R&D Tax Incentives: Poland, 2020

Design of R&D tax relief provisions

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

Table 1. Main design features of R&D tax incentives in Poland, 2020

	R&D tax allowance
Type of instrument	Volume-based
Eligible expenditures†	Current, machinery and equipment (plus building depreciation if RDC status)
Headline rates (%)	100 (150 if RDC status)
Refund	Yes (start-ups)
Carry-over (years)	6 (carry-forward)
Thresholds & ceilings	No

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.

Note: For more details, see OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Key features:

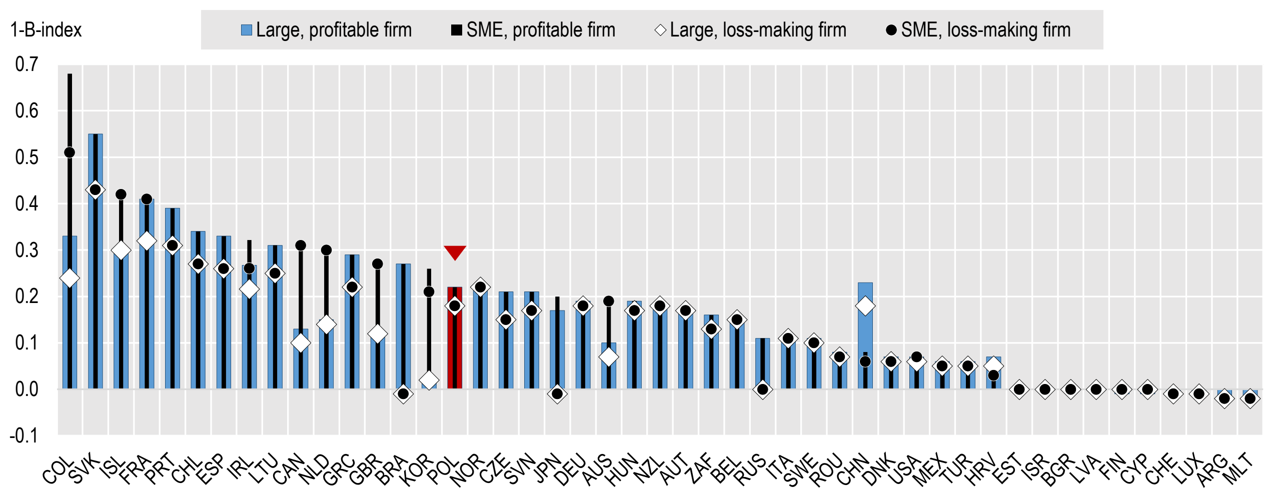
- The headline rate of relief for all qualifying expenditure is 100% in 2020 and 150% for companies with Research Development Centre (RDC) status. Firms with revenues larger than PLN 2.5 million can obtain RDC status.
- In the case of insufficient tax liability, unused credits can be carried-forward 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.

Generosity of R&D tax support in 2020

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 2020, the marginal tax subsidy rate for profit-making (loss-making) SMEs in **Poland** is estimated at 0.22 (0.18), larger than (equal to) the OECD median of 0.20 (0.18). The tax subsidy rate for large enterprises equals 0.22 (0.18) in the profit (loss)-making scenario, well above the OECD median of 0.17 (0.15). These estimates focus on modelling the provisions for the R&D tax allowance and the accelerated depreciation of R&D capital.

Figure 1. Implied tax subsidy rates on R&D expenditures: Poland, 2020

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 (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In 2020, changes in the availability and scope of R&D tax incentives represented the most frequent type of policy reform (OECD, 2020), along with adjustments to the headline R&D tax credit/allowance rates and adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts. In response to the COVID-19 pandemic, several countries increased the generosity of R&D tax relief or introduced modifications to the administration of R&D tax incentives to facilitate and accelerate R&D funding.

In 2020, **Poland** undertook **one change** in its R&D tax relief provisions:

- **In response to the COVID-19 crisis,** personal income tax (PIT) and corporate income tax (CIT) taxpayers may obtain R&D tax relief during the 2020 tax year at the stage of calculating the tax advances instead of the annual tax return. This solution will be available for taxpayers developing anti-COVID-19 products. Otherwise, R&D tax benefits are calculated as part of the annual tax return.

Trends in the generosity of R&D tax support

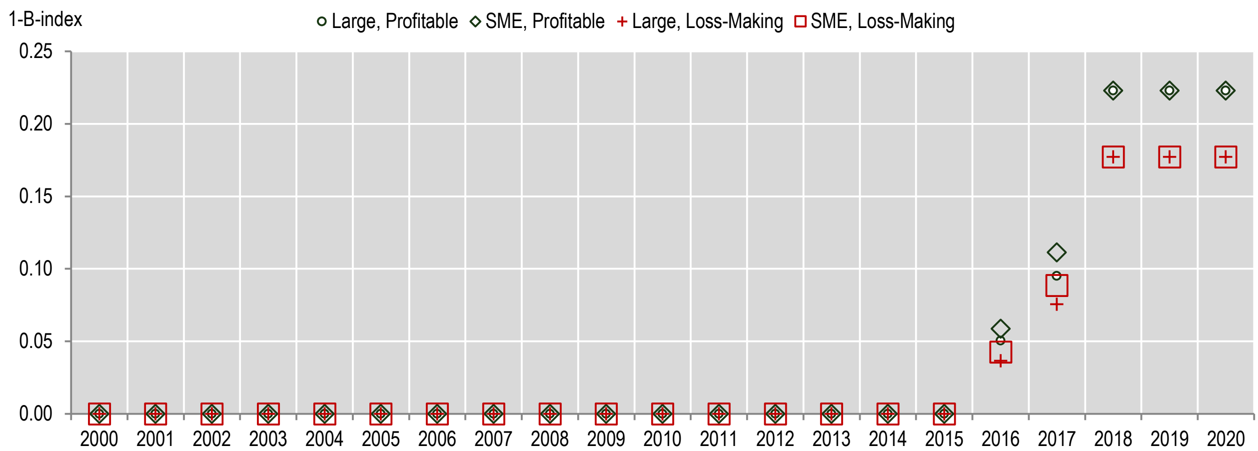
The generosity of R&D tax incentives has increased in **Poland** across the four scenarios considered. Until 2016, Poland offered an accelerated depreciation of machinery and equipment and buildings used in R&D.

