

Information concerning draft resolutions of the City Council in Szczecin on approving aid programmes

1. Description of draft Szczecin Regional Programme of Investment Aid to Property Tax.

The 5 years exemption of property tax (*application should be filed by 31 December 2010 and the exemption can be utilised until 31 December 2015*) will be available to entrepreneurs making their initial investment, that is investment in physical, non-physical and legal assets related to:

- establishing a new plant
- extension of the existing plant

Physical assets include land, buildings, structures and fixed assets directly related to a plant which was closed or would be closed if it was not for the purchase of the plant. However, assets need to be purchased by an independent investor. Non-physical and legal assets are those related to the transfer of technology by purchasing patent rights, licences and know-how or non-patented technical knowledge. A precondition for the exemption is to file an application before investment starts and the investment level is:

- PLN250,000 in the case of micro-company
- PLN500,000 in the case of small company
- PLN1,500,000 in the case of medium-sized company
- PLN10,000,000 in the case of other companies

The maximum level of regional aid is 30% of eligible cost, and in the case of micro, small and medium-sized companies 50% of the cost. According to the resolution, the property tax exemption is not available for entrepreneurs with a difficult financial status and unpaid liabilities toward the City of Szczecin related to taxes and other charges, including those entrepreneurs to whom the Tax System Act does not apply.

The right to exemption is not applicable to investment involving purchase, building and extension of:

- petrol station,
- banks,
- retail facilities,
- facilities related to commercial activity of surface area exceeding 300m²,
- service stations and car showrooms, and
- buildings which whole or part of the area is designated for rent.

The exemption does not apply to aid provided in the following*:

- sectors of fisheries and aquaculture, shipbuilding, coal, iron and steel, and artificial fibre,
- activity related to primary production of agricultural produce listed in Appendix I to the Treaty establishing the European Community,
- companies in difficult situation according to the Community Guidelines on state aid to rescue and restructure companies in difficult situations,

- companies running business activity related to manufacturing and trading products imitating or supplementing milk and dairy products, referred to in Art. 3 par. 2 of Commission Regulation (EEC) no 1898/87 of 2 July 1987 on the protection of designations used in marketing of milk and milk products,
- activity related to export to third countries or Member States, in other words aid directly related to quantity of imported products, establishing and functioning a distribution network or other current expenditure related to export,
- in relation to aid depending on the use of domestic products preferred to imported goods,
- entrepreneurs involved in property rental, income from which exceeded 20% of total income last year.

The exemption applies only to property under new investment. **The level of aid under the programme cannot exceed PLN12,000,000.**

** According to guidelines on regional investment aid included in Commission Regulation (EC) no 1628/2006 of 24 October 2006 on applying Art. 87 and 88 of the Treaty in relation to regional investment aid (Journal of Laws of European Union L 302/99 of 01.11.2006)*

2. Description of draft programme for **property tax exemption under de minimis aid for employment.**

Property tax exemption for a period of 24 months (*application should be filed by 31 December 2010 and exemption utilised by 31 December 2012*) will be available to entrepreneurs creating new jobs.

A precondition for exemption is to file an application before creating new jobs and increase in employment:

- in the case of micro and small companies by at least 2 employees,
- in the case of medium-sized company by at least 5 employees,
- in the case of large company by at least 15 employees.

Additionally, an entrepreneur is obligated to maintain new jobs for a period of at least 24 months, counting from the first day of a month following the last month of the exemption. The maximum level of the aid is 50% of eligible cost, and in the case of micro, small and medium-sized companies 65% of the cost. According to the resolution, the property tax exemption is not available for entrepreneurs with a difficult financial status and unpaid liabilities toward the City of Szczecin related to taxes and other charges, including those entrepreneurs to whom the Tax System Act does not apply.

The right to exemption is not applicable to property used as:

- petrol stations,
- banks,
- large retail outlets,

The Programme will apply to aid to companies in all sectors excluding*:

- companies active in fisheries and aquaculture, covered by Council Regulation (EC) no 104/2000,

- companies involved in primary production of agricultural produce listed in Appendix I to the Treaty,
- companies dealing with processing and selling agricultural produce listed in Appendix I to the Treaty in the following cases:
 - a) when level of aid is determined on the basis of price or quantity of such products purchased from manufacturers of raw materials or placed on the market by companies covered by the aid,
 - b) when allocating the aid depends on transferring it in whole or in part to manufacturers of raw materials,
- aid allocated to activity related to export to third countries or Member States, in other words aid directly related to quantity of exported products, creating and running a distribution network or other current expenses related to export,
- aid allocated provided priority is given to domestic products in relation to products imported,
- aid to companies in the coal sector according to the definition included in Regulation (EC) no 1407/2002,
- aid for purchasing vehicles used for road transport to companies involved in road freight transport,
- aid to companies in difficult financial situation.

