A GUIDE

The Company Abroad

A Guide to Building Structures That Survive: World Jurisdictions, Anti-Avoidance Law, and the Limits of International Planning

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Legal background reflected in this guide: January 2026, verified against primary sources in July 2026. This publication is informational in character and does not constitute legal or tax advice in any individual matter. It is written from the vantage point of an owner resident in Poland, whose anti-avoidance framework serves throughout as the worked example; the same four institutions recur, differently calibrated, in nearly every high-tax jurisdiction, so a reader resident elsewhere should treat this guide as a template to be re-checked against the law of their own state of residence, and every decision requires a separate written analysis of the specific facts before anything is signed.

Contents

PART I. WHERE THIS WORLD CAME FROM

1. Introduction: Two Questions Easily Confused

Every year, thousands of entrepreneurs ask themselves where to register a company. It is a good question, but it is the second one. The first, on which everything else depends, sounds different: where will this company be taxed. The two questions appear identical, and it is precisely on their apparent identity that an entire industry of cheap registrations, shelf companies, and promises has grown up, promises that an address in the right place is enough to make tax disappear. Modern law, domestic, European, and international alike, recognises at least three independent connecting factors, each capable of pulling a company's taxation back to the place from which it is really run: the residence of the person who controls it, the place from which it is actually managed, and the place where it carries on business through a permanent establishment. The register is a starting point, not a result.

This book is built around that difference. It is neither an encouragement to form companies abroad nor a warning against them. A foreign company is a tool, and an excellent one, provided it is used for what it is meant to do and where it makes sense. And it is meant to do far more things than popular imagination suggests: to diversify political and legal risk, to protect assets from operational hazard, to give partners from different countries neutral ground, to open access to capital markets, banks, and payment systems, to secure the use of stable, predictable courts. Taxes are on that list, but contrary to received opinion they sit ever lower on it, and structures built for tax alone are today among the most fragile constructions one can raise.

The plan is as follows. We begin with history, because without it there is no understanding why the law looks the way it does: from the birth of the company as an invention, through the great American war for incorporations and the golden age of tax havens, to the three waves that dismantled that world. We then turn to the non-tax purposes which today form the soundest justification for international structures. The heart of the guide is the home-country coordinate system: four institutions that decide the fate of every foreign company owned by a Polish entrepreneur, namely the place of management, the controlled foreign company regime, the beneficial ownership requirement in withholding tax, and the general anti-avoidance rule, all set against the automatic exchange of information which makes those institutions enforceable, and the accompanying obligations, from exit tax to the reporting of tax arrangements. Next come the two defences that in practice decide whether a structure survives: genuine substance and the effective tax rate. Then the map of the world for 2026, with a separate look at banking as the true bottleneck of every structure, and finally the craft:

the building process step by step, the art of extracting profit, a catalogue of typical mistakes, and case studies from the life of structures.

One sentence is worth memorising before reading on, because it will return in every part: a company is taxed where its life actually happens, not where its birth certificate was issued.

2. The Perfect Invention: A Short History of the Company

Before the company became a planning tool, it was one of the most consequential inventions in the history of commerce, comparable to bookkeeping and to credit itself. In 1602 the States General of the Netherlands chartered the United East India Company, the famous VOC, the first company whose shares were transferable and listed on the Amsterdam exchange. The VOC fused into a single organism three ideas that define the capital company to this day: capital pooled from many investors, transferability of the stake, and liability limited to the contribution made. An investor could lose what he had put in and not a guilder more, and could sell his share to another without asking anyone's permission. Let us add, for colour, that the VOC was capable of paying dividends in kind, including in spices, which makes it probably the only company in history whose shareholders could collect their profit in pepper.

The second act of this history played out in London at the end of the nineteenth century and took the form of a lawsuit. Aron Salomon, a shoemaker and leather merchant, converted his sole proprietorship into a company in which he took nearly all the shares, and when the business failed, the creditors demanded that he pay personally, since the company was, after all, simply him. In Salomon v A Salomon and Co Ltd (1897) the House of Lords ruled otherwise: a properly formed company is a separate legal person, even if a single man stands behind it. That judgment, to this day the foundation of company law across the common law world, established the principle on which everything this guide describes rests: legal personality is a fiction, but an effective fiction, which the law takes seriously. The entire later history of international structures is, at bottom, a history of tension between that fiction and attempts to see straight through it once it begins to be used against the purposes of the law.

Tax jurisprudence supplied the third piece of the puzzle. In De Beers Consolidated Mines v Howe (1906) the House of Lords had to decide where a company mining diamonds in South Africa, registered there but directed from London, resided for tax purposes. The answer was that a company resides where its central management and control are actually exercised, that is, where decisions really get made, not where the founding documents were issued. That old principle, known as the test of central management and control, is the direct ancestor of modern place-of-management provisions, including the Polish rule in article 3(1a) of the Corporate Income Tax Act, discussed in detail in Part III. The foundation of today's weapon against shell companies was forged a hundred and twenty years ago, in a dispute about diamonds.

3. The Great War for Incorporations: How a Small State Won America

Delaware at the close of the nineteenth century: a small state that chose to compete on law.

If anyone imagines that competition among jurisdictions for companies is a Caribbean invention, they should look at America at the end of the nineteenth century. The first aggressor was the state of New Jersey, which in the 1890s liberalised its company law so far that it became the first to allow companies to hold shares in other companies, opening the road to holding structures. Big capital, with the oil trusts at its head, moved to New Jersey for charter documents, and the state lived off registration fees. The idyll was interrupted by Governor Woodrow Wilson, the future president, who in 1913 pushed through a package of tightening statutes. Capital reacted the way capital always reacts: it packed up its registers and moved a few dozen kilometres south, to Delaware, which had prudently enacted its own friendly company law, modelled on New Jersey's, back in 1899.

Delaware won that war so thoroughly that today, in a state smaller than many a European province, more entities are registered than people live, and most companies in the New York stock indices are Delaware corporations. What matters is that Delaware did not win on liberality alone, since liberality can be copied in a single legislative season. It won on something that cannot be copied: a specialised court, the Court of Chancery, deciding corporate cases without a jury, quickly and predictably, and a century-old body of case law thanks to which a lawyer can estimate the outcome of a dispute in advance. This is the first great lesson of this guide, more important than many a tax rate: jurisdictions compete not only on price but above all on the quality of law and courts, and an advantage built on quality is durable, while an advantage built on the rate alone can be taken away by a single directive.

Whether that competition was a race to the bottom or a race to the top is still debated in the literature. For practical purposes it is enough to remember that both races run simultaneously, and that an entrepreneur should be able to tell them apart: a jurisdiction that offers an efficient court and predictable law is one thing; a jurisdiction that offers nothing but an absence of questions about where the money came from is quite another.

4. Cheap Flags, Secrets, and Islands: The Golden Age of Tax Havens

A cheap flag: a ship under colours that do not reveal who really owns her.

The interwar years added three elements to the puzzle which defined offshore for the following decades. The first was Panama, which from 1919 had been taking foreign ships under its flag and in 1927 enacted a corporate law modelled directly on Delaware's, only calibrated for a foreign clientele: a Panamanian company could conduct no business in Panama and pay no tax there on foreign income. The flag-of-convenience model was developed after the war by Liberia, whose shipping register was designed in 1948 with the participation of Edward Stettinius, a former United States Secretary of State, which shows rather well that offshore was never a peripheral prank but a project built at the very centre of the system. Shipowners of the Onassis type sailed under flags they saw mainly on paperwork.

The second element was Switzerland. The banking law of 1934 placed bank secrecy under criminal sanction, turning discretion into an export product protected by prison. A legend grew up around that statute, according to which the point was to protect Jewish deposits from the Gestapo; historians point rather to an earlier affair involving French clients of a Basel bank and to the wish to shield the sector from foreign tax authorities. Either way, for the next seventy years a Swiss account was a byword for money nobody would ask about.

The third element was the islands. The Bahamas and the Cayman Islands built eurodollar centres in the 1960s, and the real breakthrough came sideways, through an accident of almost anecdotal dimensions: when at the beginning of the 1980s the United States terminated favourable treaty arrangements for the British Virgin Islands, the local lawyers, deprived of their business model, wrote the International Business Companies Act of 1984: a company formed in two days, with no tax, no accounts, and no questions. The product proved a world hit; at its peak a significant share of all the world's offshore companies sat in the BVI, and the abbreviation itself became a common noun in transactional slang.

Two more protagonists are needed to complete the picture of the golden age, one a family and one a treaty. The family, the Vestey brothers, deserves a chapter of its own and will get one in a moment.

The treaty protagonist was called the Antilles window. Through the 1970s and 1980s American corporations issued eurobonds through finance companies in the Netherlands Antilles, because the tax treaty between the United States and the Antilles removed withholding tax on interest flowing out of America: money borrowed in London returned to New York through a tunnel dug on a Caribbean island whose role was limited to lending an address and a letterhead to a file of documents. In the second half of the 1980s Washington terminated the treaty, and the eurobond market shook so hard that some old issues had to be rescued by transitional provisions. For our story the moral is twofold. First, treaty shopping, the practice of plugging shell companies into other people's treaties, was once an industry of macroeconomic scale, and it was against exactly this that the principal purpose test, discussed in Part III, was later aimed. Second, an advantage built on a single treaty has an owner, and that owner is not the taxpayer: it is the state, which can terminate the treaty with a single letter. That lesson will return with Mauritius.

The classic haven of that era stood on three promises: that nobody would find out, that nobody would tax, and that nobody would ever require any presence. All three were broken in the following decades, each by someone different, and the chapter on the great turn tells that story. First, however, a saga which lived through both of those worlds, the golden age and the era of demolition, personally and at its own expense.

5. The Vestey Brothers, or Sixty Years Beyond Reach

There is in this history a saga worth telling in full, because it compresses into the fortunes of one family everything this guide says about the durability of structures, the patience of legislatures, and the price paid for beating the tax authority for too long. Its heroes are William and Edmund Vestey, sons of a Liverpool merchant, who at the turn of the nineteenth and twentieth centuries built the largest private meat empire in the world: a network of cold stores, slaughterhouses in Argentina and Australia, their own shipping line for transporting beef, and thousands of retail shops in Britain. It was a business global by nature long before anyone coined the word globalisation, and it was precisely that globality which became the axis of the conflict with the British tax authority.

The conflict was triggered by the First World War. Financing it, Britain raised income taxes to previously unimaginable levels, and the brothers decided they had no intention of paying British tax on profits earned on Argentine pastures and sold across a chain of markets that touched Britain only in part. Their first move was emigration: in 1915 William left for Buenos Aires. Their second was more inventive and became the stuff of textbooks: in 1921 they settled the key foreign assets on a trust established in Paris, whose beneficiaries were members of the family, while the brothers themselves formally received nothing that British law of the time could effectively tax. A year later Edmund acquired a barony, which added to the affair a flavour of scandal that the British press would savour for decades: the men who would not pay for the war were buying their way into its aristocracy.

The structure proved astonishingly durable. For nearly sixty years the Revenue attacked it with successive theories, and successive generations of the family collected income the law could not reach. The finale came only in 1980, in the House of Lords, in Vestey v Inland Revenue Commissioners, and it is a finale instructive in both directions. The taxman lost: their Lordships rejected an interpretation under which the administration could tax beneficiaries at its own discretion, on amounts it considered appropriate rather than amounts following from a clear statutory rule, and the speeches contain some of the sharpest sentences ever written against taxation by administrative whim, to the effect that citizens are taxed by Parliament, not by the Inland Revenue's opinion of what would be fair. Parliament heard the message and responded the way parliaments respond: with new legislation on the transfer of assets abroad, whose descendants, considerably expanded, are in force to this day.

