Residents are responsible for submitting reports directly to the NBP.

Additional reporting for liquidity management schemes

There are no additional reporting requirements.

Exchange Controls

Exchange structure

The value of Poland's official currency, the Polish zloty (PLN), is free floating. The value of the PLN is determined freely in the foreign exchange market, based on supply and demand.

Exchange tax

There is no tax on foreign exchange transactions.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

The NBP is not a participant in the foreign exchange derivatives market.

Capital flows

Authorization from the PFSA is required for investment outside the EEA and OECD countries, except for those with which Poland has established agreements on the mutual promotion and protection of investments. PFSA authorization is also required for the sale of residents' securities abroad.

Restrictions apply to foreign investment in pension funds, broadcasting, shipping, airlines and the gambling and betting industries.

Loans, interest and repayments

Private occupational pension funds are not permitted to grant funds to non-residents.

Royalties and other fees

There are no restrictions on the payment of royalties and other fees.

Profit remittance

There are no restrictions on the remittance of profits.

Bank Account Rules

Residents may hold accounts in local and foreign currency both domestically and abroad, but prior NBP approval is needed for accounts held outside the EEA or OECD. Residents must also submit monthly or quarterly reports to the NBP on balances held outside Poland. Resident accounts in local currency are not convertible into foreign currency.

Non-resident entities may hold accounts in Poland denominated in either local or foreign currency. Non-resident accounts in domestic currency are convertible into foreign currency. Non-residents are also permitted to hold domestic currency accounts outside Poland.

Account opening forms are available in Polish and English, with a number of banks offering electronic access to account opening forms. Interest is permitted on credit balances on either current accounts or short-term deposits.

Anti-money Laundering and Counter-terrorist Financing

- Poland has enacted anti-money laundering legislation, including legislation implementing the first three EU anti-money laundering directives and counter-terrorist financing legislation (Article 299 of the Penal Code 1997 as amended; the Act on Counteracting Introduction into Financial Circulation of Property Values derived from Illegal or Undisclosed Sources and on Counteracting the Financing of Terrorism 2000 as amended, and the Regulation on establishing the form of a register of transaction, the way of keeping the register and the procedure of conveying the registry data to the General Inspector of Financial Information of 2001). The Polish Banking Association (ZBP) has also issued a series of related guidelines.
- Poland is a member of the Council of Europe MONEYVAL Select Committee, which is a member of the Financial Action Task Force (FATF) and has observer status of the Eurasian Regional Group on Combating Money Laundering and Financing of Terrorism (EAG).
- Poland has established a financial intelligence unit (FIU), the General Inspectorate of Financial Information (GIFI), which is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder and beneficial owners.
- Financial institutions are required to identify individuals making an occasional transaction or a series of linked transactions of EUR 15,000 or more, or upon suspicion of money laundering or terrorist financing regardless of the amount, or upon suspicion of the adequacy or validity of previously obtained identification data on the customer.
- Financial institutions are required to identify customers using electronic money if the maximum amount does not exceed EUR 150 (a non-rechargeable device) or EUR 2,500 (per calendar year for a rechargeable device).
- The purpose and nature of the business relationship must be established and financial institutions must conduct ongoing monitoring including ensuring that transactions are consistent with the customer's business and risk profile.
- Financial institutions in the broadest sense are required to record and report suspicious transactions to the GIFI.
- Individuals entering or exiting the EU must declare currency of EUR 10,000 or more to the customs authorities.
- All records must be kept for a period of five years.

Data as at February 2017.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2016
PKO Bank Polski	68,255
Bank Pekao	41,640
Bank Zachodni WBK	35,876
mBank	31,966
ING Bank Slaski	28,079
Bank BGZ BNP Paribas	17,282
Bank Millennium	16,442
Bank Gospodarstwa Krajowego	16,075
Getin Noble Bank	15,898
Alior Bank	14,630
Raiffeisen Polbank	12,729

Source: www.accuity.com

Overall Trend

The Polish banking system has experienced considerable consolidation, both in the commercial and co-operative banking sectors, and the majority of large Polish banks are now foreign-owned. There are 35 domestic commercial banks and 554 cooperative banks in Poland, as well as 28 branches of foreign banks and 15 representative offices of foreign banks.

