



Ministerstwo
Finansów



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Investors' Tax Guide

Tax Reliefs and Incentives

Poland is one of the most appealing places to do business in Central and Eastern Europe, with an attractive and friendly investment climate. Contributing factors include the country's strategic location in the heart of Europe and at the crossroads of major trade routes, an ever-expanding transportation infrastructure, human capital as well as a stable and crisis-proof economy. Wanting to strengthen Poland's investment potential, we are creating conditions for opening and conducting business that respond to the needs reported by entrepreneurs. Thousands of entities trusted the favorable business climate, and 94% of foreign investors indicated that they would invest in Poland again.

Discover what you may gain by investing in Poland!
You can also find useful tax guidance at
podatki.gov.pl/en/news/investors-tax-guide/



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Develop thanks to low taxes

Business projects require the right tax climate. Therefore, we introduce solutions that do not hinder ambitious initiatives and give your business the opportunity to grow. Thanks to the solutions introduced in Poland, new investors may, among others, be exempted **from up to 50% of the tax due**, or their payment of tax may be deferred. On the other hand, when taking advantage of the lump sum on corporate income (the so-called Estonian CIT), **no tax needs to be paid** as long as the money stays in the company, i.e. profits are reinvested in further development projects.

Polish Investment Zone (PIZ)

What is the Polish Investment Zone?

The Polish Investment Zone is an instrument operating on the basis of the Act on Supporting New Investments, which enables to obtain an exemption from the income tax related with the implementation of a new investment. You may benefit from this solution throughout Poland.

An application for tax relief under the Polish Investment Zone may be filed free of charge. Depending on the area, the solution may remain effective from 10 to 15 years.

The decision on granting public aid for your venture will indicate the validity period, the subject of the business activity, and the conditions you will have to meet regarding:

- the creation of a certain number of new jobs in connection with the investment;
- eligible investment costs incurred within the specified time frame;
- the deadline for the completion of the investment, after which the investment costs incurred by the entrepreneur may not be considered eligible costs;
- the maximum amount of eligible costs that may be taken into account in determining the maximum amount of public aid;
- quantitative and qualitative criteria undertaken in the application;
- the location where the new investment will be carried out, taking into account the registered data of the property.

How can you benefit from the Polish Investment Zone?

Under the Polish Investment Zone, you may receive support in the form of income tax exemption (CIT or PIT) due to the implementation of a new investment. The amount of aid depends on the size of the company and the chosen location. In some regions, the amount may be as much as 50% of the intensity of the aid given to the entrepreneur for the new investment. In addition, for investments of less than EUR 50 million, the public aid for companies in the small and medium-sized enterprise sector is increased by 10 or 20 percentage points, respectively.

Who is the Polish Investment Zone intended for?

The Polish Investment Zone is a solution intended, in principle, for all companies in the industrial sector and selected modern service sectors.

The decision on granting public aid may apply to both *greenfield* and *brownfield* investments that meet the qualitative and quantitative criteria set forth in the *Regulation of the Council of Ministers of 28 August 2018 on public aid granted to certain entrepreneurs for the implementation of new investments*.

Public aid is granted regardless of company size and sector. Small and medium-sized enterprises may expect additional benefits.

The total minimum value of eligible costs that an entrepreneur is required to incur in connection with the implementation of a new investment ranges from PLN 10 million to PLN 100 million (from EUR 2.12¹ million to EUR 21.23 million), depending on the unemployment rate in the area of the new investment.

¹ The average EUR exchange rate from 10 August 2022 (PLN 4.71) was applied by way of example for all euro conversions in the Guide.

What are the restrictions on the use of the Polish Investment Zone?

The Polish Investment Zone may not be used by companies conducting strictly defined activities, which are excluded in § 2 of the *Regulation of the Council of Ministers of 28 August 2018 on public aid granted to certain entrepreneurs for the implementation of new investments*, among others, companies engaged in the production of explosives, alcohol, tobacco products, steel, or companies operating in the sector of energy production and distribution, wholesale and retail trade, facilities and construction works, accommodation and food services, and the operation of gaming centers.

At least 25% of the total value of eligible costs related to the implementation of a new investment must be the entrepreneur's own funds or external sources of financing, free from any public support.

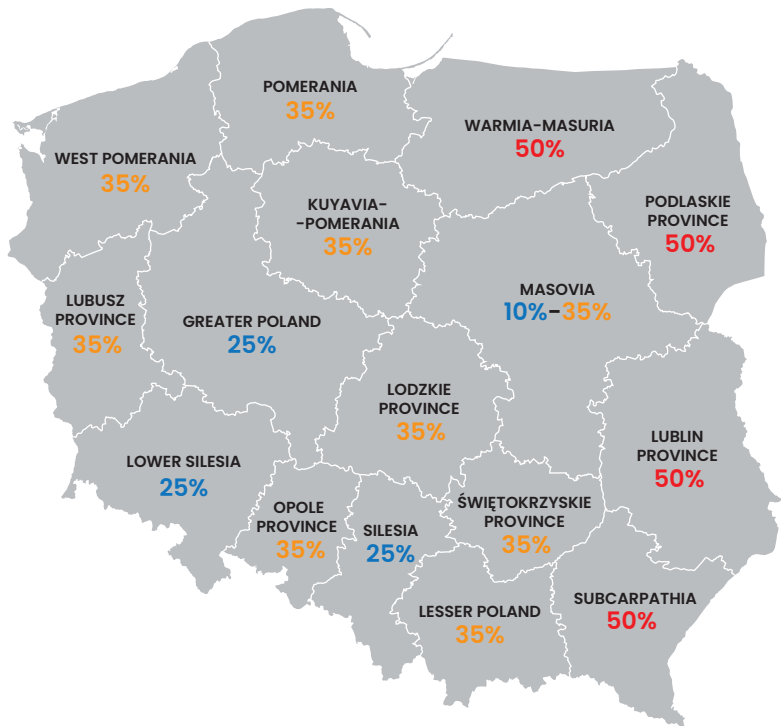
Exclusions from other incentives

Entrepreneurs who pay a lump-sum corporate income tax (the so-called Estonian CIT) may not benefit from the income tax exemption within the Polish Investment Zone.

Impact of the incentive on public aid restrictions

The financial support provided under the Polish Investment Zone constitutes public aid. The method of calculating the permissible limit of public aid under the Polish Investment Zone depends on the value of the investment and the amount of eligible costs specified in the decision on support and the maximum intensity of regional investment aid.

The maximum intensity of regional investment aid for 2022–2027 with respect to individual areas is specified in the *Regulation of the Council of Ministers of 14 December 2021 on the establishment of the regional aid map for 2022–2027*.



For investments of EUR 50 million, the amount of maximum permissible public aid is derived by multiplying the eligible costs specified in the decision on support and the amount of maximum regional investment aid intensity specified for a given area.

In turn, for investments of more than EUR 50 million but not exceeding EUR 100 million, the maximum amount of permissible public aid is calculated as follows:

- The amount of maximum intensity of regional investment aid specified for the area x EUR 50 million
- + 0.5 x the amount of eligible costs (for costs > EUR 50 million and < EUR 100 million)
- + 0.34 x the amount of eligible costs (for costs > EUR 100 million)

The amount of eligible costs and, consequently, the amount of maximum allowable public aid is subject to discounting according to the rules set forth in the specific regulations. Therefore, the amount of eligible costs specified in the decision on support is not distorted over the period in which the investment is implemented.

Example

A Korean manufacturer of CNC machinery intends to open a new branch in Poland. To this end, the manufacturer decides to establish a limited liability company and build a new factory near Lublin. The company has applied to the minister in charge of the economy for a decision on support with respect to the new investment. In 2022, the company received the decision on support valid for a period of 15 years. The eligible costs of the new investment specified in the decision on support amounted to PLN 600 million (EUR 127,38 million). The maximum intensity of regional investment aid for the Lublin region is 50%.

In this case, the maximum amount of aid should be determined according to the following formula:

- Aid amount = aid intensity for the area x (EUR 50 million + 0.5 x eligible costs above EUR 50 million, not exceeding EUR 100 million + 0.34 x costs exceeding EUR 100 million)
- Aid amount = 0.5 x (EUR 50 million + 0.5 x EUR 50 million + 0.34 x EUR 27.411 million) = EUR 42.16 million (PLN 198.57 million).

Assuming that the company pays income tax at a rate of 19%, it will not pay tax on **EUR 221.90 million (PLN 1,045.12 million)**.

Lump-sum corporate income tax (i.e. Estonian CIT)

What is the lump-sum corporate income tax?

If you choose to account for company income on a lump sum basis, you will only be required to pay tax when you distribute profits from the company, i.e. in the form of dividends. Therefore, you do not have to pay tax as long as the profit earned by your company during the period of lump-sum taxation on corporate income remains in the company.