The moral of the saga cuts both ways, and an honest adviser presents both edges. The brothers had correctly identified a genuine problem: in an integrated cross-border trade it is not always possible to say honestly which country's activity produced which slice of the profit, since an animal slaughtered in Argentina may be sold, cooked, and eaten in a country that saw none of the production. But the same story has its second half: a structure that wins too long calls into being the very law that ends the game, and the sixty Vestey years produced statutes under which the same manoeuvre today would be picked apart within a single tax year. Structures pass; the legislation they provoke remains. Anyone who plans against the letter of today's law is really planning against the statute that will be written about them.

6. The Great Turn: Three Tsunami Waves That Dismantled the Old World

Three waves, arriving within a single generation, dismantled the assumptions on which the golden age rested. The first wave struck secrecy, and it arrived from the least expected direction: from an insider. In 2007 Bradley Birkenfeld, a UBS banker, disclosed to the American authorities exactly how his bank helped wealthy Americans conceal assets; the affair ended in 2009 with a deferred prosecution agreement and a payment of seven hundred and eighty million dollars, and in 2010 Congress enacted FATCA, a statute which, with the bluntness of a superpower, made access to the American financial system conditional on reporting American clients. The world took the hint. On the American model the OECD built the Common Reporting Standard, under which more than a hundred jurisdictions, Switzerland and the Cayman Islands included, now exchange account information automatically, once a year, with no one having to ask. The leaks completed the demolition: LuxLeaks in 2014 exposed the quiet rulings of one member state, the Panama Papers on 3 April 2016 ended the era of faith in the discretion of registered agents and, in 2018, the firm of Mossack Fonseca itself, and the Pandora Papers of 2021 showed that the last habitats of secrecy had moved to places nobody used to suspect, South Dakota among them.

The second wave struck the promise of zero tax, and its symbol became the Apple case: a structure known as the double Irish allowed tens of billions in profit to be attributed to companies which, for tax purposes, resided nowhere at all, until the European Commission in 2016 ordered the recovery of thirteen billion euros in unlawful state aid, an order the Court of Justice of the European Union ultimately upheld in September 2024, after years of litigation. For balance it should be noted that the Commission lost the parallel Starbucks and Fiat cases, which shows how fine, and how fact-specific, the line between unlawful aid and ordinary tax competition remains. In parallel the OECD ran the BEPS project, whose instruments, from country-by-country reporting to the multilateral instrument amending thousands of treaties at a stroke, were aimed at exactly the same target: profit booked where nothing happens.

The third wave struck the promise that no presence would ever be required, and it struck in the most symbolic place of all. Under threat of inclusion on the European Union's list of non-cooperative jurisdictions, the British Virgin Islands, the Cayman Islands, Bermuda, Jersey, Guernsey, and others enacted economic substance legislation from 2019 onward: a company conducting specified kinds of activity must demonstrate, on the spot, staff, premises, expenditure, and decision-making. Jurisdictions whose business model was to require nothing were made to require something. Beneficial ownership registers stripped anonymity away layer by layer, and the zero-rate model was further undercut from above: the global minimum tax, agreed at the OECD as Pillar Two and implemented in the Union by the 2022 directive, guarantees for groups with revenues above seven hundred and fifty million euros an effective rate of at least fifteen percent in every jurisdiction, and Poland has applied its own top-up tax legislation since 2025. Smaller, owner-managed structures are not directly caught, but the direction is unmistakable, and it closes the arc of this Part: the law of the world has converged on a single principle, that profit must be taxed somewhere, at a real rate, in the place where the activity that produced it actually happens.

PART II. WHAT FOREIGN COMPANIES ARE REALLY FOR: THE NON-TAX PURPOSES

7. Strategic Diversification: Not Keeping an Entire Life Under One Legal System

Geographic diversification of a life and an estate, beyond a single legal system.

Investors have long known not to keep a whole portfolio in one company, or even in one asset class. It is noticed more rarely that the same logic applies to legal systems. An entrepreneur whose every company, account, property, and contract answers to one legislature, one supervisor, and one judiciary is one hundred percent exposed to the risk of that single system: to a sudden change in the law, to sluggish enforcement, to a frozen account, to an interim securing decision that can stop a business for years before anyone rules on the merits. That risk is not theoretical in any country, and the experience of recent years, from pandemic interventions in the economy, through the war in Ukraine, to instances of the instrumental treatment of entrepreneurs in various jurisdictions, has taught wealthy people around the world to treat jurisdictional diversification as seriously as currency diversification.

Strategic diversification in its corporate form means the deliberate distribution of the elements of a business among legal systems: the operating company where the clients and the team are, the holding company in a jurisdiction with stable law and a wide treaty network, intellectual property where it is genuinely developed and sensibly protected, bank accounts in more than one state. Let us underline at once the boundary that runs through this entire guide: diversification is lawful and rational as long as every element of the structure is accompanied by a real function. A holding company that genuinely performs ownership functions is diversification; a company whose only function is to exist on paper is merely future evidence. Recent history works on the imagination: the exodus of structures from Hong Kong to Singapore after 2019, and the relocation of holdings out of sanctioned jurisdictions, showed that the capacity to regroup quickly is a value in itself, and that it is built in peacetime, not on the day of the crisis.

8. Confidentiality: Between a Legitimate Right to Privacy and an Anonymity That No Longer Exists

It has to be said plainly, because no point has accumulated more misunderstanding or more dishonest offers: ownership anonymity in the old style is over and is not coming back. Automatic exchange of financial information covers more than a hundred jurisdictions, beneficial ownership registers operate throughout the Union, in Poland as the Central Register of Beneficial Owners, and leaks of the Panama Papers kind have taught everyone concerned that even data that was never supposed to see daylight can end up on front pages. Whoever sells total anonymity today is selling a product that does not exist, and a client who believed in it.

What does exist is legitimate confidentiality, and its modern boundaries are worth understanding. The Court of Justice of the European Union ruled in November 2022, in the cases concerning the Luxembourg register, that unrestricted public access to beneficial ownership data violates the rights to privacy and data protection; in consequence several states limited access to persons demonstrating a legitimate interest, and the Union's 2024 anti-money-laundering package rebuilt that balance anew. The practical meaning is this: toward authorities, banks, and registry obligations the owner is and will remain visible; toward competitors, counterparties, the curious, and people with bad intentions, a structure can provide a reasonable level of discretion. There are industries and situations in which that is not a whim but a need: an entrepreneur negotiating an acquisition does not want the market reading his moves in a register; a family of significant wealth has the right not to make life easier for blackmailers and thieves; an investor building a position in an asset does not have to announce it to the world. The boundary is sharp and easy to remember: confidentiality toward the market, yes; opacity toward the state, no. Structures designed against the tax authority and against anti-money-laundering rules are not confidential; they are merely deferred in detection.

9. Legal Stability and Judicial Quality: Law as an Export Product

The third purpose tends to be underrated until the first serious dispute arrives. Legal systems differ not only in their tax rates but in the quality of the legislative environment: the predictability of case law, the speed of proceedings, the competence of judges in commercial matters, the actual enforceability of judgments. English contract law is chosen as the governing law of transactions that have nothing to do with England, and it is perhaps the most successful British export product of the last century. Delaware, as we have seen, conquered America not with a tax rate but with its Court of Chancery. Singapore built, within one generation, courts and arbitration trusted by all of Asia. Choosing a jurisdiction for a holding company or a joint venture vehicle is therefore, to a great extent, choosing the court and the law that will decide the future conflict: between partners, with a manager, with a buyer.

For an entrepreneur this motive has one more dimension, spoken of in a half-voice but worth naming: the element of stability is sought especially keenly in flight from one's own home state, when experience suggests that a dispute with the administration can last a decade and that securing the enforcement of a decision can outrun its review on the merits. Placing the ownership layer in a jurisdiction with strong procedural guarantees does not set aside home-country taxes and is not meant to; what it does provide is certainty that the fate of the ownership structure itself will not be decided by anyone in a procedure in which the entrepreneur is the last to find out. That is lawful, rational, and, let us add, entirely comprehensible to anyone who has read the Strasbourg case law on Polish tax matters.

It is worth knowing, too, that the mobility of the company itself, and not only of its owner, is in the European Union a right rather than a privilege, and that a Polish company won it. In Polbud, C-106/16, the Court of Justice ruled in 2017 that the freedom of establishment covers the transfer of a company's registered office to another member state without liquidation, even where the transfer of the registered office is not accompanied by the transfer of real activity, and it found the Polish provisions conditioning removal from the register on liquidation to be a disproportionate restriction of that freedom. Today the procedures for cross-border conversion, merger, and division are harmonised in the Union by the 2019 directive, implemented into national company codes, Poland's in 2023, which means that a limited liability company can, in a civilised though formalised procedure, become a company of Luxembourg or Dutch law with continuity of legal personality preserved. Redomiciliation is thus a real diversification tool: a structure can be moved as the environment changes, without demolition and rebuilding from scratch. Two sober reservations: a cross-border conversion is accompanied by scrutiny designed to defeat abuse, and moving assets out of a home tax jurisdiction may be accompanied by a tax on unrealised gains, the exit tax, which should be calculated before the decision, not after it. Freedom of movement is not an exemption from paying the bill for wealth built before the change of tax jurisdiction.

10. Asset Protection: Separating What Has Been Built From the Risk, Before the Risk Materialises

The fourth family of purposes is asset protection, an art as old as civil liability and so often caricatured that it needs to be stated properly. The essence is simple: business activity generates risk, and wealth once earned should not stand in the first line of that risk. The basic tool here is the company construction itself, the one from Salomon: the separation of operating assets from private ones. An international structure adds further storeys: a holding company separating the shares from the operating company, so that an accident on a building site does not drag down a lifetime's work; the division of real estate, intellectual property, and current operations among separate entities; the choice of legal forms with strong protection of the member, such as the American LLC with its charging order construction, which limits a member's creditor to attaching distributions, without the right to take over control of the company.

And here runs the most important boundary of this whole chapter, which an honest adviser draws with a thick line. Asset protection works only prospectively: it is built before a claim arises. Transferring assets in the face of existing or expected creditors is not asset protection but its parody, and the law has answers to that parody older than any tax haven: the actio Pauliana of article 527 of the Polish Civil Code reaches acts that prejudice creditors, insolvency law allows transactions from the period before bankruptcy to be set aside, and in aggravated variants criminal liability for frustrating the satisfaction of creditors comes into play. No foreign legal form neutralises these institutions, and an attempt to use a structure against existing creditors usually ends with the structure being taken apart and its author additionally losing credibility for the future. Properly understood asset protection is peacetime architecture: transparent, documented, built in advance, and aimed at no one in particular. Such architecture defends itself before the courts of any jurisdiction.