A marked increased 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 (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 2020. In 2020, the R&D tax subsidy rate for profit-making firms is estimated at 0.22, compared to a rate of 0.18 for SMEs and large companies in the loss case.

Figure 2. Implied tax subsidy rates on R&D expenditures: Poland, 2000-20

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 (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

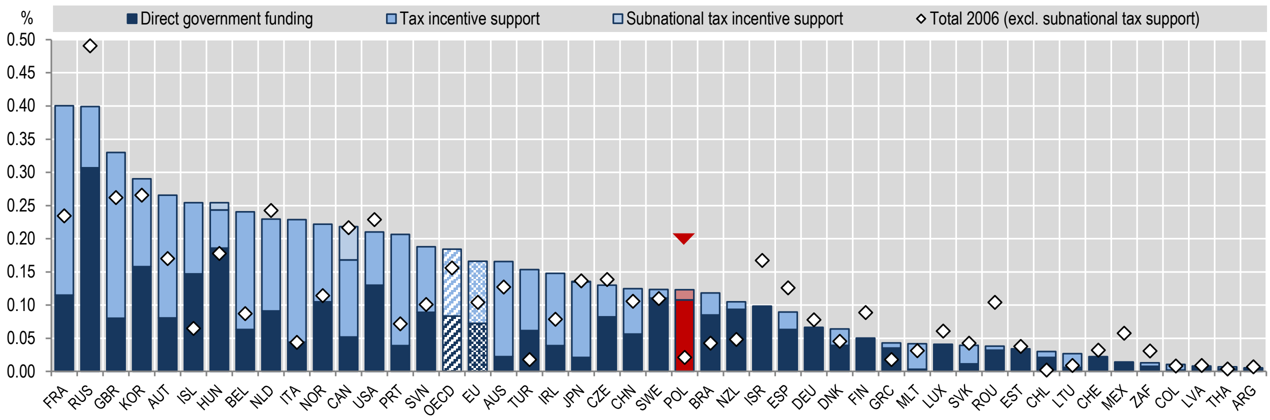
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Policy support for business R&D: the policy mix

In 2018, **Poland** is below the OECD average in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.12% of GDP.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2018 (nearest year)

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Key points:

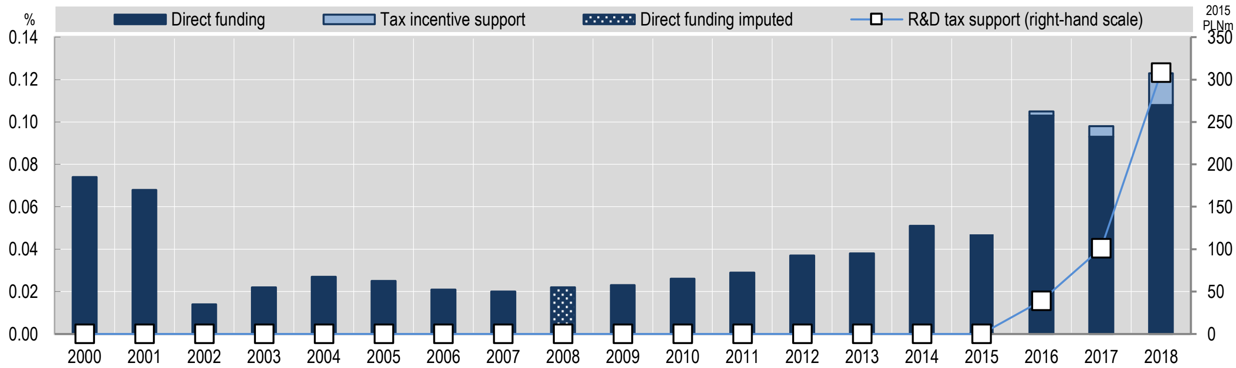
- From 2006 to 2018, total government support for BERD[1] as a percentage of GDP increased in **Poland** by 0.10 percentage point (pp), while the OECD average increased by 0.03 pp.
- During this period, business R&D intensity in **Poland** increased from 0.17% to 0.80%.
- In **Poland**, R&D tax incentives accounted for 2% of total government support for in 2016 - the first in which the tax allowance was available to corporate R&D performers in **Poland** – and 12% in 2018.

Trends in government support for business R&D

Poland introduced an R&D tax allowance scheme in 2016. The cost of this support (in 2015 prices) amounted to PLN 39 million in 2016 (1 PLN = 0.225 EUR, Q3 2020) growing to PLN 308 million in 2018.

Figure 4. Direct funding of business R&D and tax incentives for R&D, Poland, 2000-18

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

- As a percentage of GDP, tax relief increased from 0.002% of GDP in 2016 to 0.015% of GDP in 2018.
- After a significant drop of direct funding of BERD from 0.068% 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 2018, direct funding of BERD accounted for 0.11% of GDP.
- In 2018, the new tax allowance scheme accounted for 12% of total government support in **Poland**.

Please cite this note as: OECD (2021). “R&D Tax Incentives: Poland, 2020”, www.oecd.org/sti/rd-tax-stats-poland.pdf, Directorate for Science, Technology and Innovation, March 2021.

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