

Poland

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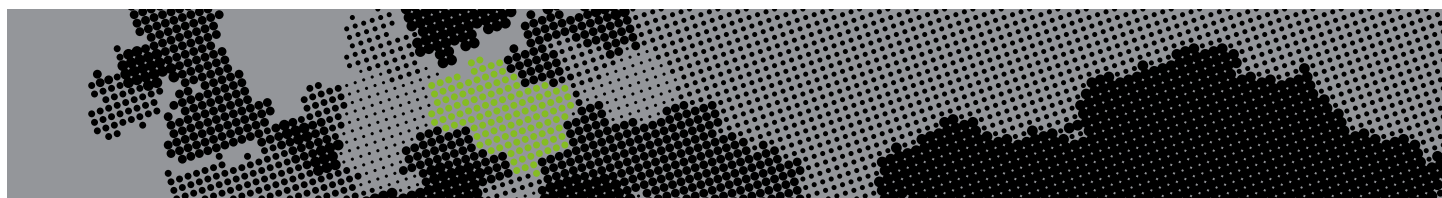
What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

- A robotization relief will be introduced on 1 January 2021, which will allow an additional 50% deduction for costs incurred for the acquisition of robots and some costs related to their installation.
- Criteria to qualify for a corporate income tax exemption for new investments are expected to be lowered.
- The last calls for proposals under EU funding programs 2014–2020 are open until the end of 2020.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Tax relief for new investments	Corporate income tax exemption for new investment projects—regional aid financed from EU member state budget	Tax exemption based on qualifying expenditure; the aid amounts can range from 10% in parts of the Mazowieckie province to 50% in the eastern provinces. The government has introduced tax incentives without any territorial restrictions	Two-year labor costs of newly hired employees and/or investment outlays	A tax exemption generally is available to investors in the production and service industries (sensitive sectors specified in the EU General Block Exemption Regulation (GBER) are excluded), as trading activities, provided quantitative and qualitative criteria are met
Polish government grant for new investments	Non-refundable cash grant for new investments in manufacturing and professional business processes	Large companies and SMEs can obtain grants totaling between 10% and 20% of their investment expenditure and can receive between EUR 2,600 and EUR 4,300 for each new job created	Two-year labor costs of newly hired employees and/or investment outlays	A tax exemption generally is available to investors in the production and service industries (sensitive sectors specified in the GBER are excluded), as trading activities, provided quantitative and qualitative criteria are met



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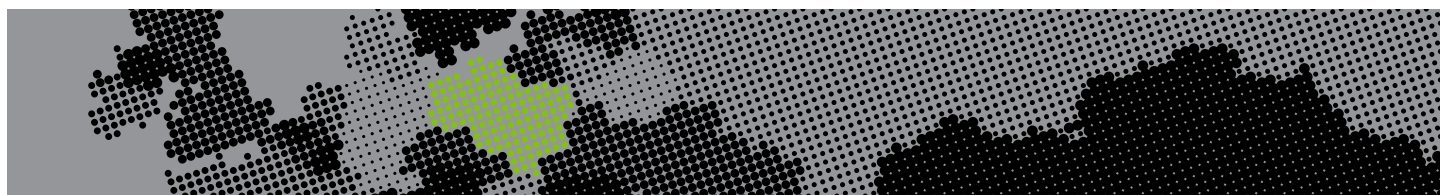
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Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
● Telecom, Media & Entertainment	● Banking & Capital Markets
● Technology	● Insurance
Consumer	● Investment Management
● Consumer Products	● Real Estate
● Retail, Wholesale & Distribution	Life Sciences & Health Care
● Automotive	● Health Care
● Transportation, Hospitality & Services	● Life Sciences
Energy, Resources & Industrial	Government & Public Services
● Power & Utilities	● Health & Social Care
● Mining & Metals	● Defense, Security & Justice
● Oil, Gas, & Chemicals	● Civil Government
● Industrial Products & Construction	● International Donor Organizations
	● Transport



