

R&D tax allowance

New terms for supporting the innovation

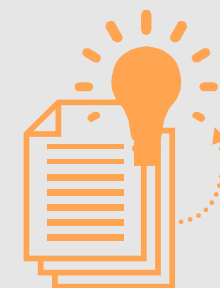


February 2017

R&D Tax Allowance in short

Starting Jan 1, 2016 a new opportunity for the entrepreneurs has been introduced, allowing for additional deduction of the research and development-related activities expenditures from the tax base – the, so called, **Research and Development Allowance (R&D Allowance)**.

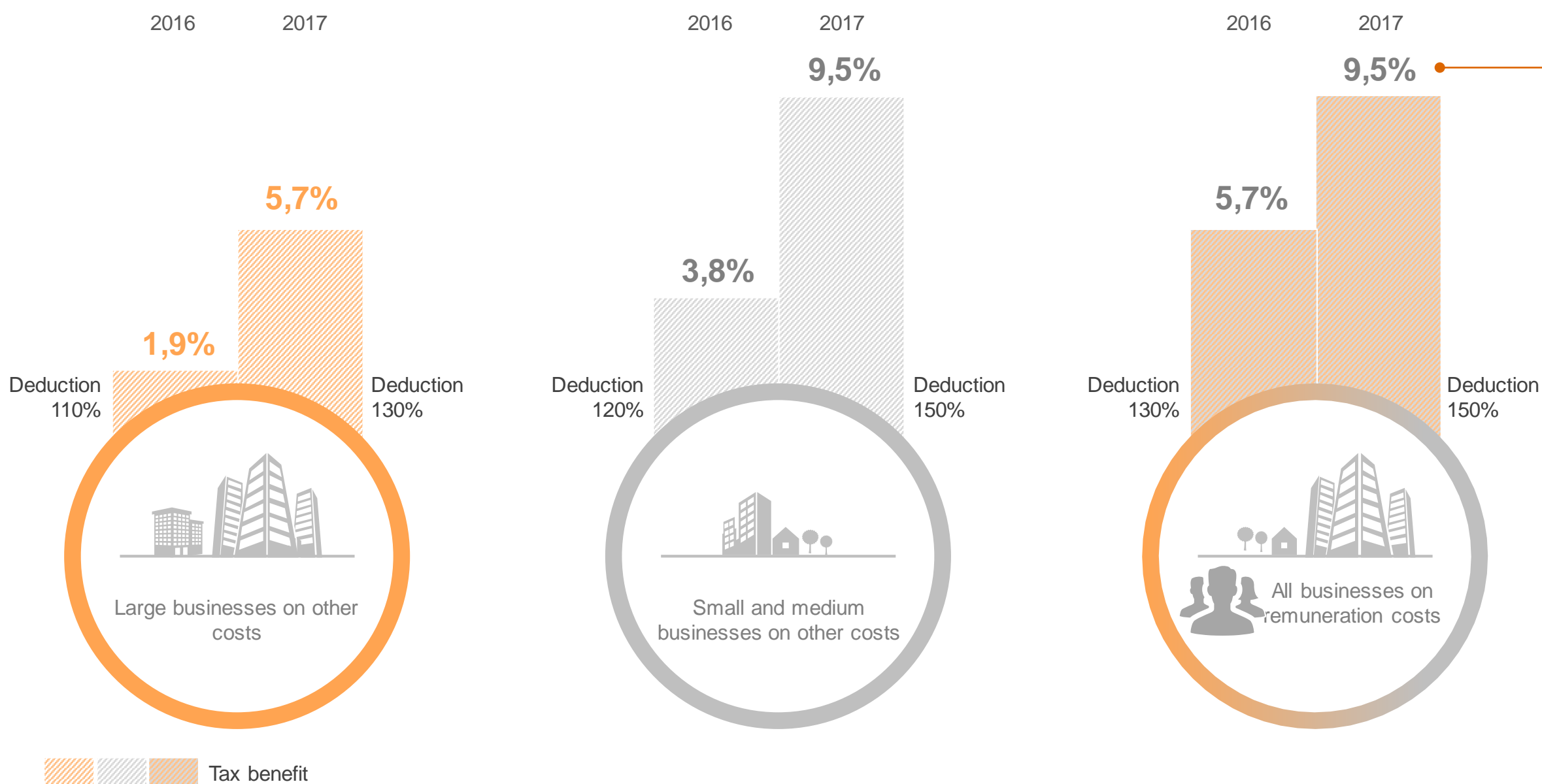
The Allowance enables for **achievement of a real financial benefits for all the entrepreneurs leading research and development works, regardless of the industry they operate in.**



