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Favourable changes in research and development relief starting from 2018

Tax Alert

Dear Readers,

Recently, the Ministry of Science and Higher Education published a draft act on the amendments to certain acts in order to improve the legal environment of innovative activity (hereinafter: Draft). The Draft has not been submitted to the Sejm of the Republic of Poland for discussion yet; nevertheless, it is worth becoming acquainted with its key assumptions to be able to take them into account when planning to benefit from the research and development relief (hereinafter: R&D relief) in the period after 1 January 2018.

The majority of planned changes are favourable for taxable persons, as they increase the range of deductions that they are entitled to under the R&D relief. Some changes are also of a specifying nature, which eliminates some of the current interpretative doubts.

Below we present a summary of changes that in our opinion are most important:

- The Draft assumes the increase in limits for deduction of eligible costs to the level of 100%, irrespective of the size of the taxable person. For entrepreneurs with the status of a research and development centre, the amount of the deduction will be even higher (the limit increased even up to 150%).
- The Draft specifies that eligible costs may be remuneration and contributions of employees who devote only part of their working time to research and development activities. In such case, the eligible cost will be the expenditures in the proportion of the time devoted to the performance of the research and development activities from to the total working time of the employee.
- It is planned to add the remuneration paid under contracts for specific work and contracts of mandate to the eligible costs catalogue. Such remuneration will be included in the R&D relief in the proportion that takes into account the actual involvement in the research and development activities.
- The Draft assumes the extension of the eligible costs catalogue by the purchase costs of services for using research and development equipment and the purchase costs of the specialised equipment, in particular, laboratory ware and instruments as well as measuring equipment.
- The Draft specifies in greater detail that eligible costs are only expertise, opinions, consulting services and equivalent services provided or performed under a contract by a scientific entity within the meaning of the Act on the principles of science financing. The current wording of the regulations governing this issue was the subject of significant interpretative doubts.

- Zone entities, so far deprived of the right to benefit from the R&D relief, will be entitled to this relief but only with respect to the eligible costs other than costs of business operations in the area of the special economic zone.
- The Draft assumes special preferences in benefiting from the R&D relief by entities with the status of a research and development centre granted under the Act on some forms of support for innovative activity.

According to the Draft, the changes shall come into effect on 1 January 2018. Please note that the Draft is at an early stage of works and, consequently, it cannot be clearly determined if all the changes will finally come into force.

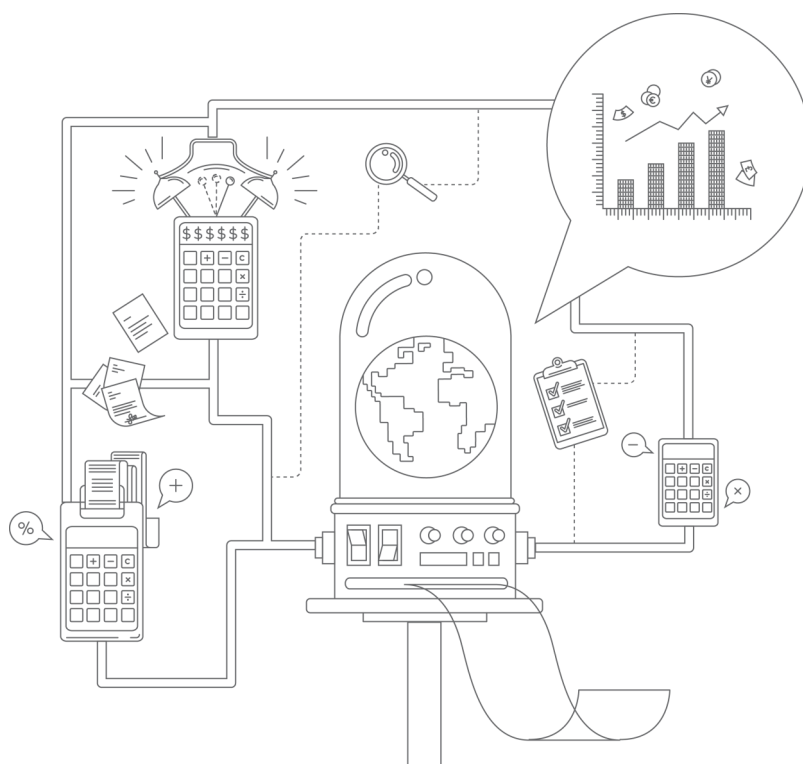
We will keep you informed about the ongoing works in this area.

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Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

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22.08.2017

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