The exemption applies to all property of a tax payer (*provided it has not been excluded under the programme*). **The level of funding earmarked under the aid programme cannot exceed PLN4,000,000.**

** According to Commission Regulation (EC) no 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid (Journal of Laws of European Union L 379/5 of 25.12.2006)*

3. The characteristics of the programme concerning the issue of the exemption from tax on real estate within the programme of regional aid.

Exemption from tax on real estate for the period of three years (*application can be submitted until 31 December 2010 at the latest, and can take advantage of the objective exemption until 31 December 2013*) includes land, buildings and construction related to running economic activity, and constituting new investment. It should be understood as investment in fixed assets and in non-material and intangible assets related to the creation of a new enterprise or development of an existing enterprise, depending on erecting a building structure in which high-standard usable office area will constitute at least 50 % of usable area of the building structure and will constitute at least 1500 m²;

High-standard usable office area is regarded as usable area which meets at least 5 of the criteria mentioned below:

- air conditioning;
 - height of the room – minimum 2.70 m;
 - three separate structural wiring systems for telephone, electricity and computer-system lines or for the purpose of elevating floors;
 - low-emission double glazing;
 - double power supply or emergency power supply;
 - air humidity control;
- and which has a number of parking places in accordance with the construction permit issued for the realisation of the new investment.

The conditions for taking advantage of tax exemption resulting from the resolution below are the following:

- a) submission by the entrepreneur of an application about the intention to use the aid before starting work connected with the realisation of the new investment
- b) designation of the entire high-standard usable office area for running at least one of the below mentioned types of activity specified in Polish Classification of Economic Activities (PKD):
 - activity connected with software and consultancy, within the scope of IT and related activity (PKD 62);
 - service activity within the scope of information (PKD 63);
 - activity supporting financial services, as well as insurance and pension funds (PKD 66);
 - accounting activity; tax consultancy (PKD 69.2);
 - activity including technical researches and analyses (PKD 71.2)
 - activity including scientific research and development work in the area of natural and technical sciences (PKD 72.1);
 - activity related to finding work places and human resources (PKD 78.1);
 - activity of call centres (PKD 82.2);
- c) maintaining the new investment for a period of at least 5 years and, in case of small and medium enterprises, at least for 3 years from the day of its termination;
- d) the entrepreneur receiving information, in a written form, from the President of the City of Szczecin, about meeting the conditions of receiving aid on the basis of the resolution;

- submitting a tax return in real-estate tax on the principles specified in the uopiol Act, after receiving information from the president of the city of Szczecin which is referred to in point 4;
- terminating a new investment within 48 months, from the day of receiving from the president of the city of Szczecin a letter which is referred to in point 4,
- own share of the entrepreneur will amount to at least 25% of eligible costs connected with the realisation of the new investment;
- incurring expenditure in the new investment in the amount exceeding PLN 4 000 000.

The maximum level of the regional investment aid given to the same entrepreneur for the realisation of a new investment which is not “a big investment project” cannot exceed 30% of the costs which are eligible for aid. The aid given for small and medium-sized enterprises which run activities in the transport sector is raised by:

- 20 percentage points in case of small entrepreneurs;
- 10 percentage points in case of medium-sized entrepreneurs

Entrepreneurs who are in a difficult economic situation, as well as those who are in arrears with tax payments or other balances due to the Szczecin Commune, including those for whom the regulations of the Tax Ordinance Act do not apply will not be able to take advantage of the exemption from tax on real estate on the basis of the resolution. Aid in the form of a tax exemption does not concern an entity which is obliged to return aid resulting from an earlier decision of the Committee which recognises aid as unlawful and illegal in relation to the common market – as understood in art. 25-28 of the law of 30 April 2004 on proceedings concerning public aid.

The exemption is not applicable to aid given*:

- in the sectors: fishery and aquaculture, ship construction, coal, iron and steel, synthetic fibres,
- to activity related to the primary production of agricultural products listed in Annex I to the Treaty establishing European Community,

* According to the guidelines concerning regional investment aid included in the Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Article 87 and 88 of the EC Treaty to national regional investment aid (OJ L 302/99 of 1.11.2006)

- to activity related to the production and sales of products imitating or substituting milk and milk products as understood in Article 3 of the Act 2 Council Regulation (EEC) No. 1898/87 of 2 July 1987 on the protection of designations used in marketing of milk and milk products (OJ L UE series L, No 182);
- activity related to export to third-party countries or export to European Union member states;
- which depend on the usage of domestic products which are favoured in relation to imports.