Research and development - definition

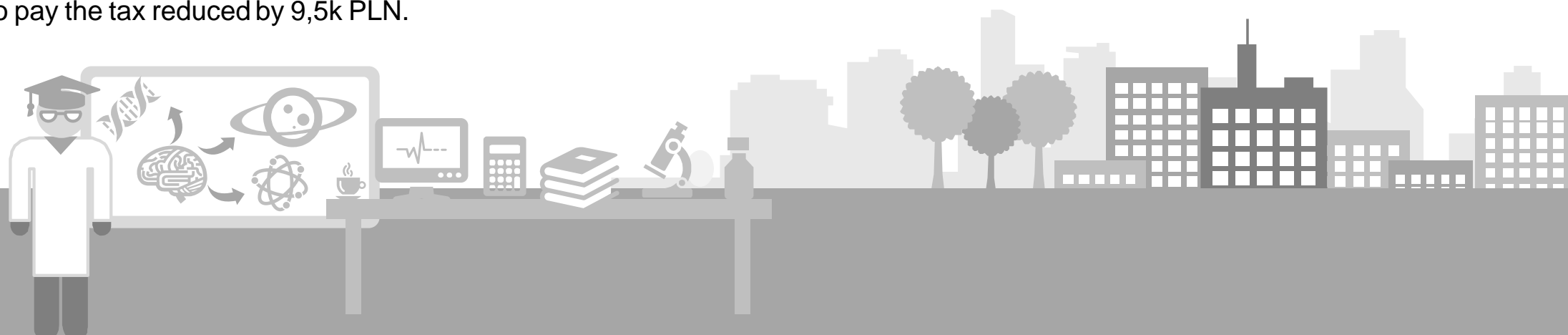
The condition an entrepreneur needs to fulfill in order to take advantage of the R&D Tax Allowance is incurring the expenditures which meet the definition of the research and development works.

Research and development activities are defined as creative activities including scientific research or development works, undertaken systematically, in order to expand the knowledge and make use of it with the purpose of developing its' new applications.



Benefit as a % of the R&D costs incurred which is returned to the company as the unpaid tax

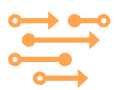
For instance: employer incurring the 100k PLN remuneration costs on R&D personel in 2017, after utilizing the R&D Allowance will have to pay the tax reduced by 9,5k PLN.



The key points related to the utilization of the R&D Tax Allowance:



The Allowance enables for qualifying the **projects that are currently in progress – e.g. projects that started in the past years**



The Allowance **does not require keeping the record with respect to the projects**, but with respect to the types of costs only



The result of the research conducted does not matter



The act does not limit the commercialization methods and the utilization of the R&D works results. Those can therefore be used in the company's own activities, as well as can be distributed to the other entities in the group, or to the external entities.

Costs eligible for deduction:



Wages and employee contributions in the part financed by the payer, if those charges and contributions are related to the employees conducting research and development activities



Acquisition of materials and raw materials directly related to the research and development activities



Expertise, opinions, advisory and equivalent services, acquisition of R&D results performed by the scientific units, based on the contract with a research unit, for the purpose of the research and development activities



Use of the research equipment utilized exclusively in the research and development activities, on condition that the use of such an equipment is not a subject of the contract with an entity related to the taxpayer



Depreciation of fixed assets and intangible assets used in the research and development activities, excluding the cars, buildings and properties being a separate possession



Costs of obtaining patent rights for an invention, protection rights for utility model, registration of the industrial design incurred on, for example, preparation of the application documentation, conduct of the proceedings by the Patent Office or the related periodic fees

What is important, the costs returned from the different sources, such as donations or grants, as well as entities operating in the Special Economic Zones are not eligible for the Allowance.



How can we help?

R&D processes mapping

PwC experts will carry out the study, by interviews carried out according to a specific scenario, workshops with key staff from the R&D point of view and other analyses.



