MEASURING R&D TAX INCENTIVES
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OECD COMPENDIUM OF INFORMATION ON R&D TAX INCENTIVES, 2021

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OECD COMPENDIUM OF INFORMATION ON R&D TAX INCENTIVES, 2021[1][2][3]

This file contains information on the design, scope and approval of R&D tax incentive relief for OECD countries and selected economies with reference to tax relief provided for R&D expenditures incurred in 2021. It is based on the results of the 2021 OECD Questionnaire launched in summer 2021 by the OECD Working Party of National Experts on Science and Technology Indicators (NESTI) and other members of the extended OECD-NESTI R&D tax incentive network. The results of the 2021 OECD-NESTI questionnaires were complemented with information from past NESTI R&D tax incentive surveys and other relevant, publicly available information. In contrast to previous editions of the OECD R&D Tax Incentives Compendium, this document only contains information for **R&D tax incentives that are in place in the reference year 2021**. R&D tax relief provisions that were repealed prior to reference year 2021 are no longer captured in this edition.

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Note: Tax credit and allowance rates (measured in %) generally denote enhanced rates of tax support measured relative to a common benchmark (full deductibility of current R&D (100%) expenditures and a country's baseline treatment of capital investments).

[1] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities or third party. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

[2] 1. Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue". 2. Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

[3] Malta repealed its R&D tax allowance with retroactive effect from 2019. The additional R&D tax credits available in Malta are used by few firms and are beyond the scope of this compendium.

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RESPONSE STATUS TO 2021 OECD-NESTI QUESTIONNAIRE AND FOLLOW-UP

Country	Country ISO Code	Response Status	Country	Country ISO Code	Response Status
Argentina	ARG	Yes	Japan	JPN	Yes
Australia	AUS	Yes	Korea	KOR	Yes
Austria	AUT	Yes	Latvia	LVA	Yes
Belgium	BEL	Yes	Lithuania	LTU	Yes
Brazil	BRA	Yes	Luxembourg	LUX	No return
Bulgaria	BGR	Yes	Malta	MLT	No return
Canada	CAN	Yes	Mexico	MEX	Yes
Chile	CHL	Yes	Netherlands	NLD	Yes
China	CHN	No return	New Zealand	NZL	Yes
Colombia	COL	Yes	Norway	NOR	Yes
Costa Rica	CRI	Yes (partial)	Poland	POL	No return
Croatia	HRV	Yes (partial)	Portugal	PRT	Yes
Cyprus	CYP	Yes	Romania	ROU	Yes (partial)
Czech Republic	CZE	Yes	Russian Federation	RUS	Yes
Denmark	DNK	Yes	Slovak Republic	SVK	Yes
Estonia	EST	Yes	Slovenia	SVN	Yes
Finland	FIN	Yes	South Africa	ZAF	Yes
France	FRA	Yes	Spain	ESP	Yes
Germany	DEU	Yes	Sweden	SWE	Yes
Greece	GRC	Yes	Switzerland	CHE	Yes
Hungary	HUN	Yes	Thailand	THA	Yes
Iceland	ISL	Yes	Turkey	TUR	Yes
Ireland	IRL	Yes	United Kingdom	GBR	Yes
Israel	ISR	Yes	United States	USA	Yes
Italy	ITA	Yes			

HOW TO READ THE TABLE

Abbreviations: C=Current; ME=Machinery and equipment; B=Buildings; MED=Machinery and equipment depreciation; BD=Building depreciation

General	
Type of Scheme	R&D tax credit/ allowance / payroll withholding tax / social security contribution / accelerated depreciation of R&D capital
Scheme name/description	As appropriate, if available
Status in 2021	in force in 2021/ not known
Enforcing law/regulation	Law/regulation enforcing R&D tax relief measure (where indicated)
Design	
Expense Base	Type of R&D costs allowed by scheme, see list of abbrevations provided at the top of this table
Deducted from	Tax / taxable income
Volume-based rate Large firms	Relevant percentage rate (allowances=100% for baseline deduction)
Volume-based rate SMEs	Relevant percentage rate (allowances=100% for baseline deduction)
Incremental rate Large firms	Relevant percentage rate
Incremental rate SMEs	Relevant percentage rate
Base amount (if incremental)	Definition of baseline amount applicable
Thresholds	Variation in level of tax support depending on amount of eligible R&D expenditure (upper and lower)
Ceilings	Limits to tax support (e.g. in terms of eligible R&D expenditure or tax relief)
Special rate SMEs	Yes/No as applicable
Special refund provision SMEs	Yes/No as applicable
Special terms for collaboration	Yes/No, further details as applicable
Refund Large firm (in Yrs)	Blank if not available, otherwise after how many years (or number of installments)
Refunds SME (in Yrs)	Blank if not available, otherwise after how many years (or number of installments)
Limitations	Limitations on the refundable amounts
Carry-forward (in Yrs)	Number of years benefits can be carried back
Carry-back (in Yrs)	Number of years benefits can be carried forward
Limitation	Limitations on the amounts that can be carried over
Taxability of R&D tax relief	Whether tax benefits represent taxable income
Grant-funded R&D projects	Eligibility and terms under which grant-funded R&D projects qualify for tax support

Subcontracting rules	Terms under which businesses (as funders or performer) can claim tax relief in the case of R&D subcontracting
Aggregation rules	Rules applicable in computing the R&D tax incentive benefits of companies that are part of a group
Definition of eligible taxpayer	Defintion of taxpayers (e.g. SMEs) that qualify for the R&D tax incentive
Additional Comments	As provided by respondent or as per prefill information
R&D Definition	
Other S&T&I	Whether definition allows for S&T&I expenditures which are not R&D
Note	As applicable
SSH	Whether R&D in social sciences and humanities is eligible.
Note	As applicable
Eligible R&D	
Wages and salaries	Whether R&D W&S are allowed by scheme
Note	As applicable
R&D services	Whether payments to third parties for R&D services are allowed by scheme
Note	As applicable
Consumables	Whether expenditures on R&D consumables are allowed by scheme
Note	As applicable
M&E	Whether expenditures on the acquisition of plant, machinery or equipment for R&D are allowed by scheme
Note	As applicable
Land and buildings	Whether expenditures on the acquisition of land and buildings for R&D are allowed by scheme
Note	As applicable
Depreciation	Whether the amortisation cost of R&D assets is allowed.
Note	As applicable
R&D labour paid by 3rd parties	Whether expenditures on internal R&D personnel paid for by third parties are allowed by scheme
R&D services incurred abroad	Whether expenditures on R&D services incurred abroad are allowed by scheme
Open-ended note	General comments as provided.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Relevant stages (e.g. registration/pre-approval, evaluation of claims, audit) in the administration and monitoring process, including responsible authority, deadline and documentation requirements.
Additional Comments	As provided by respondent or as per prefill information

R&D Tax incentive Schemes, 2021

AUSTRALIA

Type of Scheme	R&D Tax Credit
Scheme name/description	R&D tax incentive (refundable/non-refundable)
Status in 2021	In force in 2021
Enforcing law/regulation	Income Tax Assessment Act 1997 (Division 355) Industry Research and Development Act 1986 (Part III)
Design	
Expense Base	C, MED
Deducted from	Tax
Volume-based rate Large firms	Until 30 June 2021: 38.5 for large companies (entities with aggregated turnover of AUD 20 million or more); From 1 July 2021: 33.5/38.5 (i.e. CIT + 8.5) + a 16.5 premium rate above CIT for R&D expenditure over 2% intensity. The non-refundable R&D tax offset base rate is the claimant's company tax rate (25% or 30%) plus 8.5% for R&D expenditure up to 2% R&D intensity (i.e. R&D expenditure as a % of total expenses). A premium rate of 16.5% above the claimant's company tax rate applies to R&D expenditure above 2% R&D intensity.
Volume-based rate SMEs	Until 30 June 2021: 43.5 for SMEs (entities with aggregated turnover of less than AUD 20 million); From 1 July 2021: 43.5 (i.e. CIT + 18.5) for SMEs
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	A minimum of AUD 0.02 million thresholds applies to R&D expenditure. The threshold does not apply to R&D conducted by Research Service Providers or Cooperative Research Centres on behalf of an eligible R&D entity.
Ceilings	A maximum amount of AUD 100 million of R&D expenditure per income year may be eligible for a 40 or 45% (38.5 or 43.5% from July 2016) tax offset for income years commencing on or after 1 July 2014 and before 1 July 2024. For R&D expenditure beyond AUD 100 million per income year, a tax offset at the prevailing corporate tax rate is available.
Special rate SMEs	Yes
Special refund provision SMEs	Yes
Special terms for collaboration	-
Refund Large firm (in Yrs)	-
Refunds SME (in Yrs)	Immediate (qualified SMEs)

