Poland
Corporate R&D Report
2014
However, the results of the survey reveal challenges as well – they indicate a decrease in the number of companies that allocated at least 10% of their turnover to R&D in 2013, and an increase in the number of firms expecting to decrease R&D spending in the future. In the previous survey, all respondents planned at least to maintain spending at the same level – this year there are companies that are planning to decrease their expenditure on R&D in the near future. If this trend continues, the gradual increase in the BERD (Business Expenditure on R&D) index which has been recorded in recent years – from 24.7% in 2010 to 32.3% in 2012 (according to GUS) – may be jeopardised. More firms, however, expect to make an important increase in their R&D spending over the next three to five years. This might be a sign that firms, while awaiting new EU 2014-20 funds and announced changes in R&D tax incentives, are expecting the introduction of an effective system of R&D&I in Poland within the next few years. If connected with an effective R&D reporting system, this could also help to reveal currently hidden R&D&I business potential in Poland.

It is worth emphasising that the survey confirms the effectiveness of policies supporting co-operation between science and business, the commercialisation of research results and changing the perception of R&D from basic research and breakthroughs to constant, ongoing developments that are required by the market and can be quickly commercialised.

I very much hope that you find this report interesting and useful, and would like to thank the Poland-based companies that participated in our questionnaire for their insight and support.

Magdalena Burnat-Mikosz
Partner
Central European Leader for Deloitte R&D and Government Incentives Service Line

After 25 years of transition, Poland is facing the threat of becoming trapped on an average growth level – the European Commission’s Innovation Union Scoreboard 2014 positions Poland among moderate innovators (whose performance is below the EU average). According to the Central Statistical Office of Poland (GUS) in 2012 expenditure on R&D in Poland accounted for 0.9% of GDP (compared to 0.77% in 2011). This positive change seems to be the result of improving conditions for carrying out R&D and innovation in Poland, and suggests a positive future outlook. To embark on the path of innovation, action is required to increase business expenditure on R&D. Poland is being supported in this policy by the EC\(^1\) and EIB\(^2\), which are assessing the Polish system of R&D&I support and underline the need to introduce an effective R&D tax credits system.

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\(^1\) Council recommendation of 9 July 2013 on the National Reform Programme 2013 of Poland and delivering a Council opinion on the Convergence Programme of Poland 2012-2016.

Key Trends

• More companies than in 2013 are planning to increase their spending on R&D: 47.2% are planning increases in the next one to two years, up from 36.6%; 61.1% are planning increases over the next three to five years, up from 51.2%. This is particularly noticeable in the manufacturing sector, where a short-term increase is planned by 70% and over three to five years by 80% of companies.

• By contrast with results from across the CE region, the second most important factor influencing the level of R&D expenditure is greater availability of grants than tax credits. The reason may be that such incentives currently are not effectively available in Poland and while EU funds for 2014-20 are under negotiations with the EC, firms are quite optimistic regarding grant opportunities in the next couple of years.

• There are signs of a slowdown in R&D expenditure growth. In 2012, as reported in the 2013 survey, 22.2% of companies allocated more than 10% of their turnover to R&D activities – in 2013, this had fallen to 12.5%. In the previous survey, all respondents planned at least to maintain spending at the same level as in 2012; in the current survey, 9.7% of companies say they are planning to decrease expenditure on R&D in next one to two years. Uncertainty of support schemes under the EU funds for 2014-2020 and plans to introduce R&D tax relief from 2016 may be factors causing partial postponement of R&D expenditure.
• Some significant changes have taken place since the survey that was published in 2013, including to the way in which companies define their R&D activities - the top choice in 2014, chosen by 55.6% of respondents, is *Changes / improvements to existing products / processes / services, leading to better performance / characteristics of products / processes / services*. This replaces the *Development of new products / processes / services*, which was selected by 48.6% this time, down from 78.0% in last year’s survey. An even more substantial fall was experienced by the *Joint realisation of research projects aimed at improving or developing new products / processes / services with other capital group entities / companies*, which has fallen to 29.2% from 70.7%.

• **27.8%** of companies say they don’t have an R&D policy.

• An increasing number of companies are collaborating with external research units (up from 66% to 82%), suggesting that the efforts in this field, both from public and private side, are starting to deliver results.

• Companies in Poland say there is a need for R&D tax incentives providing ongoing support for R&D works – these will stimulate them to define their current activities as R&D, and in a few years will drive increased spending on R&D. However enterprises are uncertain about how the tax authority interprets which activities and expenditures are eligible for incentives. To ensure greater precision and certainty in defining R&D activities, it is worth considering the establishment of an independent institution to certify the eligibility of R&D expenditure and activities.
Findings

Definition of companies’ R&D activities

In last year’s survey, participants were asked to define their understanding of R&D; this year, they were asked to describe their R&D activities. There is a significant change in answers.

The survey results from Poland are similar to the average from across the region, including some significant changes in what companies consider to be R&D activity.

