

Regional investment aid in Poland and Czechia

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Abstract: The European Commission aims to ensure the transparency of aid granted by individual member states, and the simplest and most transparent instrument of support, next to grants, are tax relief. In both Czechia and Poland, investment incentives for new investments include regional aid in the form of tax relief in income tax – this includes income tax exemptions in Poland, and income tax relief in Czechia, as well as property tax exemptions in both countries. The purpose of this article is to compare the scope and conditions for receiving regional investment aid by entrepreneurs in these countries.

The adopted research methodology is based on analysis of legislation in force with a reference to views expressed by legal commentators.

1. Regional investment aid- sources of law in the European Union

First of all, it should be pointed out that the European Union (EU) has the exclusive power to determine conditions for the implementation of state aid, and its control. The European Commission, as a supranational body supervises state aid granted by Member States, upholding the interest of the European Union as a community¹. Accordingly, at the level of EU law, there is a significant number of legal acts of a different nature, all regulating

¹ Bartłomiej Kurcz, “Komentarz do art. 107,” in *Traktat o funkcjonowaniu Unii Europejskiej. Komentarz. Tom II*, ed. Krystyna Kowalik-Bańczyk, Monika Szwarc-Kuczer and Andrzej Wróbel (Warszawa: Wolters Kluwer Polska, 2012), 423 ff.

state aid. However, given the nature and subject matter of this article, only the most important legal acts related to the provision of regional aid will be considered for the purposes of below analysis.

The most important and basic act regulating the issue of state aid is the Treaty on the Functioning of the European Union², where from Article 107 (1) a general prohibition of state aid can be directly derived. At the same time, Article 107 (2) and (3) of the Treaty indicates the conditions when state aid could be possible. In turn, Article 109 of the Treaty contains the authorization for the European Council to issue any appropriate regulations for the application of Article 107 and Article 108 of the Treaty.

As part of the implementation of the Treaty in the field of state aid, extensive executive regulations have been issued in the secondary law of the European Union, concerning the definition of forms and types of state aid, sectors of special treatment and procedures for control by the European Commission. In particular, exercising the power granted in Article 108 (4) of the Treaty, the European Commission adopted the General Block Exemption Regulation via Commission Regulation (EU) No. 651/2014 of June 17, 2014, declaring certain types of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty³, stating categories of state aid that may be exempted from notification under certain conditions. The categories of aid exempted from notification under Article 1(1)(a) of Regulation 651/2014 notably include regional aid. Regional aid is regulated in Section 1 of Chapter III of Regulation 651/2014.

It should be noted that in addition to the sources of primary law (the Treaty) and secondary law (Regulation 651/2014, issued on the basis of the Treaty), the issue of regional aid is also addressed by non-legislative acts in the field of soft-law – notably, communications of the European Commission. The first of these is the communication of the European

² The Treaty on the functioning of the European Union, Official Journal of the European Union C 326.

³ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, Official Journal of the European Union L 187/1, 26.6.2014; hereinafter: Regulation 651/2014; hereinafter: “The Treaty”.

Commission - Guidelines on regional state aid⁴. Although the Guidelines do not constitute binding law under Article 288 of the Treaty, and therefore do not have direct effect and are non-binding on Member States, they are greatly important because they contain the Commission's position on granting the regional aid. The Guidelines provides guidance to individual Member States to facilitate the preparation of aid programs that comply with EU law. Adhering to the Guidelines increases the likelihood that the Commission will declare state aid compatible with the internal EU market. In the Guidelines, the Commission defined the essential elements of regional aid, its types, conditions of admissibility or criteria for distinguishing areas in terms of permissible aid intensity. The Guidelines refer both to regional aid, which is exempted from notification to the Commission if consistent with the requirements set by Regulation 651/2014, and to aid requiring approval of the Commission, e.g. due to the higher value of the aid.

The European Commission also published horizontal communication, which does not apply only to regional aid, but to any type of state aid. This is the Commission's notice on the concept of state aid within the meaning of Article 107(1) of the Treaty, aimed to allow for an easier and more consistent application of the concept throughout the European Union. In this notice on the concept of state aid the European Commission stressed that this clarification was based on the jurisprudence of the EU courts, which is always a fundamental point of reference in the interpretation of the Treaty. In principle, the Commission is bound by the communications it issues when discussing state aid supervision, as long as they do not deviate from the standards of the Treaty and to the extent that they are accepted by the Member States⁵.