As a result, the earned profit which is not decreased by tax, will increase the company's liquidity. It can be used for supplementary capital or reserve capital, new investments, or increasing employment.

In addition, this form of taxation is based on the financial result determined in line with accounting principles. Therefore, you do not need to keep separate records of income and expenses for tax purposes.

Who is the lump-sum corporate income tax intended for?

The lump-sum corporate income tax is a form of taxation intended for Polish tax residents who collectively meet the following criteria, among others:

- operate in the form of a joint-stock company, simple joint-stock company, limited liability company, limited joint-stock partnership, or limited partnership;
- earn the so-called passive income (e.g., interest income) in an amount that does not exceed the operating income;
- have a simple ownership structure;
- employ at least three individuals under an employment contract or civil law contract.

The lump-sum corporate income tax constitutes the so-called tax option, which eligible entrepreneurs may or may not decide to use. Therefore, if you are interested in this form of taxation, be sure to file the appropriate notice with the head of the tax office.

How can you benefit by choosing the lump-sum corporate income tax?

With this solution, you have the ability to decide when to pay tax and in which amount. With CIT tax deferral, you may:

- increase your company's equity,
- improve liquidity,
- increase investment capacity.

In addition, the investor (natural person) reduces the tax on dividends by 70% (in the case of small companies - by 90%) of the portion of the lump-sum corporate income tax paid by the company.

What are the restrictions on the use of the lump-sum corporate income tax?

The following entities may not use the lump-sum corporate income tax:

- financial companies;
- lending institutions;
- entrepreneurs in bankruptcy or liquidation;
- entities that prepare financial statements in compliance with the International Accounting Standards during the lump-sum taxation period.

Exclusions from other incentives

The lump-sum corporate income tax is also unavailable to taxpayers with incomes generated from business activity:

- conducted in the Special Economic Zone on the basis of the relevant permit;
- due to the implementation of a new investment specified in the relevant support decision, obtained in the area specified in that decision.

In addition, during the period of lump-sum taxation on corporate income, entrepreneurs using this form of taxation may not take advantage of other tax preferences and tax reliefs provided for in the CIT Law (such as R&D tax relief or automation tax relief).

Example

A video game publishing company set up an office, hired employees in Warsaw, and recorded a profit of PLN 5 million in its first year of operation. By opting for the lump-sum corporate income tax, the company does not have to pay tax, which means that its net profit also amounts to PLN 5 million (EUR 1.06 million). The company may allocate the entire profit earned (without deducting the income tax) for investments, such as setting up another office in Kraków.

If, over the next few years, generated profits are continuously allocated to the company's development, the company will not have to pay any tax thereon. Only in 2027, when the company pays out a profit in the form of a dividend of PLN 1 million, it will pay PLN 200k (EUR 42,46k) in tax.

Thanks to certain facilities under the lump-sum corporate income tax, tax will not be paid until the payment of the dividend. In addition, when receiving the dividend, shareholders will be able to decrease the tax on such dividends by 90% of the portion of the tax paid by the company.

For the first 5 years, until the dividend is paid, a company that has opted for the "Estonian CIT" will pay no tax. In contrast, in the case of a "classic" CIT, the company will have to pay a tax of 19% of tax income. In turn, shareholders will have to pay tax on the dividends they receive.

Be creative with the freedom to grow your investment portfolio

Poland is considered the most attractive destination for foreign investors in Central and Eastern Europe. We know that a modern tax system should **promote innovative investment ideas and reduce paperwork** when settling taxes. We are introducing tools that respond to the needs arising from the volume of business conducted by foreign investors and ones that provide entrepreneurs with the necessary **flexibility and freedom of action**. In addition, we have prepared a number of tools that are aimed at **business expansion and company development**. We believe that a friendly tax climate will bring numerous tangible benefits to investments in Poland.

Venture Capital (VC) investor relief

What is VC investor relief?

To meet the needs of investors wishing to multiply their funds through a VC fund, Poland allows the use of preferential relief of 50% of the investment.

Who are the intended recipients of the relief?

The relief is intended for investors who are individuals wishing to multiply their funds by investing in VC funds in the form of an alternative investment company or directly in equity companies, in which at least 5% of the shares (stock) are held by the alternative investment company.

How can you benefit from the relief?

Fifty percent of the money invested in innovative Polish companies through the VC fund may be additionally deducted (after deduction of the costs) from your tax base.

What are the restrictions on the use of the relief?

The maximum deduction is PLN 250k (EUR 53,078). Moreover, you must invest in the VC fund with which you have not been affiliated for the past two years, and you must hold shares (stocks) in the fund for the next 24 months.

To benefit from the relief, you must enter into an investment agreement with an alternative investment company.

Exclusions from other incentives

Taxpayers earning only income taxed under the rules set forth in the Act on Lump-Sum Income Tax on Certain Income Earned by Individuals may not benefit from the relief.

Example

An investor, through a VC fund, invested PLN 400k (EUR 84.93k) in a promising Polish gaming startup. In the same year, it generated PLN 800k in income. If the investor decided to benefit from the relief, the investor would pay:

- Tax = [(tax base (income)) - 50% of the funds invested in the startup] x tax rate
- Tax = (PLN 800k - 50% x PLN 400k) x 19% = PLN 600k x 19% = **PLN 114k**
[(EUR 169.85k - 50% x EUR 84.93k) x 19% = **EUR 24.2k**]

If, on the other hand, the investor chose not to benefit from the relief, the investor would pay the following (assuming that the investor made the settlements using the 19% flat rate):

- Tax = tax base (income) x tax rate
- Tax = PLN 800k x 19% = **PLN 152k**

EUR 169.85k x 19% = **EUR 32.27k**

By using the relief in the given circumstances, the taxpayer may save as much as **PLN 38k (8.07k EUR)**.

Relief for stock market newcomers

What is relief for stock market newcomers?

If you want to raise capital through an IPO, you may offset the costs associated with listing your shares on the stock market. The relief allows the CIT tax base to be reduced by the costs associated with conducting an initial public offering.

Who are the intended recipients of the relief?

The relief applies to joint stock companies that:

- are Polish tax residents;
- are not and have not been previously listed on the stock market;
- intend to issue additional shares in an initial public offering, taking the company public by listing its shares on the stock exchange.

How can you benefit from the relief?

The relief for stock market newcomers allows a deduction of 150% of expenses directly related to going public, i.e. for:

- the preparation of the prospectus;
- notary, court, stamp and stock exchange fees;
- the development and publication of notices required by law.

The relief effectively and directly meets the needs of taxpayers who, while searching for funds for further development, decide to list their company's shares on the stock market. In addition, it is possible to deduct the costs of services for legal, tax and financial advice that are not typically deductible.

What are the restrictions on the use of the relief?

In the case of legal, tax and financial advisory services directly related to the issue, a deduction is allowed for up to 50% of the expenses (excluding VAT), up to a maximum of PLN 50k (EUR 10,616).

Exclusions from other incentives

The relief may not be used if one chooses the lump-sum taxation on corporate income (i.e. Estonian CIT).

Example

A joint stock company providing tax consulting services planned to go public. As part of the company's preparation for its initial public offering of shares, it incurred costs relating to the prospectus, notary, court, stamp and stock exchange fees in the amount of PLN 100k (EUR 21.23k). In addition, it incurred consulting costs of about PLN 110k (EUR 23.35k) gross (including VAT). In a given year, it generated PLN 500k (EUR 106.16k) of income.

If the company decided to benefit from the relief, it would pay:

- Tax = tax base (income - 150% of deductible expenses - 50% of net consulting expenses) x tax rate
- PLN 110k (EUR 23.35k) of the costs incurred on consulting services include 23% VAT, so the net amount is PLN 89,431k. (EUR 18.99k).
- Tax = (PLN 500k - 150% x PLN 100k - 50% x PLN 89,431k) x 19% = PLN 305.28k x 19% = **PLN 58k**

(EUR 106.16k - 150% x EUR 21.23k - 50% x EUR 18.99k) x 19% = EUR 64.82k x 19% = **EUR 12.31k**

If, on the other hand, the company chose not to benefit from the relief, it would pay:

- Tax = tax base (income - expenses) x tax rate
- Tax = (PLN 500k - PLN 100k) x 19% = PLN 400k x 19% = **PLN 76k**
(EUR 106.16k - EUR 21.23k) x 19% = EUR 84.93k x 19% = **EUR 16.14k**

By benefiting from the relief in the given circumstances, the company may save as much as **PLN 18k (EUR 3.82k)**.

Relief for investment in stock market newcomers

What is relief for investment in stock market newcomers?

In addition to incentives for stock market newcomers, we have prepared reliefs for interested individual investors.

What are the intended recipients of the relief?