Since we are speaking of boundaries, let us tell the story of the jurisdiction that made asset protection a national industry, because it contains both sides of the moral. The Cook Islands, fifteen thousand inhabitants in the middle of the Pacific, enacted in the 1980s a pioneering law of international trusts, expanded in later years with solutions that American lawyers read with disbelief: non-recognition of foreign judgments, radically short deadlines for challenging a transfer into a trust, a requirement to prove intent to prejudice beyond reasonable doubt. A product arose which was said to be resistant to American courts, and indeed more than one creditor foundered off the shores of Rarotonga. But the same history has its other half: the well-known late-1990s case of a Nevada couple who hid, in a Cook Islands trust, money from a business the authorities were contesting, ended with the American court, unable to reach the assets, reaching for the people, and the spouses went to jail for contempt when they claimed to be unable to pull their own money back. First moral: aggressive protection works on assets, not on the person, and the owner always lives within reach of some court. Second moral, more important for the home reader: foreign trusts and foundations are expressly covered by the definition of a foreign entity in the Polish CFC regime, and their beneficiaries by the obligations discussed in Part III; whoever hears that a Pacific trust is invisible to the Polish tax authority is talking to a salesman, not an adviser. Correct protective architecture does not need exotica; it needs a head start, transparency, and plain, solid separateness of estates.

11. Access, Credibility, and Neutral Ground: Transactional Purposes

The fifth family of purposes is the most prosaic and, for that reason, most often decisive. First, access to infrastructure: the American LLC tends to be formed not for taxes, which, as we shall see, it does not save at all, but for access to American banking and payment systems, without which it is hard to sell on that market. A company in Singapore or Hong Kong opens Asian banking and supply chains. A company in the Union brings the single market, a VAT number, and credibility with European counterparties who simply will not sign with an exotic entity, because it will not pass their own know-your-counterparty procedures.

Second, capital markets: institutional investors have their habits and their documentation standards. A venture capital fund expects a Delaware company; a private equity fund structures its vehicles in the Cayman Islands or in Luxembourg not out of love for palms or for rain, but because the fund law and case law there are predictable and the documentation standardised. Forming a company in the jurisdiction expected by capital is sometimes a condition of entering the game, not an optimisation.

Third, finally, neutral ground. When a partner from Poland, a partner from Germany, and a partner from Singapore build a joint venture, none of them wants to play on the others' field: neither to submit to someone else's court nor to someone else's company law. A company in a third jurisdiction, with mature law and a neutral position, is the classic solution to that dilemma and one of the oldest, entirely non-tax uses of international structures. That is why joint venture vehicles land so often in the Netherlands, Luxembourg, Singapore, or the BVI: not to hide anything, but so that no one has home advantage.

Let us close this Part with an observation that joins all five families of purposes. Each of them leaves a natural evidentiary trail behind it: diversification has its risk analysis, asset protection its chronology, the transactional purpose its term sheet, the choice of law its clause in the shareholders' agreement. A structure built for a real purpose documents itself, as it were, in the course of ordinary events. That is, anticipating Part III, the best possible starting position against each of the four institutions we must now discuss: against the question of the place of management, of CFC, of the beneficial owner, and of the general anti-avoidance rule. Where the purpose is real, the answers to those questions write themselves; where the purpose was tax alone, no number of documents will substitute for substance.

PART III. THE POLISH COORDINATE SYSTEM: FOUR INSTITUTIONS THAT DECIDE EVERYTHING

12. The Starting Principle: Registration Is Not Taxation

A Polish entrepreneur planning a foreign company moves within the gravitational field of four institutions of Polish law, each of which operates independently of the others and each of which, on its own, can strip a structure of its point. They are: corporate residence based on the place of management, the regime of controlled foreign entities, the beneficial ownership requirement in withholding tax, and the general anti-avoidance rule together with its treaty sister, the principal purpose test. The order in which we discuss them is not accidental: it corresponds to the order in which an adviser should examine them, from the most fundamental question, whether the company is foreign at all, to the closing question, whether the whole is artificial. Whoever designs a structure without answers to these four questions is not designing a structure; they are deferring a problem. A reader resident outside Poland will find the same four institutions at home under different article numbers, which is exactly why this Part is worth reading as a template rather than as local trivia.

13. Place of Management: Is This Company Even Foreign

The first question sounds iconoclastic, but it is entirely serious: is a company registered abroad, within the meaning of Polish tax law, a foreign company at all? Under article 3(1) of the Corporate Income Tax Act, taxpayers whose registered office or management is located in the territory of Poland are subject to tax on the entirety of their income, regardless of where it is earned. The conjunction "or" makes management an independent connecting factor: an Estonian, Cypriot, or Emirati company whose management sits in Poland is a Polish tax resident and pays Polish corporate income tax on its worldwide income, exactly as if it were a limited liability company from Krakow.

From 1 January 2022 the legislature spelled out what it means by management in Poland, adding article 3(1a) of the Corporate Income Tax Act: a taxpayer has its management in the territory of Poland in particular where the current affairs of that taxpayer are conducted in the territory of Poland in an organised and continuous manner, including on the basis of an agreement, a decision, a court ruling or another document regulating the taxpayer's formation or operation, of powers of attorney granted, or of relationships within the meaning of the transfer pricing provisions. The weight has shifted from the question of where the governing body formally sits to the question of where the company's affairs are actually run from. This is nothing other than the Polish codification of the old principle from De Beers: a company resides where the decisions really get made.

It is worth seeing how this provision works on a living organism, because practice tends to be merciless toward paper constructions. Imagine a Polish entrepreneur with an Estonian OÜ: he is the director himself, he lives near Warsaw, he wins clients from Poland, he signs contracts with a qualified signature from his home office, he issues invoices from a Polish laptop, and in Tallinn the company has an address at a service provider and a mailbox. The answer to the question of where this company's current affairs are conducted in an organised and continuous manner is obvious, and neither the Estonian register nor an Estonian supervisory board with one meeting a year will change it. The evidence that decides such cases is mundane: metadata and IP addresses of online banking logins, the places where signatures are made, the management calendar, air tickets or the lack of them, email correspondence showing who really decides, powers of attorney granted to people in Poland, and finally the testimony of counterparties as to whom they actually negotiated with. A nominee local director who signs whatever the owner sends over does not create management abroad; he creates evidence that management is somewhere else.

The consequences of a finding of Polish management are more severe than anything discussed in the later chapters, because they attach to the company itself: full taxation in Poland of its worldwide income, arrears with interest, withholding agent obligations, and criminal fiscal sanctions for the people who ran its affairs. A residence conflict with the state of registration is resolved by the applicable double taxation treaty; historically the tie-breaker pointed to the place of effective management, but after the changes introduced by the MLI many treaties refer the dispute to a mutual agreement procedure between the competent authorities, which means years of uncertainty instead of a clear rule. Let us add, for completeness, that even if the company defends its foreign residence, running its affairs from Poland can create a permanent establishment there, a fixed place of business whose profits are subject to Polish taxation anyway; a place of management is listed in the treaties expressly as an example of a permanent establishment. The defence against this entire package is one, and its name is substance: management that really officiates where the company is registered, people who really decide, and documentation that reflects it because it arose in the course of ordinary events, not for the purposes of an audit. Substance is treated systematically in Part IV.

14. CFC: The Regime That Follows the Owner

The second institution attacks from a different side. Suppose the foreign company has defended its residence: the management really does officiate in Nicosia or Tallinn. The regime of controlled foreign entities, set out in article 24a of the Corporate Income Tax Act and article 30f of the Personal Income Tax Act, nevertheless allows Poland to tax such a company's income by attributing it directly to its Polish owner, and regardless of whether anything was distributed. The logic is anti-deferral: since the benefit of parking profit in a low-taxed company consists in deferring Polish tax until distribution, the statute abolishes the deferral and requires payment on a current basis, at the rate of nineteen percent on the entity's income, in proportion to the holding and the period of control.

The Polish statute knows several parallel paths to CFC status, and all of them must be checked, because one is enough. The first and second paths are automatic: an entity seated in a jurisdiction on the tax haven list, or in a state with which there is no basis for the exchange of information, is a CFC by definition, without any examination of its revenue structure. The third path, the classic one and the most common in practice, requires three conditions to be met jointly: control, meaning that the Polish taxpayer, alone or together with related parties or other Polish residents, holds more than half of the shares, voting rights, or rights to profit, or exercises actual influence over the entity; the passive income test, meaning that at least one third of the entity's revenues come from a catalogue covering dividends, interest, royalties, disposals of shares and securities, rentals, insurance and financial services, as well as specified intangible services and transactions with related parties adding no significant economic value; and finally the effective taxation test, meaning that the tax actually paid by the entity abroad is lower by at least one quarter than the tax it would have paid as a Polish resident. At the Polish rate of nineteen percent the boundary therefore runs at around fourteen and a quarter percent of effective burden; what counts is the tax actually borne, not the nominal rate, so a jurisdiction with a decent headline rate and generous exemptions can slip under the threshold unnoticed. Since 2022 the legislature has added a fourth and a fifth path, aimed at passive wealth vehicles and at entities showing income disproportionately high relative to the assets held and the functions actually performed; their conditions are technical and detailed, and safe practice consists in examining every holding and wealth structure against them as well, rather than stopping at the classic test.

Let us see this mechanism in numbers, because abstraction can be misleading in its gentleness. A Polish resident is the sole shareholder of a Maltese company which for a given year showed a million zloty of income and, after refunds, effectively paid fifty thousand zloty of tax in Malta. The test runs as follows: the hypothetical Polish tax on that income would be one hundred ninety thousand zloty; three quarters of that amount is one hundred forty-two and a half thousand; the tax actually paid, fifty thousand, is below that threshold, so the low taxation condition is met and, if the other conditions are also satisfied, the company is a controlled foreign entity. The owner then reports the entity's income in a separate return and pays nineteen percent on it, that is one hundred ninety thousand, reduced by the proportionally credited Maltese tax, which leaves one hundred forty thousand zloty payable in Poland, regardless of the fact that not a single euro left Malta. The realistic means of defence remains, above all, the genuine activity exclusion, and that is the entire strategic content of this regime in a single calculation: a low effective rate without substance does not reduce the tax, it merely changes its legal label and adds obligations on top. Let us add one more thing, because it tends to be passed over in silence in sales materials: the definition of a foreign entity expressly covers foundations, trusts, and other fiduciary arrangements, and the control condition reaches actual influence, so dressing a company in the costume of a foundation or a trust does not move the wealth outside the regime; at most it complicates its application.

The system also knows exits, and it is they that define the architecture of sensible structures. The most important is the exclusion for entities from the European Union and the European Economic Area conducting substantial genuine economic activity in their state of residence: the statute requires examining, among other things, whether the entity has premises, qualified staff, and equipment, whether it does not form a structure detached from economic reasons, whether there is proportionality between the scope of its activity and the resources it actually possesses, whether the entity independently performs its basic economic functions using its own resources, and whether the arrangements it enters into accord with economic reality and have a justification other than tax. This is a direct codification of the Cadbury Schweppes line, discussed more fully in Part IV: the Union freedom of establishment protects real enterprises; it does not protect wholly artificial creations. The second exit is the effective rate test itself: an entity genuinely taxed above the threshold is not a CFC under the classic path, which explains why in 2026 the strategically attractive jurisdictions tend to be those with a rate that is low but real, rather than zero. Let us also state honestly the settlement mechanics, because they soften the picture: the tax paid by the entity abroad is credited proportionally against the Polish tax on CFC income, and dividends received from the entity reduce the base, so the regime does not lead to double taxation but to pulling the burden up to the Polish level; on top of this come record-keeping duties, a register of entities, and a separate return filed by the end of the ninth month after the tax year. Finally, a point worth remembering when reading offers from Dubai: the CFC regime follows the Polish resident, not the company's address. As long as the owner is a Polish resident, no jurisdiction in the world takes him out from under article 30f; he ceases to be subject to this regime only upon the effective loss of Polish residence, which is a subject for a separate study and a separate, considerably more serious life decision.

