R&D Tax Incentives: Poland, 2018

**Design features**

Poland provides R&D tax relief through a volume-based R&D tax allowance since 2016.

- The headline rate of relief for all qualifying expenditure is 100% in 2018 and 150% for companies with Research Development Centre (RDC) status.
- In the case of insufficient tax liability, unused credits can be carried-forward 6 years. The R&D tax allowance is fully refundable for start-ups.
- No ceilings are placed on the amount of qualifying R&D expenditure or value of R&D tax relief.

**Table 1. Main design features of R&D tax incentives in Poland, 2018**

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>R&amp;D tax allowance</th>
<th>Volume-based</th>
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</thead>
<tbody>
<tr>
<td>Eligible expenditures</td>
<td>Current, machinery and equipment (plus building depreciation if RDC status)</td>
<td></td>
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<tr>
<td>Headline rates (%)</td>
<td>100 (150 if RDC status)</td>
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<tr>
<td>Refund</td>
<td>Yes (start-ups)</td>
<td></td>
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<tr>
<td>Carry-over (years)</td>
<td>6 (carry-forward)</td>
<td></td>
</tr>
<tr>
<td>Thresholds &amp; ceilings</td>
<td>No</td>
<td></td>
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</tbody>
</table>

Poland also offers an accelerated depreciation for R&D capital and tax deduction for R&D Centres. These are beyond the scope of this note.

1 For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief

**Recent developments and trends**

Differences in the design of R&D tax incentives drive a significant variation in the expected generosity of tax relief per additional unit of R&D investment across OECD and partner economies and over time. In 2018, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Poland is estimated at 0.22 (0.18), larger than the OECD median of 0.20 (0.16). The tax subsidy rate for large enterprises is equal to 0.22 (0.18) in the profit (loss)-making scenario, well above the OECD median of 0.12 (0.10). These estimates focus on modelling provisions of the R&D tax allowance and accelerated depreciation of R&D capital.

The generosity of R&D tax incentives has increased in Poland in more recent years, looking at each of the four scenarios considered. Until 2016, Poland offered an accelerated depreciation for machinery and equipment and building related R&D expenditure. Without any other enhanced tax relief provisions in place, this implies a zero marginal tax subsidy rate in both profit scenarios. A marked increase in implied R&D tax subsidy rates is noticeable in 2016 when an enhanced, volume-based R&D tax allowance was introduced in Poland. With the step-wise increase of the tax allowance rate applicable to R&D labour (100% in 2018, up from 50% in 2017 and 30% in 2016) and other qualifying R&D expenditure (100% in 2018, up from 50% for SMEs and 30% for large firms in 2017, and 30% for SMEs and 10% for large firms in 2016) in 2017 and 2018, the R&D tax subsidy rates for SMEs and large firms increased in both profit scenarios. With an three-year carry-over option in place in 2016, extended to six years in 2017, the R&D tax subsidy rates estimated for loss-making firms are positive but slightly smaller than those for profitable firms between 2016 and 2018.

**Figure 1. Implied tax subsidy rates on R&D expenditures: Poland, 2000-18**

1-B-index, by firm size and profit scenario


Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief. For more information on the calculation of implied tax subsidy rates, see http://www.oecd.org/sti/rd-tax-statesindex-methodology.pdf, and for notes regarding the modelling of the country-specific time series, see http://www.oecd.org/sti/rd-tax-statesindex-notes.pdf.

1 Disclaimer: http://oe.cd/disclaimer
2 The tax deduction for R&D centres was effectively not used by firms in Poland during the 2000-16 period due to the complicated nature of its design.
Public support for business R&D: the policy mix

Governments adopt various instruments to incentivise R&D by business. In addition to direct support such as grants and buying R&D services, 30 out of the 36 OECD countries provided fiscal incentives in 2018.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2016 (nearest year)

As a percentage of GDP


- **Poland** is placed below the OECD median in terms of total government support to business R&D as a percentage of GDP, equivalent to 0.11% of GDP in 2016.
- From 2006 to 2016, total government support for BERD\(^1\) as a percentage of GDP increased in **Poland** by 0.08 percentage points, while the OECD median increased by 0.02 percentage points.
- During this period, business R&D intensity in **Poland** increased from 0.17% to 0.63%.
- In **Poland**, R&D tax incentives accounted for 2% of total government support for in 2016, the first in which the R&D tax allowance was available to corporate R&D performers in Poland.

Trends in government support for business R&D

Over the last decade, a general trend towards non-discretionary instruments such as R&D tax incentives has been observed. This trend is far from uniform and the policy mix can vary by country and over time.

Figure 3. Direct funding of business R&D and tax incentives for R&D, Poland, 2000-16

As a percentage of GDP, 2010 prices (right-hand scale)


- **Poland** introduced an R&D tax allowance scheme in 2016. The cost of this support (in 2010 prices) amounted to PLN 36 million in 2016 (1 PLN = 0.27 USD, 31.12.2018).
- Direct funding of BERD fluctuated notable over the 2000-16 period, accounting for 0.074% of GDP in 2000 and 0.014% in 2002, with a steady upward trend thereafter, reaching 0.103% of GDP in 2016.
- In 2016, the year of its inception, the new R&D tax allowance scheme accounted for 2% of total (direct and tax) government support in **Poland**.


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\(^1\) Estimates of government tax relief for R&D (GTARD) refer to the R&D tax allowance scheme introduced by Poland in 2016.