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Type of Scheme	R&D Tax Credit
Limitations	The R&D Tax Incentive has two core components: a 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than AUD 20 million (unless they are controlled by tax exempt entities), and a 38.5% non-refundable tax offset for all other eligible entities. The rate of the R&D tax offset is reduced to the prevailing corporate tax rate for that portion of an entity's notional R&D deductions that exceeds AUD 100 million for an income year. This change applies to assessments for income years starting on or after 1 July 2014 and before 1 July 2024. This means that the benefit provided by the R&D tax incentive for amounts of R&D expenditure (including amounts of depreciation) above AUD 100 million is no greater than the benefit an entity would receive from a normal deduction.
Carry-forward (in Yrs)	No carry-forward for entities with an aggregated turnover of less than AUD 20 million (unless they are controlled by tax exempt entities) and indefinite carry-forward for other eligible R&D entities.
Carry-back (in Yrs)	-
Limitation	AUD 100 million (for other eligible R&D entities)
Taxability of R&D tax relief	The R&D tax credit is effectively taxable; in order to claim the headline credit rates the taxpayer has to renounce to the deductibility of the R&D expenses that are claimed. Payments made under the refundable R&D tax offset are exempt from tax.
Grant-funded R&D projects	A clawback adjustment may apply where an R&D entity receives a recoupment (including a grant) from an Australian government agency or State/Territory body that relates to R&D activities, unless the recoupment is received under CRC program. When this happens, a company has to pay extra income tax at 10% of the recoupment (subject to a cap equal to the R&D part of the grant). The extra income tax is payable for the year in which the recoupment is received regardless of whether the related R&D tax offset benefit was used in the same, earlier or later income years. Source : http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/RandDTaxIncentive-Overview.pdf
Subcontracting rules	Entitlement to the R&D Tax Incentive is based, in part, on you having incurred expenditure on R&D activities that you can notionally deduct. In general, you can only claim a notional deduction and therefore you can only claim the R&D tax incentive for expenditures on R&D activities conducted for you and not to a significant extent for some entities. R&D activities are conducted for you if you conduct the activities for yourself or if another entity conducts these R&D activities for you. Under subsection 355-210(1) of the ITAA 1997, you may qualify for the R&D tax incentive if: (i) your R&D activities are conducted for an associated foreign corporation that is a resident of a country with which Australia has a comprehensive double tax agreement – if certain conditions are met, (ii) you are a foreign corporation carrying on your business through a permanent establishment in Australia and the R&D activities are conducted for you and not for the permanent establishment – if certain conditions are met. In most cases, expenditure incurred on R&D activities conducted to a significant extent for another entity is unable to be claimed by you (as a subcontractor). Whether or not that other entity is entitled to claim the R&D tax incentives will depend on whether it satisfies the various eligibility and expenditure

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Type of Scheme	R&D Tax Credit
	conditions. Special rules apply for consolidated groups, R&D partnerships, and R&D subcontractors. (i) If you are the head company of a consolidated group or MEC group, your subsidiary members are treated as part of you (the head company) for as long as they remain part of the consolidated or MEC group for income tax purposes. Therefore, the R&D tax incentive applies to your consolidated group or MEC group as if it is a single entity conducting all R&D activities within the group. This means only the head company of the group should register for, and claim, the tax incentive for these R&D activities. (ii) An R&D partnership is one where each partner meets the definition of an R&D entity. The partnership itself is not eligible to claim the R&D tax incentive for the R&D activities it undertakes because it is not an R&D entity. However, the partners may be able to claim for R&D activities the partnership has undertaken. (iii) In most cases, you can only claim an R&D tax offset for expenditure on R&D activities conducted for you rather than for some other entity. Working out for whom the R&D activities are conducted involves determining who receives the major benefit from carrying out the activities (for example, who owns the results of the activities). Usually, you won't be able to claim for expenditure on R&D activities you conducted to a significant extent for another entity. However, provided all other eligibility requirements are met, the entity receiving the major benefit from the R&D activities may be able to claim these amounts. If certain conditions are met, you may also qualify for an R&D tax offset if: (i) your R&D activities are conducted for an associated foreign corporation that is a resident of a country with which Australia has a comprehensive double tax agreement, (ii) you are a foreign corporation carrying on your business through a permanent establishment in Australia and the R&D activities are conducted for you and not for the permanent establishment. Web link: https://www.ato.gov.au/business/research-and-development-tax-incentive/in-detail/guides/who-can-claim/
Aggregation rules	If a company is a part of a consolidated group (for income tax purpose) or a multiple-entry consolidated (MEC) group, only the head company should register the R&D activities performed by member of the group. Subsidiary members cannot register their R&D activities in their own name, for the period they belong to the group. Head companies of consolidated groups also claim R&D tax offsets on behalf of the entire group. Aggregated turnover is the sum of: - company’s annual turnover for the income year - the annual turnover of any entity that is an affiliate of the company, for that part of the income year that the entity is affiliated with the company - the annual turnover of any entity connected with the company, for that part of the income year that the entity is connected with the company Aggregated turnover for an income year does not include: - the annual turnover of the other entities for any period of time that the entities are either connected with the company or are not the company’s affiliate - amounts resulting from any dealings between these entities for that part of the income year that the entity is connected or affiliated with the company. Annual turnover is the total ordinary income a company derives in the income year in the ordinary course of carrying on a business. If a company is a partner in an R&D partnership at some time during an income year, then the company’s aggregated turnover includes the company’s proportion of the R&D partnership’s annual turnover for that year.

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Type of Scheme	R&D Tax Credit
	Source: https://www.ato.gov.au/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-3---calculate-your-aggregated-turnover/
Definition of eligible taxpayer	Only R&D entities can claim an R&D tax offset. You are an R&D entity if you are a corporation that is any of the following: (i) incorporated under an Australian law, (ii) incorporated under a foreign law but an Australian resident for income purposes, (iii) incorporated under a foreign law and you are both a) a resident of a country with which Australia has a double tax agreement, including a definition of 'permanent establishment'; and b) carrying on business in Australia through a permanent establishment as defined in the double tax agreement. You are not eligible for an R&D tax offset if you are: (i) an individual, (ii) a corporate limited partnership, (iii) an exempt entity (where your entire income is exempt from income tax), (iv) a trust (with the exception of a public trading trust with a corporate trustee), (v) if you are an R&D entity, you may also need to consider the special rules applied to consolidated groups and R&D partnerships. Other conditions may also apply, depending on whom the R&D activities are being conducted for. SME definition applicable for tax purposes: firms can claim the refundable tax offset if both of the following apply: i. the firm is not controlled by one or more exempt entities, ii. the firm's aggregated turnover is less than AUD20 million. Else, companies can claim the non-refundable tax offset. Source: https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-entities/
Additional Comments	The R&D Tax Concession was replaced with the R&D Tax Incentive from 1 July 2011. Certain transitional arrangements applied. In general, the new rules provide for a refundable tax offset for small and medium enterprises and a non-refundable tax offset for eligible large companies to encourage business investment in R&D. R&D entities with an aggregated turnover of less than AUD 20 million per annum, provided they are not controlled by income tax exempt entities, are eligible for the refundable tax offset.
R&D Definition	
Other S&T&I	No
Note	
SSH	No
Note	
Eligible R&D	
Wages and salaries	Yes
Note	Reductions in payroll taxes/social security contributions are NOT part of the tax credit formula.
R&D services	Yes