The presence of numerous regulations of different nature creates a comprehensive, but complex legal framework for regional aid. However, if the same scope of substantive matter has been regulated differently

⁴ Communication from the Commission Guidelines on regional State aid (2021/C 153/01), Official Journal of the European Union C 153/1, 29.4.2021.

⁵ Igor Postuła, Aleksander Werner, *Prawo pomocy publicznej* (Warszawa: LexisNexis, 2008), 115.

under the Commission's communications and Regulation 651/2014, priority should be given to the latter.

2. Legal basis for granting tax preferences in Czechia and Poland

The act setting the direct grounds for granting regional aid for investments in Poland is the Act of May 10, 2018 on Supporting New Investments⁶. According to Article 1 of the Act on Supporting New Investments, the Act sets the general principles of providing support to entrepreneurs in new investments, the authority competent to support new investments, its scope of authority and mode of operation, as well as tasks of area managers responsible for supporting investors. Also, the executive regulations implemented on the basis of this Act will be of utmost importance, notably the Ordinance of the Council of Ministers of August 28, 2018 on public aid granted to certain entrepreneurs for the realization of new investments⁷, which determines, among other things, the conditions for granting public aid, and the Ordinance of the Council of Ministers of December 14, 2021 on the determination of the regional aid map for 2022–2027⁸.

At the same time, entrepreneurs implementing a new investment can take advantage of real estate tax exemption, but this depends on independent resolutions of the authorities of individual local government units (municipal councils) adopted under Article 7 paragraph 3 of the Act on Local Taxes and Fees⁹.

The act setting the general rules for investment incentives in Czechia is Act No. 72/2000 Coll., on Investment Incentives and on Amendments to Certain Acts (Investment Incentives Act), as amended by Act No. 450/2020 Coll. This Act sets the procedure to be followed in the granting of investment incentives, and the exercise of related state administration in order to

⁶ Act on Supporting New Investments of 10 May 2018, Journal Laws 2020, item 1752, as amended.

⁷ Ordinance of the Council of Ministers of 28 August 2018 on public aid granted to certain entrepreneurs for the realization of new investments, Journal of Laws 2018, item 1713, as amended.

⁸ Ordinance of the Council of Ministers of 14 December 2021 on the establishment of the regional aid map for 2022–2027, Journal of Laws 2021 item 2422, as amended.

⁹ Act on Local Taxes and Duties Act of 12 January 1991, Journal of Laws 2019 item 1170, as amended.

promote the economic development and employment creation in Czechia. Then, Regulation No. 428/2021 Coll., of the Government of Czechia, on the Permissible Level of Public Aid in the Cohesion Regions of Czechia¹⁰ sets forth the permissible aid intensity for individual regions.

Legal basis for Property tax exemption for a period of five years in special industrial zones is Act on Real Estate Tax, No. 338/1992 Coll., as amended by subsequent acts.

3. Definition of the regional state aid

As indicated by Katarzyna Pamuła-Wróbel and Beata Grzegorzewska¹¹, state aid is an action of the state aimed at realization of a specific economic intention, and by this objective, state aid can be divided into: regional aid, sectoral aid¹² and horizontal aid¹³. Given the focus of this article, the definition of one of the types of state aid is particularly important, which is state (regional) aid. Characteristic to the regional aid is that it is closely linked to the fact that the beneficiary conducts economic activity in a particular area (region), which in turn allows for targeted and localized increases in economic effectiveness and boosts growth.

In formulating the definition of regional aid, it should be noted that recital 31 of Regulation 651/2014 states that regional aid promotes the economic, social and territorial cohesion of Member States and the European Union as a whole, and aims to assist the development of disadvantaged areas by supporting investments and job creation in the context of sustainable development. Thus, the objective of regional aid is to reduce the disparities in socio-economic development between the various regions of the European Union by supporting the least economically developed regions. By

¹⁰ Regulation No. 428/2021 Coll., of the Government of Czechia, on the Permissible Level of Public Aid in the Cohesion Regions of Czechia.

¹¹ Katarzyna Pamuła-Wróbel and Beata Grzegorzewska, “Podstawowe pojęcia i system źródeł prawa pomocy publicznej,” in *Pomoc publiczna dla przedsiębiorców. Wybrane zagadnienia*, ed. Adam A. Ambroziak, Katarzyna Pamuła-Wróbel, Robert Zenc (Warszawa: Wolters Kluwer Polska, 2020), 31.