The characteristics of the industry determines our development needs - in the chemical industry about 30% of the products require continuous development and significant investments in improving their innovation and competitiveness, while other products, once developed require development and implementation of significant/breakthrough technological change only after many years and the change will serve for a long time.

Szymon Gross, President, MCAA Sp. z o.o.

What best describes your R&D activity?

This year’s leading definition is Changes improvements of existing products/processes/services leading to better performance/characteristics of products/processes/services (chosen by 55.6%). This replaces the Development of new products/processes/services, which was selected this year by 48.6% (down from 78.0%). Third comes the Joint realisation of research projects aiming at improvement or development of new products/processes/services with other capital group entities/companies, which has shown a significant decrease to 29.2% from 70.7% last year. Almost one in five (19.4%) of enterprises say that they carry out R&D activities in the form of Co-operation with external entities by purchasing R&D services/IP/know-how, but there has been a decrease since last year.

In addition, although Developing important innovation/breakthrough solutions for various markets was seen as an R&D activity by 75.6% companies in 2013 (when it was the second most frequently indicated form of R&D activity), only 23.6% chose this in 2014. It is however still the third most frequently identified R&D activity for 35% of companies from the manufacturing sector.
Spending on R&D

The survey indicates a decrease in the amount spent on R&D activities. As reported in 2013, 22.2% of companies allocated more than 10% of their turnover to R&D activities in 2012. A year later, it had fallen to 12.5%. Technology, media and telecoms (TMT) was the sector in which the highest proportion of respondents (30.8%) spent more than 10% of their turnover on R&D in 2013. More than half the sample (51.4%) in the survey allocated less than 3% of their turnover to R&D (up from 44.4% in 2012). In addition, in the previous survey all respondents planned at least to maintain spending at the same level as in 2012 – in the current survey, 9.7% of companies said they are planning to decrease their expenditure on R&D. At the same time, there has been a decrease in the number of companies not planning any spending on R&D in the next few years (down from 9.8% to 4.2%) and more companies than in 2013 are planning to increase their spending (up to 47.2% from 36.6% over the next one to two years, and to 61.1% from 51.2% over the next three to five years).

This increase is particularly noticeable in the manufacturing sector, where short and longer-term increases of 70% and 80% are respectively anticipated. Such positive predictions may be a result of new operational programmes supporting R&D that are due to start in the near future (at the beginning of 2015 most likely) and the availability of more support from national funds. In addition, companies may be positively planning new development activities because the end of the crisis is becoming visible.

It is of great importance for all entities in the market to have an equal access to R&D incentives but more importantly entrepreneurs need to have clear understanding on what to understand as R&D. This presents as great challenge for Polish legislators to assure unanimous implementation of R&D works definition, both for grants and tax incentives.

Adam Krzanowski, President, Grupa Nowy Styl

What percentage of your turnover was spent on R&D in 2013?

![Chart showing percentage of turnover spent on R&D in 2013]
Unlike in the region as a whole, the second most important factor influencing the level of expenditure on R&D is the greater availability of grants compared to tax credits (the importance of this has increased compared to the previous year from 1.56). One of the reasons may be lack of an effective R&D tax credits system in Poland.

There has also been an increase in the importance of the costs of researchers, making it crucial to create a stable system, preferably involving a mix of R&D grants and tax incentives to reduce the dependence upon R&D funding from EU funds.

To what extent would the external factors mentioned below influence the increase of your R&D spending in the coming 1-2 years?

- Availability of more types of benefits
- More R&D cash grants compared to R&D tax incentives
- Availability of skilled researchers
- Availability of experienced researchers
- Access to and cooperation with universities / research
- Costs of researchers
- Protection of intellectual property rights
- Possibility of cofinancing costs of IP protection procedures, including costs of protection maintenance period
- Stability of the regulatory environment
- More R&D tax incentives compared to R&D cash grants
- Access to the R&D sectoral benchmarks
- Other factors

Comparison of factors in 2013 and 2014:

- Availability of more types of benefits: 2.35 in 2014, 2.41 in 2013
- More R&D cash grants compared to R&D tax incentives: 1.56 in 2014, 1.89 in 2013
- Availability of skilled researchers: 1.56 in 2014, 1.81 in 2013
- Availability of experienced researchers: 1.53 in 2014, 1.69 in 2013
- Access to and cooperation with universities / research: 1.53 in 2014, 1.69 in 2013
- Costs of researchers: 1.30 in 2014, 1.57 in 2013
- Protection of intellectual property rights: 1.36 in 2014, 1.43 in 2013
- Possibility of cofinancing costs of IP protection procedures, including costs of protection maintenance period: 1.40 in 2014, 1.32 in 2013
- Stability of the regulatory environment: 1.30 in 2014, 1.28 in 2013
- More R&D tax incentives compared to R&D cash grants: 0.44 in 2014, 1.22 in 2013
- Access to the R&D sectoral benchmarks: 0.44 in 2014, 1.05 in 2013
- Other factors: 0.44 in 2014, 1.05 in 2013

Comparison of factors in 2013 and 2014:

- Stability of the regulatory environment: 1.30 in 2014, 1.28 in 2013
- More R&D tax incentives compared to R&D cash grants: 0.44 in 2014, 1.22 in 2013
- Other factors: 0.44 in 2014, 1.05 in 2013
Companies’ R&D policy and Intellectual Property / know-how protection

27.8% of surveyed companies said in 2014 that they don’t have an R&D policy. Among those that do, similar to Central Europe, financial and human resources are the crucial factors in R&D policy (this is especially true in manufacturing).

