



## Tax relief for research and development (R&D relief)

# What is the research and development relief.

The research and development relief consists of the possibility of deducting deductible expenses incurred for research and development activities, known as qualified expenses, from the tax base.

With the relief, R&D expenses can be additionally deducted from the tax base, and up to 200% in the case of, among other things, qualified expenses related to salaries of employees hired for R&D activities.

## Research and development activities

A condition for accounting for the R&D tax credit is to conduct research and development activities. According to the law, research and development activity is a creative activity involving scientific research or development, undertaken in a systematic method to increase the stock of knowledge and to use the stock of knowledge to create new applications.

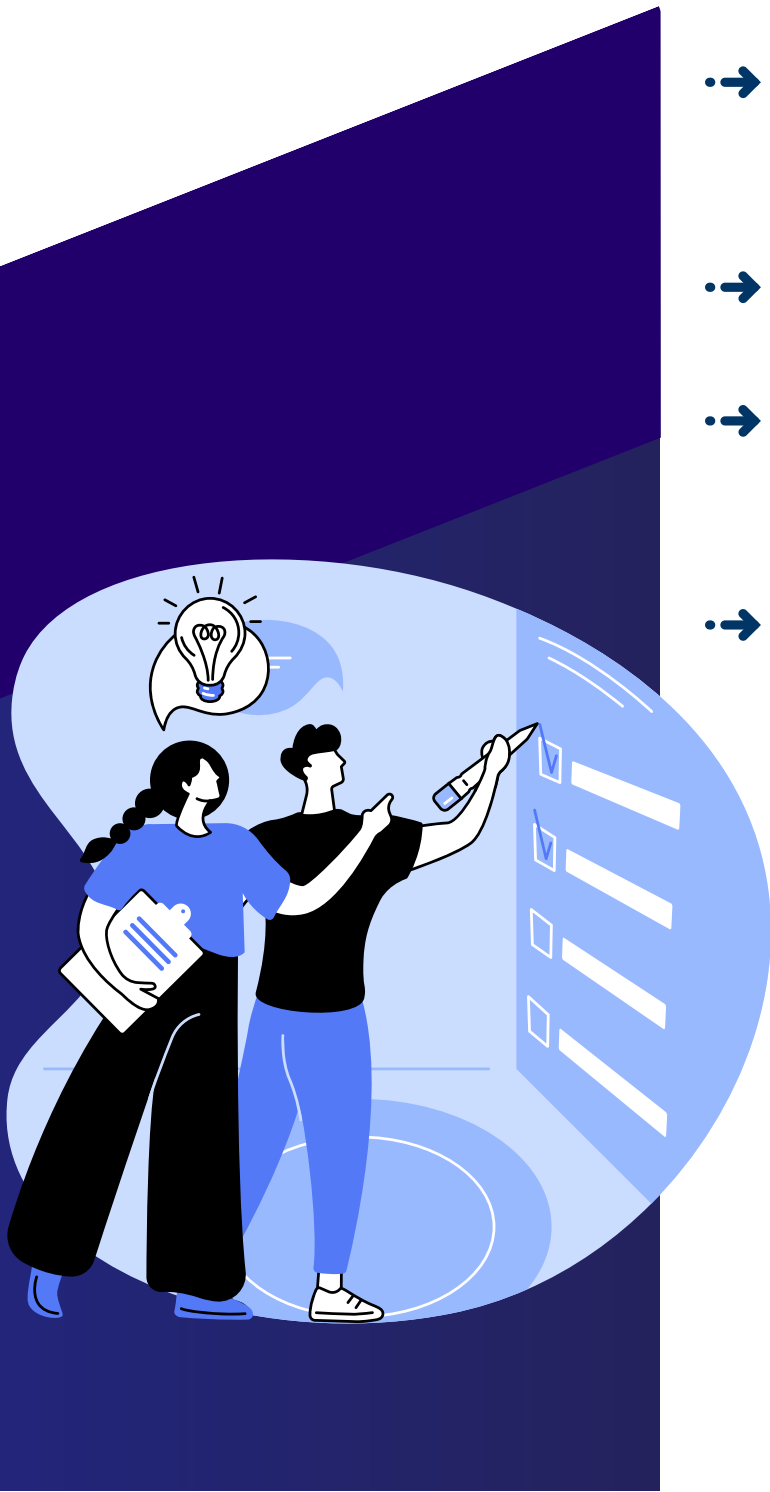
The term "research" and "development" should be understood widely- a taxpayer does not have to conduct research on the invention of a completely new technology, it can be, for example, upgrading a company's production processes.



## Qualified costs

Deductible under the research and development tax credit are the already mentioned qualified costs. The law contains an extensive catalog of them, which includes, among others:

- salaries and Social Security contributions of employees;
- acquisition of materials and raw materials for R&D activities;
- payments for the use of scientific and research apparatus;
- expert reports, opinions, consulting services and acquisition of research results from scientific entities;
- costs of patents, protective rights or industrial design registration rights;
- depreciation write-offs on fixed assets and intangible assets used in R&D activities;
- acquisition of specialized equipment, e.g., measuring devices, if they are not a fixed asset.