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Type of Scheme	R&D Tax Credit
Note	Payments to off-site consultants qualify as eligible expenditure, but only if the eligible firms receive the benefit from R&D. Some of these costs may be incurred overseas (at least 50% of total costs of the project across all project years must be incurred in Australia).
Consumables	Yes
Note	
M&E	No
Note	Depreciation of plant and machinery is claimable
Land and buildings	No
Note	
Depreciation	Yes
Note	The R&D Tax Incentive can be claimed for the decline in value of tangible depreciating assets (except for buildings). The value of the decline may be estimated by either of two methods, the prime cost method or the diminishing value method. Once a method is chosen it cannot be changed. Balancing adjustments occur if the asset is sold.
R&D labour paid by 3rd parties	No
R&D services incurred abroad	Yes
Open-ended note	For an R&D entity, its notional deductions may be for: (i) expenditure incurred on R&D activities, including expenditure on overseas activities covered by an advance finding from Innovation Australia, amounts paid to associates and expenditure to a RSP, (ii) the decline in value of assets used for conducting R&D activities (including R&D partnership assets), (iii) balancing adjustments for assets used only for conducting R&D activities (including R&D partnership assets), (iv) expenditure in relation to goods and materials transformed or processed during R&D activities to produce marketable products (feedstock expenditure), (v) monetary contributions under the CRC program. In summary, qualifying expenditures may include staff costs, direct costs, overheads, supplies, depreciation, and certain capital expenditures on activities that are defined as core or supporting R&D activities. Interest payments and building costs are specifically excluded. R&D entities are entitled to a notional R&D deduction in relation to expenditure described above to the extent that: (i) the expenditure is of a kind eligible for the R&D Tax Incentive, (ii) firms incur expenditure during the income year (other than an amount entities incur to an associate but do not pay until a later income year) on one or more registered R&D activities. As a result, the general rule is that expenditure on R&D activities is claimable in the income year it is incurred. The exceptions to this rule are when: (i) an amount of expenditure is incurred but not paid to an associate, (ii) the prepayment rules apply in relation to expenditure for services to be provided over a period. R&D entities cannot notionally deduct the following types of expenditure under the R&D tax incentive: (i) interest expenditure (within the meaning of interest in the withholding tax rules), (ii)

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Type of Scheme	R&D Tax Credit
	expenditure that is not at risk, (iii) core technology expenditure, (iv) expenditure included in the cost of a depreciating asset (decline in value notional deductions may apply however), (v) expenditure incurred to acquire or construct a building (or part of a building or an extension, alteration or improvement to a building).These types of expenditure do not warrant the enhanced tax benefits available under the R&D tax offsets. However, they should be considered under the normal deduction provisions of the income tax law because firms may still be able to deduct these amounts from your assessable income. Under the R&D tax incentive deductions for depreciating assets (as defined in Division 40 of the ITAA 1997, but excluding intangible assets) used in carrying on R&D activities will be worked out under sections 355-305 and 355-310 of the ITAA 1997. These sections require that the amount allowable for on the decline in value of those assets for the period of R&D use be calculated notionally under the rules set out in Division 40 of the ITAA 1997, as applied with certain modifications. Firms can get a notional R&D deduction (and therefore, a tax offset) only for the decline in value of capital works that are not buildings used in R&D activities. Source: https://www.ato.gov.au/business/research-and-development-tax-incentive/in-detail/guides/amounts-you-can-claim/?page=2 http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Eligibility/Documents/RDTaxIncentive-Guide2Interpretation.pdf
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: AusIndustry (a division within the Department of Industry, Science, Energy and Resources). Deadline: Within 10 months after the end of the company's income year in which the activity was conducted. Documentation requirements: i. Registration form filled with all activities the company assesses to be eligible annually. ii. Information on: i) "core R&D activities" and "supporting R&D activities", ii) description of activities. No pre-approval is needed. However, for R&D activities physically performed outside Australia, government approval is needed and will be granted if the Australian core activities could not be completed without them, and the activities are unable to be conducted in Australia for defined reason, including: (i) no access to facilities or expertise in Australia, (ii) require access to population of living objects not available in Australia, or (iii) require access to geographical or geological features not available in Australia. At least 50% of total costs of the project across all project years must be incurred in Australia. <u>Evaluation of claims</u> Responsible authority: Australian Taxation Office (ATO) Deadline: At the end of the company's income year (through the company's income tax return) (Accessible from 1 July each year) Documentation requirements: i. Company Income Tax return ii. R&D Tax Incentive Schedule containing the company's registration

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Type of Scheme	R&D Tax Credit
	number for the relevant income year. Estimates and projections of expenditure are not acceptable. Only an R&D entity can claim a R&D tax offset for eligible R&D activities carried out in an income year. Activities can be physically performed outside Australia and remain eligible for benefits only if approved by the government before or during the year the project was commenced. At least 50% of total costs of the project across all project years must be incurred in Australia. Audit Documentation requirements: Contemporaneous records which are sufficient to show that the claimed activities took place and that they meet all aspects of the definition of the either core or supporting R&D activities.
Additional Comments	The R&D tax incentive is jointly administered by the ATO and AusIndustry. AusIndustry regulates and monitors compliance activities in the assessment of the technical eligibility of activities, while the ATO regulates and undertakes compliance activities in relation to notional deductions and correlated tax offsets. Taxpayers must file the Application for Registration of R&D Activities with AusIndustry within 10 months of the tax year end (even if an advance finding has been obtained). The R&D tax offsets are then claimed on the taxpayer's annual company income tax return. Source: http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/RandDTaxIncentive-Overview.pdf https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide

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Type of Scheme	R&D tax credit
Scheme name/description	Research premium
Status in 2021	In force in 2021
Enforcing law/regulation	Gesamte Rechtsvorschrift für Forschungsprämienverordnung, (Fassung vom 21.04.2015)
Design	
Expense Base	C, ME,B
Deducted from	Tax
Volume-based rate Large firms	14
Volume-based rate SMEs	14
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	EUR 140,000 (subcontracted research expenditures are limited to EUR 1 million per year as of January 2012).
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Immediate
Refunds SME (in Yrs)	Immediate
Limitations	-
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	Used and refunded tax credit is exempt from tax (no operating revenue).
Grant-funded R&D projects	Grants and subsidies received by the taxpayer that are exempt from Austrian corporate income tax reduce the base for the research credit

AUSTRIA

Type of Scheme	R&D tax credit
Subcontracting rules	Under an R&D service contract, an R&D credit may be claimed by the purchaser of the R&D service or the contracting party (principal) providing the R&D services (no double tax relief). The R&D purchasing entity has to notify the R&D service provider by the end of the fiscal year about the amount of subcontracted R&D expenditure it will claim under the research premium. The qualifying R&D expenditures of the R&D service provider will be reduced by this amount. Hence tax support for the same underlaying R&D activity is prevented. If the R&D purchasing entity remains from this notification, the performer can claim the R&D credit. When R&D activities are contracted to a third party such as another company or a university, the commissioning company can claim R&D tax incentive. Subcontracted research must follow management and direction from an Austrian business or branch or permanent establishment in Austria. However, the subcontractor must not be under the controlling influence of the hiring company and there should not be a tax group in place between the hiring company and the subcontractor; it must be a qualifying EU/EEC institution and unrelated to the principal. Research contracted out to another part of the commissioning company or to a member of the same group of companies as defined in paragraph 9 of the Corporation Tax Act is not eligible for funding. Sources: http://www.ris.bka.gv.at/NormDokument.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10004570&Artikel=&Paragraf=108c&Anlage=&Uebergangsrecht http://www.its-foerderberatung.at/en/rdtaxcredit/
Aggregation rules	Same as companies that are not part of a group.
Definition of eligible taxpayer	The Austrian government provides financial support for businesses to carry out research and development. According to paragraph 108c of the Austrian income tax law (EStG), firms can claim the Research and Development Tax Credit from the tax office in respect of research activities and experimental development work that has already been completed. The Research and Development Tax Credit can be claimed retrospectively: • By any company registered to pay tax in Austria and carrying out research and development activities within Austria OR contracting it out to third parties within the EEA • Irrespective of the industry sector in which the company operates. Source: http://www.its-foerderberatung.at/en/rdtaxcredit/ The R&D tax credit can be claimed by any company that carries out research activities in Austria, regardless of the company's size, industry or legal form. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf Individual taxpayers and companies are entitled to claim the R&D premium unless they are exempt from CIT. Source: https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/04/emea-rd-incentives-guide-web-04182017.pdf
Additional Comments	-