The relief is intended for individual investors.

How can you benefit from relief for investment in stock market newcomers?

When you invest in a stock market newcomer, you do not have to pay tax on the gain from the sale of shares bought in an IPO (i.e. *Initial Public Offering*).

What are the restrictions on the use of the relief?

To qualify for the exemption, you must keep the purchased shares for a period of three years, and you may not have been a related party for tax purposes in the two-year period preceding the date of either the acquisition or the purchase.

Exclusions from other incentives

None.

Example

In 2023, an individual investor decided to invest in an IT systems development company listed on the Warsaw Stock Exchange. The investor spent PLN 100k (EUR 21.23k) (including commissions) on the company's shares. Then, in 2027, the investor sold his shares for PLN 500k (EUR 106.16k).

If the investor decided to benefit from the relief in the given circumstances, the investor would not pay tax on the sale of shares. If, on the other hand, the investor chose not to benefit from the relief, the investor would pay the following due to the sale of the shares:

- Tax = tax base (income - expenses) x tax rate
- Tax = (PLN 500k - PLN 100k) x 19% = PLN 400k x 19% = **PLN 76k**
[(EUR 106.16k - EUR 21.23k) x 19% = EUR 84.93k x 19% = **EUR 16.14k**]

By using the relief, an investor may gain as much as **PLN 76k (EUR 16.14k)**.

Polish Holding Company (PHC)

What is a Polish Holding Company?

A Polish Holding Company is an excellent tool to foster the allocation of investment capital in Poland. By establishing a Polish Holding Company, you may take advantage of preferential dividend taxation rules and exemptions on income from the sale of shares.

A holding company may be a limited liability company or a joint stock company that is a Polish tax resident and meets the conditions set forth in the CIT Act.

Who is the Polish Holding Company intended for?

A Polish Holding Company is a solution designed for investors interested in investing capital within holding structures. This solution is particularly attractive for entities receiving dividends from subsidiaries outside the European Union, EEA, or Switzerland.

What are the benefits of the Polish Holding Company?

Dividends received by a Polish Holding Company from a domestic or foreign subsidiary are exempt from tax at 95% of the amount of the dividend paid. This solution will primarily benefit taxpayers receiving payments from countries outside the European Union, EEA, or Switzerland. While dividends paid by these countries are completely exempt from taxation (after meeting the conditions set forth in the CIT Act), distributions from a third country, such as the United States or Japan, are taxed on the full amount of the dividends paid. The discussed solution allows paying tax on 5% of the amount of the dividends paid.

In addition, income (revenue) earned by a Polish Holding Company from the sale of shares of a domestic or foreign subsidiary to an unrelated party is fully exempt from CIT upon filing an appropriate declaration.

What are the restrictions on using the Polish Holding Company?

A Polish Holding Company may be formed only by Polish tax residents conducting actual business activities within the territory of Poland. In addition, the taxpayers of a Polish Holding Company may not be entities that benefit from tax exemptions or preferences in the entity exclusions listed below.

Moreover, a Polish Holding Company may not be established by entities whose shares are held directly or indirectly by entities from states or territories that:

- apply harmful tax competition;
- are identified in the EU list of non-cooperative jurisdictions for tax purposes adopted by the EU Council;
- have not ratified an international agreement with Poland, in particular, the double taxation avoidance agreement, or have not ratified an international agreement with the European Union providing a basis for obtaining tax information from tax authorities of that country.

Exclusions from other incentives

The following entities are excluded from the solution:

- entities that constitute one of the companies that make up the tax group of companies,
- entities that benefit from the exemption of business income within the Special Economic Zone,
- entities that benefit from the exemption of business income earned in the implementation of the new investment specified in the decision on support,
- entities that enjoy other exemptions for dividends and/or other income from participation in corporate profits as defined in the CIT Act.

Example

A company received a dividend from its Canadian-registered subsidiary in the amount of PLN 1 million (EUR 212.31k).

If it were a Polish Holding Company, it would pay (assuming that the tax in Canada was 0):

- Tax = tax base (5% of the dividend value) x tax rate

- Tax = PLN 50k x 19% = **PLN 9.5k**

EUR 10.61k x 19% = **EUR 2.02k**

On the other hand, if it was a limited liability company or a joint stock company registered in Poland, it would pay (assuming that the tax in Canada was 0):

- Tax = tax base (dividend value) x tax rate

- Tax = PLN 1 million x 19% = **PLN 190k (EUR 40.34k)**

In the given circumstances, thanks to the preferential form of taxation, the company will save as much as **PLN 180.5k (EUR 38.32k)**.

Consolidation relief

What is consolidation relief?

With consolidation relief, in addition to crediting the expenses related to the acquisition of another company towards deductible expenses, the equivalent may be deducted from the tax base. Under the deduction, it is possible to deduct all costs directly related to the acquisition of shares in a corporation, including but not limited to:

- legal services,
- valuations,
- drawing up merger plans,
- audits.

Who are the intended recipients of consolidation relief?

The relief is intended for investors who are planning a merger.

How can you benefit from consolidation relief?

With the relief, you can additionally reduce your tax base by the amount of expenses for the acquisition of shares in companies up to the amount of income earned in the tax year from income other than capital gains.

The relief measurably increases the financial capacity of a company planning to grow by making investment expansions. This strategy allows entrepreneurs to strengthen their market position as well as contribute to diversifying the risks of doing business by opening up to new markets or seeking new sources of income.

What are the restrictions on the use of consolidation relief?

The expenses that may be additionally deducted from income may not exceed PLN 250k (EUR 54,078) in a tax year. The exemption may be used if certain regulatory conditions are met, including that the main object of the company whose shares are acquired is to be the same as the main object of the acquiring taxpayer, or that the activities of such a company may reasonably be considered to be activities that support the activities of the acquiring taxpayer, while the activities of such a company may not be financial activities.

If the entrepreneur who benefited from the relief or their successor in title sells or redeems the acquired shares (stocks) before the expiration of 36 months (counting from the date of acquisition), they must increase the tax base by the amount of the deduction made. An adjustment of the deduction will also be required if, before the expiration of 36 months from the acquisition date of the shares (stocks), the entrepreneur goes into liquidation or is declared bankrupt or other circumstances provided by law for the termination of its activities occur.

Exclusions from other incentives

Lump sum taxation on corporate income excludes the possibility of using the relief.

Example

A limited liability company based in Poland has decided to take over a Polish restaurant chain. In the same year, it recorded revenue of PLN 5 million (EUR 1.06 million) and incurred expenses of PLN 3 million (EUR 0.63 million), which were fully deductible. As part of these expenses, PLN 300k (EUR 63.69k) were allocated to expenses related to the acquisition transaction.

If the company decided to benefit from the relief, it would pay:

- Tax = tax base (income - costs - acquisition expenses) x tax rate
- Since the expenses of the acquisition transaction amount to PLN 300k (EUR 63.69k), they may not be deducted in full but only up to a limit of PLN 250k (EUR 53.07k)
- Tax = (PLN 5 million - PLN 3 million - PLN 250k) x 19% = 1.75 million x 19% =

PLN 332.5k

(EUR 1.06 million - EUR 0.63 million - EUR 53.07k) x 19% = **EUR 70.59k**

If the company chose not to benefit from the relief, it would pay:

- Tax = tax base (income - expenses) x tax rate
- Tax = (PLN 5 million - PLN 3 million) x 19% = PLN 2 million x 19% = **PLN 380k**
(EUR 1.06 million - EUR 0.64 million) x 19% = EUR 424.63k x 19% = **EUR 80.68k**
- In the given circumstances, thanks to using the relief, the company will save as much as **PLN 47.5k (EUR 10.08k)**.

Communicate with tax authorities quickly and efficiently

Legal certainty and friendly tax administration are extremely important to entrepreneurs. Therefore, we are constantly taking steps to eliminate unnecessary paperwork. We streamline the communication between entrepreneurs and tax authorities, reduce the frequency of contacts with public authorities to the minimum, and aim to speed up all administrative procedures.

Investment agreement

What is an investment agreement?

The Polish government meets the expectations of domestic and foreign investors by **introducing a fast and efficient service path for** large entrepreneurs planning to place capital in Poland at the level of at least PLN 100 million (EUR 21.23 million), and from 2025 - at the level of PLN 50 million (EUR 10.61 million). The investor will be able to immediately receive an opinion on all tax consequences of investing in Poland in one place.

The investment is deemed to mean the following:

- investment in fixed assets or intangible assets relating to the establishment of a new plant, expansion of the production capacity of an existing plant, diversification of the plant's production by introducing products not previously produced at the plant, or fundamental changes concerning the production process of an existing plant; or
- acquisition of assets belonging to an establishment that has been closed or would have been closed if the purchase had not taken place, whereby the assets are acquired by an entrepreneur unrelated to the seller, and the acquisition of shares of the enterprise itself is excluded.