¹² The granting of sectoral aid is dependent on the beneficiary’s activity in a specific field or industry.

¹³ Horizontal aid is directed to all entrepreneurs, regardless of the area in which they conduct business and the field of their activities.

reducing disparities in the level of development of individual EU regions, EU economic and social cohesion is achieved. By targeting regional aid toward the least developed (most disadvantaged) regions in the EU, the impact on trade and competition is minimized. The main objective of regional aid is to promote the investments in regions where the level of economic development is below a certain EU average.

The aforementioned Guidelines on regional state aid indicate that the main objective of state aid control in respect of regional aid is to ensure that the aid intended to contribute to regional development and territorial cohesion does not adversely affect the terms of trade between Member States.

Out of the 15 aid categories it is regional investment aid that is one of the most relevant in all of the Visegrad countries and preserved its dominant role as of 2009 to 2016: on average with a relative share of 48% in Czechia and 21% in Poland respectively. As regards the forms of aid, the most typical is absolutely the cash grant in these countries, with a share of over 70% among the aid instruments on average followed by tax benefits (deferral, reduction or even exemption) with a share of around 20%. The other forms of aid (equity participation, guarantee, soft loan) are less significant. The dominance of cash grants and tax benefits in Poland and Czechia is not unique – it fits the European trend with similar proportions¹⁴.

4. Rules for granting public aid- Poland and Czechia

A necessary condition for granting support is that the entrepreneur makes a new investment, i.e. an investment in tangible or intangible assets, in the territory of Czechia or the Republic of Poland respectively.

Regional investment aid in the form of exemption or relief from income tax may be granted in the entire territory of Poland and, respectively, Czechia. At the same time, the conditions for these tax preferences vary between both countries and their regions, depending on how certain areas of the country are classified. Areas eligible for regional aid and defined in the regional aid map in accordance with Article 107(3)(a) of the Treaty,

¹⁴ Gábor Potvorszki, “State Aid in the Visegrad Countries: Similarities and Differences,” *Club of Economics in Miskolc*, TMP 14, no. 2(2018): 65,67, <http://dx.doi.org/10.18096/TMP.2018.02.05>.

usually referred to as ‘a’ areas, are usually those which are considered as the most disadvantaged in the EU in terms of economic development and are the regions with the greatest needs. Areas defined in the regional aid map under Article 107(3)(c) of the Treaty, usually referred to as ‘c’ areas, are also disadvantaged, but to a lesser extent. The division of regions is due to the fact that regional investment aid can only play an effective role if it is used sparingly and proportionately and is concentrated on the most disadvantaged regions of the European Union. In particular, the permissible aid ceilings should reflect the relative seriousness of the problems affecting the development of the regions concerned¹⁵.

According to Annex I, Regional aid coverage 2022–2027 by Member States to the Regional State Aid Guidelines, the following areas of Poland are “a” areas: małopolskie, śląskie, zachodniopomorskie, lubuskie, opolskie, kujawsko-pomorskie, warmińsko-mazurskie, pomorskie, łódzkie, świętokrzyskie, lubelskie, podkarpackie, podlaskie and the Mazowieckie regional region. In Czechia, on the other hand, Severozápad, Severovýchod, Střední Morava and Moravskoslezsko were classified as ‘a’ areas. The Wielkopolskie and Dolnośląskie voivodships in Poland, as well as Střední Čechy, Jihozápad and Jihovýchod have been preliminarily defined as “c” areas (former “a” areas) due to positive economic developments.

The difference in investment conditions is that in ‘c’ areas, compared to ‘a’ areas, the situation of large enterprises changes, as these can only receive public aid after prior notification to the European Commission, unless they start a new economic activity in the area as part of a new investment. The assessment is made on the basis of the NACE classification at the 4-digit level of the NACE code¹⁶. This is because large enterprises are less

¹⁵ Magdalena Kogut-Jaworska, “Regional Aid and its Importance in the Context of Total Public Aid in the European Union,” in *Proceedings of the international scientific conference Hradec Economic Days 2019 part I*, ed. Petra Maresova, Pavel Jedlicka, Ivan Soukal (Hradec: University of Hradec Kralove, 2019), accessed August 9, 2022, <https://digilib.uhk.cz/bitstream/handle/20.500.12603/119/KOGUT-JAWORSKA.pdf?sequence=1&isAllowed=y>.