AUSTRIA

Type of Scheme	R&D tax credit
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	The subcontractor must be a qualifying EU/EEC institution and unrelated to the principal. In case the payments fall under the definition of "extramural R&D" according to Frascati Manual, payments up to 1 million Euro per year (until 2011: 100.000 Euro) qualify; if the fiscal year comprises less than 12 months this ceiling will be adjusted proportionally. On-site consultants not eligible
Consumables	Yes
Note	
M&E	Yes
Note	
Land and buildings	Yes
Note	
Depreciation	No
Note	Depreciation explicitly excluded
R&D labour paid by 3rd parties	Yes
R&D services incurred abroad	Yes
Open-ended note	Qualifying expenditures include current and capital R&D expenditures (e.g. capital investment, finance costs, staff costs, overhead, leasing costs, and subcontractor fees) by resident companies and as well as R&D undertaken by and attributable to the domestic branch of non-resident companies. Qualifying expenditures include domestic R&D expenditures only (if the R&D is undertaken by foreign branch of resident company and expenditures are attributable to that foreign branch, they are not included). Sources:

AUSTRIA

Type of Scheme	R&D tax credit
	http://www.ris.bka.gv.at/NormDokument.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10004570&Artikel=&Paragraf=108c&Anlage=&Uebergangsrecht=
Administration and Monitoring	
Stages, responsible authority and documentation requirements	In a nutshell: From 2013 onwards it's mandatory (but free) to have F&E activities examined by the Austrian Research Promotion Agency (FFG) to check if the criteria of the Frascati Manual are met. The final decision whether to grant a tax premium is made by the tax authorities based upon FFG's expertise. Sources: https://www.ffg.at/forschungspraemie and https://www.usp.gv.at/steuern-finanzen/betriebseinnahmen-und-ausgaben/forschungspraemie.html Fore more details see the following steps: Registration/pre-approval Responsible authority: Austrian Research Promotion Agency (FFG) Documentation requirements: (i) Project or research area description This application at the FFG includes outlines of up to 20 projects or key research areas. Each project or research area must be described in no more than 3,000 characters and without graphics or pictures. The FFG report determines whether or not the in-house research activities for which the company is claiming the Research and Development Tax Credit may be considered as qualifying research and experimental development activity as outlined by the income tax law and its accompanying regulation. Definition of R&D is identical to the Frascati Manual definition. Evaluation of claims Responsible authority: (i) Austrian Research Promotion Agency (FFG): Assesses whether activita falls under the Frascati R&D definition. No assessment of the correctness of eligible costs reported. (ii) Austrian tax office Deadline: (ii) End of fiscal year Documentation requirements: (i) Project or research area description (ii) Tax return form, annual report (not for contract research) or project report, legal report issued by a financial auditor The Research and Development Tax Credit can be claimed retrospectively. http://www.its-foerderberatung.at/en/rdtaxcredit/ Audit Responsible authority: Austrian tax office Subject to the satisfactory submission of additional, more detailed documentation, the tax office may still approve the Research and Development Tax Credit even if the result of the FFG report was negative.

AUSTRIA

Type of Scheme	R&D tax credit
Additional Comments	Approval from the Austrian Research Promotion Agency (FFG) is required for research credits relating to tax years beginning on or after January 1, 2012. The application for an assessment by the FFG can be made after the end of the fiscal year in which the tax credits would apply, and has to be filed electronically. There is no need for existing patent protection of the result of the R&D activities or proof of the success of the R&D work. No restrictions are imposed upon the location of the IP. In the case of contract research, an expert opinion of the FFG is not required, i.e. a research assessment and validation is not provided. The procedure of claiming the Research and Development Tax Credit for in-house research and experimental development has been updated for applications made in respect of financial years beginning after 31 December 2011: 1. To claim the Research and Development Tax Credit, a company must first submit an application to the relevant tax office. This is usually made alongside the tax return for the completed financial year. 2. To submit an application for an assessment by the Austrian Research Promotion Agency (FFG). This application includes outlines of up to 20 projects or key research areas. Each project or research area must be described in no more than 3,000 characters and without graphics or pictures. The FFG report determines whether or not the in-house research activities for which the company is claiming the Research and Development Tax Credit may be considered as qualifying research and experimental development activity as outlined by the income tax law and its accompanying regulation. The tax office decides whether the amounts declared as research and development (upon which figure the tax credit is calculated) have been calculated correctly as set out by the relevant legislation. The FFG decides whether the nature of the actual research fulfils the requirements of activity that is funded by the Research and Development Tax Credit. • The FFG does not assess the correctness of the amount that is to be used to calculate the value of the Research and Development Tax Credit. • The FFG does not decide whether funding is granted, which decision is instead made by the relevant tax office. • The FFG provides its report to the company without charge and within a certain deadline. Companies apply for a report via the official electronic platform FinanzOnline, and there are strict regulations that need to be followed. The FFG's report is then passed to both the tax office and the applicant company automatically via FinanzOnline. Annual report: In most cases, companies applying for the Research and Development Tax Credit will need to be able to present an annual report by the Austrian Research Promotion Agency (FFG) (note, however, that no report is required in the case of contract research). The FFG determines whether the technical details of the proposed research satisfy the formal requirements set out in the Frascati Manual. The correctness of the figure used to calculate the level of funding is checked by the tax office. The tax office is not bound by the FFG's report (which is based on a description of the research that is limited to 3,000 characters per key research area). Subject to the satisfactory submission of additional, more detailed documentation, the tax office may still approve the Research and Development Tax Credit even if the result of the FFG report was negative. Project report: As an alternative to an annual report, it is also possible to apply to the FFG for a report on an individual project. Project reports serve as the basis of the tax office's formal confirmation that the requirements of in-house research have been fulfilled, and therefore

AUSTRIA

Type of Scheme	R&D tax credit
	provide an enhanced legal foundation. There is an administrative fee of EUR 1,000 for each project report. Each report can be applied for to cover the current year and up to three years in the future. Optional auditor's confirmation: In order to secure legal verification of the amount used to calculate the level of funding and the way it has been calculated, it is also necessary to provide the tax office with a report to this effect by a financial auditor. The tax office then uses this alongside the annual or project report to issue its ruling on the value of the tax credit. Source: http://www.its-foerderberatung.at/en/rdtaxcredit/ https://www.wko.at/Content.Node/Service/Steuern/Einkommensteuer-und-Koerperschaftsteuer/Einkommenssteuer/est-koest_ForschungsfoerderungdurchsteuerlicheMassnahmen_Bro.pdf

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	Payroll Withholding Tax Credit	Refundable tax credit for R&D	R&D Investment Deduction for R&D investments beneficial to the environment	Accelerated depreciation for R&D capital assets
Status in 2021	In force in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation				
Design				
Expense Base	Labour	ME, B	ME, B	R&D intangibles, ME
Deducted from	Payroll withholding tax	Tax	Taxable income	Taxable income
Volume-based rate Large firms	80 for researchers with master or doctoral degree; since January 2018 a rate of 40% applies for researchers with bachelor degree	3.38 (5.125 in case of spread-deduction over five years, i.e. 1.025 per year)	13.5 (20.5 in case of spread-deduction over five years, i.e. 4.1 per year)	33.3 (3 year straight line depreciation)
Volume-based rate SMEs	80 for researchers with master or doctoral degree; since January 2018 a rate of 40% applies for researchers with bachelor degree	3.38 (5.125 in case of spread-deduction over five years, i.e. 1.025 per year)	13.5 (20.5 in case of spread-deduction over five years, i.e. 4.1 per year) For SMEs, the normal investment deduction is temporarily raised from 8% to 25% for investment made between 12 March 2020 and 31 December 2022. The normal investment deduction rate of 25% applies when it is more interesting for taxpayers.	
Incremental rate Large firms	-	-	-	-
Incremental rate SMEs	-	-	-	-
Base amount (if incremental)	-	-	-	-