Who is the investment agreement intended for?

An investor or group of investors.

How can you benefit from an investment agreement?

Certainty of the tax situation – the interpretation is issued directly by the Minister of Finance and remains binding at all times on the investor, the Minister of Finance and the tax authorities for the tax periods covered by the agreement.

A broad scope of interpretation – all taxes are included simultaneously. Typically, these procedures are performed through several different National Tax Administration bodies. The agreement may include the equivalent of (I) prior price agreement, (II) hedging opinion, (III) binding excise information, (IV) binding rate information, and (V) individual interpretation. The scope of the agreement may vary depending on the planned investment and the needs of the investor.

Long-term validity – valid for five years from its issuance, with the possibility of change.

Certainty and stability – the investor with whom the agreement is made will have an additional month to adapt to potential future changes in the law that could result in changes to the content of the agreement. The investor may terminate the investment agreement at any time. The Minister of Finance may terminate the agreement in cases that are strictly defined by law.

Thanks to the Investor Tax Service Center, i.e. the Investor Desk (centrum. obslugi.inwestora@mf.gov.pl), entrepreneurs may rely upon assistance provided directly by the Ministry of Finance. The center will be responsible for providing **efficient and prompt services for investors** under the investment agreement.

What are the restrictions on the use of investment agreements?

An application for an agreement may be submitted by an entity that is planning or has already started an investment of PLN 100 million (EUR 21.23 million) (as of 2025 - PLN 50 million (EUR 10.61 million)) on the territory of Poland.

Exclusions from other incentives

The Minister of Finance may refuse to conclude an investment agreement, in particular when the subject of the application for its conclusion is a case that has been previously recognized or is in the process of being recognized by the competent tax authority.

Example

A South Korean company that manufactures computer components is planning to open a factory in Poland. The cost of the investment is estimated at PLN 120 million (EUR 25.47 million). The company contacts the Ministry of Finance directly so that it can determine the tax implications of the investment in a short period of time. The interpretation issued by the Minister remains valid for five years. From 2024, the investor will be able to coordinate and sign agreements in English.

Binding information

What is binding information?

Binding information has a protective function and may constitute an important asset to your business. It is issued in the form of a decision solely upon the request of a party and contributes to **significant improvement and acceleration of communication with tax and customs authorities**.

Entrepreneurs in Poland may use the following types of binding information:

- Binding Rate Information (BRI) – concerning VAT rates,
- Binding Tariff Information (BTI) – concerning the tariff classification of goods,
- Binding Origin Information (BOI) – concerning the determination of the origin of goods,
- Binding Excise Information (BEI) – concerning the classification of an excise good or a passenger car in the system corresponding to the Combined Nomenclature (CN) or determination of the type of excise good.

How can you benefit from binding information?

BRI indicates the correct classification of goods or services, which is necessary to determine the VAT rate, according to the relevant classifications and the correct VAT rate for these goods or services. BRI ensures the following benefits:

- effective and easier application of VAT rate regulations by eliminating the risk of applying an incorrect VAT rate;
- easier business operations by increasing legal certainty, no possibility for tax inspection authorities to challenge the applied VAT rate as long as the supply of goods, import of goods, intra-Community acquisition of goods, or provision of services concerned the goods or services identical to those covered by BRI.

BRI requests may be submitted electronically via ePUAP2.

BTI is one of the measures of the customs law that makes it possible to obtain official information about the tariff classification of goods free of charge. BTI ensures the following benefits:

- legal **certainty** with respect to the classification of goods,
- **proper collection** of established import fees and application of other trade policy measures,
- **shorter** customs clearance **time**.

BTI requests may be submitted electronically through the PUESC portal, which consolidates customs-related information systems, allowing **the user to address** customs matters (including BTI) in **one place**.

BOI refers to the customs origin of goods classified under one tariff code and one country of origin.

BOI ensures the following benefits:

- legal certainty with respect to the origin of goods,
- shorter customs clearance time,
- uniform interpretation of the rules related to the origin of goods.

BEI applies to entities involved, for instance, in the production or trading of excisable goods. BEI decisions are issued for the purpose of:

- excise taxation of an excise goods or a passenger car,
- organization of the trading of excise goods,
- excise tax marking of excise goods.

BEI applications may be submitted electronically via ePUAP2. BEI ensures the following benefits:

- **improved application** of the Excise Tax Law through legal certainty in classifying an excise good or a passenger car to the appropriate CN code or determining the type of excise good;
- **a sense of security** by making the decision binding on tax authorities and the entity in whose favor it was issued.

What are the restrictions on the use of binding information?

In terms of BRI, the following restrictions apply:

- BRI provides adequate protective power only with respect to the goods or services that are the subject thereof.
- BRI is issued for one commodity or one service or one comprehensive service, for a maximum period of five years.

- BRI expires in the event of a change in the value-added tax regulations relating to the goods or services that are the subject of BRI, as a result of which it becomes inconsistent with such regulations.
- The tax authority refuses to issue BRI for which the applicant has entered into an investment agreement in this regard, as referred to in Article 20zt(4) of the Tax Ordinance Act.
- The binding force of the issuance of BRI will not apply if the subject matter of BRI is part of the activities that are the subject of the decision issued in connection with the violation of the right referred to in Article 5(5) of the Value Added Tax Act.

Within the scope of BEI, the tax authority may refuse to issue BEI if the application for its issuance:

- does not apply to an excise good or a passenger car;
- pertains to the information about the type of excise good for which the applicant holds an individual interpretation in this regard;
- applies to an excise good or a passenger car for which the applicant has entered into an investment agreement in this regard, as referred to in Article 20zt(3) of the Tax Ordinance Act.

Exclusions from other incentives

No individual interpretations are issued in the area covered by BRI (VAT rates).

Example

A company from Oman that distributes combustion fuels is opening a subsidiary in Poland. It applies for the issuance of the Binding Excise Information for each of its products. With BEI having been issued, the company has confirmation of the classification of each excise good under the appropriate CN code. This will allow the company to properly fulfill its excise tax obligations with regard to these excise goods and ensure security by making the scope of the BEI decision binding on tax authorities.

Increase the mobility of your business thanks to the low entry threshold of the Polish market

Sometimes entering a particular market is restricted by the substantial costs of such an operation. Entrepreneurs face challenges connected with the growing expenses needed to establish their subsidiaries in a given country. We support capital mobility; hence, this issue is much less relevant in Poland, where numerous **reliefs will significantly reduce your financial outlay**. We are now planning a special solution for financial institutions.

VAT option for financial institutions

What is a VAT option?

In response to the changing economic conditions in Europe resulting from the COVID-19 pandemic and Brexit, we have decided to introduce new optional VAT arrangements for financial institutions and financial service providers. As a rule, financial services are exempt from VAT. The introduced option to tax financial services allows the taxation of services provided to entrepreneurs, which will, among others, make it possible for your company to deduct input tax related to the purchase of these services. It is also possible not to opt for the VAT option and remain under the current regime, using the VAT exemption for financial services.

If you wish to use the VAT taxation method with respect to the financial services you provide, it will be sufficient to notify the head of the chosen tax office of this option in writing, and your company will be registered as an active VAT taxpayer. The notification may be made by filling out the corresponding field in the VAT-R registration application form.

Who is the VAT option intended for?

The solution is designed for financial service providers. It may be particularly attractive to investors who are just entering or intending to enter the Polish market.

How can you benefit from the VAT option?

The VAT option allows to benefit from input tax deductions, which may, among other advantages, improve the company's cash flow.

What are the restrictions on the use of the VAT option?

Choosing the VAT option means that all, not just selected, financial services provided to businesses (B2B) must be subject to VAT. Under the VAT option, it is possible to only deduct input tax on purchases connected with the business-to-business (B2B) services. It means that by using the VAT option, it will not be possible to deduct the input VAT that applies to services provided to consumers (B2C).

The choice is made for at least two years. After this deadline, you may return to the exemption or continue using the taxation option.

Exclusions from other incentives

None.

Example

A bank from Saudi Arabia is planning to open a Polish branch. The investment is of considerable size (purchase of an office building for the headquarters of the branch at a net cost of PLN 10 million + PLN 2.3 million VAT) (EUR 2.12 million net + EUR 488.32k VAT), so in order to reduce the costs incurred when entering the Polish market, the bank decides to use the option of taxing financial services provided to other taxpayers (B2B). To this end, the bank will notify the head of the tax office of the choice of this option in writing.