The country's five largest banks accounted for 48.5% of the banking sector's total assets at the end of September 2017.

Wholly state-owned Bank Gospodarstwa Krajowego is the only state-owned commercial bank remaining in Poland; privatization of Poland's banking sector is all but complete, with foreign banks playing a major role in consolidation. In addition to the 28 branches of foreign banks, 23 banks in Poland are currently foreign-owned. Bank Pekao and mBank (formerly BRE Bank) are controlled by Italy's UniCredit group and Germany's Commerzbank respectively. Bank Millennium is owned by Portugal's Millennium BCP, Raiffeisen Polbank is wholly-owned by Austria's RZB Group, and Bank BGZ BNP Paribas is owned by both France's BNP Paribas and the Netherlands' Rabobank. Bank Zachodni WBK is currently 70% owned by Spain's Banco Santander. Bank BPH is majority-owned by the US-owned GE Investments following the bank's merger with GE Money Bank in December 2009.

Payment Systems

Overview

Poland has three main systems for the clearing and settlement of payments. SORBNET2 is the NBP's real-time gross settlement system, which processes all domestic payments in PLN above the equivalent of PLN 1 million.

ELIXIR is operated by KIR, the Polish clearing house established by Poland's banks, the NBP and Polish Bank Association (ZBP), and clears the vast majority of domestic non-cash payments. Its subsystem, Euro-ELIXIR, also processes domestic and cross-border retail payments in EUR.

On May 19, 2008, Poland joined the pan-European TARGET2 real-time gross settlement system; this is now used for both domestic and cross-border EUR-denominated payments.

The National Bank of Poland is responsible for issuing payment systems regulations and exercising payment systems supervision. The NBP had oversight of the changes to payment systems required for EU entry criteria and will lead further changes ahead of adoption of the euro.

The European Clearing Cooperative (ECC), a new European payment platform, was established by six European ACHs on June 23, 2015. The objective of the ECC was to strengthen the interoperability of, and further increase the efficiency in, the Single Euro Payments Area. After a period of close collaboration, the ECC received authorities' approval and was expected to commence operations in early 2017. However, as the market is currently focusing on instant payments and the PSD2, the member ACHs have decided to discontinue the ECC.

High-value

Name of system	SORBNET2
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are processed individually in real time and funds are available for same-day value.
Links to other systems	SORBNET2 links to ELIXIR for final settlement of domestic retail payments in PLN.
Payments processed	Urgent, high-value domestic credit transfers denominated in PLN
Currency of payments processed	PLN
Value and other limits to processing	SORBNET2 processes all payments in excess of PLN 1 million.
Operating hours	07:00-18:00 CET Mon-Fri
System holidays	Closed on all national public holidays
Cut-off time	Customer payments: 17:00 CET Interbank payments: 18:00 CET
Participants	Forty-nine direct participants, including the NPB and 45 commercial banks.
Access to system	Payments submitted using EDIFACT standards, via the EXATEL-operated TCP/IP network if interbank instructions. SORBNET2 also accepts instruction via internet or disk. Paper-based items must be truncated prior to submission.
Future developments	NA

Name of system	TARGET2 Poland's national component is TARGET2-NBP The NBP-PHA (Proprietary Home Accounts) internal system operates as a domestic RTGS system.
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are settled in real time with immediate finality.
Links to other systems	The TARGET2 system links payment systems in all 24 participating EU member states.
Payments processed	High-value and urgent payments in EUR. The final settlement of net positions from domestic and cross-border payments in Euro-ELIXIR. The NBP-PHA application is for domestic payments only.
Currency of payments processed	EUR
Value and other limits to processing	There are no value thresholds.
Operating hours	07:00-18:00 CET Mon-Fri
System holidays	TARGET2 is closed on weekends plus January 1, Good Friday, Easter Monday, Labor Day (May 1) and December 25 and 26.
Cut-off time	Customer payments: 17:00 CET Interbank payments: 18:00 CET
Participants	Twenty-three direct participants, including the NBP and 19 commercial banks.
Access to system	Banks connect via SWIFTNet FIN Y-Copy service. Payments are submitted using SWIFT standard message types.
Future developments	NA