BELGIUM

Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
Thresholds	-	-	-	-
Ceilings	The tax deduction is limited to the payroll withholding tax WHT liability.	-	-	-
Special rate SMEs	-	-	For SMEs, the normal investment deduction is temporarily raised from 8% to 25% for investment made between 12 March 2020 and 31 December 2022	-
Special refund provision SMEs	-	-	-	-
Special terms for collaboration	Yes	-	-	-
Refund Large firm (in Yrs)	Immediate	The part not used is refunded after 5 years	No	No
Refunds SME (in Yrs)	Immediate	The part not used is refunded after 5 years	No	No
Limitations	-	-	-	-
Carry-forward (in Yrs)	n.a.	5	Infinite	-
Carry-back (in Yrs)	-	-	-	-
Limitation	-	Where the amount of R&D tax credit to be carried over is less than 174,500 Euro, there is no limitation. Where a credit to be carried over falls in the range of 174,500 to 698,000, Euro, the maximum yearly offset to corporate tax	Where the amount of R&D tax allowance to be carried over is less than 1,034,100 Euro, there is no limitation. Where an allowance to be carried over falls in the range of 1,034,100 Euro to 4,136,390 Euro, the maximum yearly offset to	-

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
		is 174,500 Euro. Where the credit carryover equals or exceeds 698,000, the maximum credit claimed in any year is 25% of the carry-over amount. The carry-over amounts mentioned for the R&D tax credit are relative to 2020 income year.	corporate tax is 1,034,100 Euro; where the allowance carryover equals or exceeds 4,136,390 Euro, the maximum credit claimed in any year is 25% of the carry-over amount. Where companies opt to switch to the R&D tax credit, they can combine the tax credit with a carry-forward of unused R&D tax allowances. In this case, the carry-over amounts within which unused allowances can be carried forward are halved. The carry-over amounts mentioned for the investment deduction are relative to income year 2020.	
Taxability of R&D tax relief	The payroll withholding tax credit is taxable. Payroll and social security related incentives increase the taxable income of businesses.	The R&D tax credit is not taxable.	The R&D tax allowance is not taxable.	The accelerated depreciation allowance is not taxable
Grant-funded R&D projects	-	-	-	-
Subcontracting rules	Not applicable. Only companies who pay the withholding tax on earned income for knowledge workers' salaries can benefit of	The R&D center acting on behalf of another party is eligible for the R&D tax credit. Same rules apply for R&D tax	The R&D center acting on behalf of another party is eligible for the R&D investment deduction.	Not applicable. Only R&D investments undertaken on companies' own account apply for the accelerated

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	the partial exemption. Exemptions of payment The withholding tax on earned income, computed as described in paragraph 7.1., is in principle withheld by the employer and paid to the tax administration. In some cases, the most important of which are commented upon below, the employer is entitled to a partial exemption of payment which has no impact on the amount withheld. The part of the withholding tax that is deducted but not paid to the tax administration stays at the disposal of the employer. As a result, this mechanism works as a wage subsidy to the employer. The exemption has no impact on the withholding tax credited against the tax to be paid by the income recipient. Source: Belgian Ministry of Finance, 2018, Tax Survey n°30, p 176, https://finance.belgium.be/en/fig	credit and R&D Investment Deduction. There are no circumstances under which two different taxpayers can benefit from tax support for the same underlying R&D activity. INVESTMENTS TRANSFERRED TO THIRD PARTIES When the investment concerns assets the use of which has been transferred to a third party, the latter being entitled to write them off, then the lessor will not be granted an investment deduction: this is the case as concerns leasing contracts and agreements for long lease rights or building rights. When the investment concerns assets the use of which has been transferred according to other means than leasing contracts and agreements for long lease rights or building rights, the lessor being entitled to write them off, then the transferee will only	Source: Belgian Ministry of Finance, 2018, Tax Survey n°30, p 135, https://finance.belgium.be/en/figures_and_analysis/analysis/tax_survey The R&D Investment deduction is applicable regardless whether the assets were purchased from third parties or manufactured in-house. Source: https://financien.belgium.be/nl/ondernemingen/vennootschapsbelasting/belastingvoordelen/investeringsaftrek#q1 There are no circumstances under which two different taxpayers can benefit from tax support for the same underlying R&D activity. When the investment concerns assets the use of which has been transferred to a third party, the latter being entitled to write them off, then the lessor will not be granted an investment deduction: this is	depreciation provision.;Intangible assets are eligible for the accelarated depreciation where they are recorded in the financial statements, Also costs for research and development are eligible provided that immediate and in full amortization is made in the year of capitalization so that such amounts do not appear in the balance sheet of the financial statements, All costs are eligibile by the party which incurs them as long as the conditions are fulfilledThe accelarated depreciation mechanism foresees solely a difference in timing whereby an entity can depreciate intangible assets (and costs for research and development) accelarated over a period of three years.

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	ures_and_analysis/analysis/tax_survey	be granted an investment deduction if he is a natural person or a company fulfilling itself the conditions, criteria and limits for the application of the investment deduction at the same or a higher rate, using the assets in Belgium in order to obtain profits or benefits and not transferring, be it partially, the use of the assets to another third party.. Source: Belgian Ministry of Finance, 2018, Tax Survey n°30, p 120, https://finance.belgium.be/en/figures_and_analysis/analysis/tax_survey Similar as for the R&D investment deduction the performer can claim the R&D taks credit if its assets qualify for the R&D tax credit regime.	the case as concerns leasing contracts and agreements for long lease rights or building rights. When the investment concerns assets the use of which has been transferred according to other means than leasing contracts and agreements for long lease rights or building rights, the lessor being entitled to write them off, then the transferee will only be granted an investment deduction if he is a natural person or a company fulfilling itself the conditions, criteria and limits for the application of the investment deduction at the same or a higher rate, using the assets in Belgium in order to obtain profits or benefits and not transferring, be it partially, the use of the assets to another third party. Source: Belgian Ministry of Finance, 2018, Tax Survey n°30, p 135, https://finance.belgium.be/en/f	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
			igures_and_analysis/analysis/tax_survey	
Aggregation rules	Only companies who pay the withholding tax on earned income for knowledge workers' salaries can benefit of the partial exemption. Source: https://financien.belgium.be/nl/ondernemingen/personeel_en_loon/bedrijfsvoorheffing/vrijstellingen/onderzoek_en_ontwikkeling#q1	The R&D tax credit is calculated on a stand-alone basis whereby the deduction is calculated on the acquisition or investment value of the fixed assets which is also the basis for calculating depreciation.	The R&D investment deduction is calculated on a stand-alone basis whereby the deduction is calculated on the acquisition or investment value of the fixed assets which is also the basis for calculating depreciation.	The accelarated depreciation mechanism is arranged on a stand-alone basis for each company individually,
Definition of eligible taxpayer	The R&D payroll tax incentive can only be applied in case of researchers: - employed by universities, higher schools, the “National Fund for Scientific Research” and the “Research Foundation - Flanders” - employed by registered scientific institutions - appointed by companies to research projects conducted pursuant to partnership agreements concluded with institutions mentioned in the previous two indents - employed by “Young	R&D Center: A research center is a separate branch of activity. The research center has to hold a separate set of accounts in order to demonstrate a clear separation between the operational activity and the research activity. An independent technical entity able to operate autonomously with its own resources: people, facilities, subcontractors, R&D investments are only eligible	Firms/Individuals with "green" R&D investments.	Accelerated depreciation on intangible fixed assets used for R&D is allowed.These assets are depreciated in 3 years (instead of 5 years), according to the straight-line depreciation method. source: Belgian Ministry of Finance, Tax incentives for research & development & Innovation, https://financien.belgium.be/sites/default/files/downloads/704-brochure-RD-TaxIncentives-2018-en.pdf