¹⁶ Article 2(50) of Regulation 651/2014 provides a definition of the term “same or similar activity” as an activity falling within the same class (designated by a four-digit numerical code) of the statistical classification of economic activities NACE Rev. 2, as defined in Regulation (EC) No. 1893/2006 of the European Parliament and the Council of December 20, 2006 on the statistical classification of economic activities NACE Rev. 2 and amending Council Regulation (EEC) No. 3037/90 and certain EU regulations on specific statistical domains.

affected by regional restrictions than a small or medium-sized enterprises when investing in an area that fulfils the conditions of Article 107(3)(c) of the Treaty. Large enterprises operating in the Wielkopolskie and Dolnośląskie voivodships and the Střední Čechy, Jihozápad and Jihovýchod regions will not be able to receive support for new investments which consist of, among other things, increasing the production capacity of an existing establishment or fundamentally changing its production process.

New investment in both countries may consist in the creation of a new establishment (greenfield investment), i.e. a spatially, organizationally and functionally distinct unit, with a high degree of autonomy and above all, not reliable on the technical resources of other establishments of the enterprise¹⁷. There may be several establishments (plants) within a single enterprise, even if they are located in different places. Other cases which can be considered as new investments are investments increasing the production/service capacity of an existing establishment, diversification of the production of an establishment by introducing new products or services, or a fundamental change in the production process of an existing establishment.

In addition, in Poland, the acquisition of assets of a plant that has been closed or would have been closed if the purchase had not taken place (provided the entrepreneur acquiring the assets must not be related to the seller) can also be considered new investment. However, the mere acquisition of shares in an existing enterprise is not considered new investment.

In Poland, state aid is granted on the basis of a decision on support and takes the form of exemption from corporate or personal income tax. Regional investment aid can be granted for new investments in the industrial sector and in the service sector (with certain exemptions).

In Czechia, the investment incentive can be granted for ongoing investment projects in the industry sector of manufacturing, including strategic manufacturing investments, investments with high technological demands, or production of strategic medical products. The supported investments also include investments in technology centres (where a such centre focuses on applied research, development and innovation of technologically

¹⁷ Robert Zenc, “Regionalna pomoc inwestycyjna,” in *Pomoc publiczna dla przedsiębiorców. Wybrane zagadnienia*, ed. Adam A. Ambroziak, Katarzyna Pamuła-Wróbel, Robert Zenc (Warszawa: Wolters Kluwer Polska 2020), 156.

or otherwise advanced products, technologies and production processes, including the creation and innovation of software) and business support centres. Notably, business support centres can take the form of:

- a software development centre, focusing on the development of new software or innovation in existing software,
- a data centre, focusing on the storage, sorting and management of data,
- a repair centre, focusing on the repair of high-tech equipment, or
- a shared services centre, focusing on taking over the management, operation and administration of internal operations from a controlling or controlled person or from contractors for whom this activity is not their usual business.

In Poland, the decision on support is issued by the ‘area manager’, i.e. the manager of a given Special Economic Zone in its respective area on behalf of the Minister of Development and Technology. The decision on support is issued autonomously by the area manager, without consulting any entity. As a result, the entire procedure to receive state aid for a new investment takes 30 days, regardless of whether the investment consists of setting up a new plant or investing in an existing plant.

In Czechia, in the case of expansion of a Czech entity, the process of issuing an investment incentive decision can take about 7 months and this period can be extended to as long as 10 months if the applicant and the recipient of investment incentives are different entities. Once an application for an investment incentive decision has been submitted to the Czech Investment and Development Agency, the Agency evaluates the provided supporting documentation within 30 days before submitting it to the Ministry of Industry and Trade together with the documentation on the requested investment incentive. The application is first assessed by the Ministry of Industry and Trade, after which the Ministry of Labour and Social Affairs, the Ministry of Finance, the Ministry of Agriculture and the Ministry of the Environment examine whether the general and specific conditions for granting investment incentives could be met before issuing a binding opinion approving or opposing the granting of investment incentive. The assessments of the individual ministries can take a total of approximately 3 months. The Ministry of Industry and Trade submits a proposal for the approval of an investment incentive to the Government before issuing a decision on the offer to grant the investment incentive.

The Government then makes a decision on the Ministry's proposal for the approval of the investment incentive within 3 months.