Low-value

Name of system	ELIXIR
Settlement type	Multilateral net settlement system
Settlement cycle	Instructions are processed for same or next-day value. For PLN-denominated payments, there are three daily clearing sessions (09:30–10:30, 13:30–14:30 and 16:00–17:00 CET) and three settlement sessions (10:30–11:00, 14:30–15:00 and 17:00–17:30 CET). Express ELIXIR enables immediate transfers in PLN 24 hours a day. For EUR-denominated payments, there are four daily clearing sessions (08:30–09:30, 12:00–12:30, 15:30–16:10, and 16:45–17:15 CET) and four settlement sessions (09:30–10:030, 12:30–13:30, 16:10–16:45, and 17:15–17:45 CET) per day. Settlement takes place in TARGET2.
Links to other systems	Links to SORBNET2 and TARGET2 for final daily settlement. PLN-denominated payments are settled in SORBNET2; EUR-denominated payments are settled via TARGET2.
Payments processed	Domestic and cross-border electronic and paper-based credit transfers, checks and direct debits.
Currency of payments processed	PLN and EUR Express ELIXIR only processes payments in PLN.
Value and other limits to processing	There is a PLN 1 million maximum value threshold in place for credit transfers and direct debits. The maximum value threshold for Express ELIXIR payments is PLN 100,000.
Operating hours	24 hours a day
System holidays	Closed on all national public holidays
Cut-off times	PLN payments = 16:00 CET EUR payments =15:30 CET
Participants	Forty-one direct and 578 indirect participants in ELIXIR. Twenty direct and 573 indirect participants in Euro-ELIXIR's SEPA Credit Transfer clearing service. Sixteen banks currently participate in Express ELIXIR. Banks must maintain settlement accounts with the NBP and meet other technical and operational requirements.
Access to system	Instructions are submitted electronically either via the EXATEL or TP (Telekomunikacja Polska) telecommunications networks or by floppy disk or transmission file. Paper-based payments must be truncated via IMBIR, an optical scanning system or via banks' own scanning technology.
Future developments	A SEPA direct debit (SDD) clearing service within Euro-ELIXIR is expected to be launched in the first quarter of 2018.

Payment and Collection Instruments

Overview and Trends

Credit transfers are by far the most popular payment instrument in Poland, both for retail and business transactions. The majority of credit transfers are paper-based, but electronic initiation is increasingly widespread. Checks have never been widely used. Cash remains important for retail payments, but both debit and credit card payments are increasingly common. Use of direct debits and standing orders for regular payments is growing, albeit from a very low base.

Since January 1, 2008, all debit cards issued by banks in Poland have been SEPA (Single Euro Payments Area)-compliant. The country's banks have offered pan-European SEPA credit transfers (SCT) for EUR-denominated payments since January 28, 2008. SEPA direct debits (SDD) have been available since November 2, 2009. SEPA migration for EUR-denominated payments outside the eurozone was finalized on October 31, 2016.

In January 2016, a Revised Directive on Payment Services (PSD2) entered into force. The overall objective of the PSD2 is to increase the competition on the European Union payment market, facilitate innovative payment services, and to ensure that payment services are safe and offer complete consumer protection. The directive is to be incorporated into the EU members' national laws and regulations by January 2018.