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	Innovative Companies" - employed by private companies, but with specific diploma requirement. Researcher employed in private companies should have one of the following diplomas: (i) A doctorate degree in applied sciences, exact sciences, medical sciences, veterinary medical science; (ii) A degree of civil engineer; (iii) A specific master degree in science. In private companies, an employee in the possession of a foreign diploma can qualify if the diploma has a value equivalent to one of the Belgian diplomas referred to in the community decrees. The R&D payroll tax incentive can only be applied for researchers, meaning that the individuals must perform R&D activities. Source: A young innovative company (YIC) must meet the requirements of a small company as defined in Art. 15 §1 of the Company Code; especially, it may	to the extent that they do not exceed the normal limit necessary for the operation of the R&D center. When a company is able to demonstrate that it has an operational research center, all the investments necessary for the activity of the latter would qualify for the R&D investment tax deduction/ credit. For example, if the company decides to capitalize all its R&D personnel costs, it will benefit from the tax incentives on the latter. For the investments realized through/within an R&D center, it is usually easier to qualify as R&D investments. R&D investments realized by companies outside of the R&D center may also qualify for the tax credit/deduction (Article 48 RD/ITC92). This includes for example: a. Specific innovative tangible investments allocated to the		

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	not exceed more than one of the following criteria: • an annual average of 50 employees; • an annual turnover - excluding VAT - from 9 million Euro; • total assets of 4,500,000 Euros; unless the annual average workforce exceeds 100. In addition, a YIC needs: • to be less than 10 years prior to 1 January of the reference year, • not created to be in the context of a merger, restructuring, extension of a previous activity or acquisition of such activities, • at least 15% of the total cost of the previous tax period is used for research and development. The YIC must meet those conditions at the end of the previous taxable year preceding the taxable year during which salaries are paid. Source: http://www.belspo.be/belspo/fisc/profit_YIC_nl.stm https://www.nbb.be/en/central-balance-sheet-	development/improvement of new production techniques, new production processes, new equipment, new products or raw material, the development of prototypes and the purchase of special measurement instruments; b. Tangible and intangible investments which are not purely for research but which are necessary for the realization of a scientific program that contributes to technological innovation.		

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	office/drawing/size-criteria/size-criteria-companies			
Additional Comments				
R&D Definition				
Other S&T&I	No	Yes	Yes	No
Note		For specific innovative investments such as the development / improvement of new production techniques, or under specific circumstances, no R&D center is required.	For specific innovative investments such as the development / improvement of new production techniques, or under specific circumstances, no R&D center is required.	For specific innovative investments such as the development / improvement of new production techniques, or under specific circumstances, no R&D center is required.
SSH	Yes	Yes	Yes	Yes
Note				
Eligible R&D				
Wages and salaries	Yes	No	No	No
Note	Wage earners that have a PhD or a “scientific” master degree or bachelor degree (unless “young innovative company”)			
R&D services	No	No	No	No
Note				
Consumables	No	No	No	No
Note				
M&E	No	Yes	Yes	Yes
Note				

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
Land and buildings	No	Yes	Yes	No
Note				
Depreciation	No	No	No	No
Note				
R&D labour paid by 3rd parties	Yes	No	No	No
R&D services incurred abroad	No	No	No	No
Open-ended note	The provision is applicable only to wage earners that have a PhD or a “scientific” master degree, including engineers. If the company qualifies as a “young innovative company” the scheme applies to any staff member dealing directly with research activities (thus exclusive of administrative or commercial staff). According to the case, either the total wages of the worker/researcher are taken into account for the calculation of the payroll withholding tax credit, or a proportional rule applies (only the part of the wages directly linked to the research activity). Partial exemption from payment of the withholding tax on wages of knowledge workers (art. 275-3 of the Tax Code on income): This	A tax credit for R&D is granted for investments in patents and environmentally friendly R&D investments. The tax credit for R&D is granted for investments in tangible fixed assets newly acquired or constituted and in new intangible fixed assets, which are allocated in Belgium to the exercise of a professional activity.	The Belgian tax system includes an investment deduction for R&D investments beneficial to the environment ("green" R&D investments), and an R&D tax credit. Companies must choose between the investment deduction and the R&D tax credit. The choice is irrevocable. Both tax incentives have the same conditions in terms of investment qualifying, reporting obligations, ... However, the tax credit has two important features which make it in some occasion a more attractive incentive than the investment deduction: (i) The tax credit is refundable after 5 years, which is particularly beneficial to companies in a tax loss position because it offers a “cash-in-	There is the possibility of accelerated depreciation of R&D intangibles: the depreciation of investments in R&D must occur over a period of at least three years (instead of five years at least), under the linear/straight-line method. Only R&D investments undertaken on companies' own account apply for the accelerated depreciation provision

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	indirect funding mechanism for research and development has been developed by the federal government, on the basis of an opinion of the Federal Council for Science Policy (CFPS). Originally, the measure was intended only for knowledge workers employed in universities, colleges and research fund (FNRS and FWO). The principle of the measure was the typical work situation of a university assistant who can devote 50% of his working time to R&D activities and for which the employer - in parallel - should not pay 50% of advance payment due to the Treasury but could invest in additional R&D activities. The rate of payroll withholding tax remission has been increased from 75 to 80 from 1 July 2013 onwards (Law on tax and financial provisions on sustainable development, June 17, 2013). In the commercial sector, the investment of these additional revenues in R&D		hand" benefit. (ii) In IFRS and US GAAP, there are good arguments to defend that the tax credit should be booked as a decrease of costs or increase in earnings, as opposed to a reduction in the tax due. Qualifying R&D investments: (1) tangible fixed assets (newly acquired or constituted) and intangible fixed assets, (2) newly acquired (e.g. patents) or (3) constituted during the taxable period, which are assigned in Belgium for the exercise of a professional activity, i.e. the assets must be fixed assets and amortizable over a period of at least 3 years. It only includes those R&D development costs that can be capitalized as intangible fixed assets according to Belgian accounting law. In respect of tangible assets, investments are considered new when they are never used before, neither in Belgium or in another country.	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	activities is not taxed and instead depends on the economic opportunities that arise. Source: http://www.belspo.be/belspo/fisc/intro_fr.stm		In respect of intangible assets, the investments may not have been used in Belgium before. Both R&D tax credit and investment deduction benefits may be claimed for R&D work performed outside Belgium if the claimant retains some associated IP in Belgium to receive the tax benefit. Conditions: -New assets (self-developed or acquired from a third party) which will be used in Belgium;-Intangible assets may not have been used in Belgium before; -Tangible assets may not have been used worldwide before; -Amortizable over a period of at least 3 years;-By means of an internal R&D center that qualifies as a "branch of activity";-For specific innovative investments such as the development / improvement of new production techniques, or under specific circumstances, no R&D center is required.	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
			Sources: http://www.mazars.be/Home/News/Seminar-calendar/Seminars-in-the-past/R-D-Tax-Incentives-in-Belgium-in-English	
Administration and Monitoring				
Stages, responsible authority and documentation requirements	Evaluation of claims Responsible authority: BELSPO Deadline: The withholding tax credit cannot be applied before the activity has been reported. Documentation requirements: Identification of the employer Description of the R&D activities For all eligible employees: (i) Identification and national number (ii) Date of the start of the employment (and possibly end of employment) (iii) Copy of the employment contract (iv) Copy of the degree (unless "young innovative company"). (iv) Individual account for the income year concerned (v) Evidence of the time spent by the individual on eligible R&D activities Total amount of	Registration/pre-approval Responsible authority: "Green" certificate is issued by the competent authorities (depending on where in Belgium the company is located): • Flemish region: www.energiesparen.be or www.lne.be • Walloon region: www.energie.wallonie.be or www.environnement.wallonie.be • Brussels region: www.bruxellesenvironnement.be If the investments are realized outside of Belgium but still considered as an asset of a Belgian Company, then the certificate should be requested to the Region where the social seat of the Belgian Company is located	Registration/pre-approval Responsible authority: "Green" certificate is issued by the competent authorities (depending on where in Belgium the company is located): • Flemish region: www.energiesparen.be or www.lne.be • Walloon region: www.energie.wallonie.be or www.environnement.wallonie.be • Brussels region: www.bruxellesenvironnement.be If the investments are realized outside of Belgium but still considered as an asset of a Belgian Company, then the certificate should be requested to the Region where the social seat of the Belgian Company is located	No specific prior approval is required to apply the accelarated depreciation, The monitoring of the task deductible nature of the accelarated depreciations will occur as for other costs,

