

NEW BILL ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Ministry of Science and Tertiary Education have published a legislative proposal to amend certain acts regulating the framework for the conduct of innovative activities.

Among other things, the proposed bill contemplates new privileges for corporate and personal income tax payers who are engaged in R&D. Some of the proposals are listed below:

- Contributions of intellectual or industrial property as equity capital to companies will not be taxed (the bill proposes to repeal the PIT Act and CIT Act provisions under which the nominal value of shares taken in a company in exchange for non-cash contribution of commercialised intellectual property is treated as taxable income).
- The list of eligible costs will include a new item: costs to register a patent, utility model or industrial design.
- The limits for eligible costs that are deductible will be increased to reach:
 - for micro-enterprises and SMEs: 50% of all eligible costs,
 - for large enterprises: 50% of personnel costs and 30% of other eligible costs.
- The time for taxpayers to utilize the relief will be extended from 3 to 6 years.
- Cash refund in place of 6-year carry-forward; this alternative solution, which is proposed to apply if elected by the taxpayer, will be available for start-ups which do not have sufficient income to fully utilize the relief under the current rules.
- Preference for taxpayers who systematically increase their R&D expenses (a bonus deduction for the fourth tax year in which the relief is utilized).

The changes are expected to become effective on 1 January 2017. The bill is currently at the stage of intra-cabinet consultations and has not been transmitted to the Parliament yet. We will keep you up-to-date on the developments of the legislative process.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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