As a result, investment costs will be significantly reduced, as the bank may deduct the VAT (PLN 2.3 million, EUR 488.32k) charged on the purchase of the office building related to its B2B financial services. The bank will also be entitled to deduct input VAT on the price of any other purchases made in Poland [related to the bank's business activities (with regard to the provision of the aforementioned services under B2B)]. However, it should be noted that the bank will not be entitled to deduct the aforementioned costs (i.e., input VAT) in the portion that is attributable to services provided by the bank to consumers (B2C). This part of financial services is not covered by the aforementioned option and must be subject to VAT exemption (which results in a lack of VAT deduction with respect to these services).

Create your modern investment hub in Poland

In 2019, R&D expenditures in Poland totaled **PLN 30.3 billion** (EUR 6.43 billion), and - in comparison with 2018 - increased by **18.1%**! These figures show that Poland's economy is thriving. We realize that despite our successes, we need to be inventive and bet on new technologies to keep up with the changing economic reality, in which innovation is particularly important. Whether your company is developing new drugs or simply planning to improve the manufacturing process in your facilities, **we wish to support your ventures and, together with you, boldly head toward the future.** The relief we are introducing in this regard applies both to the costs of implementing innovations and new solutions as well as to investing in the development of your workforce.

Research and development (R&D) relief

What is R&D relief?

R&D relief is an instrument developed to support entrepreneurs engaged in research and development activities.

Research and development activities for which support may be granted include both scientific research (basic and applied) and development work.

Scientific research and development must meet all of the following conditions:

- have a creative character,
- be undertaken in a regular manner,
- lead to an increase in the stock of knowledge (in the case of research) or the use of the already existing or increased knowledge to create new applications (in the case of development).

Who are the intended recipients of R&D relief?

In order to benefit from R&D relief, an entrepreneur must first and foremost incur costs related to R&D activities, including salaries and contributions due on salaries, depreciation allowances on fixed and intangible assets, materials, raw materials, expertise, consulting services, use of apparatus, or patent maintenance.

In addition, to qualify for R&D relief, the above costs must:

- be properly entered in account books,
- constitute tax-deductible expenses within the meaning of the PIT or CIT Act,
- fall within the closed catalog of eligible costs specified in the provisions of the PIT or CIT Act,
- be disclosed in the annual tax return.

Entrepreneurs with the status of a research and development center (CBR) are entitled to apply preferential rules for R&D relief.

How can you benefit from R&D relief?

Thanks to R&D relief, eligible costs related to R&D activities may be deducted from the tax base established for income other than income from capital gains. As a result, costs incurred on research and development activities may be included twice when calculating the income tax due.

Costs are taken into account for the first time when calculating income by recognizing them as tax-deductible expenses, and then a deduction is made from the tax base for eligible costs related to research and development.

The eligible costs may range from 100% to as much as 200% (in the case of, among others, employment costs) of the deductible expenses incurred on research and development activities.

What are the restrictions on using R&D relief?

R&D relief is only available for income earned on revenue other than capital gains.

Therefore, if the entrepreneur:

- reaches a loss or
- earns an income of less than the amount of the deduction to which the entrepreneur is entitled,

from income other than capital gains income, then the entrepreneur will not be able to benefit from R&D relief in that tax year.

In such a case, however, the entrepreneur may settle all or the remaining amount of the deduction to which they are entitled in the following six tax years immediately following the year in which the entrepreneur used or was entitled to use the deduction under R&D relief.

Entrepreneurs who, in the first year of starting their business, incurred a loss or earned income in an amount lower than the amount of their deduction under the R&D tax credit are entitled to a cash refund, i.e. a deduction of the amount corresponding to the product of the non-deductible eligible costs incurred and the applicable tax rate (in the case of SMEs, the cash refund is also available in the second year of business).

In order for eligible costs to be accounted for under R&D relief, they must not have been reimbursed to the entrepreneur in any form or previously deducted from the tax base by the entrepreneur. On the other hand, simply receiving reimbursement for part of the expenses, e.g. in the form of a grant or subsidy, does not disqualify them from using the relief.

Exclusions from other incentives

Entrepreneurs who benefit from the exemption under the Polish Investment Zone or Special Economic Zones are entitled to deduct eligible costs under R&D relief only with respect to those deductible expenses that are not included in the calculation of exempted income under the above instruments.

R&D relief is also not available to entrepreneurs who have opted for lump-sum taxation on corporate income.

Impact of the incentive on public aid restrictions

As a matter of principle, R&D relief does not constitute public aid.

Certain preferences in accounting for R&D relief by R&D centers in the form of public aid constitute an exception to the above rule. Cash reimbursement, on the other hand, constitutes *de minimis* aid.

Example

A Polish company, which is engaged in food production and does not have the status of an R&D center, invested a total of PLN 10 million (EUR 2.12 million) in developing an innovative production line. All costs and expenses related to the development of the innovative production line constitute deductible and eligible costs.

Assuming that the company's revenue amounted to PLN 23 million (EUR 4.88 million) and the company incurred the following expenses:

- costs related to the employment of qualified personnel, 100% of whose working time is spent on R&D activities, in the amount of PLN 3 million (EUR 0.64 million) (up to 200% of the sum of these costs is deductible);
- costs of acquiring materials and raw materials directly related to R&D activities in the amount of PLN 5 million (EUR 1.06 million);
- costs of purchasing laboratory utensils and supplies as well as post-measurement equipment used directly in R&D activities in the amount of PLN 2 million (EUR 424.62k).

The company, when using R&D relief, would pay:

- Tax base = revenue - deductible costs - eligible costs = PLN 23 million - PLN 10 million - PLN 3 million x 2 (eligible costs related to employment, 200% of which may be deducted) - PLN 7 million (other eligible costs, 100% of which may be deducted) = **0**
- Tax = tax base x tax rate = 0 x 19% = **0**

In contrast, if the company did not benefit from R&D relief, it would pay:

- Tax base = revenue - deductible expenses = 23 million - 10 million = 13 million (EUR 4.88 million - EUR 2.12 million) = EUR 2.76 million.
- Tax = tax base (income) x tax rate = PLN 13 million x 19% = **PLN 2.47 million (EUR 0.52 million)**.

By using R&D relief in the given circumstances, the company would not pay income tax, saving as much as **PLN 2.47 million (EUR 0.52 million)**.

Relief for innovative employees

What is relief for innovative employees?

Relief for innovative employees is a supplement to R&D relief, which allows entrepreneurs to settle eligible costs incurred on R&D activities more quickly. The eligible costs incurred on R&D activities that exceed the amount of your income in a given tax year may be used by reducing the amount of PIT advances that you are obliged to collect as a payer on remuneration paid to innovative employees.

Who are the intended recipients of relief for innovative employees?

Relief for innovative employees is available to companies that conduct research and development activities and employ innovative personnel.

Within the meaning of the CIT Act, innovative employees are individuals directly involved in research and development activities whose:

- working time devoted to the implementation of research and development activities amounts to at least 50% of the total working time in a given month, or
- whose time allocated to the performance of R&D services under a contract of commission or contract for a specific task amounts to at least 50% of the total time allocated to the performance of the service.

Thanks to the relief, R&D entrepreneurs may benefit from R&D relief even if the eligible costs exceed the income earned in a given tax year or if they have incurred a loss.

How can you benefit from relief for innovative employees?

By using relief for innovative employees, you may reduce the amount of PIT advances that you are obliged to collect as a payer on the remuneration paid to innovative employees by an amount equal to the product of the lowest tax rate specified in the PIT tax scale (i.e., 12%) or 19% in PIT and 9% or 19% in CIT and the unapplied deduction under R&D relief. The above refers to PIT and CIT taxpayers.

What are the restrictions on the use of relief for innovative employees?

Only those entrepreneurs who benefit from R&D relief and who incurred a loss or earned income lower than the amount of the R&D relief deduction in a given tax year are eligible to use relief for innovative employees.

The taxpayer is entitled to the relief only with respect to PIT advances that are withheld by the taxpayer in connection with the payment of remuneration to innovative employees.

Entrepreneurs that use the relief must keep additional working time records for R&D relief.

The relief is available for advance payments of income tax and lump-sum income tax, collected on the income (revenue) of individuals due to:

- professional relationship, employment relationship, home-based work, cooperative employment relationship, as well as social security cash allowances paid by the taxpayer;
- performance of services under a contract of commission or contract for a specific task;
- copyright.

Exclusions from other incentives

Relief for innovative employees is not available to entrepreneurs who do not use R&D relief.

Example

A Qatari company does not have the status of a small taxpayer and conducts research and development activities on the territory of the Republic of Poland.

The company's annual return for 2022, filed in April 2023, shows that it earned revenue other than revenue from capital gains in the amount of PLN 5 million (EUR 1.06 million) and incurred expenses due to that revenue in the amount of PLN 6 million (EUR 1.27 million) (including PLN 2 million of eligible R&D costs), thereby reporting a tax loss of PLN 1 million (EUR 212.31k).