Like across Central Europe, the most common form of property-rights protection in Poland is a company secrets policy (76.4%).

Meanwhile, almost 10% of respondents say that they do not protect their IP rights, while almost 52% of companies patent their inventions. Such findings strongly suggest that awareness of the benefits of property rights protection needs to be raised.

Please rate importance of the following aspects in your firm’s R&D policy
(0 - no influence, 3 - highest influence)

How do you protect Intellectual Property / know-how in your company?
Usage of R&D grants and tax incentives

Grants from EU funds for R&D activities in national and regional operational programmes are still the most popular form of financing, respectively selected by 91.7% and 80.6% of respondents (up from 73%). There has been growth in the awareness of the grants awarded by the National Centre for Research and Development (up from 39% to 63.9%) and in the number of businesses benefiting from them (up from 15% to over 26%). The main reason for this is the lack of other opportunities to receive funding for R&D activities following the end of the 2007 - 2013 programming period and before the completion of work on the 2014 – 2020 support programmes.

More than 40% of respondents are aware of the availability of government grants distributed by the Polish Information and Foreign Investment Agency (an increase by 20%), but only 4.2% of respondents have used them (in the form of grants for establishing shared services centres or R&D centres) and a mere 1.5% have done so for innovative production investments.

So far, only 2.8% of companies are benefiting from the Horizon 2020 programme, largely due to its recent start at the beginning of 2014.
Only 6.9% of respondents say they have used available tax incentive to support R&D activities (in the shape of tax relief on the purchase of new technologies). Even this level of uptake is driven mainly by the high percentage of financial services companies doing so – due to the nature of their activities, they are continuously investing in innovative IT solutions that meet the eligibility criteria for this tax relief.

One third (33.3%, up from 29.3% in the last survey) of respondent companies consider it risky to use tax incentives for R&D activities due to the lack of certainty surrounding the interpretation by tax authorities of the eligibility criteria applied to them. The same number of companies has no knowledge of tax incentives supporting R&D activities – this is justifiable, because no effective system is available in Poland. The percentage of companies declaring that R&D tax regulations are not clear and present too many risks for the company is the same as last year.
More than half (51.4%) of companies believe that the formation of an institution certifying the eligibility of their R&D spending for tax credits would help them make the decision to use tax incentives. For 27.8% of them, the certainty this would bring would also be an incentive to increase their expenditure on R&D.

Companies' statement about existence of an institution certifying eligibility of expenditures on R&D for tax credit
Almost 77% of companies say that the introduction of the tax credit for R&D activities will increase their spending. Over 40% will do so in the short term (during the next one to two years).

In addition, more than 33% of companies would begin reporting their current R&D expenditure in their financial statements or for statistical purposes.

Companies’ statement about introduction of new R&D tax credit in Poland offering an additional premium for conducting R&D works and decrease of the due tax value

- An incentive to increase R&D spending in next 1-2 years: 40.3%
- An incentive to increase R&D spending in next 3 - 5 years: 36.1%
- An incentive to start reporting current R&D expenditures in financial statements / for statistical purposes: 33.3%
- Neutral for our R&D spending: 22.2%

Although the attractiveness of the grants is undeniable, the introduction of tax credits for R&D activities in Poland would undoubtedly increase its attractiveness for innovative projects.

Paweł Widel, Governmental Relations Director, General Motors Poland Sp. z o.o.
There has been a decrease (from 36.6% to 30.6%) in the number of businesses with expertise on grants and that benefit from this form of support for their R&D activities. At the same time, there has been a decrease in the number of entities not benefiting from grants (down from over 24.4% to 16.7%). In addition, 36.1% of respondents stated that they have knowledge of the grants, but do not have sufficient resources to monitor the possibility of applying for funding. The basic reason for not using the grants, indicated by more than 38% of companies, is that the administration of the grant process is too bureaucratic and complicated. This is a significant increase over the previous year’s 25%, and may support suggested lack of resources for the deployment of supported co-financed projects.

Companies from the SME sector, such as CERRAD, actively benefit from tax reliefs, particularly in the SEZ due to their predictability and easy settlement procedures. Mixed system of incentives for R&D activities would fit well into this trend and would undoubtedly help in ongoing activities that above all need to be focused on achieving fixed income, also by raising the level of product innovation.

