

CIT RELIEF FOR RESEARCH AND DEVELOPMENT



R&D allows enterprises to deduct research and development expenses from their taxable base. It is used in a wide range of industries, from IT and finance to manufacturing and processing. To qualify for the R&D relief, an enterprise must carry out research and development activities, a term currently defined very broadly by revenue authorities. Research and development does not have to be an entity's main activity or involve implementing cutting-edge innovations or breakthrough technological solutions. This may as well be, in particular, work on and improvements to the company's regular operations, developed for either internal or external purposes, and characterised by an appropriate degree of novelty and innovation.

RESEARCH AND DEVELOPMENT COSTS

To enjoy the relief, an enterprise must incur R&D expenses (eligible costs). The list of eligible costs is very extensive, but it includes especially the costs of wages and salaries and the social insurance contributions paid by the employer for employees involved in R&D work. **These costs can be deducted even up to three times:** first through their standard recognition as tax-deductible expenses, and then twice (200% personnel costs) through the deduction of eligible costs in the annual tax return and effective reduction of the taxable base.

Other eligible costs include:

- acquisition of raw materials and supplies directly related to the R&D;
- acquisition of specialist equipment used directly to conduct R&D;
- costs of expert opinions and reports delivered by scientific and research institutions;
- costs of obtaining and maintaining a patent.

PROGRAMMING WORK AS R&D ACTIVITIES

The basic and most common example of research and development is programming work related to the implementation of new products or improvement of existing ones. Remuneration of programmers and IT staff, expenditure on the purchase of tangible assets (IT equipment) and acquisition of software licences are very often classified as costs eligible for the relief.

The relief is accounted for in the annual tax return. It is most effective if an entity recognises taxable income. However, entities which are less profitable or incur losses can also benefit from the R&D relief. Eligible costs are then deducted from income tax advances which the employer pays on the remuneration of the employees involved in R&D work (the so-called relief for innovative employees).

HOW CAN WE HELP?

We have assisted multiple enterprises from various industries in applying the R&D relief. We mainly support enterprises to:

- identify the areas of research and development in their business
- identify eligible costs
- apply the R&D relief
- train key employees in applying the relief
- obtain an individual advance tax ruling.

Besides examining the possibility to apply and benefit from the relief, we also specialise in reviewing our clients' existing solutions and updating the way the relief is used to bring it in line with the current practice of the courts and revenue authorities.



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