For the purpose of its research and development activities, the company employs ten individuals under employment contracts, 100% of whose working time is devoted to research and development activities.

Due to the loss, the company may not reduce its tax base again by applying for R&D relief. The company, in this case, may benefit from relief for innovative employees. The amount of the relief is the product of the unused R&D relief and the tax rate

$(\text{PLN } 2 \text{ million} \times 19\% = \text{PLN } 380\text{k})$ $(\text{EUR } 424.63\text{k} \times 19\% = \text{EUR } 80.68\text{k})$

Of this, the sum of the PIT advances that the company, as the payer, is obliged to withhold from the remuneration paid to innovative employees under the employment relationship in the period from May 2023 (i.e., the month following the month of filing the return) to December 2023, amounted to PLN 190k (EUR 40.34k).

The remaining amount of eligible costs incurred in 2022, which the company did not take into account when calculating the tax due for 2022, and which was not used under relief for innovative employees $(\text{PLN } 190\text{k} \times 100 / 19 = \text{PLN } 1 \text{ million})$ $(\text{EUR } 40.34\text{k} \times 100 / 19 = \text{EUR } 212.31\text{k})$ may be included when calculating the income tax for 2023.

Thanks to the relief for innovative employees, the company will gain PLN 190k (EUR 40.34k) in 2023, which it would have to transfer to the tax office's account as a payer of advance income tax on remuneration paid to innovative employees in the period from April to December 2023.

Prototype relief

What is prototype relief?

Prototype relief supports entrepreneurs in the testing stage of a new product before mass production is launched. The relief allows entrepreneurs to deduct from the tax base the costs of trial production of the new product and the costs of launching it.

Who are the intended recipients of prototype relief?

The relief is intended for companies that incur costs related to the trial production and launch of new products. New products are products not previously offered on the market, which were developed as a result of research and development activities carried out by the entrepreneur.

Trial production of a new product is the technological startup stage of production, requiring no further design or engineering work. During trial production, trials and tests may be performed before mass production. This covers the period from the time the first costs associated with this stage are incurred until mass production of the new product is launched.

On the other hand, the introduction of a new product on the market includes the entrepreneur's activities undertaken to prepare the necessary documents (certificates and permits) to enable the product to go on sale. The relief will make it cheaper to produce a prototype and then put the invention into production.

How can you benefit from prototype relief?

With prototype relief, it is possible to deduct from the tax base an amount equal to 30% of the sum of the costs of trial production and the launch of a new product.

Trial production costs may include:

- the purchase price or manufacturing costs of brand-new fixed assets necessary to start trial production of a new product;
- expenditures incurred on improving property, plant and equipment in order to adapt them to the launch of trial production of a new product;
- costs of acquiring materials and raw materials purchased solely for the purpose of trial production of a new product.

In turn, the costs of launching a new product include:

- any documents required by law, the obtaining of which is a prerequisite for the release for marketing or use of a new product;
- tests of the new product's life cycle;
- environmental technology verification system.

What are the restrictions on the use of prototype relief?

The amount of the deduction under prototype relief in a tax year will be a maximum of 30% of the cost of trial production and marketing of a new product but may not exceed 10% of the income earned from sources of income other than capital gains.

The deduction is available if the costs of trial production or marketing of a new product:

- were actually incurred in the tax year for which the deduction is made;
- have not been returned to the taxpayer in any form or have not been deducted from the income tax base.

What to do to benefit from prototype relief?

Prototype relief is deducted in the return for the tax year in which the company incurred the costs of trial production or the launch of a new product. If the company's income prevents the use of the entire deduction, the deduction may be taken on the company's returns within six consecutive tax years.

Exclusions from other incentives

Entrepreneurs who enjoy exemptions as part of the Polish Investment Zone or Special Economic Zones are entitled to deduct eligible costs under prototype relief only with respect to costs that are not included in the calculation of exempted income in compliance with the above instruments.

Prototype relief is also unavailable to entrepreneurs who have opted for lump-sum taxation on corporate income.

Example

A Polish home appliance company decides to expand its product range. As part of its research and development activities, the company has developed a new model of juicer. It is not a groundbreaking solution, but prototype relief is also granted for such projects! The company has incurred costs of trial production and the launch of the new product in the amount of PLN 5 million (EUR 1.06 million). In the same year, the company's revenue amounted to PLN 10 million (EUR 2.12 million).

If the entrepreneur decides to use prototype relief, they may deduct up to 30% of the costs associated with producing and marketing the prototype. The value may not exceed 10% of income.

In view of this, the entrepreneur is entitled to a PLN 1.5 million (EUR 318.47k) deduction (PLN 5 million x 30%) (EUR 1.06 million x 30%), but they may deduct a maximum of PLN 1 million (PLN 10 million x 10%) from their income earned in a given tax year (EUR 212.31k, EUR 2.12 million x 10%).

If the company decided to benefit from the relief, it would pay:

- Tax = tax base x tax rate = (PLN 10 million - PLN 1 million) x 19% = PLN 1.71 million.

$$[(\text{EUR } 2.12 \text{ million} - \text{EUR } 212.31\text{k}) \times 19\% = \text{EUR } 363.06\text{k}]$$

If, on the other hand, the company chose not to benefit from the relief, it would pay:

- Tax = tax base (income) x tax rate = PLN 10 million x 19% = PLN 1.9 million.
(EUR 2.12 million x 19% = EUR 403.4k)

It means that the company will save PLN 190k (EUR 40.34k) after using the relief, and will also have the opportunity to offset PLN 500k (EUR 106.16) against tax over the next six years, the amount of the deduction that exceeded the income threshold.

Robotization relief

We know how important it is to build a modern and innovative economy. The introduction of robotization relief aims to encourage entrepreneurs to invest in cutting-edge solutions using Industry 4.0 technologies. In this way, automated production is profitable in two ways - you increase the innovativeness of your production, reduce its unit costs in the long run, and reduce the amount of your tax liability by taking advantage of the additional deduction from the tax base of the so-called robotic automation costs.

Who are the intended recipients of robotization relief?

Robotization relief is intended for any business, regardless of its size or the industry in which it operates.

What can you gain from robotization relief?

By claiming robotization relief, an entrepreneur may obtain an additional deduction from the tax base of deductible costs, which may amount to 50% of the so-called robotic automation costs. These include the cost of acquiring brand-new industrial robots, functionally-related machines, and peripheral equipment for industrial robots, machines, equipment, or systems for remote management, diagnosis, monitoring or servicing of industrial robots, especially sensors and cameras.

What are the restrictions on the use of robotization relief?

The robotic automation costs, on the basis of which you did not use other tax preferences, may be deducted. The additional deduction may not exceed 50% of the eligible costs associated with the robotization investment.

Exclusions from other incentives

Entrepreneurs who enjoy exemptions as part of the Polish Investment Zone or Special Economic Zones are entitled to deduct eligible costs under robotization relief only with respect to deductible costs that are not included in the calculation of exempted income in compliance with the above instruments.

Example

A limited liability company, which is a CIT taxpayer and manufactures water desalination systems, decides to expand its operations and establish a new production line in Poland. To this end, it orders robotic installation systems that support human employees. The process is highly profitable but also expensive. The cost of the installation amounts to PLN 10 million (EUR 2.12 million). The revenue in a given year was PLN 20 million (EUR 4.24 million), and the installation costs are the only deductible costs. The robotic installation is depreciated at an 18% depreciation rate (TIN 489).

If the company decided to use robotization relief, it would pay:

- Tax base = revenue - deductible expenses
- Tax base not including robotization relief = PLN 20 million - PLN 10 million (EUR 4.24 million - EUR 2.12 million)
- Additional deduction - robotic automation costs = $0.18 \times 50\% \times \text{PLN } 10 \text{ million} = \text{PLN } 0.9 \text{ million}$ ($0.18 \times 50\% \times \text{EUR } 2.12 \text{ million}$) = EUR 191.08k
- Tax = tax base x tax rate = PLN 9.1 million x 19% = **PLN 1.729 million (EUR 367.09k)**.

If, on the other hand, the company chose not to take advantage of the robotization allowance, it would pay:

- Tax base (income) = income - deductible expenses = PLN 20 million - PLN 10 million = PLN 10 million (EUR 4.24 million - EUR 2.12 million = EUR 2.12 million)
- Tax = tax base x tax rate = PLN 10 million x 19% = **PLN 1.9 million (EUR 2.12 million x 19% = EUR 403.4k)**

Thanks to this relief, the hypothetical company may save in the given case as much as **PLN 0.171 million (EUR 36.31k)**.

IP BOX

IP Box is a solution for both PIT and CIT taxpayers. It allows entrepreneurs to tax income earned from eligible intellectual property rights (eligible IP) at a reduced 5% tax rate. IP Box is a solution that supports entrepreneurs at the stage of commercialization of the results of their research and development activities.