Aleksander Szyrowski, Owner, CERRAD Sp. z o.o.
Co-operation with third parties while carrying out R&D projects

Nearly 82% of companies say they collaborate with third parties in the implementation of R&D projects (an increase from 66%). They co-operate primarily because of its necessity in carrying out research projects; no less important is the requirement for collaboration when applying for funding or seeking to receive a higher cash grant.

The primary factor causing a lack of collaboration is the existence of an R&D centre (either within the structure of the business or in any other entity in which the group operates). Companies in Poland collaborate in almost equal measure with universities and public or private R&D / scientific institutes.

Cooperation with third parties when the companies are carrying out R&D projects

- Our Company has got an R&D Centre located in (please indicate the location):
- Our Company has got an R&D Centre in other firm of capital group in (please indicate the location):
- Other reason

- Yes
- No
- It is needed for conducting out research projects
- It is required in order to receive higher cash grant for conducting an R&D project
- It is required to apply for grant
- Other reason

Poland Corporate R&D Report 2014 15
Regional perspective
Central European countries are in the process of transforming into knowledge-based economies. They can no longer compete with low-cost labour on the global market. This has already been acknowledged by Asian countries, whose share in global spending on R&D is still rising – from 33% in 2009 to nearly 40% in 2014 (and China’s from 10% to nearly 18%). In the meanwhile Europe is decreasing its participation – down from 26% of the total in 2009 to 22% in 2014.

After political changes, countries in the region have begun their transformation from a similar level although currently they are at different stages of development.

The European Commission’s Innovation Union Scoreboard 2014 shows that among countries taking part in the survey, only Estonia is ranked in the group of so-called innovation followers (those whose innovation performance is close to or above the EU average). Croatia, the Czech Republic, Hungary, Lithuania, Poland and Slovakia are among the moderate innovators with performance below the EU average, while Bulgaria, Latvia and Romania are rated as modest innovators (innovation performance well below the EU average).

Innovation-wise we all are looking in the same direction. However, a differentiated approach to supporting R&D is apparent across the region. As the findings of last year’s survey showed, the R&D activities of companies vary across the region and different factors are influencing increase of spending on R&D. Much is however to be learnt and shared – this is one of main reasons for covering additional countries in this year’s survey, gathering data from 10 countries in the region. This brings us the opportunity to compare how countries stimulate R&D activities, how implemented systems are evaluated by enterprises and how this impacts the effectiveness of various systems.

Supplementary to the on-line survey, we have conducted detailed interviews with representatives of some of the best-known R&D developers in the region. Key quotes from these interviews provide a valuable complement to the survey conclusions presented in the report.

I very much hope that you find this report an interesting and insightful read.

Magdalena Burnat-Mikosz
Partner
Central European Leader for Deloitte R&D and Government Incentives Service Line

1 2014 Global R&D Funding Forecast by Battelle and R&D Magazine
Key trends and findings:

• Availability of more types of incentives is still the most important factor affecting the level of expenditure on R&D. Results of the survey show that cash grants are only a slightly more frequently expected incentive than tax reliefs – a mixed system, combining these two schemes, is perceived as the most effective way to support companies’ R&D activities. In order to maintain the present rising trend of companies’ share in R&D expenditure, it is essential to adjust the support schemes available in Central Europe to match enterprise expectations[^2].

• Predicted percentage of R&D expenditures is declining overall – more companies are allocating less than 1% and under 3% of their turnover to R&D, while those allocating over 10% have declined from 24% to 22.1% of the sample. As indicated above, the availability of incentives strongly influences R&D spending; this means slightly pessimistic forecasts regarding short-term R&D spending may result from ongoing work on support schemes under the EU 2014-2020 agenda and limited availability of grants.

• Increasing numbers of companies are collaborating with research units, indicating a trend towards strengthening co-operation between business and science. The proportion of companies with their own R&D centre is also growing, and this results in the fact that the availability of skilled and experienced researchers is one of the most important factors influencing R&D expenditure. However, the possibility of co-operating with universities / research institutes is still highly appreciated and desirable in R&D activities.

[^2]: In 2011 BERD (Business Expenditures on R&D) index value for Europe Union was 54.9% and only Estonia had this index value above the average (55%). The lowest index was in Bulgaria (16.9%), Latvia (24.8%), Poland (28.1%) and Lithuania (28.2%) – Eurostat
• We can see a number of changes in how companies define R&D and their R&D activities. While the proportion of firms in 2014 defining R&D as changes / improvements of existing products / processes / services leading to better performance / characteristics of products / processes / services has fallen from 67% to 65.2%, this selection has also moved up from third to first place. The leading definition in 2013 (Development of new products / processes / services) has fallen from 88% to 60%, while the third most popular definition is joint realisation of research projects aimed at improvement or development of new products/processes/services with other capital group entities/companies. (It rises from fourth to third despite a reduction in support from 49% to 29.4%). Clear and transparent understanding of R&D is being underlined by firms in the region as important factor for all support schemes.

