



# 50% tax deductible costs for the IT industry

## Higher net remuneration for employees with no increase in costs on the employer's part!

Employees are entitled to 50% tax deductible expenses for the use or disposal of copyrights. For example, **programmers or developers of computer games and applications** may benefit from increased copyright costs. This tax preference makes it possible to offer a more attractive compensation scheme to employees/creators, which in practice translates into the latter earning a higher net salary.

## Conditions necessary to benefit from 50% tax deductible costs

- Copyrighted work (e.g., a computer program) is created as part of duties under an employment contract (or possibly under a civil law contract), that can be used or transferred by the author
- The employer clearly distinguishes between the programmer's royalty (where the increased 50% tax deductible cost for authors applies) and other components of the remuneration
- Appropriate documentation is kept to confirm, among other things, the creation of the work, as well as the receipt by the employee of income from copyright or from the disposal of such rights and its amount

## 50% of tax-deductible costs for authors. What needs to be taken care of?



Relevant provisions in the employment contract addressing the transfer of copyrights between the programmer and the employer



Keeping a record of works created, confirming, among other things, the moment of transfer of author's economic rights



Separate and specified author's royalty



Controlling the limit on increased tax deductible costs for authors



Properly determined amount of royalties based on current judicial decisions and tax authorities' positions, including the general interpretation issued in 2020



A Baker Tilly  
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# The limit of tax deductible costs for authors

- The amount of increased tax deductible expenses is limited
- 50% tax deductible costs may not exceed the amount of PLN 120,000 in the tax year (the preference does not apply to the excess) – this corresponds to income of about **PLN 270,000** a year

# Royalty amount

- Selecting the appropriate method for calculating the royalty is critical
- The royalty fee must be connected to a specific work (or works of a specific type)

## How to apply this in practice?

### Stage 1: Analyze

Determine whether the employee creates works subject to copyright as part of his or her duties, and whether the employee makes use or transfers the copyright as part of the employment relationship

### Stage 2: Update the documents and determine the royalty fee

In the case of programmers who create computer programs, update the relevant provisions of the employment contract > separate the royalty fee and choose a method for determining its amount,

### Stage 3: Settle tax

Calculate the amount of the employee's income taking into account 50% tax deductible cost for authors > collect advance income tax payment at a rate lower than before > pay a higher remuneration to the employee

### Stage 4: Monitor

Keep records of how you apply increased copyright costs to employees on an ongoing and continuous basis > control the limit on increased copyright costs

## CONTACT

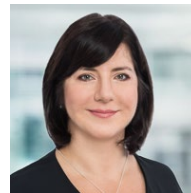
Should you be interested in and are looking for support in the above topic, please feel free to contact us. Our experts will provide support in the implementation of this tax preference in your company.



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