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Type	National incentive?	State, provincial, regional or local incentives? ¹	Filing deadlines imposed?	Is the claim made in advance or arrears? ²	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Research & development (R&D)	●	●	● ●	National: Yes Local: Not applicable	Taxpayers of all sizes performing R&D; eligible expenditure: labour and social contribution costs, materials, amortization, services from scientific units, other operational costs	Deduction of 200% of qualifying expenditure, 250% for R&D centers	Deduction of 200% of qualifying expenditure, 250% for R&D centers
IP Box	●	●	● ●	National: Arrears Local: Not applicable	Companies (all sizes) that produce or develop qualifying IP and obtain revenue from its commercialization; qualifying IP: patents, utility models, industrial designs, computer programs, other IP	Lower income tax rate (5% instead of 19%) for qualifying revenues from IP rights	Lower income tax rate (5% instead of 19%) for qualifying revenues from IP rights
R&D grant (EU): national and regional for OPEX	▤	▤	●	Advance	Companies (all sizes) performing R&D; eligible expenditure: labour and social contribution costs, materials, amortization, subcontracting, costs related to development of prototypes, other operational costs	25% to 65% of eligible expenditure, depending on the type of R&D activities	35% to 80% of eligible expenditure, depending on the size of the company and the type of R&D activities
R&D grant (EU): national and regional for R&D center creation	▤	▤	●	Advance	Companies (all sizes) creating or developing R&D centers; eligible expenditure: capex related to R&D center creation/development	10% to 50% of eligible expenditure depending on location	20% to 70% of eligible expenditure depending on the location and the size of the company

Key: ● = PERMANENT INCENTIVE ▤ = TEMPORARY INCENTIVE ▨ = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

Notes:

- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
- If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Type	National incentive?	State, provincial, regional or local incentives? ¹	Filing deadlines imposed?	Is the claim made in advance or arrears? ²	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment							
Polish government grant for new investments	●	●	●	Advance	Large companies and SMEs Investments in tangible and intangible assets	10% to 20% of investment expenditure and/or EUR 2,600 to EUR 4,300 for each new job created	10% to 20% of investment expenditure and/or EUR 2,600 to EUR 4,300 for each new job created
Special Economic Zones: (SEZs) old corporate tax exemption	●	● <small>only utilization of support already obtained until end of 2026</small>	●	Advance	Large companies and SMEs Investments in tangible and intangible assets	100% corporate income tax exemption, capped at 10%-50% of qualifying expenditure, depending on the location of the investment	100% corporate income tax exemption, capped at 20%-70% of qualifying expenditure, depending on the location of the investment and the size of the company
Polish Investment Zone: (new corporate tax exemption)	●	●	●	Advance	Large companies and SMEs Investments in tangible and intangible assets	100% corporate income tax exemption, capped at 10%-50% of qualifying expenditure, depending on the location of the investment	100% corporate income tax exemption, capped at 20%-70% of qualifying expenditure, depending on the location of the investment and the size of the company
Real Estate Tax (RET) exemption	●	●	●	Advance	Large companies and SMEs Real estate tax exemption	Depends on location and scope of activities	Depends on location and scope of activities
Employment Support	●	●	●	Advance	Varies	Varies	Varies
State Fund for Rehabilitation of Disabled Persons	●	●	●	Advance	Cash grant	Depending on the nature of the disability, grants cover up to 75% of salary and social security contributions	Depending on the nature of the disability, grants cover up to 75% of salary and social security contributions
Environmental sustainability							
Pro-environmental incentives	●	●	●	Advance	Varies (grants, loans, and other financial instruments)	Up to 85% of eligible costs	Up to 85% of eligible costs

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Country background

The corporate tax rate in Poland is 19% (a lower rate of 9% applies to small companies, i.e., companies with net sales revenue not exceeding EUR 1.2 million).

The IP box regime applies as from 1 January 2019.