15. The Beneficial Owner and Withholding Tax: Who Really Gets the Money

The third institution waits for a structure at the moment it begins to do what it was often designed for: to move money across a border. Dividends paid out of Poland are subject, as a rule, to withholding tax at the rate of nineteen percent, interest and royalties at the rate of twenty percent. Double taxation treaties reduce those rates, and the Union directives, on parent and subsidiary companies and on interest and royalties, can bring them down to zero where the capital and holding period conditions are met.

The entire classical engineering of flows, with Cypriot and Luxembourg intermediary companies in the leading roles, consisted in plugging into these preferences. And it is exactly at this mechanism that the modern requirements are aimed.

The key is the concept of the beneficial owner, defined in article 4a point 29 of the Corporate Income Tax Act: the beneficial owner is an entity that receives the payment for its own benefit, including deciding independently on its use and bearing the economic risk of losing it in whole or in part, is not an intermediary, representative, trustee, or other entity obliged to pass the payment on to another entity, and conducts genuine economic activity in its country of residence, whereby in assessing that activity the criteria known from the CFC regime apply. A conduit company that pays a received dividend onward the same week, to a shareholder in a third jurisdiction, is not the beneficial owner, even if it has a Cypriot certificate of residence framed on the wall. The withholding agent, that is the Polish paying company, has a statutory duty of due diligence in verifying the conditions for the preference, assessed with regard to the nature and scale of its business and its relationship with the recipient; a payment at a reduced rate without that verification is the agent's risk, the agent's arrears, and the agent's interest.

Onto this is layered the mechanism that changed market practice: pay and refund under article 26(2e) of the Corporate Income Tax Act. Where the total payments of dividends, interest, and royalties to the same related entity exceed two million zloty in a tax year, the agent withholds tax on the excess at the statutory rate, without preferences, and the difference is recovered by way of a refund application, in which the authority examines the entire structure. The statute provides two valves: a declaration by the agent's management board, submitted on pain of liability, that the conditions for the preference are met and that, after verification, it has no knowledge of circumstances excluding them, or an opinion of the authority on the application of preferences, valid as a rule for thirty-six months. In advisory practice the opinion has become the precautionary standard for significant, recurring flows, and the board declaration is signed with the deliberation a document generating personal liability of the signatories deserves. Let us add, for the fullness of the picture, that the system is also armed financially: alongside arrears with interest there is the punitive additional tax liability provided in the Tax Ordinance for unreliable declarations and undue preferences, and the criminal fiscal liability of the persons acting for the agent. The risk calculation for a large payment at a preferential rate should therefore be run not in terms of whether the authority will notice, but in terms of whether the beneficial ownership documentation will withstand the reading of an unfriendly reader.

The Union background of this revolution is formed by the judgments of the Court of Justice of February 2019 in the so-called Danish cases, concerning dividends and interest: the Court held that there exists a general principle of Union law prohibiting abuse, in consequence of which the benefits of the directives may be refused to intermediary companies that are not beneficial owners, inserted into a structure in order to pass payments onward, and this even without a specific national provision. The guidance the Court gave national courts for recognising abusive constructions reads today like the checklist of every structure review: funds flowing onward shortly after receipt, absence of real activity, marginal income remaining with the intermediary, a contractual obligation to pass the payment on. The Polish legislature closed the system with the small clause of article 22c of the Corporate Income Tax Act, withdrawing the dividend and interest exemptions where obtaining them was the main purpose or one of the main purposes of the transaction and the mode of action was artificial. In practice there also functions, though not uniformly, the look-through concept, allowing, where the intermediary is disregarded, the application of the preferences proper to the beneficial owner one floor up; it is accepted by the authorities in specific fact patterns, but it is not a guaranteed right and no structure should be built on it; at most an inherited structure may be rescued with it. The design conclusion is unambiguous: in a chain of payments, every company must have content. An entity whose only function is to be a pipe no longer lowers withholding tax; it raises the risk of every participant in the flow, with the agent's management board first in line.

16. Automatic Exchange of Information: The Infrastructure That Sees Everything

A world connected by automatic exchange of information: no jurisdiction stands alone any more.

The four institutions described in this Part are blades; automatic exchange of information is the eyesight that guides those blades. Without it, place of management, CFC, and the beneficial owner would remain constructions beautiful and blind, because the authority would first have to know that the foreign company and the foreign account exist at all. For a decade it has known, and not thanks to its own inquisitiveness, but thanks to a system in which the information arrives by itself, cyclically, and in a format fit for machine analysis. Whoever designs an international structure should know this system at least as well as the tax rates, because it is this system that defines the environment in which the structure will live.

The foundation is the Common Reporting Standard, CRS, developed by the OECD on the model of the American FATCA and rolled out worldwide from 2017. The mechanics are simple and ruthless: a financial institution in a participating state identifies the accounts of persons and entities that are tax residents of other states, and then reports to its local administration the balances, the interest and dividend income, and the proceeds of asset disposals, together with the account holder's data; the administrations exchange these packages automatically, once a year. Crucially for the subject of this guide, the standard was designed from the outset against intermediary structures: for passive entities the financial institution determines and reports the controlling persons, so the account of a passive BVI company is reported to the state of residence of its beneficiary, not to the BVI. Poland participates in the system on the basis of its statute on the exchange of tax information with other states, and the network covers more than a hundred jurisdictions, Switzerland, Singapore, the Emirates, the Cayman Islands, and the BVI included. The practical effect shows in the statistics of cases: a typical audit concerning a foreign company today begins neither with an informer nor with chance, but with a CRS record that does not match a return.

Onto the OECD foundation the European Union has laid its own, denser storey: the successive instalments of the directive on administrative cooperation, known by the acronym DAC. For the practice of international structures, three of them matter especially. DAC3 brought tax rulings and advance pricing agreements into the exchange, ending the era in which a ruling issued quietly in one state remained a secret from the rest; this was the direct aftermath of the LuxLeaks affair. DAC6 introduced the obligation to report tax arrangements, which Poland implemented in a version stricter than the Union minimum and which is discussed more fully in the chapter on accompanying obligations. DAC8, finally, adopted in 2023 and applicable in principle from 2026, extends automatic exchange to crypto-assets: crypto-asset service providers report their clients' transactions according to a template the OECD is globalising in parallel as the CARF framework. For the reader of this guide the conclusion reaches beyond cryptocurrencies: every asset class that for a moment seems opaque ends up inside a reporting system within a few years of becoming significant. So it was with bank accounts, then with rulings, then with digital platforms, now with crypto-assets; it would be naive to assume that any next class will be the exception.

The design lesson of this chapter fits in one sentence, worth adopting as an axiom: an international structure is designed today on the assumption of full visibility, not in the hope of its absence. The tax authority no longer has to ask; it receives a report. That assumption is not depressing but clarifying, because it eliminates from consideration an entire class of pseudo-solutions based on undetectability and directs energy where it earns a return: into substance, into the effective rate, into the economic story, and into documentation. A structure that looks good in a CRS report read by an administration analyst will look good everywhere; a structure whose best feature was to be invisibility is already visible, it just does not know it yet.

17. The General Anti-Avoidance Rule and the Principal Purpose Test: The System's Last Line

The fourth institution differs from the previous three in character: it is not a specific rule but a general clause, and precisely for that reason it closes the system. Under article 119a of the Tax Ordinance, an act does not result in a tax advantage if obtaining that advantage, contrary in the given circumstances to the object or purpose of the tax statute or of its provision, was the main purpose or one of the main purposes of performing it, and the mode of action was artificial. Three conditions must occur jointly: the tax advantage as the main purpose or one of the main purposes, the contradiction of the advantage with the purpose of the provision, and the artificiality of the mode of action. Artificiality the statute explains in article 119c: a mode of action is not artificial if, on the basis of the existing circumstances, it should be assumed that an entity acting reasonably and guided by lawful aims would have used it predominantly for justified economic reasons; among the symptoms of artificiality the statute lists, among others, the unjustified splitting of an operation, the involvement of intermediary entities despite the absence of economic justification, elements mutually cancelling or compensating each other, and economic risk exceeding the expected non-tax benefits to a degree indicating that a reasonable entity would not have chosen that mode of action.

The effect of applying the clause is surgical: the authority determines the tax consequences as if the appropriate act had been performed, that is, the one an entity acting reasonably would have chosen, and where the circumstances indicate that without the tax advantage the act would not have been performed at all, the consequences are determined as if it had not occurred. Proceedings are conducted by the Head of the National Revenue Administration, with the participation of the advisory Council for the Prevention of Tax Avoidance, and the determination may be accompanied by an additional tax liability of a punitive character. The taxpayer has a protective instrument in the form of a protective opinion: the application carries a fee of twenty thousand zloty, requires an exhaustive description of the act together with its economic aims and tax benefits, and the opinion obtained protects against the application of the clause to the act described. In structures of significant value the protective opinion tends to be the cheapest element of the whole undertaking per unit of risk removed.

The treaty layer is closed by the principal purpose test, introduced into double taxation treaties by the MLI: a treaty benefit may be refused if obtaining it was one of the principal purposes of the structure or transaction, unless granting the benefit would accord with the object and purpose of the relevant treaty provisions. The PPT operates in parallel to the domestic clause and means that literal compliance with the treaty is no longer enough; a structure built predominantly for a treaty benefit can be stripped of that benefit. For the designer this yields advice of an almost literary character, and at the same time entirely practical: the structure must have a story. There must exist a coherent, true account of why it came into being, in which the tax advantage is at most a subplot, not the axis of the action. The chapters on non-tax purposes in Part II were not decoration; they were the manual for writing that story.

18. Accompanying Obligations: Exit Tax, Tax Arrangements, Transfer Pricing, Registers

The four great institutions and the exchange infrastructure mark out the playing field; around them, however, stretches a belt of auxiliary obligations which do not decide a structure's architecture but can decide its costs, and in extreme cases the criminal fiscal liability of the people managing it. Experience teaches that structures rarely fall on the great institutions everyone remembers; more often they bleed out from a thousand small omissions nobody remembered. This chapter is a map of those omissions.

The first of the obligations is the tax on income from unrealised gains, commonly called exit tax, regulated for companies in article 24f and following of the Corporate Income Tax Act as the Polish implementation of the ATAD directive. The logic is the mirror image of the place of management: since Poland taxes value created under its jurisdiction, it treats the removal of an asset or of tax residence out of Poland as a disposal and taxes, at the rate of nineteen percent, the excess of the market value of the transferred assets over their tax value. In practice this means that moving abroad a company that has managed to build a valuable brand, a portfolio of intellectual property rights, or a client base has its price payable on exit, and spreading it into instalments is possible for moves within the Union and the EEA. The planning conclusion is obvious and often ignored: international architecture is cheapest to think about while the value is still small; relocating a mature business is a transaction with the tax authority in the role of silent seller.

The second obligation, wider in reach than intuition suggests, is the reporting of tax arrangements, regulated in chapter 11a of the Tax Ordinance as an implementation of DAC6 in a version substantially stricter than the Union minimum: the Polish MDR covers purely domestic arrangements as well, and the catalogue of hallmarks is so capacious that the mere implementation of a structure involving a foreign entity very often falls to be reported. The obligations are distributed among the promoter, the beneficiary, and the supporter, the deadlines are counted in days, and the criminal fiscal sanctions for omission are among the highest in the entire system. A point that matters for the relationship with an adviser: reporting an arrangement is not an admission of anything blameworthy, it is the registration of a planning event, and treating it as a shameful secret is about as rational as hiding from one's doctor what one eats. A reported and considered structure is safer than an unreported one of the same dimensions; the difference lies in who, in the event of a dispute, looks like the professional.