Who are the intended recipients of IP BOX?

IP BOX is a solution designed for entrepreneurs earning income from eligible IP rights referring to:

- patent;
- protection right for a utility model;
- right in registration of an industrial design;
- right in registration of integrated circuit topography;
- supplementary protection right for a patent for a medicinal or plant protection product;
- right in registration of a medicinal product or a veterinary medicinal product that has been authorized for marketing;
- right to protect and the right to commercial use of a bred or discovered plant variety;
- copyright of a computer program,

subject to legal protection under specific legislation, whose object of protection has been produced, developed or improved by the entrepreneur in the course of their research and development activity.

The entrepreneur may also benefit from IP BOX relief if they are a co-owner or user entitled to use IP under a license agreement. In addition, due to the lengthy nature of some procedures for granting legal protection to intellectual property rights, the legislator allows the conditional use of preferential taxation on the basis of the expectancy right, i.e., already during the waiting period for the grant of legal protection for eligible IP.

What are the limitations in the use of IP BOX?

The right to apply the reduced 5% tax rate is granted to the entrepreneur only with respect to eligible income earned from eligible intellectual property rights.

The amount of eligible income from the eligible IP right is determined as the product of the income from the eligible IP right earned during the tax year and the so-called NEXUS index.

What obligations do entrepreneurs have when using IP BOX?

Among the most important obligations for entrepreneurs benefiting from IP BOX relief are record-keeping duties, which may include:

- the separation of each eligible IP right in the accounting records;
- keeping accounting records in a manner that ensures the determination of income, deductible expenses and income (loss) attributable to each eligible IP right;
- separation of costs included in the calculation of the NEXUS index, per eligible IP, in a way that ensures the determination of eligible income.

The regulations also provide for some facilitation when an entrepreneur uses several eligible IP rights and when an entrepreneur uses several eligible IP rights for several products or services.

Exclusions from other incentives

IP BOX relief may not be used by entrepreneurs who have opted for lump-sum taxation on corporate income.

Example

In 2021, a U.S. company, operating a permanent facility in Poland, conducted R&D activities involving the development of the audit and accounting system subject to legal protection in Poland. Development work on the audit and accounting system resulted in the addition of proprietary and previously non-existent features to the system. In the same year, the Polish branch of the U.S. company incurred costs related to the development of the audit and accounting system (eligible IP) totaling PLN 200k (EUR 42.46k). In 2022, the revenue from the sale of a license to use the developed audit and accounting system amounted to PLN 1.3 million (EUR 276k), while the cost of revenue from this eligible intellectual property right amounted to PLN 500k (EUR 106,16k). The taxpayer had not acquired research and development deliverables or eligible intellectual property rights. If the company had decided to use IP Box, it would have to have paid:

Income that may be taxed at the preferential 5% rate is calculated as the product of income from eligible intellectual property rights and the Nexus Index.

This indicator is calculated using the following formula:

$$(a + b) \times 1.3 / a + b + c + d$$

Individual letters in the formula denote costs incurred by the taxpayer on:

- a - research and development activities directly carried out by the taxpayer related to eligible intellectual property rights;
- b - acquisition of R&D deliverables related to eligible intellectual property rights, other than those mentioned in letter d, from a non-related entity;
- c - acquisition of R&D deliverables related to eligible intellectual property rights, other than those mentioned in letter d, from a related entity;
- d - acquisition by the taxpayer of eligible intellectual property rights.

The costs referred to in letters a – d do not include costs that are not directly related to the eligible intellectual property rights, in particular, interest, financial charges, and costs related to immovable property. On the other hand, if the value of the indicator in the formula is greater than 1, the value is assumed to be 1.

In the given circumstances, the NEXUS index will be:

- $700k \times 1.3/700k = 1.3$, so its highest possible value, i.e. 1, should be used.
- Tax base (income from eligible intellectual property rights) = revenue - expenses = PLN 1.3 million - PLN 500k = PLN 800k (EUR 276k - EUR 106.16k = EUR 169.85k)

The income that may be taxed at the 5% rate is the product of the income from the eligible intellectual property rights and the Nexus index, i.e. PLN 800k x 1 = PLN 800k. (EUR 169.85k x 1 = EUR 169.85k).

- Tax = tax base (income) x tax rate

Tax = PLN 800k x 5% = **PLN 40k** (EUR 169.85k x 5% = **EUR 8.49k**)

If the company chose not to use IP Box, it would have in 2022:

- Tax = tax base (income - expenses) x tax rate

Tax = (1.3 million - PLN 500k) x 19% = PLN 800k x 19% = **PLN 152k (EUR 32.27k)**

By using IP Box in given circumstances, the company may save up to **PLN 112k (EUR 23.78)**.

Reduce your business costs

Your company may be generating significant revenue, but it is often decreased by substantial business operating costs. A new solution that is also becoming available to foreign investors is Tax Capital Groups (TCG).

TCG will reduce many of the costs that your company would have to pay!

Tax Capital Groups (TCG)

What are tax capital groups?

Tax Capital Groups are a business model that allows a group of companies to jointly settle their income and losses. The parent company is responsible for calculating the tax and the amount of advance payments, as well as collecting and paying the tax of the entire group. In addition, transactions taking place between companies within the group are exempt from the obligation to document transfer prices. We are introducing a number of solutions for investors to make TCG even more attractive and customized.

Who are tax capital groups intended for?

A tax capital group may be formed by groups of companies whose average share capital per company is not less than PLN 250k (EUR 53,078k).

What can you gain by setting up a tax capital group?

Tax capital groups allow greater freedom to carry out transactions between related parties within the group and eliminate the obligation to prepare transfer pricing documentation.

Companies forming a tax capital group are required to conclude a written agreement on the formation of TCG without the need to execute it in the form of a notarial deed.

At the level of the tax capital group, the income and losses of companies from given sources of income are aggregated. If the sum of losses from a particular source exceeds the sum of TCG income from that source, it is possible to deduct the loss incurred (i.e. the source of income) in the subsequent five years from the income from that source.

What are the restrictions on the use of tax capital groups?

A tax capital group may be formed only by limited liability companies, joint stock companies, or simple joint stock companies based in Poland.

The parent company must hold a direct 75 percent stake in the share capital of the subsidiaries.

Exclusions from other incentives

Tax capital groups may not benefit from the exemptions intended for income derived from business activities carried out in the Special Economic Zone on the basis of a permit and implementation of a new investment specified in the decision on granting the relief, nor may they be taxed with lump-sum corporate income tax.

Example

A United Arab Emirates airline is entering the Polish market with its subsidiaries (A, B, and C). Due to the COVID-19 pandemic, only A managed to make a profit (PLN 1 million, EUR 212.31k), while B and C recorded losses of PLN 300k and PLN 400k, respectively (EUR 63.69k and EUR 84.92k).

If the companies were affiliated as part of a tax capital group, they would pay:

- Tax = tax base (income A - loss B and C) x tax rate
- Tax = (PLN 1 million - PLN 300k - PLN 400k) x 19% = PLN 300k x 19% = **PLN 57k (EUR 12.1k)**

If, on the other hand, the companies were not affiliated as part of a tax capital group, they would pay in total:

- Tax = tax base (income) x tax rate
- Only company A made a profit.
- Tax = PLN 1 million x 19% = **PLN 190k (EUR 212.31k x 19% = EUR 40.34k)**

On the basis of the facts given, as much as **PLN 133k (EUR 28.24k)** would be saved within the group of companies.

VAT groups¹

What is a VAT group?

Thanks to the new solution, entrepreneurs will be able to create a VAT group. Such a group will be treated as a single taxpayer for VAT purposes. As a result, businesses in a VAT group will not pay VAT on transactions between themselves. The obligation to pay tax will arise only in the case of transactions with entities outside the group.

Who is the VAT group intended for?

A VAT group may be formed by domestic entities and Polish branches of foreign entities that are VAT payers. The solution is open to any legal form, including small and medium-sized businesses.

How can you benefit from a VAT group?

- No VAT taxation on intra-group transactions,
- reduced accounting obligations for activities between VAT group taxpayers,
- exclusion of the split payment mechanism for intra-group transactions.

¹ According to the Act on Amending Certain Laws to Automate the Handling of Certain Matters by the National Tax Administration, taxpayers will be able to form a VAT Group as of 1 January 2023.

What are the restrictions on the use of VAT groups?

For the purpose of financial links, entities that want to form a VAT group must be financially, economically and organizationally tied, in which case taxpayers are considered related:

- financially, if one of the taxpayers that is a member of the VAT group directly holds more than 50% of the capital, voting rights, or share in the profit of each of the other taxpayers that are members of the group,
- economically, if they are engaged in identical activities, the types of activities conducted are complementary and interdependent, or members of the VAT group benefit from each other's activities,
- organizationally, if they are under common management (even indirectly) or organize their activities completely or partially in concert.