• IP / know-how are protected usually in the form of a company secrets policy and trademarks. However, companies declare that the most effective way is to combine different forms of protection and tailor them to the specific needs of different sectors.
**Definition of companies’ R&D activities**

Within last year’s survey, respondents were asked to define their understanding of R&D. This year, we invited them to describe their R&D activities – and there have been some major changes in their answers.

In the 2014 report, 65.2% of companies across the region defined R&D activity as making Changes / improvements to existing products / processes / services, leading to better performance / characteristics of products / processes / services. This was a small decline comparing to 2013’s 67%, but despite this the definition has moved up from number three to the number one choice. Its new popularity was driven up by above average selection in Estonia (87.5%) and Romania (78.6%).

In the 2013 report, the leading definition of choice was the Development of new products / processes / services, chosen by 88% of respondents. In 2014, this has slipped to 60%, although it attracted 75% of respondents in Lithuania.

2014’s third most popular definition, with 29.4%, is the Joint realization of research projects aimed at improvement or development of new products / processes / services with other capital group entities / companies. In the 2013 report, this was number four with 49%. This year, it was driven up by above average scores in Romania (over 46%) and Estonia (over 37%).

Perhaps the most significant change in the definition of R&D activities appeared within the Co-operation with external entities by means of purchasing R&D services / IP / know-how. This has been observed particularly among Polish respondents – last year, 68% declared that it is how they understand R&D activities; this year, that figure went down to 19.4%.

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**What best describes your R&D activity?**

- Changes / improvements of existing products / processes / services leading to better performance / characteristics of products / processes / services: 65.2% (2014), 67.0% (2013)
- Development of new products / processes / services: 60.0% (2014), 60.0% (2013)
- Joint realization of research projects aiming at improvement or development of new products / processes / services with other capital group entities / companies: 29.4% (2014), 49.0% (2013)
- Developing important innovation / a breakthrough solution for various markets: 24.5% (2014), 81.0% (2013)
- Cooperation with external entities by means of purchasing R&D services / IP / know-how: 13.9% (2014), 25.0% (2013)
Spending on R&D

The 2014 report shows that in 2013 20.6% of companies allocated less than 1% of their turnover to R&D – this went up from 15% in 2012. There was also an increase in companies allocating less than 3% of their turnover to R&D (rising to 41.8% from 36% in 2012).

Meanwhile, just 22.1% of companies allocated more than 10% of their turnover on R&D, down from 24%. However, in Slovakia (as in the previous year) and Bulgaria the percentage is well above average at 54.5% and 40% respectively.

Only 5.5% of companies allocated no expenditure for R&D activities in 2013, down from 2012’s 10%. Hungary (17.8%) and Poland (9.7%), however both significantly exceeded the average.

20.5% of companies in Croatia, 12.1% in Slovakia and 11.1% in Poland do not know how much expenditure has been allocated to R&D activities. In Poland, this might be the case because there are no effective incentives in place that encourage them to keep solid records of their R&D expenditure.

Across the region, 88.5% of companies plan to maintain the current level of spending or increase it in the short term (one to two years). At the same time, 89.7% expect to maintain or increase spending in the next three to five years. All the respondent companies in Lithuania and Estonia are confident that there will be no decrease in spending on R&D over the next five years.

Across the region, 4.8% of respondents expect to make no expenditure in the next five years - only in Bulgaria, Estonia and Lithuania did no respondents make this claim. It is also worth noting the results from Romania, where 67.9% of companies plan to increase expenditure in the next two years and 78.6% in the next three to five years (the averages for the region are 42% and 58% respectively).

Responses indicate positive forecasts in terms of the economic situation of companies, and may result from the fact that in years to come significant R&D support will be available from EU funds.

What percentage of your turnover was spent on R&D in 2013?

![Pie chart showing the percentage of turnover spent on R&D in 2013]

- Above 10%
- Between 5% and 10%
- Between 3% and 5%
- Between 1% and 3%
- Less than 1%
- None
- I do not know
To what extent would the external factors mentioned below influence the increase of your R&D spending in the coming 1-2 years?

- Availability of more types of benefits: 2.11
- Availability of skilled researchers: 1.94
- Availability of experienced researchers: 1.87
- More R&D cash grants compared to R&D tax incentives: 1.82
- Costs of researchers: 1.44
- Access to and cooperation with universities / research: 1.54
- Stability of the regulatory environment: 1.5
- More R&D tax incentives compared to R&D cash grants: 1.36
- Protection of intellectual property rights: 1.32
- Access to the R&D sectoral benchmarks: 1.29
- Possibility of cofinancing costs of IP protection procedures, including costs of protection maintenance period: 1.28
- Other factors: 0.32
As in the previous survey, the most important factor affecting the level of expenditure on R&D over the next two years is to be the availability of more types of incentives – this was chosen as the most important factor by more than 50% of companies in Bulgaria, Estonia and Romania, and almost 54% of companies in Poland.

