



## Changes to new investment support rules

### More details regarding support system to replace special economic zones

The draft Act on Support for New Investments has entered the next phase. On 26 February 2018 it was passed to parliament and 20 March 2018 saw the first reading. On 11 and 12 April, the draft was examined by an extraordinary subcommittee. Work on the new provisions is expected to end in the second quarter of this year.

A draft of the Council of Ministers Regulation on State Aid for Undertakings in investment areas was attached to the draft Act. Although this is not the final version of the Regulation, it shows at least the direction of the solutions planned by the Minister of Enterprise and Technology and can already be an indication for future investors.

### No change to some rules

Some of the solutions will not change. Support for investors will take the form of tax exemptions. As previously, aid will be granted for new investment costs or creation of new jobs. The eligible costs system will also remain the same.

### Quantity criteria – required size of investment and amount of support

As they have done to date, investors will need to incur a certain minimum level of investment costs. However, costs will now be dependent on the level of unemployment in the area where the investment is to be carried out. The higher the unemployment rate in a province, the lower the level of investment costs to be incurred. For example, in a province where the unemployment rate is 60% or less of the national average unemployment rate, minimum investment cost is PLN 100 million, while in a province in which the unemployment rate is over 250% of the national average unemployment rate, the investor will only have to spend PLN 10 million.

Additionally, minimum costs can be reduced in certain cases. The reduction will depend on the size of the enterprise carrying out the investment and the investment type (investment in innovative business services or R&D).

Aid intensity will also depend on the unemployment rate in the province in which the investment is to be carried out. The general rule is that the higher the unemployment rate in a province, the higher the aid intensity. Maximum aid intensity is to result from the regional aid map, but the draft Regulation indicates that the maximum level may in many cases be reduced by 5%, though reports say that the Minister is planning to change these rules and set admissible aid at the level from the regional aid map.

## Quality criteria

Investments also have to meet quality criteria, for which points will be awarded (one point for each criterion, with a maximum of ten points for all criteria). The required level will be at least 60% (with exceptions, depending on location and the aid intensity in the area).

The criteria listed in the draft Regulation are, e.g. creating highly paid/specialized jobs and offering stable employment, investing in sector support service projects in line with current domestic development policy in which Poland could gain a competitive edge, setting up innovative business service centres with a range extending beyond Poland, carrying out investments in areas with high unemployment, micro, small or medium-sized enterprise status, conducting R&D, cooperating with R&D or scientific units.

## Support decision term

The support decision term will depend on the investment location and will be 10, 12 or 15 years. The general rule will be that the higher the admissible aid intensity in a region, the longer the decision term. Additionally, decisions for investments in special economic zones will be for 15 years.

To summarise, the planned mechanism uses certain solutions functioning within the current special economic zone scheme. A key change is that the territorial scope of the aid is significantly extended – income tax exemption will be available for investments throughout Poland and for introducing the investment quality criterion. Quality and quantity criteria are to be key in investments in certain under-developed areas where there are serious structural problems, especially unemployment. However, it should be remembered that comments on the new support system can also be made by the European Commission.

## Additional Instrument – Government Grants

In addition to a support system to replace special economic zones, the Minister of Enterprise and Technology is also working to update the rules for government grants under the Programme supporting investments of major importance to the Polish economy for the years 2011-2020.

Emerging information suggests that the rules in the amended Programme will be less strict than at present, e.g. requirements for minimum investment costs and staff headcounts will be relaxed. Strategic, innovative and R&D investments are also to be promoted, as are advanced shared service centres.

As with the new provisions replacing special economic zones, the Programme is expected to be published in the first half of this year. The institution engaged in implementing the Programme will still be the Polish Investment and Trade Agency.

Work on the schemes described above show that the Polish government is planning to prepare a comprehensive package of investment incentives for investors, in line with the priority directions of the country's development.

## Infrastructure & Energy Practice Experts

If you would like more information about investment incentives in Poland, please contact our team.



**Marcin Krakowiak**

Partner | Head of the Infrastructure & Energy Practice

E: [marcin.krakowiak@dzp.pl](mailto:marcin.krakowiak@dzp.pl)

T: +48 22 557 76 83 | M: +48 660 440 330



**Anna Glapa**

Partner | Infrastructure & Energy Practice

E: [anna.glapa@dzp.pl](mailto:anna.glapa@dzp.pl)

T: +48 22 557 86 45 | M: +48 660 440 024