Statistics of Instrument Usage and Value

	Transactions (million)		% change 2016/2015	Traffic (value) (PLN billion)		% change 2016/2015
	2015	2016		2015	2016	
Checks	0.1	0.1	0.0	0.9	0.8	- 11.1
Credit transfers	2,302.0	2,436.5	5.8	47,529.8	53,735.3	13.1
Direct debits	24.9	26.5	6.4	26.6	27.5	3.4
Debit card payments	2,251.6	2,852.7	26.7	148.2	180.1	21.5
Credit card payments	305.1	349.6	14.6	34.6	39.9	15.3
Total	4,883.7	5,665.4	16.0	47,740.1	53,983.6	13.1

Source: ECB Payment Statistics, September 2017

Paper-based

Checks

Checks are very rarely used for commercial payments and it is common for banks to refuse to

cash checks for non-customers. However, the cashier's check, classed as a cash instrument, is sometimes used to withdraw cash from accounts.

Checks are truncated using IMBIR image technology and cleared via the ELIXIR retail payments system.

Postal Instruments

Polish Post (Poczta Polska) enables transfers of cash via postal transfers into bank accounts.

Postal transfers are commonly used to effect payments between persons without a bank account.

The postal network has approximately 7,400 branches.

Electronic

Credit Transfer

Credit transfers are the most popular payment instrument in Poland for both retail and commercial transactions, with electronic transfers increasingly common for business and financial payments, if not yet overtaking paper-based transfers in terms of transaction volumes.

Domestic and cross-border electronic credit transfers in EUR can be made using the Europe-wide, SEPA-compliant, XML-based credit transfer format.

High-value

Both paper-based (giros) and electronic credit transfers in excess of PLN 1 million are cleared by SORBNET2 for same-day value.

High-value and urgent EUR-denominated credit transfers can be settled via TARGET2. All payments settled through TARGET2 are done so in real time and with immediate finality.

High-value and urgent cross-border electronic payments in EUR can alternatively be processed via the Euro Banking Association's (EBA) EURO1 clearing system. ING Bank Śląski participates in EURO1.

Cross-border credit transfers in other currencies can be made via a combination of SWIFT connectivity, correspondent banking relationships and branch network capabilities.

Low-value

Credit transfers equal to or below PLN 1 million are cleared by ELIXIR (paper-based transfers must be truncated in advance). ELIXIR clears electronic credit transfers for same or next-day value depending on the capabilities of the remitting and beneficiary banks. Paper-based credit transfers between accounts at different banks are settled within two working days.

Non-urgent EUR-denominated credit transfers can be processed by Euro-ELIXIR. Low-value cross-border electronic payments in EUR can also be processed via STEP1 or STEP2.

Poland's KIR has arranged for the bilateral exchange of SEPA credit transfers between its participant banks and those in the Netherlands' Equens CSS.

EBA Clearing and Italy's SIA Group (which already serves as a technical operator for STEP2) have agreed to develop and implement a pan-European real-time infrastructure for instant payment of any EUR payment product. The service is in line with the ISO 20022 global messaging standards for instant payments and compliant with the SCTInst scheme developed by the European Payments Council (EPC). Both were launched in eight European countries (Austria, Estonia, Germany, Italy, Latvia, Lithuania, the Netherlands and Spain) on November 21, 2017. The EPC's SCTInst service will be available across 34 SEPA countries, 24/7, 365 days a year, by 2019. SCTInsts have a maximum limit of EUR 15,000 per transaction and take no more than ten seconds to complete.

Direct Debits

SMEs and consumers increasingly use direct debits for a variety of regular payments but usage remains relatively low since the introduction of the instrument a decade ago. Revocable direct debits can be used for regular payments up to EUR 1,000 by individuals and up to EUR 50,000 by companies and other non-private debtors. A high-value non-revocable version, the GOBI (Gospodarcze Obciążenie Bezpośrednie) business-to-business direct debit, was introduced in 2003 for regular payments by companies and other non-private debtors above EUR 50,000, but take up has been limited as the instrument is subject to voluntary agreement between banks. Eleven banks currently offer GOBI direct debit services, although there have been no transactions since June 2014.

All direct debits are cleared via ELIXIR.

SEPA Direct Debit (SDD) CORE and B2B services have been available since November 2, 2009, enabling cross-border, EUR-denominated direct debits to be made. The EBA has been processing SDD payments in STEP2 since the launch of the SDD schemes on that date.

