

The government changes the rules of supporting new investment projects

I. Regulations on state support for new investment projects will change

A draft regulation of the Council of Ministers amending the regulation on public aid granted to business operators for new investment projects (RD 374) has entered the consultation phase. As follows from justification of the draft, the new regulations are issued because, among other reasons, the effects of the COVID-19 pandemic make it necessary to extend legal instruments stimulating investment activities of business operators. Therefore, the regulation provides for the use of point support instruments aimed at maintaining the production capacity in industries not covered by exclusion from support within regional aid programs. It also provides for a reduction of selected minimum thresholds of eligible costs. Besides, the regulation also provides for increased access to support in the case of reinvestments, i.e. investments in tangible fixed assets or intangible assets relating to increase of production capacity of an existing facility, diversification of the facility's production by introducing products not previously manufactured there, or a fundamental change in the production process of an existing facility.

II. The new regulations will change the conditions for granting support to activities in Mazowsze region

Under the current legislation, not eligible to receive support are activities carried out in Mazowieckie Province by a large business operator. After the provisions are amended, activities carried out in Mazowieckie Province by a large business operator will not be eligible to receive support if belonging to the same category, defined in accordance with provisions issued in relation to the classification of activities, as activities carried out by the business operator in the facility concerned in the investment project. The purpose of the new provision is to encourage large business operators to further develop their business by taking up activities that go beyond the scope of their current business activity.

III. In medium-sized cities, investment project value of PLN 10 million will be sufficient

The draft provides that in case of an investment project implemented in a medium-sized city that is losing its socio-economic functions and in a commune adjacent to such city, and also in a commune adjacent to the commune where the medium city is located, the minimum quantitative criteria, i.e. investment expenditure required from the business operator, would be PLN 10 million, regardless of the average unemployment rate in the district where the city is located. This will increase the number of locations (communes) covered by support, where the business operator will merely need to undertake to incur eligible project costs of at least PLN 10 million (or possibly adequately reduced in accordance with provisions of the regulation).

In connection with the effects of COVID, the government plans to expand the legal instruments to stimulate investment activities of business operators, and to reduce selected thresholds of minimum eligible costs within provisions on state aid granted to business operators for implementation of new investment projects.



IV. Catalog of eligible costs without research and development

The new provisions also specify that the eligible costs of a new investment project, which the business operator is obliged to incur, will be reduced by 95% for activities carried out by large and medium-sized operators in the case of a new investment project (in the field of services specified in the regulation), with the business operator being entitled to a reduction of eligible costs if the decision granting the support covers only a service or services specified in the provisions. At the same time, the following will be removed from the catalog entitling to the 95% reduction: scientific research and development works as specified in section 72 of PKWiU (Polish Classification of Business Activities), as well as research and development activities.

V. The new provisions will set new limits on reductions of the minimum eligible costs

Under the new provisions, the 95% reduction of the minimum eligible costs for investments in the field of modern business services will be available to medium-sized and large business operators. For micro-businesses, regardless of the industry in which the investment project is to be implemented, the minimum eligible costs will be reduced by 98%. For small businesses, regardless of the industry in which the investment project is to be implemented, the minimum eligible costs will be reduced by 95%. In the case of investment projects implemented by medium-sized business operators in fields other than modern business services, such operators will be entitled to have the minimum eligible costs reduced by 90%.

VI. New limits for reinvestments will be introduced

According to the draft, in the case of reinvestment by a medium-sized business operator in the field of activities other than those listed in § 4 clause 4 point 1 of the regulation, the amount of eligible costs will be reduced first by 90% and then by 50%. In the case of reinvestment made by a large or medium-sized business operator in the field of modern business services, the amount of eligible costs will be reduced first by 95% and then by 50%. In the case of reinvestment by a large business operator in the field of activities other than those listed in § 4 clause 4 point 1 of the regulation, the amount of eligible costs will be reduced by 50%. The provisions governing the reduction of the required quantitative criteria (investment outlays) by 50% in the case of reinvestment made by a large or medium-sized business operator and by 90% for activities carried out by a medium-sized business operator will remain in effect for three years from the date of entry into force of the regulation. Thereafter, the criteria will be reduced to 80% and 50% respectively.

VII. Sustainability criteria described in the regulation will change

The new provisions also envisage modifications to the qualitative criteria. One of them related to the criteria of sustainable economic development (SOR) and the way of meeting such criteria by investing in projects supporting industries in line with the current national development policy. The business operator will no longer be required to make the new investment project compatible with both the strategic sectors under SOR and the smart specialization of the province where the new project will be implemented. Besides, the PKWiU codes have been described more fully in the criteria of sustainable economic development for investment projects within strategic sectors. Fulfillment of the criteria of sustainable economic development will be verified based on the business operator's declaration, submitted in the application for support and specifying the subject matter of activity to be carried out within the new investment project in the period of its implementation as intended (with reference to the PKWiU classification).



VIII. Investing in declining medium-sized cities will be preferred

Changes will also cover the qualitative criteria of sustainable social development, which will be fulfilled by locating an investment project in one of the specified areas. Also in this case, preference will be given to investment projects implemented in medium-sized cities losing their socio-economic functions, in communes where such city is located and in adjacent ones, and also within districts or cities with district rights with the unemployment rate amounting to at least 160% of the national average, except for cities where the seat of the Head of Province or the Provincial Assembly is located.

IX. A new and more detailed form template for the application for support will be introduced

Also the form to be used by the business operator to apply for support is to be changed. As follows from the new application form template, a business operator applying for support will be obliged to identify the country of origin of its capital and to specify the PKWiU codes of its primary industry and other activities eligible to receive the support; as stressed in the justification of the amendment, this will allow the authorities to analyze with greater precision of the instrument's functioning. Also required will be indication of the tax office competent for the business operator, and of public aid from other sources for the same eligible costs or aid (de minimis or other public aid) for other investment projects implemented by that business operator or by another operator belonging to the same capital group within the last 3 years in the same sub-region (NUTS 3) in which the new project covered by the application will be located.



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