R&D processes mapping

R&D costs mapping and classification

On the basis of dedicated questionnaires we will specify cost centers and qualify them according to the eligible costs catalogue.



Classification of R&D costs

Tax security

In order to secure tax position we will help in submitting motions for individual tax rulings to the Minister of Finance as well as opinions of independent scientific units about the eligibility of activities as R&D, which will affect the safety of tax relief use.



Security of tax allowance eligibility

Review and changes within tax and accounting policies

According to the tax relief requirements, we will examine the condition of the existing policies and recommend necessary changes in the tax and accounting policies of the company.



Recommendations for changes in policies

Changes in the company's internal documents

Using the tax relief may require changes in the internal documents such as regulations, employment contracts, details of transfer pricing.



Recommendations for changes in documents

Separation of R&D expenses in accounting records

We will recommend the proper separation of the accounting records for R&D expenditures and implement changes to the existing accounting system. Also, we will indicate how to properly build R&D cost centers.



Implementation of changes in the accounting records

Practical Handbook

As part of our work, we can prepare a practical handbook indicating identified processes and R&D costs, rules related to the settlement of tax relief and our guidelines for further proceedings.



Practical Handbook

Audit and control of tax allowance use

We can carry out an audit of eligible costs and examine the correctness of the tax relief use. Results of our work will be presented in a report with the guidelines and recommendations of possible corrective actions.



Control report

We are ready to support you in each of those areas and to offer a comprehensive advisory services.



More information:

<http://www.pwc.pl/pl/innowacje-badania-rozwoj/nowa-ulga-podatkowa-na-badania-i-rozwoj.html>

Video on the allowance scheme (based on the data for the 2016):

<https://www.youtube.com/watch?v=lf17JSG4NUY>

R&D Tax Allowance calculator:

<http://www.pwc.pl/pl/forms/event/2015-11-17-kalkulator-b-r.html>



R&D activities mapping – what's next?

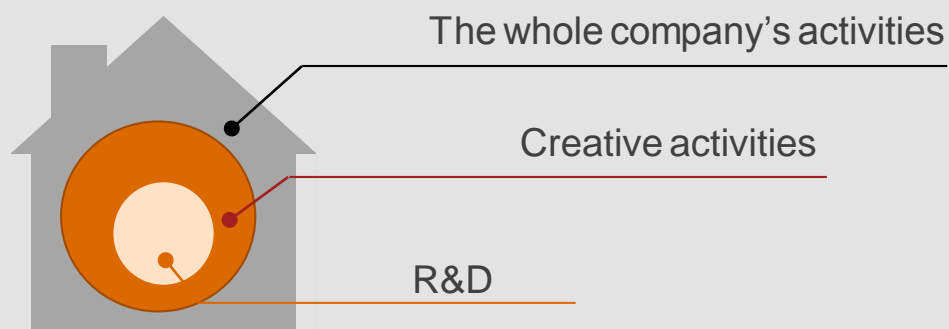
Increase in a net income of an employee at no additional costs to the employer

In case of the companies employing staff performing work of a creative nature, which may be protected by copyrights (such as analyses, opinions, regulations, memorandums, marketing materials, PC applications etc.) there is a possibility of simultaneous application of the remuneration related with the R&D activities together with the 50% costs of obtaining an income (tax deductible expenses) up to the limit of 42'764 PLN annually. It allows for reducing the employees individual tax liabilities and consequently, causes an increase in net salaries.



Benefit

Potential increase in net salaries may amount up to **14k PLN** annually



Preparing the company for utilizing the R&D Tax Allowance, as a part of our work we conduct the mapping of the company's activities in order to find the ones which are R&D-related. Our experience indicates that the R&D activities are included in the activities of a creative nature. Consequently, collected information can be used for potential solutions in the structure of the wages, increasing the net income if the employees.

How can we help?



As a part of the R&D activities mapping, we develop the recommendations for the implementation of a R&D Tax Allowance and employment structure with a 50% deductible costs.



We conduct individual meetings with selected creative staff in order to determine the nature of their activities and the types of deliverables created by them (including the analysis of their exemplary work).



We prepare recommendations concerned with possibilities of implementing the employment structure based on the copyrights transfer for the creative employees, together with an indication of the possible percentage



The effect: Increase of the net salary of creative employees without any additional costs.



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