Poland offers cash grants from national and EU funds (from the European Commission and at the national and local levels) and income tax incentives to support R&D activities (with an increased level of support for entities with R&D center status) and investment activities

Innovation Incentives

Research & Development

IP box

The IP box provides for a 5% preferential tax rate on income derived mainly from R&D activities carried out by the taxpayer. The amount of qualifying income depends on the implementation of R&D activity—the higher level of the taxpayer's involvement in generating, developing, or improving innovation (i.e., in R&D related to acquired IP rights), the more likely the potential tax benefit. The IP right must be covered by national or international law.

R&D super tax deduction

The super deduction incentive replaced the technology tax relief for qualifying expenditure incurred on or after 1 January 2016. The 200% super deduction (increased from 130%-150% in previous years, depending on the type of costs and the size of the taxpayer) applies to salary costs (including social insurance) incurred for engaging in and supporting R&D activities and other R&D-related expenses (including depreciation/amortization of tangible and intangible assets, subcontracting from scientific units, and other operating costs) incurred in 2018 and thereafter.

R&D centers and enterprises operating partially in special economic zones (SEZ) or exempt from taxation on the basis of Decisions of Support (DoS) also may benefit from the super deduction for costs not included in SEZ/DoS settlements.

Tax relief for robotization

A robotization relief will be introduced on 1 January 2021. The new relief will allow an additional 50% deduction for costs incurred for the acquisition of robots and some costs related to their installation.

Eligible industries

IP box, R&D super tax deduction

All activities considered research and development activities are eligible (no sectoral restrictions).

Tax relief for robotization

Based on currently available information, only manufacturing companies will be eligible for the robotization tax relief.

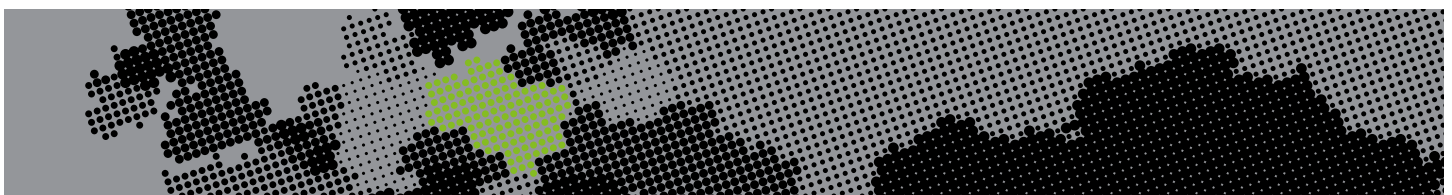
Qualifying costs

Costs qualifying for the R&D super deduction include:

- Salaries and other remuneration (since 2018—including civil contracts and specific-task contracts);
- Materials and supplies (since 2018—acquisition of equipment that is not a fixed asset);
- External services (e.g., advisory services, expertise, etc.) provided by scientific units; R&D apparatus (paid use and use service);
- Acquisition and maintenance of IP rights protection; and
- Depreciation write-off of fixed and intangible assets (except for cars, buildings, structures, and premises).

Additional costs may qualify in the case of support schemes for R&D center creation/development:

- Subcontracting from all types of entities;
- Purchase of land;
- Purchase of R&D equipment and intangible assets; and
- Construction of facilities.



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The costs qualifying for grants are similar to the costs qualifying for the R&D super deduction, with no limits related to the type of subcontractor and cost of development of prototype/demonstrator technology.

IP box

Qualifying revenues include revenues from the commercialization of qualifying IP (patents, utility models, industrial designs, computer programs) developed or modified by the taxpayer within its R&D activity. The OECD's nexus approach (based on action 5 of the OECD's BEPS project) applies when calculating qualified revenue to be taxed at the 5% rate.

Tax relief for robotization

Costs to acquire new industrial robots and some additional costs related to the robots' implementation (to be specified) will qualify for the relief.

IP and jurisdictional restrictions

There are no specific jurisdictional restrictions on IP concerning R&D tax allowances.