The next most important factors are the availability of skilled and experienced researchers (particularly important in Bulgaria and Lithuania, where it is the most important factor for over 60% of companies) and issues related to the cost of R&D activities (selected by 50% of companies from Lithuania).

Respondents indicate that the availability of grants stimulates spending more than the availability of tax incentives. This is particularly the case for companies in Bulgaria and Poland, where 48% or more chose this answer. The importance of grants is growing too – in 2014, they were chosen by 34.5% of respondents across the region, compared to 22% in 2013.

In Slovakia, while over 50% of companies declare that grants are more important than tax incentives in influencing their R&D expenditure, only 12% say more tax incentives would not be an influencing factor. This is of significant importance as a new tax incentive is to be introduced there on July 1st 2014, which is expected to have a positive impact on R&D spending in Slovakia.

One factor that has declined in importance is the stability of the regulatory environment. In 2013, this was the factor with the greatest impact on expenditure for 22% of respondents; in 2014, it has fallen to 18.8%. This may mean that there is a generally positive attitude to those authorities that have not made significant changes in the legislation regulating R&D.

Almost 47% of companies in Latvia consider the possibility of co-financing the costs of IP protection procedures, including the costs of maintaining protection, to be a factor with no influence on their R&D spending.

The international experience of GM indicates that the availability of incentives for R&D activities, that may be an element of a long-term development strategy, significantly facilitates “acquisition” and execution of high-tech projects by companies in local countries.

Paweł Wideł, Governmental Relations Director, General Motors Poland Sp. z o.o.
Companies’ R&D policies and Intellectual Property / know-how protection

Almost 21% of companies in the region say they have no R&D policy. Clearly above average in having no policy are companies from Estonia (50%), Hungary (42.2%), Croatia (28.2%) and Poland (27.8%).

The key factors for the majority of R&D policies are sources of funding and the availability of appropriate human resources. In terms of R&D financing, an above average number of responses indicate that this is the most important factor for companies from Romania (57.1%), Slovakia (45.5%) and Poland (43.1%).

At the same time, 15.6% of companies from Hungary declare that this is a factor without any influence at all on their R&D policy.

Significant numbers of companies in Romania (60.7%), Slovakia (54.5%) and Lithuania (50%) recognise Human capital management focused on recruiting and retaining the most valuable people as the most important factor.

**Please rate importance of the following aspects in your firm’s R&D policy**

(0 - no influence, 3 - highest influence)

- R&D financing: 1.96
- Human capital management focused on recruiting and retaining most valuable people: 1.92
- R&D portfolio management: 1.80
- External cooperation: 1.48
- Existence of R&D procedures: 1.46
- IP protection policy: 1.44
- R&D organizational structure: 1.34

**Notes:**

- My company is familiar with how to prove that its activities are R&D, but the company’s reporting / cost tracking / time sheet / etc. systems are not capable of appropriate recording / proof of related costs.
- I believe that my company does not carry out any R&D activities / projects that would be eligible for R&D tax incentives.
- My company is familiar with R&D tax incentives but uncertain about which activity could be classified as R&D and how to prove that its activities are R&D (classification of activities as R&D activities).
- R&D tax regulations are not clear and are presenting too many risks for the company.
- My company is rather unfamiliar with R&D tax incentives.
- Grant opportunities relevant for our company would require involvement of partners (consortium), but the nature of our R&D project / our business interests do not allow such co-operation with third parties.
- Do not use them.
- Has no sufficient resources to monitor such opportunities and eventually prepare successful application(s).
- Not very familiar with R&D grants.
- My company is not very familiar with the methods on how risks related to classification of its activities as R&D could be managed.
- My company is uncertain about the approach of the tax authority with respect to R&D costs; therefore I find the use of these tax incentives risky.
- My company is rather unfamiliar with the methods on how risks related to classification of its activities as R&D could be managed.
- My company is uncertain about the approach of the tax authority with respect to R&D costs; therefore I find the use of these tax incentives risky.
- My company is not very familiar with the methods on how risks related to classification of its activities as R&D could be managed.
- My company is uncertain about the approach of the tax authority with respect to R&D costs; therefore I find the use of these tax incentives risky.
- My company is rather unfamiliar with R&D tax incentives.
The most common means of protecting IP / know-how (at 64.8% firms across the region) is the company secrets policy. This is above average in Estonia (87.5%), Croatia (79.5%) and Poland (76.4%). The trademark is the most popular form of protection in Romania (75%) and Bulgaria (53.3%). 44.2% of companies in the region benefit from patent protection, but only 23.1% do so in Croatia and 20% in Latvia. While 9.7% of companies in Central Europe do not protect their IP / know-how, this figure is significantly higher in Hungary and Lithuania (25%). All respondents from Romania and Estonia declared that they protect their IP / know-how.

The most efficient and effective way to manage intellectual property rights is a tailor-made policy that combines patents and trade secrets protection.

Łukasz Socha, Vice President, HS Wroclaw sp. z o.o.