The operation period of a VAT group must not be shorter than three years.

A given entity may be a member of only one VAT group.

Exclusions from other incentives

VAT groups do not limit the use of other solutions specified in the VAT Act.

Example

Facts:

- A company from Brazil is opening a branch in Poland (Branch A). In the Polish market, it is affiliated with Polish company B. These entities may form a VAT group, so that branch A (in this case, only a branch of the Brazilian company may enter the VAT group) and company B will be a single taxpayer for VAT purposes.
- Branch A purchased goods from Company B for a gross amount of PLN 123k (23% VAT) and services for a gross amount of PLN 246k from another company.
- Company B, on the other hand, purchased services for a gross amount of PLN 246k (23% VAT) from Branch A and goods for a gross amount of PLN 738k from another company.
- In addition, as part of its operations, Branch A sold to the customer a total of PLN 615k gross (23% VAT), while Company B sold PLN 492k gross (23% VAT).

Group settlement:

- Within the VAT group, branch A and company B would settle as a single VAT taxpayer, so the amount of output VAT would be the result of the taxation of the services sold to customers by both entities - PLN 207k (PLN 115k + PLN 92k), whereas input VAT would result from the tax on goods and services purchased by both entities from other companies, i.e. PLN 184k (PLN 46k + PLN 138k).
- As a result, the liability of the VAT group would be PLN 23k [PLN 207k (output tax) - PLN 184k (input tax)]

Separate settlement:

- If these entities did not form a VAT group, Branch A would have PLN 161k (PLN 115k + PLN 46k) of output VAT and PLN 69k (PLN 46k + PLN 23k) of input VAT.
- On the other hand, Company B would pay PLN 115k (PLN 92k + PLN 23k) of output VAT and PLN 184k (PLN 46k + PLN 138k) of input VAT.
- As a result, the liability of branch A would amount to PLN 92k (PLN 161k [output tax] - PLN 69k [input tax]).
- On the other hand, in Company B, there would be an excess of input tax over output tax of PLN 69k (PLN 115k [output tax] - PLN 184k [input tax]).

Conclusions:

- A separate VAT treatment would involve both the need to document each intra-group transaction (which, in fact, would be much more complex than in the model example) and to settle with the tax authorities separately by each entity.
- Additionally, in the case of group settlement, the amount of PLN 23k must be paid to the tax office.
- On the other hand, in the case of a separate settlement, branch A would pay PLN 92k to the tax authority, whereas company B would not be able to dispose of the amount of excess input tax over output tax on an ongoing basis, i.e. PLN 69k, as this amount would either be carried over for settlement in the next settlement period, or company B would have to wait for reimbursement of this amount from the tax authority.
- Hence, the use of a VAT group, as illustrated in the above example, may result in a significant increase in the number of funds available on an ongoing basis to those who may use such a source of support.

Use Poland as your springboard to European markets

The cumulative value of Polish direct investments abroad in 2019 was PLN 96.5 billion (EUR 20,48 billion). We care about your growth and want to provide you with the possibility of offering your products or services to the widest possible range of recipients. The following regulation will significantly **reduce costs**, which may pose a challenge in conquering new markets and expanding in the Polish market.

Expansion relief

What is expansion relief?

Expansion relief provides an additional deduction from the tax base for the costs an entrepreneur has incurred to expand their markets. These are the costs incurred to increase revenue from the sale of products produced by the entrepreneur.

The costs incurred to increase revenue from the sale of products are considered the costs of:

- participating in a trade fair incurred for the purpose of organizing the exhibition venue, purchasing airline tickets, paying for accommodation and meals for employees and the taxpayer;
- promotional and informational activities, including: the purchase of advertising space, design of a website, press publications of brochures, informational catalogs, and product leaflets;
- adaptation of product packaging to the requirements of contractors;
- preparation of documentation to enable the sale of products, in particular, regarding the certification of goods and registration of trademarks;
- preparation of the documentation necessary to proceed with the bidding process and to submit bids to other entities.

Who are the intended recipients of the relief?

Foreign expansion relief is available to CIT taxpayers earning income other than capital gains income and PIT taxpayers engaged in non-agricultural business activities.

Conditions and restrictions relating to the use of the relief

An entrepreneur may benefit from the relief provided that, within the next two tax years, counting from the year in which they incurred the costs of increasing revenue from the sale of products, there has been:

- an increase in revenue from the sale of these products compared to the revenue in the year before these costs were incurred, or
- revenue from the sale of products not previously offered or
- revenue from the sale of products not previously offered in a given country.

A maximum of PLN 1 million (EUR 212,3k) of deductible expenses for expansion may be deducted in a tax year.

An entrepreneur may deduct the relief in their tax return for the tax year in which they incurred the costs to increase revenue from product sales.

If the entrepreneur incurred a loss in a given year or the amount of their income is less than the amount of deductions to which they are entitled, the entrepreneur is obliged to make either a deduction in the whole amount or in the remaining part of the total, respectively - in their tax returns for the following six tax years immediately following the year in which the entrepreneur benefited or was entitled to benefit from the deduction.

Exclusions from other incentives

None.

Example

A Polish company, which produces high-quality dietary supplements, is planning to expand its operations across the Middle East, where the products they offer are unavailable on local markets. In a given year, the company recorded PLN 5 million (EUR 1.06 million) in revenue and PLN 2 million (EUR 424.62k) in expenses. As part of these costs, a significant portion (PLN 900k, EUR 191.08k) was spent on marketing activities (including participation in local fairs, design of a professional website, purchase of advertising time on foreign television) and adapting products to local market realities (including preparing new packaging, certifying goods and registering trademarks). Thanks to these measures, in the following tax year, the company generated revenue from the sale of products not previously offered in Middle Eastern countries.

If the company decided to benefit from the relief, it would pay:

- Tax = tax base (revenue - costs - costs allocated to expansion) x tax rate
- Tax = (PLN 5 million - PLN 2 million - PLN 900k) = PLN 2.1 million x 19% =

PLN 399k

(EUR 1.06 million - EUR 424.63 million - EUR 191.08k = EUR 445.86k x 19% =

EUR 84.71k)

If, on the other hand, the company chose not to benefit from the relief, it would pay:

- Tax = tax base (income - expenses) x tax rate
- Tax = (PLN 5 million - PLN 2 million) x 19% = PLN 3 million x 19% = **PLN 570k**
(EUR 1.06 million - EUR 424.62k) x 19% = EUR 0.63 million x 19% = **EUR 121,02k**

By benefiting from the relief in the given circumstances, the company may save as much as PLN 171k (EUR 36.3k).

Where to look for support for your investment?

The Polish Investment and Trade Agency is a company within the Polish Development Fund and the first point of contact for exporters and investors. The mission of the Agency is to increase the inflow of foreign direct investment into the country and to expand the scope and dynamics of the internationalization of Polish enterprises, implemented through the activities of both the Head Office and the Foreign Trade Offices.

The Polish Investment and Trade Agency offers access to comprehensive information on the economic and legal environment as well as supports entrepreneurs in complying with administrative procedures for specific projects and in developing legal solutions, finding a suitable location, and finding reliable partners and suppliers. Its role is also to support companies in accessing financial instruments, including insurance options offered by institutions affiliated with the Polish Development Fund Group.

- The support provided by the Polish Investment and Trade Agency consists of three key pillars:
- Support of Polish exports with a special focus on small and medium-sized enterprises (SMEs).
- Cooperation with public administration and business environment institutions in the implementation of joint projects.
- Increase of the inflow of investment to Poland and the support of Polish enterprises planning direct investment at home and abroad.

Key services of the Polish Investment and Trade Agency:

Export consulting:

- export potential analysis,
- preparation of information packages,
- development of an expansion strategy in selected markets,
- development of lists of business partners,
- verification of business partners,
- organization of B2B meetings,
- organization of business missions,
- provision of support in dealing with the administration,
- training organization.

Investment advisory:

- preparation of information packages,
- preparation of information on investment incentives,
- preparation of investment property offers,
- property audits,
- location consulting,
- organization of B2B meetings,
- provision of support in dealing with the administration,
- training organization.

For more information, visit paih.gov.pl/en



Note: the information presented in the document does not constitute any interpretation of the law, legal opinion or advice and is intended for informational purposes only. For more information, use the National Tax Information hotline:

phone **801 055 055** (for calls from landlines)

phone **22 330 03 30** (for calls from cell phones)

phone **+48 22 330 03 30** (for calls from abroad)

Detailed information is available at:

<https://www.podatki.gov.pl/skontaktuj-sie-z-nami/telefon-do-konsultanta/>



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