Poland offers programs to support R&D activities financed from EU funds for the period 2014–2020. Poland is currently the largest beneficiary of EU funds, with funding of approximately EUR 82.5 billion, and more than EUR 10 billion dedicated to innovation and R&D.

The last calls for proposals under the EU funding program 2014–2020 ("2014–2020 perspective") are open until the end of 2020. However, it is expected that the 2014–2020 perspective will be extended and new calls will be announced. Calls under a new perspective are expected to be available in the second half of 2021.

In the next EU perspective, R&D likely will remain one of the key budget priorities.

R&D grants (opex)

Poland provides numerous grants for R&D, most of which are dedicated to specific sectors falling within the national or regional smart specializations, although a broad range of sectors are eligible for funding. Grants are available mostly from European funds, national funds, and the European Commission (e.g., Horizon 2020, LIFE). Large companies typically can obtain cash grants ranging from 25% to 65% of qualifying expenditure, while SMEs can obtain cash grants ranging from 35% to 80% of qualifying expenditure. Additionally, companies can obtain financing for pre-implementation work (up to 90% of qualified costs, but no more than EUR 200,000 in aid for large companies and up to 50% of costs for SMEs as support for advisory services), which includes the development of implementation documentation, patent attorney's services, testing, certification, and market research.

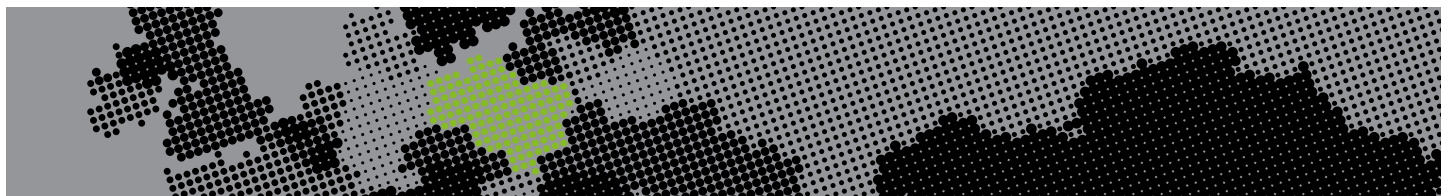
R&D grants (capex)

Enterprises may co-fund the establishment or expansion of their R&D centers with EU funds. Eligible costs include construction work, materials, tangible assets, and intangible assets. Aid may not exceed the regional aid limits. Large companies may be able to receive between 10% and 50% of qualifying expenditure, depending on the region defined by the regional aid map. SMEs can receive 20% to 70% of qualified expenditure, depending on the region.

Eligible industries

To apply for R&D grants from EU funds, companies must conduct projects that are in line with the national or regional smart specializations. Smart specializations define priority sectors for R&D in Poland, including healthcare, energy, recycling, and materials. Regional smart specializations are specified for each "voivodship;" the most common regional specializations are medicine and pharmaceuticals, information and communications technology (ICT), energy, chemistry, and automotive.

Poland also offers sectoral R&D grant programs dedicated to specific sectors, including ICT (video games), plastics, space technologies, heating device, innovative environmentally friendly fertilizers.



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Investment incentives

Polish government grant for new investments

Grants under the “Program of supporting investments of significant importance for the Polish economy for 2011-2030” may co-fund initial investments for eligible job creation costs and eligible investment costs. The amount of the grant may be increased if training is offered to employees. Support is provided for innovative and R&D investments, investments in regions at risk of exclusion, investments promoting specialized, high-paying, and stable jobs (especially within the center of business process excellence or advanced business services), and strategic production investments. Large companies and SMEs can obtain grants totaling between 10% and 20% of their investment expenditure and can receive between EUR 2,600 and EUR 4,300 for each new job created.