Interestingly, in Czechia, the same application procedure applies for income tax relief, grants for the creation of new jobs, retraining and training of employees, financial assistance for the acquisition of tangible and intangible assets for a strategic investment project or when applying for the transfer of land and technical infrastructure at a reduced price, as well as when applying for exemption from property tax. This is certainly a convenience for entrepreneurs, who submit their applications to a single authority. However, due to the fact that one entity handles all the applications for investment incentives, it significantly increases the waiting time for obtaining a decision.

In Poland, if an entrepreneur is interested in obtaining a grant for creating new jobs, an investment grant or a grant for employee training, they must apply to a completely different entity, which is the Polish Investment and Trade Agency. If an investor wants to take advantage of the real estate tax exemption, then the executive authority – usually the mayor or president of the municipality where the new investment is located – is competent in this matter.

In both Poland and Czechia, the investment cannot be commenced prior to the submission of an application for a decision on support / investment incentive decision. In Poland, expenses related to the new investment which were incurred after the application for a decision on support was submitted, but before the date of obtaining the decision on support, do not constitute eligible costs of the new investment. In Czechia, all expenses incurred after the date of application are considered eligible costs of the new investment.

In Poland, the validity period of the decision on support, i.e. the period in which entrepreneurs can benefit from the income tax exemption granted to them, depends on the location of the new investment and is 15 years in areas with an aid intensity of 50%, 12 years in areas with an aid intensity of 30–40% and 10 years in areas with an aid intensity of up to 30%. In Czechia, corporate income tax relief is granted for 10 years, regardless of the aid intensity in a given region.

In Czechia, the maximum state aid for a large enterprise is set at 20–40% of eligible costs, depending on the region. In Poland, on the other hand,

the maximum aid intensity for large enterprises is set between 25–50%. In both countries, if the investment project is carried out by a small or medium-sized enterprise, the permissible state aid intensity is increased - by 20% for a small enterprise, and by 10% for a medium-sized enterprise. Differences in the intensity of available aid proves that the system of investment incentives is generally perceived as an advantage by which governments may influence the localization decisions of companies in favour of targeted regions to attract and accumulate capital in their territory to support their economic growth¹⁸.

Eligible costs in Poland as well as in Czechia can be incurred by purchase of fixed assets (e.g. land, buildings, machinery and equipment) and intangible assets (e.g. licences and know-how), or gross salaries of employees for 24 months in newly created positions. In Czechia, at least half of the assets acquired by the entrepreneur must be new (i.e. manufactured at the earliest 2 years prior to their acquisition by the entrepreneur) - this rule applies to all entrepreneurs, regardless of size. In Poland, all fixed assets acquired by a large entrepreneur must be new.

In Poland, it is necessary to meet quantitative criteria (by incurring eligible costs) and qualitative criteria. Eligible costs incurred by an entrepreneur for a new investment build up the amount of public aid available to the entrepreneur in the form of tax exemption of income gained from business activities conducted on the basis of the decision on support. The limit of the public aid available to the entrepreneur is progressively increased by subsequent expenditures incurred by the entrepreneur, constituting eligible costs of the new investment. The maximum amount of tax exemption to which an entrepreneur is entitled is, as a rule, calculated as a product of the maximum intensity of regional investment aid and the sum of eligible costs incurred by the entrepreneur.

The amount of eligible costs required to be borne by the entrepreneur depends on the size of the enterprise, the level of unemployment in the area and the industry in which the investment is made.

A large entrepreneur is required to incur minimum eligible costs, which in case of an industrial investment are between PLN 10-100 million

¹⁸ Petr Blaschke, "Investment Incentives in the Environment of the Czech Republic," *E&M Economics and Management* 25, no. 1(2022): 6, <https://doi.org/10.15240/tul/001/2022-1-001>.

(EUR ca. 2,12–21,22 million¹⁹) depending on the level of unemployment in the area. These values are reduced by 98% in the case of activities carried out by micro-entrepreneurs, by 95% in the case of activities carried out by small entrepreneurs and by 90% in the case of medium-sized entrepreneurs. In case of certain new investments in the area of business support services, eligible costs of a investment which an entrepreneur is obliged to incur are reduced by 95% for large and medium-sized entrepreneurs. This can be the case if the investment is related to software and consultancy in the field of IT and related services, data processing, hosting, financial auditing, head offices and management consultancy services, accounting, architectural and engineering services, technical testing and analysis, specialist design, environmental consultancy, call centres or repair and maintenance of computers and communication equipment.