KIR, the Polish clearing house, is expected to introduce a SEPA direct debit (SDD) clearing service within Euro-ELIXIR in the first quarter of 2018.

Payment Cards

Cards have become increasingly common for retail payments in recent years, with 29.2 million debit and 6.1 million credit and charge cards in circulation at the end of June 2017. The overwhelming majority of payment cards issued by Polish banks are supported by the major international payment card schemes, i.e. Visa and MasterCard. As of January 1, 2011, all payment cards in circulation should now be SEPA-compliant EMV chip cards.

Most card payments are processed by First Data Polcard. Over 30 banks use First Data Polcard, but Bank Pekao and Bank Zachodni WBK, among others, have their own processing capabilities.

Three net settlement systems are used to process card transactions (KSR operated by First Data Polcard, Visa's PNNSS and MasterCard's EDCSS). The net balances are then settled through SORBNET2 or TARGET2 by a commercial bank (not one specific bank) acting as a settlement agent.

KIR's Inkart clearing system was launched for domestic card payments, including Visa and MasterCard payments, at the end of 2016.

ATM/POS

ATMs and POS terminals are increasingly common in Poland. All ATMs and POS terminals in Poland should now be EMV chip-compliant. At the end of June 2017, there were approximately 23,528 ATMs and 584,884 POS terminals in use across the country.

As well as a nationwide ATM network, operated by First Data Polcard, another network established by Bankomat 24/Euronet is in operation that accepts cards issued both domestically and internationally.

Electronic Wallet

A few pre-paid card schemes are in operation in Poland, but volumes are relatively small. Approximately 2.4 million prepaid cards were in circulation at the end of June 2017.

Liquidity Management

Short-Term Borrowing

Overdrafts

PLN and foreign currency-denominated overdraft facilities are available from all major commercial banks to both domestic and foreign-owned companies. Interest rates on foreign currency overdrafts are often linked to the currency center's overnight rates. Banks like to see companies clear their overdraft borrowings for a time once a year.

Bank Lines of Credit / Loans

Foreign and domestic banks all provide short-term loans, both PLN and foreign currency, with the former linked to the Warsaw Inter Bank Offered Rate (Wibor). Loans are typically arranged for terms of between one and three months.

Trade Bills – Discounted

Banks discount trade bills (*weksel*) with recourse. Bank-accepted trade bills are rediscountable at the National Bank of Poland.

Factoring

Full factoring services are available for companies' accounts receivables.

Commercial Paper

Although there is no single uniform type of commercial paper (CP), it is widely used for short-term funding in Poland with maturities ranging from one week to a year.

Banks tend to issue negotiable debt instruments (*wierzytelność*), promissory notes (*weksel wiasny*) or certificates of deposit. Companies tend to use short-term bonds as commercial paper, as they are not subject to regulations and do not require official approval. However, the lack of a uniform CP instrument means there is no significant secondary market.

Bankers' Acceptances

These are not commonly available.

Supplier Credit

Supplier credit is very widely offered and average payment times exceed a month. Discounts for cash or prompt payment are commonly offered.

Intercompany Borrowing, including Lagging Payments

Intercompany and intragroup borrowing is allowed and often used to help fund Polish subsidiaries of foreign groups. However, intercompany loans are subject to 2% stamp duty.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Banks pay interest on current account surpluses to residents and non-residents.

Demand Deposits

Banks are permitted to offer interest on demand deposit accounts.

Time Deposits

Time deposits are a popular method of short-term investment and are available in domestic or foreign currency for investment periods of one week, one, three or six months, or one, two or three years.

Minimum investment levels are determined by the individual bank. Interest is payable on maturity for maturities below two years; interest on deposits with longer maturities is payable quarterly. Deposits with maturities of up to three months usually have fixed rates of interest while those with maturities of six months and over usually have floating rates.

Certificates of Deposit

Certificates of deposit (CDs) are offered by commercial banks, with maturities ranging from one month to one year, but may not be resold. CDs with maturities of up to three months usually have fixed rates of interest while those with maturities of six months and over usually have floating rates.