The third belt of obligations is formed by transfer pricing. Every transaction between a Polish company and its foreign sister, parent, or subsidiary, from a loan through a licence to support services, must correspond to market conditions, and above the statutory value thresholds it is subject to the obligation to prepare local documentation and file the TPR information. In ownership structures it is precisely the internal transactions that are the bloodstream of the whole, so transfer pricing documentation is not a formality at the margins but a description of the heart of the arrangement; an authority that wants to challenge a structure almost always begins by asking whether the flows inside it have market logic. Documentation written currently, with comparability analyses prepared before the transaction, costs a fraction of its reconstruction years later, and it reads entirely differently.

The fourth element is the registers of beneficial owners, in Poland the Central Register of Beneficial Owners, and its counterparts in the states where the foreign companies are seated. Filings and updates are hedged with short deadlines and administrative fines, and a discrepancy between the registers of different states concerning the same person is, for obliged institutions, a first-category warning signal. To this are added the obligations described with the individual institutions: CFC records and returns, certificates of residence, and the agent's due diligence documentation. Summed up, these obligations arrange themselves into a closing thesis: a modern international structure is half a legal construction and half a reporting system, and both halves require design. Whoever budgets only the first is building a car without a speedometer or mirrors; it will drive, but the first bend will be an interesting experience.

19. How the Four Institutions Work Together: A Risk Matrix

The greatest cognitive error in this field is to treat the four institutions discussed as alternatives, from which the authority will pick one. They accumulate, and a single fact pattern can trigger all of them at once. An Estonian company managed from a Polish home is simultaneously a candidate for Polish residence through the place of management, for the CFC regime at the owner's level, and, if payments flow within the structure, for the refusal of withholding preferences for want of a beneficial owner; over the whole hovers the question of artificiality within the meaning of the general clause. Worse for the taxpayer, the authority does not have to win on all fronts; one is enough.

A reliable analysis of a structure therefore proceeds in a fixed order, worth memorising as a checklist. Question one: where is the management really, that is, is the company foreign at all. Question two: does it, as a foreign entity, fall into any of the CFC paths, and is the genuine activity exclusion available. Question three: do the flows in the structure reach beneficial owners, will the agent carry the burden of due diligence, and, at a scale above two million zloty a year, how will the pay and refund mechanism be organised. Question four: does the whole have a story that will hold up against the general clause and the principal purpose test. Two answers return in this list incessantly, and they are the subject of the next Part: genuine substance, which answers questions one, two, and three at once, and the effective rate of taxation, which can disarm question two at its very source.

PART IV. TWO DEFENCES: SUBSTANCE AND THE EFFECTIVE RATE

20. Substance: The One Investment That Works on Every Front at Once

If one concept were to remain from this entire guide, it should be the concept of economic substance. Substance is the real presence and real activity of a company in its state of residence: premises that are not merely an address, staff who are not merely a signature, decisions that really get made on the spot, costs that correspond to functions, and functions that correspond to income. Substance is exceptional for one reason: it is the only element of a structure that works against all four institutions of Part III simultaneously. Management that genuinely officiates on the spot answers the question of the place of management. Genuine economic activity triggers the statutory exclusion from CFC for entities from the Union and the EEA. Conducting real activity is expressly one of the conditions of the beneficial owner definition in withholding tax. And the existence of a true enterprise is the best possible answer to a charge of artificiality under the general clause, because it is hard to call artificial something that hires, rents, buys, and sells.

In the European Union, substance additionally carries constitutional rank, the source of which is the judgment of the Court of Justice in Cadbury Schweppes, C-196/04, of 2006. The British group had located finance companies in Dublin, in the then preferential zone, and the British tax authority reached for its CFC regime. The Court ruled that the freedom of establishment also covers the formation of companies in other member states for tax reasons, and that CFC provisions may be applied only to wholly artificial structures, detached from economic reality, that is, structures that do not carry on genuine activity in the host state by means of premises, staff, and equipment. That formula, wholly artificial arrangements, became the cornerstone of European anti-abuse law: it is from this that the genuine activity exclusion in the Polish articles 30f and 24a grows, and it is this that marks the boundary beyond which a member state may not punish the mere use of a neighbour's lower rate. One may choose Ireland because it has twelve and a half percent; one may not merely pretend to be there. The line is completed by the Danish cases of 2019, mentioned above, which drew the second edge: the freedom protects enterprises, but the general principle prohibiting abuse allows benefits to be refused to pure conduits. Between those two lines stretches the entire safe territory: real activity in any state of the Union is protected; an empty shell is protected nowhere.

What substance is in practice, and what it is not, is best shown by contrast. It is not substance: an address at a corporate service provider shared with three hundred other companies, a nominee director serving a hundred boards, a meeting held once a year in an airport conference room, a website and a rubber stamp. It is substance: an office appropriate to the scale, however modest; a person or persons on the spot with real decision-making competence and pay corresponding to the responsibility; local bookkeeping, a local bank, local costs; board meetings that really take place and at which decisions are really made, with materials prepared before rather than after; and finally proportionality, that is, a healthy relation between the income the company shows and the resources it commands. Proportionality is the intuitive test every inspector uses: a holding company showing a hundred million of profit with one director on a quarter-time contract tells a story nobody will believe. Let us add an observation from banking practice, because it tends to sober: banks today apply the same substance test as a commercial condition, before any authority manages to apply it as a legal one. A Cypriot bank will ask who manages the company on the spot before it opens an account; a structure that cannot be banked is operationally dead regardless of its tax virtues.

Since substance is easier to postulate than to audit, here are the twelve questions along which a reliable review of it is conducted; they sound simple, but each corresponds to a specific criterion from the statute, the case law, or banking practice. Question one: who, by name, takes the key decisions on the spot, and do their competences and pay correspond to the weight of those decisions. Question two: where do the meetings of the governing body physically take place, and are the materials for them created before the meeting, and the minutes after it, not the other way round. Question three: does the office correspond to the scale of the business, and does anyone regularly spend time in it. Question four: does the company incur local costs of the kinds proper to a living entity, from bookkeeping to utilities. Question five: is the account kept by a bank in the state of residence, and who actually authorises the transfers. Question six: does the staff have tasks that can be described, and time in which to perform them. Question seven: does the company perform its basic functions itself, or does everything essential happen at the owner's, with a secretariat left on the spot. Question eight: is there proportionality between the income shown and the resources engaged, that is, is the company's story physically possible. Question nine: do the contracts within the structure have economic content that could be defended between unrelated parties. Question ten: does the digital trail, login addresses, places of signature, document metadata, tell the same story as the minutes. Question eleven: does the documentation arise currently, in the course of ordinary events, or only upon demand. Question twelve, the collective one: can the whole be told to a complete stranger in five minutes in a way that would be believed. A structure that passes this test in an internal review usually passes it in an external one too; a structure that fails three questions or more needs repair, not a better description.

Honesty requires noting two things. First, the draft directive on shell companies, known as Unshell or ATAD 3, was to introduce a unified minimum substance test with treaty sanctions; the ECOFIN Council formally withdrew the proposal in June 2025, and its aims are to be pursued within the reform of the directive on administrative cooperation, which, however, changes nothing in the current state of the law, because all the instruments described above operate already today. Second, substance costs money, and that is its feature, not its flaw: the cost of an office, of people, and of management on the spot is the real price of an international structure. If, once that price is added, the structure ceases to pay, that means it never really paid, and its profitability was an illusion financed with risk. In mature planning, the substance budget is designed at the very beginning, alongside the registration budget, and treated as an insurance premium with an exceptionally good ratio of price to cover.

21. The Effective Rate: Why Nine Percent Can Be Better Than Zero

The second defence is arithmetical and for that reason often underrated, because it requires neither an office nor people, only a correct calculation. The low taxation condition is met where the tax actually paid by the entity is lower by at least one quarter than the hypothetical tax calculated at the Polish rate of nineteen percent; the boundary therefore runs at fourteen and a quarter percent of effective burden. In practice, then, two things defend against the CFC regime: tax actually paid at least at that level, or genuine economic activity in the Union or the EEA, with substance on the spot and tax paid in the state of residence on the entirety of income. A rate of nine percent in the Emirates, or twelve and a half in Ireland, does not by itself reach that threshold; its advantage over the Cayman zero lies elsewhere: tax actually paid abroad reduces any Polish top-up, and real activity in the Union switches the regime off entirely. A zero rate gives neither a credit nor an exclusion and is no longer an advantage; it is a red lamp that lights every warning system at once, from CFC through the jurisdiction lists to banking procedures.

What counts, and this must be underlined twice, is the tax actually paid, not the rate from the brochure. A jurisdiction with a nominal rate of fifteen percent, in which generous reliefs, participation exemptions, deductions on capital, and preferential regimes bring the real burden down to two or three percent, looks in the CFC test exactly the way its effective rate looks, that is, bad. A reliable analysis of a structure therefore always includes a projection of the entity's effective rate on the basis of its actual income statement, taking account of all the reliefs it intends to use, rather than a declaration of the statutory rate. The same projection incidentally answers the question of whether the game is worth the candle: the difference between the effective rate abroad and the home burden, less the cost of substance and compliance, is the true, as opposed to advertised, value of the structure. And again, numbers speak more plainly than adjectives: if a structure promises three hundred thousand zloty of annual saving, and honestly calculated substance, compliance, advice, and double bookkeeping cost one hundred eighty thousand, then the true value of the undertaking is one hundred twenty thousand a year, and it is from that amount that the return on risk should be counted. If, on the other hand, the cost of upkeep eats the entire promised saving, the structure has no positive value and never had any; it merely had unaccounted costs, which someone proposed to finance with the owner's risk.

Over this entire arithmetic a ceiling has been stretched in recent years, of which every planner should know, even if it does not concern them directly. The global minimum tax, agreed at the OECD as Pillar Two and implemented in the Union by directive 2022/2523, covers groups with consolidated revenues from seven hundred fifty million euros and ensures, through the top-up taxation mechanism, that the group's effective rate in every jurisdiction will be at least fifteen percent; Poland implemented these rules with its top-up taxation statute, applied from 2025, and jurisdictions including the Emirates and Switzerland have introduced their own domestic top-up taxes, so that the top-up from their companies does not flow away to other budgets. For owner structures below the threshold, Pillar Two does not operate directly, but it marks the direction in which the entire environment is moving: fifteen percent is becoming the global reference point for what a real tax means. Whoever designs a structure for a decade should design it so that this reference point does not take it by surprise.

The two defences work best together, and that is how they should be thought of: substance gives a structure its content, the effective rate gives it its arithmetic. A structure with content and with a real tax at a reasonable level is boring from the authority's perspective, and that is exactly what it should be; in this field, boredom is the highest form of elegance. Thus equipped, we can proceed to the map of the world.

PART V. THE MAP OF 2026: A REVIEW OF JURISDICTIONS FROM THE POLISH PERSPECTIVE

22. How to Read This Map

The map of 2026: neighbouring jurisdictions, distant consequences.

Before any country names fall, let us fix the method, because it is the method that distinguishes a map from an advertising brochure. We assess every jurisdiction in six dimensions at once: the nominal rate and, more important, the effective rate after reliefs; the position against the Polish CFC test and against the question of the place of management; the requirements concerning local officers, because these set the natural level of substance; real access to banking, which in practice tends to be the critical condition; the status on the lists, the Union's and FATF's, and the reputation with counterparties; and finally the quality of law and courts, that is, what remains when everything else changes. To this comes a seventh dimension, about which the brochures are silent: the fit with the true purpose from Part II. A jurisdiction excellent for a fund can be fatal for an operating company, and the other way round. The figures given below reflect the state of the law at the beginning of 2026.