As indicated above, entrepreneurs interested in obtaining a decision on support, in addition to quantitative criteria are also required to meet qualitative criteria. In the case of new investments in areas with an intensity of up to 30%, entrepreneurs are required to meet a minimum of 6 qualitative criteria. The minimum for an investment in regions with an intensity between 30 and 40% is 5 criteria and for an intensity of 50% - 4 criteria. There is a total of 13 qualitative criteria from which the entrepreneur can choose, which are:

1. investment regards projects supporting industries in line with the current development policy of the country or investments within sectors compliant with smart specializations of the region,
2. using the potential of human resources (e.g. professional activation by establishing a company nursery or kindergarten),
3. establishing regional links via cooperation with suppliers and cooperators as part of the implementation of a new investment,
4. robotization and automation of processes carried out as part of the new investment,
5. National Key Cluster membership status,
6. conducting research and development activity (R&D costs exceeding 1% of total costs), or employment of additional R&D employees

¹⁹ 1 PLN = 0,21 EUR

(2% of the equivalent working time of all employees is allocated to R&D works).

7. investments regards renewable energy sources,
8. status of micro, small or medium entrepreneur,
9. creation of high-paying and stable workplaces (created workplaces – except for management – require special qualifications, proven by relevant certificates or documents of authorization e.g. an university degree / vocational education; furthermore, at least 80% of staff should be employed under an employment contract)
10. focus on low environmental impact of the investment,
11. the new investment is located in certain underdeveloped areas or with high unemployment level,
12. support of employees to acquire educational and professional qualifications and cooperation with vocational schools, e.g. through:
 - incurring the costs of training or education in the amount of PLN 1,000 (ca. EUR 212) per employee per year for at least 50% of employees, or
 - conducting student apprenticeships or internships, offering pupils or students out-of-school educational activities aimed at obtaining, supplementing or improving skills and professional or general qualifications, or
 - handing over machines and tools for the needs of the school, practical training center or university, or
 - creating a patronage class or laboratory, admitting pupils or students for practical vocational training.
13. offers of benefits to employees (participation in additional health care programs, additional employee benefits in the field of various forms of recreation, cultural and educational activities, sports and recreation activities, insurance, health care programs, the costs of employee care benefits should be at least PLN 800 (ca. EUR 170) per employee per year).

In Czechia, the amount of available regional investment aid is based on the amount of eligible costs incurred by an entrepreneur up to EUR 50 million, and for the amount of eligible costs exceeding this threshold, the aid is reduced to half of the original intensity. If the investor plans to engage an even higher amount of funds, the aid is further reduced and moreover,

its availability is then subject to the approval of the European Commission. For the calculation of the available support, all investments made by related investors in one region for three years are always assessed together.

As regards investments in a manufacturing industry, manufacturing industry with high technological demands, and production of strategic medical products, the eligible costs of an investment carried out by a large entrepreneur must amount to CZK 40 million or CZK 80 million (EUR ca. 1,62–3,23 million²⁰) in assets, depending on the region. These values are reduced, and for a medium-sized entrepreneur its either CZK 20 million or CZK 40 million (EUR ca. 0,81–1,62 million), and for a small entrepreneur - CZK 10 million or CZK 20 million (EUR ca. 0,40–0,81 million).

In addition, for some regions, entrepreneurs must fulfil the added value condition. This means that the wages of at least 80% of the employees must be equal to the average gross monthly wages for the region, and at the same time: at least 10% of the employees must have a university degree, and there must be a cooperation agreement concluded with a research organization or college/university for R&D activities amounting to at least 1% of the anticipated eligible costs of the project; at least 2% of the employees must be involved in R&D activities; or the investment in assets that will be used in R&D activities must amount to at least 10% of the anticipated eligible costs.

For investments in manufacturing industry with high technological demands, there is an additional condition that the investment is carried out in one of the specified sectors of pharmaceutical products and preparations, computers, electronic and optical devices, aircraft and aircraft engines, spacecraft and related equipment, and the implementation of R&D using key enabling technologies.

For investments in the manufacturing industry, to be considered a strategic investment, the value of investment must exceed CZK 2 billion (EUR ca. 80,8 million) for all entrepreneurs (regardless of size), and include the creation of a minimum of 250 new jobs. It is also necessary to meet the condition of higher added value in more developed regions.