Treasury (Government) Bills

Treasury bills are issued at regular auctions by the NBP on behalf of the Ministry of Finance for maturities of 20 to 52 weeks. Shorter-term bills – with maturities of one, three, five or six weeks, or of three months – are also occasionally issued. T-bills are particularly attractive to institutional investors. The only institutions that may participate in the auctions are banks with primary dealer status. There is a minimum investment amount of PLN 100,000, with most amounts ranging between PLN 500 million and PLN 1 billion.

The NBP also issues its own bills to banks in its role as provider of liquidity to the banking sector. NBP bills maturities ranging from one day to one week and are issued to banks via weekly auctions.

Commercial Paper

Poland has a domestic commercial paper market which companies use to issue short-term paper to local investors. Maturities generally range from one week to one year with investment amounts usually ranging between PLN 100,000 and PLN 500,000.

Money Market Funds

Money market funds are available at several banks.

Repurchase Agreements

Repurchase agreements (repos) on Treasury bills are offered by banks but seldom used.

Bankers' Acceptances

The use of bankers' acceptances is very rare.

Liquidity Management Techniques

The combination of a lack of clear legal framework and the imposition of stamp duty means the scope for use of a number of liquidity management techniques is limited in Poland. In addition, the inability of banks to offset debit and credit balances for capital adequacy purposes means notional pooling is an expensive option. On the other hand, changes in foreign exchange regulations have made cross-border liquidity management simpler, and the presence of a number of international cash management banks means a range of services and advice is available.

Cash Concentration

Cash concentration is commonly used in Poland for liquidity management purposes, with zero balancing the most popular tool, but activity is typically restricted to accounts held within a single legal entity because stamp duty is applied to movements of cash between different legal entities. Accounts involved in domestic cash pooling can be denominated in PLN, as well as currencies of EEA and OECD countries.

Cross-border cash concentration is possible, but specialist legal advice is advisable. The appeal of cross-border cash sweeping is also limited by the fact that fund movements between residents and non-residents may be subject to itemized charges, depending on the terms and conditions of each bank.

Notional Pooling

Because the NBP does not permit pooled credit and debit balances to be offset for capital adequacy purposes, the cost of notional pooling in Poland is prohibitively high in most cases. However, notional pooling across legal entities does enable companies to avoid the stamp duty that would otherwise be levied on inter-company lending.

Cross-border notional pooling is subject to the same restraints as domestic pooling. Specialist legal advice is advisable.

Interest rate enhancement schemes have been developed as an alternative.

Trade Finance

General Rules for Importing/Exporting

A member of the EU, Poland follows the EU customs code and all associated regulations and commercial policies apply.

All trade with other countries in the EEA (European Economic Area) is free from tariffs and other controls.

The EU has also established trade agreements with a number of countries as well as with other regional trade blocs.

Seven free zones are currently operating in Poland.

Imports

Documentation Required

Imports originating outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Import Licenses

Items subject to international controls require import licenses.

Import Taxes/Tariffs

As a member of the EU, Poland applies the common customs code to all imports originating from outside the EU. In general terms, the EU customs code applies higher levels of tariffs on agricultural imports.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

There are no specific risk mitigation requirements for imports.

Prohibited Imports

Poland prohibits imports in line with EU regulations and UN Security Council resolutions. Imports are also prohibited for moral reasons, to preserve wildlife and to protect national security.

Prohibited imports include asbestos, dangerous chemicals and ozone-depleting substances.

Exports

Documentation Required

Exports to countries outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Export Licenses

Exports of radioactive materials and strategic items (i.e. military and dual-use items), drug precursors and cultural items are subject to licenses without quotas.

Export Taxes/Tariffs

Poland does not levy taxes or tariffs on exports.

Proceeds

Poland imposes no restrictions on the transfer of proceeds from exports.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

Export financing is available from commercial banks. Citibank Handlowy, BRE Bank and Raiffeisen Bank are particularly prominent.

The government-owned Export Credit Insurance Corporation (KUKE), Poland's official export credit agency, provides state-supported export credit insurance against political or commercial risk. Private insurance companies also provide export credit insurance against commercial risk.

