

# UTILIZING THE FULL POTENTIAL



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You do not have to own a property to benefit from support under the Polish Investment Zone scheme. A substantial proportion of business activity conducted in leased production or warehouse facilities qualifies for tax exemptions. How come a few tenants apply for tax relief then?

Established in 2018, the Polish Investment Zone (PIZ) is designed to extend tax exemptions that were once available only in Special Economic Zones (SEZ) to the whole territory of Poland, excluding Warsaw and its suburbs. With the new solution, it is PIZ authorities that decide about granting state aid or not. This mechanism replaced the former SEZ exemption schemes and will remain valid until 2026.

## INVESTOR BENEFITS

The Polish Investment Zone was introduced to attract new investors to Poland and to encourage those present in the country to reinvest. It proved at least partially successful because more than 2,500 decisions on state aid have been issued since 2018. Investors are still unaware that they can apply for state aid, but once they are better informed, the total volume of state aid may increase

markedly, translating into more investments. Despite significant changes introduced by a 2018 regulation, the prevailing belief in business circles is that the PIZ covers only designated investment areas most of which have already been developed or require higher levels of investment spend than other sites. The truth is that investors may apply for a tax exemption anywhere in the country. Tax exemptions are granted for 12-15 years, depending on investment location. This results from an amendment to the regulation which took effect in late 2023 and extended state aid for companies in many regions for two more years.

## SMALL AND LARGE

A substantial proportion of business activity conducted in leased production and warehouse facilities qualifies for tax exemptions under the PIZ scheme. Sectors ineligible for state aid include retail, hospitality, construction, and primary agricultural production. Companies applying for a CIT exemption must meet quantitative and qualitative criteria. The former concern declared capital expenditures, with thresholds varying by company size and unemployment level in an investment area. In areas with unemployment above the

national average, investors will have to commit lower expenditures.

As regards qualitative criteria, additional scores will reward investments in sustainable economic growth such as R&D activities, membership in a Key National Cluster, or having an SME status—micro, small, and medium-sized enterprises. Extra points will also be allocated to investments in social sustainability including stable employment, low environmental impact operations and collaboration with sectoral schools. Importantly, state aid conditions can be met by both small domestic companies and large corporates.

## PAY NO TAX

Another big question facing companies applying for state aid from PIZ is what types of investment and reinvestment meet the proper criteria to get tax exemption. State aid from the PIZ is available to any company undertaking investments in business development to increase and improve profitability. Such investments may include the construction of a new production plant or an extension of an existing facility, as well as

leasing production or warehouse space. Potential beneficiaries must conduct specific business as part of the planned investment. Given the business specifics of commercial buildings, most tenants certainly meet pertinent criteria.

## LEASE IS COST

How does the zone work in practice? Assume that a logistics company X plans to provide warehousing services for third parties. It needs to adjust its warehouse space to its business needs and goals. It also must buy some fixed assets necessary to provide such services. By its business strategy, the company does not invest in freehold properties but leases warehouse space. PIZ will grant X a decision on state aid once X meets the criteria. Most tenants, especially logistics providers and manufacturers, have no problem to fulfill them. It means that X may get exempted from tax on income generated from warehousing services provided in a new location. At the same time, its managers expect to have leased space tailored to the requirements of its manufacturing

plant, which is why they will choose a long-term lease deal on the BTS building. Unlike its previous property, the new facility will be able to accommodate modern machinery and new production lines. Such an investment will sig-

nificantly increase the company's manufacturing capacity, and its income will be exempt from corporate income tax.

quired documents. It will receive a decision within 14 days from filing the complete application. Tenants of production and warehouse facilities already account for a growing proportion of investment projects reviewed by the

with a new economic activity, for instance, for setting up a new company or a significant diversification of activity of an existing one. As a result, a more detailed analysis will be necessary to establish whether they are investing

their awareness, and demonstrate meaningful benefits of leasing commercial space in the context of CIT exemptions. They should let prospective tenants understand that the entire country is a special economic zone

## The entire country is a special economic zone offering state aid for leasing warehouse, logistics and production space, which may translate into substantial savings.

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### RED TAPE ASSISTANCE

It takes little time to get state aid. However, investors can count on the full support of PIZ employees. At first, PIZ managers check whether the company and its investment qualify for relief. If they do, the company is assigned a dedicated project manager who helps fill out all the re-

Pomeranian Special Economic Zone.

In the case of reinvestments by large companies in Greater Poland, Lower Silesia, and Mazovia (excluding Warsaw) more in-depth analyses are required to determine whether they are eligible for corporate income tax exemptions under the Polish Investment Zone scheme. As of the beginning of 2022, the status of these regions changed, so large enterprises qualify for regional state aid only for initial investments connected

there in launching new business operations.

### CONCLUSIONS

It has been six years since the extension of the Polish Investment Zone took place. The zone covers nearly the entire country. With this, we need more publicity to grow the volume of investments and reinvestments in PIZ.

Manufacturing and warehouse property sectors, real estate advisers, and SEZ employees should do their best to inform companies, increase

and that state aid for leasing warehouse, logistics and production space may mean substantial savings for them.

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