## Who can take advantage of the relief

The R&D relief is available to PIT (both scale and flat tax) and CIT taxpayers. The relief is available to business owners regardless of the size of the business and its industry.



## Example

An IT company was developing new manufacturing support software for one of its clients. The project required the design of the entire system, coding and performance testing.

The company incurred expenses in the fiscal year for this purpose (R&D, suppose that for the salaries of employees) in the amount of: PLN 100,000.

Tax revenue for the year amounted to: PLN 2,000,000.

Tax expenses amounted to: PLN 1,000,000 (including PLN 100,000 for R&D activities).

<b>Tax base before taking into account R&amp;D relief:</b>	<b>Tax base after taking into account R&amp;D relief:</b>
$2.000.000 - 1.000.000 = 1.000.000$	$2.000.000 - 1.200.000 = 800.000$
<b>CIT tax without taking the relief into account:</b>	<b>CIT tax including R&amp;D relief:</b>
$19\% \times 1.000.000 = \text{PLN } 190.000$	$19\% \times 800.000 = \text{PLN } 152.000$

# Tax relief for hiring innovative workers

## What is the relief for hiring innovative workers

The relief for supporting innovative employees is an extension of the R&D relief. The preference is addressed to entrepreneurs who incurred a loss in the tax year, or whose earned income does not allow for the deduction of qualified expenses under the R&D relief.

The employer is allowed to deduct the amount of the R&D tax deduction from the advance income tax payments collected from employees' salaries. Thus, the deduction can be the result of multiplying the amount of the non-deducted R&D tax credit by the tax rate.

## Innovative employees

The term "innovative employees" refers to individuals directly involved in R&D activities, whose working time devoted to R&D activities remaining in the total working time in a given month is at least 50%.





## Who can take advantage of the relief

The relief for hiring innovative employees will be available to entrepreneurs who conduct research and development activities and hire employees to perform them. It is available to both CIT taxpayers and PIT taxpayers settling according to the tax scale or flat tax.

## Prototype tax relief

### What is the prototype tax relief

This relief allows a taxpayer to deduct from the income tax base certain categories of costs incurred in the development of a prototype. A taxpayer may deduct from the tax base, an amount equal to 30% of the sum of the costs of trial production of a new product and marketing of a new product, but the amount of the deduction may not exceed 10% of the income earned from business activity in a tax year.

### Qualified expenses

The provisions of the tax laws contain a precise list of expenses (qualified costs) that will be considered for the development of a prototype (trial production) and its introduction to the market. The catalog includes, among others:

- the purchase price or manufacturing cost of brand-new fixed assets necessary to launch trial production of a new product (various types of machinery and equipment);
- improvement expenses incurred to adapt the fixed asset to launch the trial production of the new product;
- costs of acquiring materials and raw materials purchased solely for the purpose of trial production of a new product;
- costs of research, expertise, preparation of documentation necessary to obtain certificates, approvals, CE mark, safety mark, etc.

## Who can take advantage of the relief

The relief is available to both CIT and PIT taxpayers. However, the relief is not available to entrepreneurs paying a lump sum on registered income.



# Tax relief for robotization

## What is robotization relief

The robotization tax relief is aimed at entrepreneurs who want to use industrial robots to improve their production process. The relief gives the right to deduct from the tax base an amount equal to 50% of the tax deductible expenses incurred in the tax year for robotization.

However, this is a limited deduction - its amount cannot exceed the income received by the entrepreneur from non-agricultural business activity in the year for which the deduction is made.

## Qualified costs

The law contains an extensive and detailed catalog of qualified costs.

The most important items are:

- purchase of industrial robots and machines and peripheral equipment functionally related to them;
- the purchase of machinery, equipment and other items functionally related to industrial robots for ensuring ergonomics and occupational safety with respect to workstations;





- the purchase of machinery, equipment or systems for the remote management, diagnosis, monitoring or servicing of industrial robots, in particular sensors and cameras;
- costs of acquiring training services for industrial robots;
- leasing costs.



## Important!

In order to take advantage of the relief, it is important that the machine meets the definition of an industrial robot set forth in the law.

## Who can take advantage of the relief

Both PIT and CIT taxpayers investing in robotization can benefit from the robotization tax relief, regardless of their size or form of business.

## Example

The company incurred expenses for robotization (purchase of a robot with accessories and training in its operation for employees) in the fiscal year in the amount of: PLN 250,000.

Tax income for the year amounted to: PLN 1,000,000.

<b>Tax base before taking into account the robotization allowance:</b>	<b>Tax base after taking the robotization relief into account:</b>
$1.000.000 - 250.000 = 750.000$	$1.000.000 - 250.000 - (250.000 * 50\%) = 625.000$
<b>CIT tax without taking the relief into account:</b>	<b>CIT tax including relief:</b>
$19\% \times 750.000 = \text{PLN } 142.500$	$19\% \times 625.000 = \text{PLN } 118.750$

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