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	remuneration paid and withholding tax deducted https://www.etaamb.be/nl/koninklijk-besluit-van-23-maart-2014_n2014003117.html	Deadline: Within 3 months following the last day of the taxable period. Documentation requirements: The application for the certificate should provide evidence that the R&D investments are made to develop products/services/technologies that are: innovative; and have no negative environmental impact or, if there is an environmental impact, that the company has taken the necessary measures to limit such impact. <u>Evaluation of claims</u> Responsible authority: Belgian tax authority Deadline: The tax credit should be claimed in the year in which the investment takes place. Documentation requirements: (i) A specific tax form should be annexed to the corporate tax return, including	Deadline: Within 3 months following the last day of the taxable period. Documentation requirements: The application for the certificate should provide evidence that the R&D investments are made to develop products/services/technologies that are: innovative; and have no negative environmental impact or, if there is an environmental impact, that the company has taken the necessary measures to limit such impact. <u>Evaluation of claims</u> Responsible authority: Belgian tax authority Deadline: The tax credit should be claimed in the year in which the investment takes place. Documentation requirements: (i) A specific tax form should be annexed to the corporate tax return, including information on acquisition date, value,	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
		information on acquisition date, value, denomination and useful lifetime of the investment: Form 275U for R&D investment deduction and Form 275W for R&D tax credit;(ii) separate file must be kept by the company for each type of asset for which the investment deduction/tax credit is claimed; (iii) environment certificate and other documents substantiating the form in order to claim the tax credit https://financien.belgium.be/sites/default/files/downloads/275W_toelichting_nl_2015.pdf <u>Audit</u> Documentation requirements: Compliance with all environmental permits will be reviewed upon request of such certificate.	denomination and useful lifetime of the investment: Form 275U for R&D investment deduction and Form 275W for R&D tax credit;(ii) separate file must be kept by the company for each type of asset for which the investment deduction/tax credit is claimed; (iii) environment certificate and other documents substantiating the form in order to claim the tax credit https://financien.belgium.be/nl/ondernemingen/vennootschapsbelasting/belastingvoordelen/investeringsaftrek#q7 <u>Audit</u> Documentation requirements: Compliance with all environmental permits will be reviewed upon request of such certificate.	
Additional Comments	Payroll withholding tax credit The provision is applicable only to wage earners that have a PhD or	Companies must choose between the investment deduction and the R&D tax	R&D tax credit and R&D tax allowance: Companies must choose between the	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	a "scientific" master degree, including engineers. If the company qualifies as a "young innovative company" the scheme applies to any staff member dealing directly with research activities (administrative and commercial functions are excluded). To justify the payroll withholding tax remission employers should have documents available substantiating: (i) the effective employment of the researchers within an R&D program; and (ii) the fact that the employees belong to the scientific personnel and hold qualifying educational degrees. The withholding tax credit cannot be applied before the activity has been reported. The company has to identify for each individual if they are effectively employed in an R&D function and determine the percentage of effective time that is dedicated by these employees to the R&D activities. It is not	credit. The choice is irrevocable.	investment deduction and the R&D tax credit. The choice is irrevocable. Both tax incentives have the same conditions in terms of investment qualifying, reporting obligations, ... A certificate confirming the innovative and environmental friendly character of the development is to be issued by the competent office belonging to the region in which the company is located. It must be applied for within 3 months following the last day of the taxable period. Compliance with all environmental permits will be reviewed upon request of such certificate. Sources: http://www.mazars.be/Home/News/Seminar-calendar/Seminars-in-the-past/R-D-Tax-Incentives-in-Belgium-in-English, https://financien.belgium.be/sites/default/files/downloads/704	

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Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	necessary that an employee is fully employed in R&D, as part-time employment also qualifies for the exemption. In the latter case, only the corresponding part of the remuneration should be taken into account. The employer can immediately apply the wage tax exemption in the payroll by filing 2 withholding tax returns (returns 274), of which one includes all the compensation and withholding tax for all employees and one relates to the compensation that is paid or attributed to employees that meet the conditions for the partial exemption. To the extent that a company would have already transferred the withholding tax to the State Treasury and has additional qualifying employees and/or employees spending more time on R&D projects than foreseen, an electronic regularisation can be done for any excessive withholding tax paid. New R&D		-brochure-RD-TaxIncentives-2018-en.pdf	

BELGIUM

Type of Scheme	Payroll withholding tax credit	R&D tax credit	R&D tax allowance	Accelerated depreciation for R&D capital
	projects and programmes in enterprises must be reported to BELSPO as of 1 January 2014. Existing R&D projects and programmes can be reported to BELSPO until 31 December 2014. Memorandum states that BELSPO will assess reported projects and programmes according to the definition. If negative, return of withholding tax.			

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BRAZIL

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax allowance	Accelerated depreciation for R&D capital assets
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Lei Nº 11.196/2005 (Lei Do Bem) - Chapter III. Date of enforcement: 21st November 2005	Lei Nº 11.196/2005 (Lei Do Bem) - Chapter III. Date of enforcement: 21st November 2005
Design		
Expense Base	C	ME, Intangibles
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	60 - 70 - 80 (+20 patent/cultivar registration)	100 (1 year straight line depreciation)
Volume-based rate SMEs	60 - 70 - 80 (+20 patent/cultivar registration)	100 (1 year straight line depreciation)
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	-	-
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	-	-
Carry-back (in Yrs)	-	-
Limitation	-	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	-
Grant-funded R&D projects	Grant-funded R&D projects are not eligible for this scheme	-

BRAZIL

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Subcontracting rules	In case of R&D subcontracting, only the contractor can claim R&D tax relief (the service provider cannot claim any tax relief). The legislation establishes that the funder must be the only one that can benefit from the results of the expenditures with the subcontracting.;	
Aggregation rules	Brazilian companies must have an unique identification number to operate (CNPJ - Brazilian acronym) and they pay their taxes based on the financial results associated with that particular identification number. Therefore, the aggregation rules are based on this identification number (CNPJ) that is equivalent to CIT.	Brazilian companies must have an unique identification number to operate (CNPJ - Brazilian acronym) and they pay their taxes based on the financial results associated with that particular identification number. Therefore, the aggregation rules are based on this identification number (CNPJ) that is equivalent to CIT.
Definition of eligible taxpayer	Companies operating under the Lucro Real tax regime (Actual Profit regime), i.e. any Brazilian company that has an operating profit in a fiscal year and it chooses to have its profit taxed by the Lucro Real regime.	Companies operating under the Lucro Real tax regime (Actual Profit regime), i.e. any Brazilian company that has an operating profit in a fiscal year and it chooses to have its profit taxed by the Lucro Real regime.
Additional Comments	The super deduction volume-based rate varies between 60% (base) and 100%. If the entity increases the amount of researchers exclusively dedicated to research projects by up to 5% in a given year, the super deduction rate increases to 70%; and if headcount increases more than 5% in a given year, the super deduction rate increases to 80% of the qualified expenses. Employees who relocated internally to work exclusively in research projects may also be considered in the increase of the number of researchers. An extra 20% deduction is allowed for the qualifying costs incurred in developing a patent or cultivar, but the super deduction is only allowed when a patent/cultivar is registered. Source:	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf	
R&D Definition		
Other S&T&I	Yes	No
Note	The R&D definition covers technology technical support services. Other innovation activities are not eligible.	
SSH	No	No
Note		
Eligible R&D		
Wages and salaries	Yes	No
Note		
R&D services	Yes	No
Note	Expenses with subcontracting to carry out research projects are eligible for the following parties: i) small businesses and ii) universities, research institutions or independent inventors	
Consumables	Yes	No
Note		
M&E	Yes	Yes
Note	Equipment, machinery, and tools that are used exclusively for R&D receive a 50% reduction of the Tax on Industrialized Products (IPI) due. This incentive must be claimed at the time the research-related equipment, machinery, or tools are acquired.	
Land and buildings	No	No
Note		
Depreciation	No	No
Note		