Prohibited Exports

Poland operates a negative list of products whose exports are prohibited in accordance with EU regulations and UN Security Council resolutions.

Information Technology

Electronic Banking

Increased competition and investment by foreign banks means that Polish companies are offered a wide range of electronic banking services. End-of-day balance reporting and domestic and cross-border payment initiation are regarded as standard, while intra-day reporting and liquidity management functionality are also being added to the leading banks' electronic banking services.

There is no common communication standard for electronic banking services in Poland. However, many Polish companies use the bank-independent MultiCash software package, originally developed in Germany. A number of local packages have also been developed, particularly for mid-market firms.

Browser-based applications are increasingly available from banks, but internet banking is most commonly aimed at retail-level customers.

The PayByNet Service is a 24/7 online payment application provided by KIR, allowing for secure retail purchases and bill payments over the internet from bank accounts via credit transfer.

The browser-based OGNIVO service is also provided by KIR, allowing for clearing-related information to be exchanged. OGNIVO is used by 51 banks, 32 of which participate in the OGNIVO service's direct debit digitalization module.

In July 2008, KIR also initiated Electronic Bill Presentment and Payment (EBPP) services in Poland through its BILIX service. Thirty-two banks currently provide the renamed Invoobill service to their clients.

External Financing

Long-term Funding

Bank Lines of Credit / Loans

Medium- and longer-term (over five years) bank loans are available in PLN or other currencies. Most loans are at floating interest rates based on Wibor or the foreign currency interbank rates. The arrangement of club deals and syndicated loans is common.

Leasing

Physical assets such as vehicles, plant machinery and equipment, and property are commonly leased.

Bonds

Companies and financial institutions issue PLN-denominated bonds and Eurobonds. Bonds can be secured (*obligacje zabezpieczone*) by collateral or guarantee or unsecured (*obligacje niezabezpieczone*) or convertible into share capital. Public issues are scrutinized by the Polish Financial Supervision Authority. Convertible bonds usually have a fixed rate of interest. Non-convertible bonds are usually floating rate, based on Wibor or Treasury bonds. Issues do not require a credit rating.

Private Placement

There is a private placement market for companies' bonds, both secured and unsecured. To issue the latter, the company must have traded for three years and have a minimum share capital of PLN 500,000.

Asset Securitization / Structured Finance

Structured finance is underdeveloped in Poland.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

The EU's structural funds are also available to finance infrastructural development. Funds are also available through the European Investment Bank and the European Investment Fund.

There are few private finance initiatives, with local authorities arranging and financing their infrastructure projects. Finance is provided by Polish government agencies.

Useful Contacts

National Treasurers' Associations

Polish Corporate Treasurers Association — www.pcta.pl

National Investment Promotion Agency

Polish Agency for Foreign Investment — www.paiz.gov.pl

Central Bank

National Bank of Poland — www.nbp.pl

Bank Supervisory Authority

Polish Financial Supervision Authority — www.knf.gov.pl

Payment System Operator

National Clearing House — www.kir.pl

Express ELIXIR — www.expresselixir.pl

Invoobill — www.invoobill.pl

European Clearing Cooperative — www.euroclearingcooperative.com

ATM/POS Network Operator

First Data Polcard — www.polcard.pl

Banks

PKO Bank Polski — www.pkobp.pl

Bank Pekao — www.pekao.com.pl

Bank Zachodni WBK — www.bzwbk.pl

mBank — www.mbank.pl

ING Bank Śląski — www.ingbank.pl

Stock Exchange

Warsaw Stock Exchange — www.gpw.pl

Ministry of Finance

Ministry of Finance — www.mf.gov.pl

Ministry of Economy

Ministry of Economy – www.mg.gov.pl

Treasury Department

Ministry of the Treasury – www.msp.gov.pl

Chamber of Commerce

Poland Chamber of Commerce for Importers, Exporters and Co-operation – www.pcc.org.pl

Bankers' Association

Polish Bank Association – www.zbp.pl