



TaylorWessing

**Deductible intellectual
property costs, or how to give
an employee a raise without
increasing their salary**



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What are deductible intellectual property (IP) costs?

Deductible IP costs, also known as 50% deductible costs, are a special relief available under the personal income tax (PIT) regime for employees involved in creative activities. The law allows a 50 per cent reduction in taxable income to the extent that it is derived from the transfer of copyright in works to the employer. Importantly, there is no need to actually incur these costs.

As a result, the tax base is lower and actual net income of employees engaged in creative activities is higher without increasing the cost of remuneration for the employer. This is an excellent solution to increase employee motivation without incurring the cost of remuneration increases on the company's balance sheet.

Who can benefit from deductible IP costs?

The regulations clarify the types of activities to which deductible IP costs may apply. These include, among others, architecture, visual arts and other typically artistic activities, graphic arts but also the creation of computer programmes and research and development activities, including the creation of new products, services and processes.

In practice, this solution is widely used by architects, artists, journalists and other artistic professions. It is also increasingly used in the IT and new technology sector, as well as in other industries.

How to ensure employees can claim deductible IP costs?

As a first step, it is necessary to analyse the types of activity undertaken in each job and determine which of them are creative in nature. It is often found that employees perform mixed tasks. It is then important to properly determine the proportion of creative and other activities.

Subsequently, appropriate changes should be made to employment contracts, i.e:

- introducing a clause for secondary copyright acquisition by the employer,
- separating the royalties from the remuneration,
- defining the creative and non-creative duties of the employee.

In addition, an appropriate procedure for the transfer, acceptance and archiving of works made by employees should be put in place. This procedure is usually included in the copyright policy.

Such a comprehensive solution will allow you to automate the transfer of works and, at the same time, create appropriate documentation in case of, for example, questions or an audit by the tax authority.

In the case of questionable issues, it is worth considering applying for an individual tax interpretation.

How we can help you

We offer comprehensive support in the implementation of deductible IP costs:

- we will analyse the options for applying this solution in your enterprise;
- we will support you in preparing the relevant amendments to your employment contracts;
- we will develop with you an internal process for the transfer, acceptance and archiving of works prepared by creative employees, including the preparation of a royalties policy;
- we will carry out training for employees and recommend an effective internal communication model to ensure uniform application of this solution within the company;
- we will prepare requests for tax interpretations if there are issues to be confirmed with the tax authorities.

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