March 2023

Reminder to business owners: don’t forget about tax relief

Share acquisition (consolidation) relief

Share acquisition relief is an incentive for taxable persons to acquire other entities, i.e. to consolidate the market. Under consolidation relief traders can deduct from the tax base certain expenses associated with acquiring interests or shares (e.g. legal fees). The acquired shares must be held for 3 years. To claim the relief, the company whose shares are acquired must meet conditions of residency, business identity, lack of ties and acquisition of an absolute majority of voting rights in a single transaction.

IPO relief

The purpose of IPO relief is to simplify the procedure of applying for admission of shares to trading. Under this relief, companies can deduct from the tax base certain expenses incurred in connection with an initial public offering (IPO). Relief applies to public offerings on both the Stock Exchange market and the alternative NewConnect market. Taxable persons can deduct the following from the tax base:

- 150% of the expenses incurred for the preparation of an issue prospectus, notarial fees, court fees, stamp duty and stock exchange fees, as well as for the preparation and publication of legally required announcements
- 50% of the expenses (net), but no more than PLN 50 000 for legal advisory services, including tax and financial advisory.

Sports, culture and science (CSR) relief

Sports, culture and science relief is an incentive for taxable persons to support corporate social responsibility (CSR). Under CSR relief, taxable persons can deduct from the tax base 50% of certain expenses for sports, culture or science. Only those expenses that qualify as tax-deductible costs can be deducted.

Increase in sales (expansion) relief

Expansion relief is an incentive for taxable persons to expand their operations and increase the sale of their products. Under this relief, taxable persons can deduct from the tax base certain expenses incurred in order to increase sales revenue (e.g. promotional and advertising activities). To claim the relief, a taxable person must either increase or generate revenues from the sale of products in 2 consecutive tax years. If the condition of increasing/generating revenues is not met, the relief must be paid back.

Although pro-innovation relief was implemented by the Polish Deal at the beginning of 2022, it is still a very current topic as the first time it can be claimed is in the tax return for 2022. As a side note, according to a draft decree published by the Ministry of Finance, the CIT-8 filing deadline has been extended until 30 June 2023.

Innovative employee relief

This relief is a de facto supplement to the R+D relief for those taxable persons whose insufficient income or losses prevent them from taking full advantage of the R+D relief. As a rule, costs not deducted in a given year under the R+D relief (eligible costs) are claimed in tax returns for the next six tax years. But now taxable persons do not have to wait, as they can deduct the previous year's unused amount of the R+D tax relief from their current PIT advances or from the lump-sum tax on the wages of innovative employees. The relief will therefore benefit those taxable persons who have an outstanding amount of R+D tax relief. It is available to employees whose direct involvement in R+D activities amounted to at least 50% of their total working time.

New product (prototype) relief

Prototype relief is an incentive for taxable persons to invest in innovation and launch new products. Under this relief, traders can deduct from the tax base a certain portion of expenses incurred for the production and launch of a new product (e.g. certain costs of acquiring fixed assets and materials). As part of the related R+D work, the taxable person must create and launch a new product. Before launching the product, the taxable person must verify that the effect of production of the (trial) product is consistent with the technological assumptions resulting from the taxable person's research and development work.

Robotization relief

Robotization relief is an incentive to invest in production process automation. Under this relief, a trader can deduct from the tax base a certain portion of the expense incurred for so-called robotization. This includes the acquisition of factory new robots, machines and equipment. To use the relief, the purchased devices must not have ever been used in production processes. The taxable person must retain the purchased fixed assets until they are fully depreciated, and for leases, until the end of the basic lease term. In addition, in the case of leases, they must be finance leases and the taxable person must later buyback the leased asset. The relief is temporary in nature – it applies to tax-deductible costs incurred for robotization from the start of a tax year that began in 2022 until the end of a tax year that began in 2026.

Payment terminal relief

This relief was introduced to promote cashless payments. It is available to those traders who buy a payment terminal. The relief is temporary in nature – it applies to expenses incurred in the tax year in which the use of the payment terminal began and in the next year. The following limits apply:

- PLN 2500 for taxable persons exempt from the obligation to use cash registers to keep a record of sales to natural persons who do not conduct business operations and lump-sum farmers
- PLN 1000 for other taxable persons

– but up to no more than the amount of income from revenues other than capital gains.

DANUTA KLUSKA
Consultant
tax at BDO,
office in Krakow
+ 48 12 378 69 00
Danuta.Kluska@bdo.pl

PATRYK ZAWADA
Senior tax consultant
at BDO,
office in Krakow
+ 48 12 378 69 00
Patryk.Zawada@bdo.pl

R+D and IP Box relief

Changes introduced by the Polish Deal have modified the application of the research and development relief (R+D). The limit of costs subject to deduction under this relief has been partially raised. The new limits will in particular benefit Research and Development Centers. In addition, it is now possible to deduct expenses covered by the R+D relief from income from a qualified intellectual property right (IP Box) as long as that they have led to the creation, development or improvement of that qualified right by the taxable person.

The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

BDO spółka z ograniczoną odpowiedzialnością sp.k., ul. Postępu 12, 02-676 Warszawa;
tel.: +48 22 543 1600, fax: +48 22 543 1601, e-mail: office@bdo.pl