### How do you protect Intellectual Property / know-how in your company?

<table>
<thead>
<tr>
<th>Protection Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company secrets policy</td>
<td>64.8%</td>
</tr>
<tr>
<td>Patents / utility design</td>
<td>43.0%</td>
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<tr>
<td>Trademark</td>
<td>41.5%</td>
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<tr>
<td>Copyright</td>
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<tr>
<td>Industrial design</td>
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<tr>
<td>None</td>
<td>9.7%</td>
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<table>
<thead>
<tr>
<th>Resource Type</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>R&amp;D organizational structure</td>
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<tr>
<td>IP protection policy</td>
<td></td>
</tr>
<tr>
<td>Existence of R&amp;D procedures</td>
<td></td>
</tr>
<tr>
<td>External cooperation</td>
<td></td>
</tr>
<tr>
<td>R&amp;D portfolio management</td>
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</tr>
<tr>
<td>Human capital management</td>
<td></td>
</tr>
<tr>
<td>R&amp;D financing</td>
<td></td>
</tr>
<tr>
<td>R&amp;D grants</td>
<td></td>
</tr>
<tr>
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<td></td>
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<table>
<thead>
<tr>
<th>Designation</th>
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</thead>
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<td>Industrial design</td>
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<tr>
<td>Copyright</td>
<td></td>
</tr>
<tr>
<td>Trademark</td>
<td></td>
</tr>
<tr>
<td>Patents / utility design</td>
<td></td>
</tr>
<tr>
<td>Company secrets policy</td>
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<table>
<thead>
<tr>
<th>Authority</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Possibility of cofinancing costs</td>
<td></td>
</tr>
<tr>
<td>Access to the R&amp;D sectoral</td>
<td></td>
</tr>
<tr>
<td>Protection of intellectual</td>
<td></td>
</tr>
<tr>
<td>Property rights</td>
<td></td>
</tr>
<tr>
<td>More R&amp;D tax incentives</td>
<td></td>
</tr>
<tr>
<td>More R&amp;D cash grants</td>
<td></td>
</tr>
<tr>
<td>Stability of the regulatory</td>
<td></td>
</tr>
<tr>
<td>environment</td>
<td></td>
</tr>
<tr>
<td>Access to and cooperation with</td>
<td></td>
</tr>
<tr>
<td>universities / research</td>
<td></td>
</tr>
<tr>
<td>Costs of researchers</td>
<td></td>
</tr>
<tr>
<td>Availability of experienced</td>
<td></td>
</tr>
<tr>
<td>researchers</td>
<td></td>
</tr>
<tr>
<td>Availability of skilled</td>
<td></td>
</tr>
<tr>
<td>researchers</td>
<td></td>
</tr>
<tr>
<td>Availability of more types of</td>
<td></td>
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<tr>
<td>benefits</td>
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<table>
<thead>
<tr>
<th>Opportunity</th>
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<tr>
<td>Grant opportunities relevant</td>
<td></td>
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<tr>
<td>for our company</td>
<td></td>
</tr>
<tr>
<td>Participation of partners</td>
<td></td>
</tr>
<tr>
<td>consortium</td>
<td></td>
</tr>
<tr>
<td>Nature of our R&amp;D project /</td>
<td></td>
</tr>
<tr>
<td>business interests do not allow</td>
<td></td>
</tr>
<tr>
<td>such cooperation with third</td>
<td></td>
</tr>
<tr>
<td>parties</td>
<td></td>
</tr>
<tr>
<td>Do not use them</td>
<td></td>
</tr>
<tr>
<td>Has no sufficient resources to</td>
<td></td>
</tr>
<tr>
<td>monitor such opportunities</td>
<td></td>
</tr>
<tr>
<td>and eventually prepare</td>
<td></td>
</tr>
<tr>
<td>successful application(s)</td>
<td></td>
</tr>
<tr>
<td>Not very familiar with R&amp;D</td>
<td></td>
</tr>
<tr>
<td>grants</td>
<td></td>
</tr>
<tr>
<td>Familiar with R&amp;D grants and use</td>
<td></td>
</tr>
<tr>
<td>them</td>
<td></td>
</tr>
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</table>

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<table>
<thead>
<tr>
<th>Risk Management</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D tax regulations are not clear</td>
<td></td>
</tr>
<tr>
<td>and are presenting too many risks for the company</td>
<td></td>
</tr>
<tr>
<td>My company is rather unfamiliar with R&amp;D tax incentives</td>
<td></td>
</tr>
<tr>
<td>My company is uncertain about the approach of the tax authority with respect to R&amp;D costs</td>
<td></td>
</tr>
<tr>
<td>therefore I find the use of these tax incentives risky</td>
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<td>Require involvement of partners (consortium)</td>
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<tr>
<td>But the nature of our R&amp;D project / our business interests do not allow such cooperation with third parties</td>
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<td>Do not use them</td>
<td></td>
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<tr>
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<td></td>
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<tr>
<td>application(s)</td>
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Usage of R&D grants and tax incentives

