R&D Tax Incentives: Poland, 2019

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. Firms with revenues larger than PLN 2.5 million can obtain 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 only.
- 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, 2019

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>Volume-based</th>
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<tbody>
<tr>
<td>Eligible expenditures†</td>
<td>Current, machinery and equipment (plus building depreciation if RDC status)</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>
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<td>Carry-over (years)</td>
<td>6 (carry-forward)</td>
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<tr>
<td>Thresholds &amp; ceilings</td>
<td>No</td>
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Poland also offers an accelerated depreciation of assets used in the process of R&D (immediate write-off of machinery and equipment and buildings). In addition, Poland provides tax deductions for R&D Centres and income-based tax incentives for outcomes of R&D activities. These two incentives are beyond the scope of this note.

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. In 2019, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Poland is estimated at 0.22 (0.18), larger than (close to) the OECD median of 0.19 (0.17). The tax subsidy rate for large enterprises equals 0.22 (0.18) in the profit (loss)-making scenario, well above the OECD median of 0.14 (0.10). These estimates focus on modelling the provisions for the R&D tax allowance and the accelerated depreciation of R&D capital.

The generosity of R&D tax incentives has increased in Poland across the four scenarios considered. Until 2016, Poland offered an accelerated depreciation of machinery and equipment and buildings used in R&D. A marked increase in implied R&D 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 (from 30% in 2016 to 50% in 2017 and 100% in 2018) and other qualifying R&D expenditure (for SMEs, from 30% in 2016 to 50% in 2017 and 100% in 2018, and for large firms, from 10% in 2016 to 30% in 2017 and 100% in 2018), the tax subsidy rates for SMEs and large firms increased in both profit scenarios. With a 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 2019.

Figure 1. Implied tax subsidy rates on R&D expenditures: Poland, 2000-19

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


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Public support for business R&D: the policy mix

In 2017, Poland is slightly below the OECD median in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.11% of GDP.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)  
As a percentage of GDP


- From 2006 to 2017, total government support for BERD2 as a percentage of GDP increased in Poland by 0.09 pp, while the OECD median increased by 0.015 pp.
- During this period, business R&D intensity in Poland increased from 0.17% to 0.67%.
- 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 – and 5% in 2017.

Trends in government support for business R&D

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 = 0.232 EUR, Q3 2019) growing to PLN 94 million in 2017.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, Poland, 2000-17  
As a percentage of GDP, 2010 prices (right-hand scale)


- As a percentage of GDP, tax support increased from 0.002% of GDP in 2016 to 0.005% of GDP in 2017.
- After a significant drop of direct funding of BERD from 0.074% of GDP in 2001 to 0.014% in 2002, the cost of this support increased steadily until 2015, with a marked increase observable in 2016. In 2017, direct funding of BERD accounted for 0.11% of GDP.
- In 2017, the new R&D tax allowance scheme accounted for 5% of total (direct and tax) government support in Poland.


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