As regards investment in technology centres, a large entrepreneur must invest the minimum amount of CZK 10 million (EUR ca. 0,40 million) into assets, while a medium-sized entrepreneur – CZK 5 million

²⁰ 1 CZK = 0,040 EUR

(EUR ca. 0,2 million) and a small entrepreneur – CZK 2.5 million (EUR ca. 0,10 million). An additional condition is that 20 new jobs must be created by the large entrepreneur and 10 jobs by the medium and small entrepreneur. For strategic technology centres (R&D), the investment must amount to at least CZK 200 million (EUR 8,08 million) and the creation of 70 new jobs. For the creation or development of business support services centres, the key requirement is the creation of new jobs and the provision of services in at least 3 regions. If the investment is carried out by a large entrepreneur, the number of new jobs to be created is in the case of:

- software development centre - 20
- data centre - 20
- high-tech repair centre - 50
- shared-services centre - 70

If the investment is carried out by a medium-sized or small entrepreneur, the required number of jobs is halved.

For strategic high-tech repair centres, the eligible costs of the new investment must be a minimum of CZK 200 million (EUR 8,08 million) and 100 jobs must be created.

The types of qualitative criteria in Poland and the condition of higher value added in developed regions in Czechia indicate that the objective of regional investment aid in Poland and Czechia is to create new, stable, high-paying jobs for qualified employees, develop innovative technologies and increase the competitiveness of goods and services produced in these countries or regions, which has a direct impact on economic development and growth.

It is worth noting however that in Czechia, in case of investments in the service sector and in manufacturing industry for strategic investments, a minimum number of new jobs must be created by the entrepreneur. In Poland, the legislator has chosen not to be this specific, and in each sector, the creation of even two jobs is sufficient to obtain income tax exemption. Thus, in Poland, unlike in Czechia, it is not required to create a large number of new jobs to be eligible for investment incentives.

5. Conclusion

The analysis of the EU regulations relating to state aid, as well as the Guidelines on regional state aid, lead to the conclusion that both Poland and

Czechia have a system of granting regional state aid in line with the EU law. The presented support systems within the framework of regional investment aid, which consist in granting preferences in the area of taxation, constitute an important and effective tool to encourage entrepreneurs to invest in Poland and Czechia.

However, given the differences, clear advantages can be spotted. The strong suit of the Polish incentive system is the speed of the decision on support procedure, in which the decision can be obtained in 30 days compared to 7–10 months for Czechia. However, the advantage of Czech investment incentive system is the possibility to apply for tax preferences and subsidies within the same procedure, where in Poland there are three different entities responsible for granting different support instruments under their specific procedures.

Czechia has introduced investment incentives to their legal system much later than Poland, due to the Government's optimistic view about a stable currency, inexpensive and educated labour force and good infrastructure²¹.

In Poland, from 1994 until August 2018, receiving tax preferences was only possible in Special Economic Zones, which accounted for 0.07% of the country's total area. The support system organized in this way exacerbated disparities in regional development, as regions with a strong position in the country attracted the most investments due to tax preferences²². The current regulations aim at sustainable economic growth and territorially balanced development. Hence, the regulations aim to remove barriers and include regions struggling with difficulties of a restructuring and adaptation nature, medium-sized cities losing socio-economic functions and towns and villages with high unemployment in the development processes. The differentiation of investment conditions depending on the specific characteristics of the regions is intended to eliminate the socio-economic disproportions between the various areas of Poland, giving them possibly equal growth opportunities. In the future, it will be possible to even out

²¹ Claudia Guagliano, Stefano Riela, "Do Special Economic Areas Matter in Attracting FDI? Evidence from Poland, Hungary and Czech Republic," *ISLA Working Papers* 21 (2005): 9.

²² Adam A. Ambroziak, *Krajowa pomoc regionalna w specjalnych strefach ekonomicznych w Polsce* (Warszawa: Szkoła Główna Handlowa w Warszawie, 2009), 417.

the significant economic and social disproportions between the regions of Poland, thanks to the granting of state aid (which has so far only been available within the Special Economic Zones) on terms favouring the less developed regions and deepening existing differences.

Notably, the differentiation of the minimum thresholds for investments depending on the size of the enterprise, and the increase in the maximum intensity of regional aid in relation to SMEs should be regarded as a positive solution, as it evens out investment opportunities for small and medium-sized entrepreneurs.

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