Increasing numbers of companies say they are not very familiar with the methods of managing risks associated with the classification of their activities as R&D; this has risen from 19% in 2013 to 22.7% in this year’s report. Also rising are those saying that R&D tax regulations are not clear and present the company with too many risks (up from 18% to 22.1%). These findings may mean that the systems of R&D tax incentives are becoming unclear; fewer companies are therefore benefiting from it, leading to a strong preference for grants (as shown by the answer to the previous question). There is a lack of knowledge about tax incentives among 67% of companies from Bulgaria. In Latvia, 60% of companies state that they do not carry out any R&D activities or projects that would be eligible for R&D tax incentives. This is an important finding given the introduction of a new R&D tax incentive on July 1st 2014.

Companies’ statements about R&D tax incentives

- My company is rather unfamiliar with R&D tax incentives: 25.3% (2013), 27.6% (2014)
- My company is uncertain about the approach of the tax authority with respect to R&D costs; therefore I find the use of these tax incentives risky: 27.3% (2013), 27.5% (2014)
- My company is not very familiar with the methods on how risks related to classification of its activities as R&D could be managed: 18.5% (2013), 22.7% (2014)
- R&D tax regulations are not clear and are presenting too many risks for the company: 17.6% (2013), 22.1% (2014)
- My company is familiar with R&D tax incentives but uncertain about which activity could be classified as R&D and how to prove that its activities are R&D (classification of activities as R&D activities): 22.1% (2013), 23.2% (2014)
- I believe that my company does not carry out any R&D activities / projects that would be eligible for R&D tax incentives: 18.8% (2013), 20.6% (2014)
- My company is familiar with how to prove that its activities are R&D but the company’s reporting / cost tracking / time sheet / etc. systems are not capable of appropriate recording / proof of related costs: 12.9% (2013), 13.3% (2014)
- My company is familiar with R&D grants and use them: 11.5% (2013), 11.6% (2014)
- Other: 11.6% (2013), 11.5% (2014)
Across the CE region, 37% of companies are familiar with and use R&D grant opportunities (up from 31% in the 2013 survey). This proportion is particularly high in the Czech Republic (almost 60%) and far below average in the Baltic countries (16%). At the same time, 23% of respondents across the region are not very familiar with R&D grants (rising to 43.6% in Croatia and 42.9% in Romania).

In addition, 19.4% of respondents indicate that they do not have sufficient resources to monitor grant opportunities and submit a successful application (down from 25% in 2013); in Poland, however, the figure is almost twice as high at 36.1% (an increase from 29% in 2013). Such answers about discouraging bureaucracy and doubts concerning the use of available sources of support are particularly alarming when we consider that companies claim that their R&D spending is largely determined by the availability of external funding.

**Companies’ statements about R&D grants**

- Familiar with R&D grants and use them: 37.0%
- Not very familiar with R&D grants: 30.5%
- Has no sufficient resources to monitor such opportunities and eventually prepare successful application(s): 23.0%
- Do not use them: 19.4%
- Grant opportunities relevant for our company would require involvement of partners (consortium), but the nature of our R&D project / our business interests do not allow such co-operation with third parties: 13.6%
- Other: 15.5%

<table>
<thead>
<tr>
<th>Grant opportunities relevant for our company would require involvement of partners (consortium), but the nature of our R&amp;D project / our business interests do not allow such co-operation with third parties</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>19.4%</td>
<td>24.5%</td>
</tr>
<tr>
<td>2013</td>
<td>19.4%</td>
<td>24.5%</td>
</tr>
</tbody>
</table>

- 2014
- 2013
Co-operation with third parties while carrying out R&D projects

A very high proportion (78.2%) of companies say they work with third parties during the implementation of R&D projects (up from 65% in 2013). While the most important primary factor driving co-operation across the region is that it’s vital to carrying out projects, grant requirements and the possibility of receiving higher funding are almost equally important in Poland. For those companies that have their own R&D centres (either within the immediate structure of the business or in a sister firm in the same capital group), this is the most important reason for not collaborating with third parties.

While most companies in the CE region co-operate with universities / academies of science, there is an increase in the importance of public and private R&D / scientific institutes (29.8% and 35.7% respectively, up from 25.8% and 33.8%).

Cooperation with third parties when the companies are carrying out R&D projects

- **Our Company has got an R&D Centre**: 43.1%
- **Yes**: 78.2%
- **It is needed for conducting out research projects**: 43.1%
- **It is required in order to receive higher cash grant for conducting an R&D project**: 21.8%
- **It is required to apply for grant**: 25.2%
- **Other reason**: 7.4%
- **No**: 22.5%
- **Other reason**: 68.6%
- **Our Company has got an R&D Centre in other firm**: 20.8%
- **Our Company has got an R&D Centre in other firm of capital group**: 21.8%
- **Other reason**: 7.4%
Regional contacts

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