23. The European Union and the EEA: The Protected Zone

The common denominator of this group is something that cannot be bought anywhere else: the protection of the freedom of establishment. Real activity in a state of the Union enjoys the umbrella of the Cadbury Schweppes line, the genuine activity exclusion in the Polish CFC regime, and the directives removing withholding tax within groups. That makes the Union the natural home of structures built on substance.

Estonia. The Estonian model is deferral, not exemption: retained profit is not taxed, tax arises on distribution, from 2025 at the rate of twenty-two percent, with VAT raised to twenty-four percent. Registration is fully remote, e-residency works smoothly, annual costs are moderate. The trap is the mirror image of the advantage: as long as profit is not distributed, the company's effective rate is zero, which in the Polish CFC test is the worst possible result, and Estonia's popularity among remote owners makes the place of management question almost routine (the treaty with Estonia contains rather untypical provisions in this respect, but they will not protect against the recognition in Poland of a permanent establishment for income tax purposes, nor against VAT exposure). Estonia makes sense for a genuinely operating, reinvesting business with substance on the spot; it makes no sense as a passive money box managed from Poland, which interpretative practice confirms, today requiring from such structures a far more careful demonstration of real activity than a few years ago.

Ireland. Twelve and a half percent on operating income, the English language, common law, a deep treaty network, and the trust of banks make Ireland the model example of a rate that is low but real. The arithmetic, however, demands honesty: twelve and a half percent is less than the Polish threshold of fourteen and a quarter, so the rate alone gives no protection against the CFC regime; protection comes only from genuine activity in the Union, and the Irish local requirements, with an EEA director or a bond at their head, form its built-in minimum. The research and development preferences and the Knowledge Development Box regime for qualifying intellectual property can additionally lower the burden on selected streams, which must be taken into account in the effective rate projection. Ireland suits technology, operating, and holding companies with a real team; its flaw is cost, because Dublin does not compete on price.

Cyprus. A rate of fifteen percent, in force from 1 January 2026 after the reform enacted by the Cypriot parliament in December 2025, which raised corporate income tax from the previous twelve and a half percent; a participation exemption for dividends, no tax on gains from the disposal of securities, an IP box regime bringing the burden on qualifying intellectual property income down to around two and a half percent, a notional interest deduction on new capital, and no withholding tax on dividends to non-residents. Cyprus remains a first-rate holding and licensing jurisdiction, on one condition, which the local banks enforce harder than many a tax authority: management must take place on the spot. The classic model of the Cypriot conduit company, through which dividends flowed from Europe toward zero-rate jurisdictions, was buried by the Danish cases, the beneficial ownership requirement, and pay and refund; contemporary Cyprus works for those who really manage there, with a real office and a local director performing real functions. An arithmetical caution: the generosity of Cypriot reliefs means the effective rate can fall below the Polish CFC threshold, so a rate projection is obligatory here, and the genuine activity exclusion remains the principal line of defence.

Malta. A nominal thirty-five percent and the system of refunding six sevenths of the tax to foreign shareholders yield effectively around five percent on distributed profits, plus a participation exemption and no withholding tax. Malta is a full member of the Union with access to the directives, and its regime, though it looks exotic, is well established. The limitations are two: the five percent effective rate lies deep below the Polish CFC threshold, so a Maltese structure stands or falls on the genuine activity exclusion, and the refund mechanics require liquidity discipline, because the tax is paid first and the refund recovered later. Malta works as a trading or holding company within a group with real presence, and for shipping it offers a separate, well-established tonnage tax.

Luxembourg. The great absentee of cheap brochures and the regular guest of serious structures: the SOPARFI company with its participation exemption for dividends and gains on the disposal of qualifying holdings, predictable law, specialised supervision, and the entire fund infrastructure make Luxembourg the European standard of the institutional holding and of investment vehicles. The combined burden on operating companies reaches around twenty-four percent, with a rate reduction from 2025, which in the Polish CFC test is a comfortable result; the essence of Luxembourg structures, however, lies in the participation exemption, so the projection of a holding company's effective rate requires care. The price: costs substantially higher than in Cyprus or Malta, and an expectation of professional substance which Luxembourg will enforce faster than the Polish authority will manage to.

The Netherlands. The homeland of the joint stock company from Part I remains one of the world's great holding addresses, though for a different reason than before. The basic rate is twenty-five and eight tenths percent, with a reduced rate for the first band of income, which in the Polish CFC test gives a comfortable result; the heart of the system, however, is the participation exemption, excluding from taxation dividends and gains on the disposal of qualifying holdings, along with a dense treaty network and an efficient administration. The era of the Netherlands as the neutral conduit company for the world's royalties ended before the eyes of the present generation of advisers: alongside the general instruments described in Part III, the Netherlands introduced its own conditional withholding tax on interest and royalties, and then on dividends, directed to low-taxed jurisdictions and within abusive structures, accomplishing a rare thing, the voluntary closure of its own flow-through industry. The contemporary Dutch company makes sense where there is a real holding, a joint venture, or operations on the European market; it requires professional service and does not tolerate emptiness, but in return it offers a predictability on which one can build for a decade.

Liechtenstein and Switzerland. The Principality, a member of the EEA, offers a flat rate of twelve and a half percent, no withholding tax on dividends, and a reputation in the management of ownership structures; it requires a local representative, which is built-in substance. Switzerland, after the 2020 reform which abolished the old cantonal special statuses, offers effective rates from around twelve to twenty-one percent depending on the canton, unrivalled stability, and a hard requirement of a resident with signing authority on the board. Both jurisdictions are expensive and demanding, and exactly for that reason credible: these are options for structures that can afford seriousness.

24. Asia and the Gulf: Territoriality and Nine Percent

Singapore. Seventeen percent with reliefs for new companies, no tax on capital gains or on outbound dividends, excellent courts and arbitration, banking of world renown, registration in a day. The requirement of a local resident director is real and usually solved with a professional director, which should be treated as the beginning of substance, not its substitute. Singapore is the right address for real Asian operations, trading centres, and regional holdings; its rate comfortably passes the Polish effective rate test, and the quality of its institutions justifies the costs. For a company with no Asian purpose, however, Singapore is an expensive gadget.

Hong Kong. A territorial system with a two-step rate: eight and a quarter percent on the first two million Hong Kong dollars of profit, sixteen and a half percent above, with no tax on capital gains or dividends and no VAT. The famous offshore status, that is, zero on wholly extraterritorial income, has to be documented, and from 2023 the exemption regime for foreign income was reformed under Union pressure and made conditional on substance for passive income in international groups. From the Polish perspective a successful offshore claim has the taste of paradox: the better it succeeds, the lower the effective rate and the wider open the CFC door. Hong Kong remains an excellent gateway to China for real trade; it requires a local company secretary, and the local banks require patience.

The United Arab Emirates. The end of a certain legend and the beginning of a more interesting reality: since June 2023 the Emirates have had a corporate income tax at the rate of nine percent above a threshold of three hundred seventy-five thousand dirhams, with a zero rate for qualifying free zone entities on qualifying income, and from 2025 also a domestic top-up tax for the largest groups in the logic of Pillar Two. For a Polish owner this change is, contrary to appearances, strategically favourable: nine percent is a real tax that can be built into a projection, whereas the old zero was an almost certain ticket into CFC. Three sober reservations still apply, however. First, a free zone company managed from Poland has the Polish place of management problem like any other. Second, qualifying status in a zone is hedged with conditions of substance and revenue structure which are not satisfied by the rent for a flexi desk. Third, the tax treaty between Poland and the Emirates, after its amending protocol, applies the ordinary credit method and contains limitations that render the old simple schemes pointless. The Emirates today are a jurisdiction for real business in the Middle East and South Asia, with a genuine office and people; as decoration for a Polish life they do not work and will not work.

25. Classic Offshore: The Role That Remains

Classic offshore: the role that remains, not the one popular culture remembers.

The British Virgin Islands, the Cayman Islands, the Seychelles, Panama, Mauritius: the world described in Part I still exists, but it performs a different function. Zero tax, lightning registration, and minimal requirements have remained; what has disappeared is the raison d'être of a standalone operating company in such a place, because the zero rate guarantees CFC, the lists and banking procedures raise compliance costs, and the economic substance statutes require presence exactly where nobody intended to be present. What remains is a specialised and honestly useful role: the legal layer in institutional structures. The Cayman Islands are the world standard for investment funds, the BVI the standard for joint venture vehicles, transactional special purpose companies, and private equity structures; they are chosen for mature company law, case law, and neutrality, not for a rate which in the group's overall account is corrected elsewhere anyway. For a Polish entrepreneur outside the world of funds, the practical significance of this group is small, and the entry bar for Panama is further raised by its presence on the Union list of non-cooperative jurisdictions, which triggers automatic consequences in Poland: from the special CFC path to tightened documentation duties.

Mauritius deserves a paragraph of its own as an instructive history of the whole era. For three decades the island lived off a single treaty: the 1983 agreement with India exempted the capital gains of Mauritian residents from Indian tax, so a significant share of the world's investment into India flowed through Mauritian companies whose connection with the island was exhausted by an address. In 2016 India renegotiated the treaty, recovering the right to tax gains on the disposal of shares, and the stream dried up within a few years. The moral is universal and worth remembering with every structure built on a single treaty preference: an advantage that can be taken away with one amending protocol is not a foundation, it is a limited-time promotion. Today's Mauritius, with a fifteen percent rate lowered by partial exemptions and hard substance requirements, including two local directors, is in fact an example of a successful evolution from conduit to real centre: more expensive, slower, and considerably more credible.

26. The United Kingdom: A Return to the Homeland of the Test

A separate chapter is owed to the jurisdiction in which, a hundred and twenty years ago, the test of the place of effective management was forged, and which remains one of the corporate addresses most frequently chosen by Poles. The British Ltd has virtues hard to overstate: online registration in one day for a sum for which one cannot park a car outside a restaurant in Warsaw, zero capital requirements, no obligatory local director, the prestige of a form known to every counterparty in the world, mature company law and the judiciary discussed in the chapter on stability, and a systemic feature few people know about: the United Kingdom levies no withholding tax on dividends paid abroad, which simplifies ownership flows to a degree continental systems can only dream of. Corporate income tax stands, since April 2023, at twenty-five percent at the main rate, with nineteen percent for small profits up to fifty thousand pounds and marginal relief up to two hundred fifty thousand; these are real rates, which in the Polish CFC test place a British operating company comfortably above the threshold.

The reservations are three, and all of them follow from a reading of the earlier Parts. First, Brexit: a British company stands outside the umbrella of the Union directives and outside the genuine activity exclusion reserved for the Union and the EEA, so flows and the CFC test rest solely on the bilateral treaty with Poland, amended by the MLI together with the principal purpose test, and on general statutory rules; the real British rate usually settles the matter, but there is no Union automatism. Second, the founding irony: it is Britain that is the homeland of the De Beers principle and itself treats as its resident every company managed from its territory, and Poland does exactly the same in the other direction, so a Ltd run from a Polish armchair is a textbook candidate for Polish residence, with the entire evidentiary machinery described earlier. Third, transparency: the Companies House register, historically famous for accepting everything, has been undergoing, since the 2023 reform, a deep rebuild with obligatory identity verification of the people behind companies, and the old British registry leniency is departing into history together with the paper form.