Grant for SMEs (EU)

SMEs may obtain grants relating to different aspects of their activities (e.g., implementation of the results of R&D activity), including investments in fixed and tangible assets, purchase of landworks and building materials, purchase of external consulting or services, development works, IP protection, etc. The grants range from 20% to 70% of qualifying expenditure, depending on the region and size of the company.

Tax relief for new investments

On 1 January 2018, a new tax incentive regime was introduced to replace the rules that applied to the SEZs in Poland. The new incentives are available for new investments anywhere in the Polish territory (as opposed to just the SEZs). A corporate income tax exemption, which is treated as regional aid, is granted after fulfilment of quantitative and qualitative criteria for a fixed period of 10 to 15 years. The minimum value of an investment is determined based on the level of unemployment in the region where a project is located (from EUR 2.3 million to EUR 23 million). For investments related to modern services for businesses and/or R&D, the minimum value of the investment is decreased by 95% relative to

its base value. The tax exemption amount is calculated based on the amount of eligible costs such as investment costs or two-years labor costs of newly hired employees and/or investment outlays. Large companies may be able to receive between 10% and 50% of qualifying expenditure, depending on the region, as defined by the regional aid map. SMEs can receive 20% to 70% of qualified expenditure, depending on the region.

However, the previous regime that applied to SEZs will remain in effect until 1 January 2026 (i.e., investors benefiting from the regime will be able to continue to benefit from the corporate tax exemption until the relevant period expires).

The regulations regarding the application of this incentive are being updated to introduce the following changes: the minimum eligible costs incurred by large companies for a new investment will be reduced by 50%, the rules for determining the period of validity of a Decision of Support for investments partly located in an SEZ will be clarified, and a tax exemption for the acquisition of assets belonging to a plant that has been closed (or would have been closed without the acquisition) will be allowed.

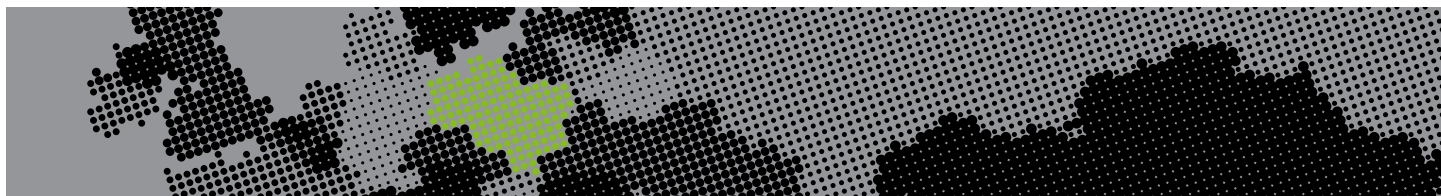
Real Estate Tax exemption

This incentive is designed to encourage investment in fixed and intangible assets that are likely to result in new jobs. The exemption differs by municipality but depends on the amount of the investment in assets or the cost of new job creation associated with the investment.

Employment support

Various employment support schemes are available for employers and employees. Most of the support schemes are provided by the Local Labor Office (LLO) and must involve unemployed persons registered with the LLO. Support schemes depend on the LLO budget or the availability of EU funds. Available incentives include:

1. A *voivodship* is the area administered by a voivode (governor) in several countries of central and eastern Europe.



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(i) financing apprenticeships for the unemployed; (ii) intervention works (co-financing the salary of the unemployed with the LLO); and (iii) reimbursement of costs related to the purchase of equipment for the workplace.

State Fund for Rehabilitation of Disabled Persons

This fund is used to encourage the hiring and retention of disabled employees by covering up to 75% of salary costs, including social security contributions, depending on the nature of the disability.

The grants generally are limited to EUR 100, but the cap is raised by EUR 522 for selected disabilities.

Energy Sustainability Initiatives

Pro-environment incentives

There are numerous grants, preferential loans, and other financial instruments to encourage investment that protects the environment by increasing energy efficiency and to promote renewable energy sources and cogeneration systems. Incentives are available mostly from EU funds and national funds and can cover up to 85% of eligible costs.

