

# New income tax exemption for Low-Emission Transport Fund e-vehicle subsidies



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On 20 February 2020 an amendment to the Personal Income Tax Act and the Corporate Income Tax Act entered into force,**(1)** introducing to the Polish legal system an income tax exemption for benefits received from the Low-Emission Transport Fund (ie, subsidies for purchasing e-vehicles).

## Subsidies for purchasing e-vehicles

In accordance with the minister of energy's 5 November 2019 regulation concerning the government subsidy programme,**(2)** natural persons who do not carry out an economic activity will be eligible for a subsidy to purchase an e-vehicle or a hydrogen-powered vehicle of up to 30% of the vehicle's value (up to a maximum of Zł37,500 for e-vehicles and Zł90,000 for hydrogen-powered vehicles). The subsidy may be granted for the purchase of a brand new M1 category vehicle (ie, passenger transport vehicles with no more than eight seats in addition to the driver's seat), the price of which does not exceed Zł125,000 for e-vehicles or Zł300,000 for hydrogen-powered vehicles.

Only vehicles purchased after the date of the call for proposals, which has yet to take place, will be eligible for the subsidy. According to the Polish Press Agency, the deputy minister of climate announced in his statement of 29 January 2020 the planned reduction of the subsidy, but did not refer to a specific amount.**(3)**

As regards financial support for entrepreneurs, on 31 December 2019 the minister of state assets regulation on the conditions for granting and settling support from the fund's resources entered into force,**(4)** covering, among other things, subsidies for purchasing vehicles. Support will be available to entrepreneurs and local government units and will cover, among other things, the purchase of new vehicles and vessels which are powered by liquid biofuels, natural gas or hydrogen or use electric energy for propulsion.

However, the granting of support, to the extent that it constitutes public aid, will be possible only after the European Commission issues a decision accepting the granted support.

## Development of electromobility

Financial support for the purchase of e-vehicles is one of the initiatives aimed at developing electromobility in Poland. The Electromobility Development Plan adopted by the Council of Ministers on 16 March 2017 (entitled "Energy for the Future")**(5)** provides for the implementation of a system of inducements that are expected to increase the number of e-vehicles in Poland to 1 million by 2025.**(6)**

The Low-Emission Transport Fund was established pursuant to the Act of 6 June 2018 amending the Act on Biocomponents and Liquid Biofuels and Certain Other Acts.<sup>(7)</sup> The fund's task is to finance projects relating to the development of electromobility and transport based on alternative fuels. Its revenues include:

- funds from the state budget as part of the proceeds from excise tax;
- proceeds from the substitution charge; and
- funds transferred by the transmission system operator.

The planned benefits associated with the launching of funding are:

- the development of infrastructure to fuel vehicles using natural gas, liquid biofuels and other alternative fuels and charge e-vehicles;
- the possibility to introduce new business models based on alternative fuels and their infrastructure;
- the development of low-carbon vehicle fleets and low-carbon public transport;
- a possible reduction in the cost of using vehicles based on alternative fuels for citizens; and
- improved air quality resulting from reduced emissions of harmful substances from road vehicles, especially in large agglomerations.<sup>(8)</sup>

## Comment

When analysing global statistics on the growth of e-vehicles, it should be noted that the Polish market is still in the initial phase of development. Public intervention – particularly the implementation of a financial incentive system – is eagerly awaited.

According to the explanatory memorandum to the draft amending act of 20 December 2020, the introduction of an income tax exemption for benefits received from the Low-Emission Transport Fund should lead to an increase in the use of low-emission vehicles and contribute to the acceleration of market transformation towards a further reduction of harmful emissions and the improvement of Poland's air quality. The regulations are also expected to have a positive impact on the activity of micro, small and medium-sized enterprises operating in such areas as public mass transport services, innovation and the automotive sector.<sup>(9)</sup> However, it is likely to be two to three years before it is possible to assess whether the regulations have made the expected impact.

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## Endnotes

(1) Act of 20 December 2019 amending the Personal Income Tax Act and the Corporate Income Tax Act (*Journal of Laws* 2020, Item 183). This act concerns the Personal Income Tax Act 1991 (*Journal of Laws* 2019, Item 1387, as amended) and the Corporate Income Tax Act 1992 (*Journal of Laws* 2019, Item 865, as amended).

(2) Minister of Energy Regulation of 5 November 2019 on Detailed Conditions for Granting Support for the Purchase of New Vehicles from the Resources of the Low-Emissions Transport Fund to Natural Persons not Carrying out Economic Activity and the Conditions for Settlement of this Support (*Journal of Laws* 2019, Item 2189).

(3) Further information is available here.

(4) Minister of State Assets Regulation of 23 December 2019 on Detailed Conditions for Granting and Settlement of Support Granted from the Resources of the Low-Emission Transport Fund (*Journal of Laws* 2019, Item 2538).

(5) Available in English here.

(6) Available here (Polish version p 10; English version p 9).

(7) *Journal of Laws* 2018, Item 1356.

(8) Further information is available [here](#).

(9) Explanatory Memorandum to the Act of 20 December 2019 amending the Personal Income Tax Act and the Corporate Income Tax Act, Parliamentary Print 68, p 3.

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