Let us note further, for good order and for those planning not only a company but a move, that the United Kingdom recently dismantled its own tax magnet of a hundred and fifty years: the regime of residents without domicile, allowing foreign income to be taxed only if remitted to the islands, was abolished with April 2025 and replaced by a temporary regime for new arrivals, whose details should be verified as at the date of decision, because the matter is fresh and politically mobile. For the Ltd itself this changes nothing; for the planner's imagination it changes much, because it shows that even the oldest and most elegant preferences in the world are today a non-renewable resource. In summary: the Ltd is an excellent tool for real Anglo-Saxon operations, trade, services, and e-commerce with a genuine British connection; as a cheap shell for a Polish business it is exactly what the De Beers company was, only a hundred and twenty years later and against a far better armed adversary.

27. The United States: The Greatest Paradox of the Map

America occupies on this map a place apart and full of irony. On one side, Delaware and Wyoming offer the cheapest and fastest company formation in the world, with an excellent reputation and access to American banking and payment systems, without which trade on that market does not exist. On the other side, it is precisely the United States, the author of FATCA, that has not itself joined the common standard of automatic CRS exchange, and the state of South Dakota has built a flourishing industry of perpetual trusts, amply documented by the Pandora Papers; as a result, the country that dismantled other people's bank secrecy is today sometimes described as the world's largest single haven of financial discretion. Add to this the legislative sinusoid around the beneficial ownership register: the Corporate Transparency Act of 2021 was to bring millions of companies into reporting, after which, following a series of court battles, its application to domestic entities was administratively narrowed in 2025; few acts in the history of American commercial legislation have changed status as often in as short a time.

For a Polish resident, however, the practical meaning of an American structure comes down to one construction and one misunderstanding. The construction: a single-member LLC not doing business in the States is there a disregarded entity, tax transparent, so it does not itself pay federal tax on non-American income. The misunderstanding: this tends to be sold as a company without tax. Transparency, however, means that the LLC's income is, from the Polish perspective, the member's income, taxed in Poland on a current basis, in the year it is earned, regardless of any distributions; American invisibility and Polish transparency are two sides of the same coin. An LLC gives a Polish resident neither deferral nor reduction; what it gives, and entirely lawfully, is access to American accounts, payment processors, and credibility with counterparties there, along with the noteworthy protective virtues of the charging order construction in states such as Wyoming. Whoever forms an LLC for what it really serves will be satisfied; whoever forms it against Polish personal income tax will discover that they have bought the world's simplest channel feeding income straight into their own tax return, with information obligations on both sides of the ocean included.

28. Banking: The True Bottleneck of Every Structure

The map of jurisdictions would be incomplete without a chapter on the institution that appears in no tax statute yet decides the fate of structures more often than all the clauses combined: the bank. The truth that beginners discover painfully and the experienced know by heart runs as follows: the hardest regulator of an international structure does not officiate in a ministry of finance, it officiates in a bank's compliance department, and unlike the tax authority it issues its ruling before the business starts, not years afterward. A company for which no decent bank will open an account is legally alive and operationally dead, and its tax virtues have collector's value.

Where does that power come from. After a series of penalties counted in billions of dollars, imposed from the middle of the previous decade on banks for failings in anti-money-laundering and in the servicing of sanctioned entities, the sector carried out an operation known as de-risking: instead of assessing a client's risk individually, it is sometimes cheaper to terminate the contracts of entire categories of clients. The first victims were companies from the classic offshore jurisdictions, entities with unclear ownership structures, and accounts with no connection to the bank's country. To this is added the economics of correspondent relationships: a bank outside the dollar zone settles payments in that currency through American banks, which pass their own requirements down the chain, so a local institution in Nicosia or Port Louis applies, in practice, standards written in New York. The effect is that the question of a structure's bankability should be asked before the choice of jurisdiction, not after registration, and that the answer to it tends to matter more than two percentage points of difference in the rate.

What the bank examines is worth knowing in advance, because the list is in essence a summary of this entire guide. The beneficial owner, documented down to the level of a natural person, without exceptions and without multi-storey constructions lacking justification. Source of wealth and source of funds, which are two different things: where the owner's prosperity comes from in general, and where specifically the money arriving on the account comes from. Substance and economic sense: the bank will ask who manages the company on the spot, why the company exists, and why here of all places, and an answer along the lines of "for tax reasons" ends the conversation more effectively than many a statutory condition. Finally, the transactional profile: declared turnover, directions of payments, counterparties; departures from the profile in the course of business generate questions, and the absence of answers generates blocks. Whoever has passed a rigorous banking onboarding has passed the dress rehearsal of every future audit, and free of charge at that.

A separate paragraph is owed to electronic money institutions, the fintechs which over the last decade have filled the gap left by retreating banks. Their virtues are real: an account opened remotely in days, not months, multi-currency capability, low costs. Real too are the limitations about which the marketing is silent: client funds are held in a safeguarding formula, but they are not a bank deposit covered by a guarantee scheme on banking terms; transaction limits can be tight; and sensitivity to risk means that the freezing of an account at the first unusual transaction happens faster, and with less room for dialogue, than at a flesh-and-blood bank. Sensible practice treats an EMI as an operational and bridging solution, not as a home for significant balances, and maintains a structure capable of opening a classic bank account even if it uses a fintech day to day.

The design conclusion of this chapter we formulate as a test worth applying before every jurisdictional decision: can I, in three sentences, without the word tax, explain to a banker why this company exists, who manages it, and where the money will come from. If yes, the structure has a foundation on which it will build everything else. If not, no rate in the world will compensate for that lack, because the compliance officer is today the first judge of every structure, rules without appeal and, curiously, is the only inspector who checks everything before anything happens.

29. Comparative Table

The table necessarily simplifies; every entry refers back to the fuller discussion above.

Jurisdiction	Headline /	CFC	Withholding	Realistic	Natural use

	effective rate	exposure for a Polish owner	on outbound payments	substance cost	case
Estonia	0% retained, 22% on distribution	high if undistributed and remotely managed	none on retained profit	low to moderate	reinvesting operating business with local substance
Ireland	12.5%	below threshold; genuine EU activity required	treaty and directive relief available	moderate to high	technology, operating, and holding companies with a real team
Cyprus	15% from 2026, reliefs can lower it	rate projection obligatory; genuine activity is the main defence	none on dividends to non-residents	moderate	holding and licensing with local management
Malta	approx. 5% effective after refund	deep below threshold; stands or falls on genuine activity	none	moderate	trading or holding within a group with real presence
Luxembourg	approx. 24% combined	comfortable for operating companies	treaty and directive relief available	high	institutional holding (SOPARFI) and fund vehicles
Netherlands	25.8% headline, participation exemption	comfortable for operating companies	conditional WHT for abusive flows	high	real holding, joint ventures, European operations
Liechtenstein	12.5% flat	below threshold; EEA genuine activity available	none on dividends	moderate to high	ownership structures with built-in local representative
Switzerland	approx. 12 to 21% by canton	usually comfortable; verify per canton	treaty-dependent	high	structures that can afford seriousness
Singapore	17% with reliefs	comfortably above threshold	none on dividends	moderate to high	real Asian operations and regional holdings
Hong Kong	8.25% / 16.5%, territorial	paradox: successful offshore claim widens CFC exposure	limited	moderate	gateway to Chinese trade

UAE (mainland)	9% above threshold	below threshold; credit reduces top-up	treaty ordinary credit method	moderate	real Middle East and South Asia business
UAE (free zone)	0% qualifying income	high without genuine local substance	as above	moderate to high	qualifying free zone activity only
United Kingdom	25% / 19% small profits	comfortably above threshold	none on dividends	moderate	real Anglo-Saxon operations, trade, e-commerce
United States (LLC)	0% federal, pass-through	transparent: income taxed currently at the owner	n/a federally	low to moderate	US banking, payments, and credibility
Mauritius	15% with partial exemptions	moderate; projection required	treaty-dependent	moderate, two local directors required	evolved centre for Africa and Asia structures
Panama	0% territorial	automatic CFC path (EU list)	n/a	low	discouraged; trade genuinely outside the EU only
BVI / Cayman / Seychelles	0%	very high as standalone; legal layer only	n/a	low to moderate after substance laws	funds, JV vehicles, institutional legal layer

PART VI. THE ART OF BUILDING: PROCESS, MISTAKES, AND CASES

30. The Process, Step by Step: How to Build a Structure That Survives

In this field, the correct order of operations is half the battle, and reversing it is half of the future fees of litigation counsel. Here is the sequence in which a structure is actually worked on, together with the reasoning behind each step.

Step one: naming the real purpose. Before any country's name is spoken, one must be able to finish the sentence: I am forming a company abroad because. If the only honest ending is "I want to pay lower tax while changing nothing else", the project should be stopped right there, because Part III has already explained how it ends. If the ending is market entry, a foreign partner, protection of what has been built, diversification, or an investor's requirement, then there is a story, and the design can proceed.

Step two: an audit of the four home-country questions. Where will management really sit, and who will actually decide. Will the entity fall into any CFC pathway, and will it sustain the genuine-activity exclusion. How will the money flow and who will be its beneficial owner, with a projection of the two-million-zloty threshold and the pay and refund mechanics. Does the whole have a justification that will stand up to the general anti-avoidance rule. Only the answers to these questions narrow the list of jurisdictions; whoever starts by choosing a country is designing the roof before the foundation.

Step three: choosing the jurisdiction and projecting the effective rate. The choice falls on a jurisdiction matched to the purpose, with the entity's effective rate calculated, not declared, after all reliefs, set against the home CFC threshold and against the full cost of substance and compliance. At this stage the alternative calculation matters too: sometimes the honest answer is that a domestic limited liability company, the Estonian-style corporate tax available at home, or plain transparency will be cheaper and safer than any exotic construction, and an adviser who has not considered that answer has not done the job.

Step four: building substance before operations begin. Premises, people, a bank, bookkeeping, management board bylaws, a calendar of meetings, rules for documenting decisions. Substance is built before the first invoice, because documentation created retroactively has a characteristic smell that the authorities recognise unfailingly.

Step five: banking as an external test. Opening the account is treated not as a formality but as an independent audit: a bank that asks hard questions about substance and the beneficial owner is performing, free of charge, the review one pays for elsewhere. A structure that no decent bank is willing to bank is sending a signal that should be read, not circumvented.

Step six: documentation and compliance duties from day one. Beneficial-ownership registers on both sides, transfer pricing documentation for related-party transactions, an analysis of the duty to report tax arrangements, which in Poland is broader than the EU minimum and can cover the very implementation of the structure, the records required by the CFC regime, certificates of residence, beneficial-owner documentation for withholding agents. Dull, itemisable, cheap to keep current, and ruinously expensive to reconstruct years later.

Step seven: the periodic review. A structure is not a monument, it is an organism: statutes, rates, lists, treaties, and the owner's own life all change. Once a year the whole should pass a review against the checklist from step two, and any material change in the environment, such as a rate reform in the state of residence, should trigger an extraordinary one. Structures do not usually break on the day of formation; they break in year five, from neglect.

31. How to Take Profit Out of a Structure: Dividend, Remuneration, Liquidation

A structure from which money cannot be taken out elegantly is a piggy bank without a slot: pleasing to the eye and nothing more. An astonishing number of international projects are conceived with thought only for how profit will be taxed inside the company, postponing the question of how it will reach the owner's pocket; yet it is precisely on that final stretch, between the company's account and the person's account, that the real profitability of the whole is decided. This chapter orders the three basic channels and one trap.

The first and default channel is the dividend. For a Polish resident, a dividend from a foreign company is taxed at nineteen percent, with a credit for tax withheld at source in the company's state under the applicable double tax treaty. Here the practical value of jurisdictions that levy no withholding tax on dividends paid abroad, such as Cyprus, Malta, or the United Kingdom, reveals itself: the entire burden then reduces to the shareholder's home tax, with no friction along the way and no procedures for recovering excess withholding. The total calculation should always be run end to end, along the whole road from the company's gross profit to the owner's net funds: company tax plus dividend tax plus any non-creditable withholding. It happens that a structure impressive at company level loses this combined calculation to a dull domestic limited liability company, and an honest adviser shows that comparison before the client signs anything.

The second channel is remuneration for work or services rendered to the company: a director's salary, board remuneration, consulting fees. Its charm lies in being a cost of the company, reducing its income; its limitations are two, and both are serious. First, the remuneration of a Polish resident is taxed in Poland under the rules proper to the given title, with public levies included in the package, so the arbitrage is often smaller than it appears. Second, and more importantly, the personal performance of substantial management services from Polish territory is exactly the evidentiary material from which an authority builds a finding of Polish place of management; the remuneration channel used without restraint therefore undermines the foundation on which everything else stands. Remuneration makes sense as a reflection of functions genuinely performed, at market rates and with documentation, not as a pipe for pumping profit through.

The third channel, the one thought about least, is the capital exit: redemption of shares, reduction of capital, and finally liquidation of the company. Income from these events is taxed in the hands of a Polish resident under the capital gains regime, and planning for them belongs to the architecture of the structure from day one, because they define the cost of closing the project. A structure designed only to endure, with no considered exit route, resembles a building without emergency doors: everything works until somebody wants to leave. Good projects contain a closing scenario with the tax calculated from the outset, and that scenario is often the best test of whether the whole has economic sense or only tax sense.

The trap that deserves its own warning is called the loan from one's own company. The temptation is understandable: instead of a dividend with tax, an interest-free or symbolically interest-bearing loan without tax, to be repaid someday, surely. The law has known this temptation for a long time and views it without sympathy: the sustained financing of a shareholder's consumption from the company's till can be characterised as a taxable benefit, off-market terms engage the transfer pricing provisions, and in the background waits the question of hidden profit distribution. Then comes the most prosaic consequence of all: a balance of owner loans growing year after year is the first item that will be queried by the bank, by a counterparty examining the company, and by the tax authority, in exactly that order. The rule of hygiene is simple: money leaves the company through one of the three channels described above, openly and with the tax paid, and the boundary between company assets and private assets stays sealed, because on the tightness of that boundary depends everything the asset protection part said about the blessings of separate legal personality.

32. A Catalogue of Typical Mistakes

The list below comes from practice, not theory, and is ordered from the decisive mistakes to the merely expensive ones.

The first mistake: management from an armchair at home. The owner forms a company abroad and runs it the way he ran his sole proprietorship: alone, from home, from a Polish laptop. That is not an imperfection of the structure, it is the absence of one; such a company is a Polish resident under article 3(1a) of the Corporate Income Tax Act, and the entire rest of the analysis becomes moot.

The second mistake: the nominee director as a fig leaf. A local director who signs whatever the owner demands does not move management abroad; he merely moves the moment of detection. The correspondence showing who really decides is in the file of every such case.

The third mistake: confusing the nominal rate with the effective one. Choosing a jurisdiction for the rate in the brochure, without projecting the real burden after reliefs, ends with the CFC threshold being discovered during an audit instead of at the design stage.

The fourth mistake: the zero rate as a goal. A Cayman or free-zone zero for the passive piggy bank of a Polish resident is the textbook CFC fact pattern, with jurisdiction lists and banking procedures thrown in free of charge. Zero is not an advantage; zero is a signal flag.

The fifth mistake: the LLC as invisibility. American tax transparency means Polish transparency: the income belongs, on a current basis, in the member's own return. Whoever failed to book it has arrears, interest, and a chapter of the fiscal penal code to read.

The sixth mistake: the dividend conduit. An intermediary company without substance between a Polish withholding agent and the ultimate recipient has not reduced withholding tax since the Danish cases and the beneficial-owner definition; what it does generate is personal risk for the agent's management board on the statements and refunds.

The seventh mistake: a structure without a story. A construction whose only binding agent is the tax advantage loses to the general anti-avoidance rule and to the principal purpose test regardless of the correctness of every element taken separately. The story is written before the company is formed, not before the hearing.

The eighth mistake: asset protection after the fact. Moving assets in the face of existing creditors is not asset protection but material for a fraudulent transfer claim and, in the qualified variants, for criminal charges. Protective architecture is built in peacetime.

The ninth mistake: ignoring the obligations around the structure. Reporting of tax arrangements, beneficial-ownership registers, transfer pricing documentation, CFC records: each of these duties is cheap to perform and costly to neglect, and their sum creates a paper trail that, come the audit, testifies either for the taxpayer or against him.

The tenth mistake: mixing private and company assets. Paying private expenses with the company card and treating the corporate account as a wallet destroys both the protective sense of separate legal personality and the credibility of the entire structure; it is the detail with which audits most like to begin, because it never fails.

The eleventh mistake: a structure resting on a single preference. A construction whose sense hangs on a single treaty exemption or a single regime shares the fate of pre-2016 Mauritius: one amending protocol, and the advantage is gone. Resilience requires that the structure make sense even after its most favourable element is subtracted.

The twelfth mistake: economising on reviews. A structure designed flawlessly in 2020 and not reviewed since has lived through a change in the definition of management, two rate changes in the states of residence, new

CFC pathways, and the pay and refund mechanism. The law changes; structures that do not change become mistakes with a delayed fuse.

33. Five Cases From the Life of Structures

The cases below are composed from typical, recurring fact patterns and deliberately stripped of features that would allow anyone to be recognised; resemblance to specific entities is accidental, resemblance to phenomena is intended.

Case one: the software developer and the Estonian OÜ. A programmer from Poland, tempted by the zero tax on retained profits, formed an Estonian company for his contracts. He was the sole director, he served his clients from Poland, and in Estonia he had an address and a contact person. The analysis revealed three layers of problem at once: place of management in Poland, because current affairs were conducted in an organised and continuous manner from the banks of the Vistula; a CFC profile, because the effective rate of a non-distributing company was zero; and the absence of any story beyond tax. The remedy did not consist in better paperwork but in a strategic decision: either build a real team in Estonia and move the functions there, or fold the structure into a Polish limited liability company, settle the arrears through voluntary disclosure and correction, and forget the adventure. The second variant was chosen; the cost of putting things in order was a fraction of the cost of a lost audit.

Case two: the Cypriot holding company that defended itself. A group with genuine operating companies in three EU member states placed a holding company in Cyprus: with an office, a two-person local management board of real competence, a budget, a calendar of meetings, and ownership functions performed on site, from reviewing subsidiaries' results to decisions on capital reallocation. The holding's effective rate, after the Cypriot exemptions, came out low, so the first line of defence was the genuine economic activity exclusion: documented premises, personnel, proportionality of resources to functions, and decision-making autonomy. Distributions to the holding passed the beneficial-owner test, because dividends were retained at holding level for reinvestment under a policy that was both adopted and followed, rather than being passed on in the rhythm of receipts. The audit closed with no findings; the cost of substance over five years was lower than the one-off fee that defending an empty structure would have required.

Case three: the consultant and the American LLC. An adviser selling services to clients in the United States formed an LLC in Wyoming, because without an American account and payment processor he was losing contracts. The structure was designed in accordance with its nature: the LLC's income reported on a current basis in the member's Polish return, on the American side the annual information duties of a single-member company owned by a non-resident, on the Polish side full transparency. Not a single zloty of tax was saved, and nobody had promised otherwise; what was gained was the market, the payments, and the credibility, which is exactly what this construction exists for. It is a boring case, and for that reason an exemplary one: a structure used according to the instruction manual.

Case four: a free zone in the Emirates without a life in the Emirates. A trader from Poland bought a Gulf free-zone package with a licence, a visa, and a shared desk, while keeping his home, his family, and the actual direction of the business in Poland. The construction had three fractures: management exercised from Poland, qualified free-zone status doubtful in the absence of on-site substance, and in the background the question of the whole arrangement's sense within the meaning of the general anti-avoidance rule. The repair required a choice that cannot be delegated: genuinely moving the centre of operations on site, with people and an office worthy of the name, or accepting that the business is Polish and should pay Polish taxes. The first variant was chosen, but in its honest version, with a local manager and a real warehouse, because the Middle Eastern market was the true objective; the structure survived because it stopped being a decoration and became what it was supposed to be from the beginning: a business.

Case five: royalties through a conduit that burst. A Polish operating company was paying substantial trademark royalties to a company in an EU member state, relying on the directive exemption; the licensor, as the review showed, was passing nearly all of its receipts onward to an entity in a third jurisdiction, employed nobody beyond a service provider, and was not developing the mark it supposedly managed. Once the two-million-zloty threshold was crossed, the pay and refund mechanism exposed the construction in its entirety: the refund application required demonstrating a beneficial owner who simply did not exist anywhere in the chain, and the withholding agent's management board faced a choice between a statement it could not honestly sign and tax at the statutory rate, which wrecked the economics of the entire licence. The repair required open-heart surgery: transferring to the licensor the real functions of intellectual property management, with personnel, a brand protection budget, and decision-making power, and rebuilding the flows so that they reached an entity satisfying the statutory definition, together with an application for an opinion on the application of preferences for the tidied-up target state. The moral binds Parts III and IV together: in withholding tax one does not defend contracts, one defends functions, and every zloty saved on the licensor's substance comes back with interest as the personal risk of those who sign the statements.

PART VII. CLOSING

34. Conclusion: Boredom as the Highest Form of Elegance

The story told in this guide has a quality rare among stories: a practical moral. The world in which a foreign company was an incantation that charmed taxes away ended before our eyes, dismantled wave after wave by the exchange of information, the BEPS project, the directives, the clauses, and the substance laws. The world that arose in its place is demanding, but it has one great virtue: it is predictable. It rewards exactly what should always have been rewarded, namely real enterprises, real purposes, and real presence, and it punishes only pretence.

For the Polish entrepreneur, and not only for him, the conclusion may be stated with a certain perversity: the best foreign company is one about which there is nothing interesting to tell. It has its management where it has its seat, and that management actually manages. It pays a real tax, at a level that sets off no alarms. Its flows reach beneficial owners, and its existence is explained by a purpose that can be summarised in one sentence without using the word tax. It is, in a word, boring, and in this field boredom is the highest form of elegance and the cheapest form of safety.

Everything else is a matter of craft: calculating the effective rate, designing substance to the measure of the functions, arranging the flows, documenting the story, and reviewing the whole once a year. That craft requires knowledge from the borderland of several legal systems and a measure of historical humility which, we hope, Part One has supplied: every advantage built on the rate alone was eventually taken away from somebody; every advantage built on quality endures. Whoever builds on quality can sleep soundly in every time zone in which he keeps a company.

This material is general and educational in character. It does not constitute legal or tax advice in any individual matter. The law, the rates, the thresholds, and the status of the lists change; every decision requires a separate analysis under the law in force at the time, carried out for the specific facts at hand.

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He publishes regularly in the trade and business press and comments on developments in Polish and European Union tax law and case law before national courts and the Court of Justice of the European Union. For nearly two decades he has represented, pro bono, victims of the Warsaw Investment Group collapse, and he currently leads the firm's representation of investors harmed in the Zondacrypto cryptocurrency exchange case; both engagements have shaped his view of law as an instrument of protection, not only of planning.