BRAZIL

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	No	No
Open-ended note	R&D expenditures include wages and salaries, other current costs, R&D contracts with selected players (eg. SMEs, Universities). Expenses related to supporting administrative and indirect services (e.g. maintenance, library and documentation services, administration and financial monitoring of research projects) are not eligible, even if they can be associated with a research project. Professionals Partially Dedicated to R&D - taxpayer needs to adjust the employment contracts for the employees that are partially dedicated to research projects, in order to expressly indicate that such employees work as researchers in technological innovation projects. If this procedure is not adopted by the company, the expenses connected with the employees that have partial dedication to R&D should not be included in the R&D tax incentive calculation. Only expenditures incurred within Brazil are eligible for the incentive. Tax incentives for subcontracting expenses are limited to: i. contract with national universities, research institutions or independent inventors, as long as the hiring company assumes the responsibility, enterprise risk management and control of project expenditure, ii. payments made to small business for the implementation of research project even if the subcontracted party participates on the profitability of the projects' final economic results, iii. companies are allowed to claim as part of the qualified expenses amount incurred for contracted technical services, such as laboratory trials and testing, as long as the taxpayer does not participate in the	For corporate income tax purposes, a 100% depreciation is allowed in the year of acquisition for new machinery, equipment, and instruments dedicated to R&D, as well as 100% amortization for intangibles used in R&D. Full depreciation, in the year of acquisition, of new machines, equipment, apparatus and instruments for use in the activities of technological research and development of technological innovation and II) Accelerated amortization, by deducting as expenses or operating expenses, in the period of calculation in which they are made, the expenditures related to the acquisition of intangible assets, exclusively related to the activities of technological research and development of technological innovation, classified in the deferred assets of the beneficiary. Source: http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=16160

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	execution of the services (even if partially). Expenses related to the support of administrative and indirect services are not eligible, even if they can be associated with a research project. Such expenses include security, cleaning, maintenance, library and documentation services, as well as coordination, administration and financial monitoring of research projects. Brazil limits its tax incentive to intramural R&D expenses (in basis and applied research and experimental development) by not allowing the incentives to extramural activities where the purpose is to surpass the technological risk, except where expressly authorized by Law 11.196/05 (performed by small and medium companies, individuals, universities, or research institutes in Brazil).	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval No prior approval from the Government is needed. Evaluation of claims Responsible authority: Ministry of Science, Technology and Innovation (MCTI); Federal Revenue Secretariat (RFB) Deadline: 31st July of the following year. Documentation requirements: Tax clearance certificate; annual R&D form (FORMP&D); accounting and R&D project controls. A tax clearance certificate valid for the full period (January to December of the respective year) is required. Specific accounting controls are also required, i.e., the chart of accounts must present specific accounts indicating the R&D expenditure. Recent communications from Brazilian IRS require an analytical control of costs and expenses for each R&D project, using consistent and standardized criteria throughout	Registration/pre-approval No prior approval from the Government is needed. Evaluation of claims Responsible authority: Ministry of Science, Technology and Innovation (MCTI); Federal Revenue Secretariat (RFB) Deadline: 31st July of the following year. Documentation requirements: Tax clearance certificate; annual R&D form (FORMP&D); accounting and R&D project controls. A tax clearance certificate valid for the full period (January to December of the respective year) is required. Specific accounting controls are also required, i.e., the chart of accounts must present specific accounts indicating the R&D expenditure. Recent communications from Brazilian IRS require an analytical control of costs and expenses for each R&D project, using consistent and standardized criteria throughout the calendar year, and recording

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	the calendar year, and recording in a detailed and specific way all expenditure incurred. MCTI carries out an assessment of the information about the expenses with R&D projects provided by the companies though the FORMP&D. The FORMP&D is an electronic form filled by companies that claimed the tax relief and it has to be submitted by the companies by 31st July of the following year. Audit Responsible Authority: Federal Revenue Secretariat (RFB) Deadline: Any time within a span of five years The Brazilian IRS maintains its audit role in relation to incentives with tax impact and may (or may not) investigate some accounting and fiscal aspects focused on the R&D incentives.	in a detailed and specific way all expenditure incurred. MCTI carries out an assessment of the information about the expenses with R&D projects provided by the companies though the FORMP&D. The FORMP&D is an electronic form filled by companies that claimed the tax relief and it has to be submitted by the companies by 31st July of the following year. Audit Responsible Authority: Federal Revenue Secretariat (RFB) Deadline: Any time within a span of five years The Brazilian IRS maintains its audit role in relation to incentives with tax impact and may (or may not) investigate some accounting and fiscal aspects focused on the R&D incentives.
Additional Comments	The Ministry of Science, Technology and Innovation (MCTI) fulfills an important role in administering the incentives. Companies do not need any previous approval to claim the tax relief but they must fill an electronic form (FORMP&D) and submit it annually to the MCTI with a description of the projects developed in previous year. The MCTI reviews the information provided and issues an expert statement to the Brazilian Federal Revenue Secretariat (RFB) on whether the expenses qualify as valid for the accrual of the tax benefit. The RFB maintains its audit role in relation to incentives with tax impact and may (or may not) investigate some accounting and fiscal aspects focused on the R&D incentives. Companies that apply for this incentive should have tax clearance certificates that are valid for the full period (January to December of the respective year). The MCTI has recently issued rules (Portaria	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	MCTI 715/2014 and Portaria MCTI 788/2014) establishing an administrative procedure which discloses more information related to assessment process and assures the right to file a motion for reconsideration against the MCTI opinion. Source: https://gestiona.com.br/lei-bem-beneficiou-cerca-de-23-mil-empresas-em-2019/ ; https://group-gac.com.br/prorrogacao-do-prazo-de-entrega-do-form-pd-da-lei-do-bem/ ; https://www2.deloitte.com/br/en/pages/doing-business-brazil/articles/federal-incentives.html	

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Type of Scheme	R&D tax credit
Scheme name/description	SR&ED investment tax credit
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	C
Deducted from	Tax
Volume-based rate Large firms	15
Volume-based rate SMEs	35/15
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	Baseline limit of CAD 3 million for enhanced tax credit; no ceiling for standard tax credit. The baseline limit of CAD 3 million is reduced according to a function of taxable capital. As of March 2019, the use of previous year taxable income is removed as a factor in determining a CCPC's annual expenditure limit.
Ceilings	-
Special rate SMEs	Yes
Special refund provision SMEs	Yes
Special terms for collaboration	-
Refund Large firm (in Yrs)	-
Refunds SME (in Yrs)	Immediate
Limitations	Qualifying SMEs (CCPCs) can claim a 35% refundable tax credit on up to CAD 3m in qualifying R&D. R&D spending in excess of the expenditure limit is eligible for a 15% tax credit that is 40% refundable until the firm exceeds either the prior year taxable income or asset threshold of CAD 500k and CAD 10m respectively. Firms with insufficient tax liability that are not eligible for a full or partial refund of unused credits can carry those forward for a period of up to 20 years.
Carry-forward (in Yrs)	20

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Type of Scheme	R&D tax credit
Carry-back (in Yrs)	3
Limitation	-
Taxability of R&D tax relief	Used and refunded tax credits are included in taxable income in the following year.
Grant-funded R&D projects	Government or non-government assistance reduces the pool of deductible SR&ED expenditures.
Subcontracting rules	(1) Arm's length SR&ED contracts: An SR&ED contract is for the performance of basic research, applied research, experimental development, or support work, done on behalf of a claimant. Where a claimant contracts another party to have SR&ED performed on their behalf, the amount payable under the contract may be an allowable SR&ED expenditure and a qualified SR&ED expenditure of the claimant for investment tax credit (ITC) purposes. Consequently, the party performing the work would be allowed to claim SR&ED expenditures in respect of the contract, but would have to reduce its qualified SR&ED expenditures for ITC purposes by payments received under the contract. In this way, there is no duplication of the ITC entitlement. Where a claimant (payer) enters into an SR&ED contract with an arm's length party, the payer (not the performer) must show that the work performed on its behalf was SR&ED carried on in Canada by the ultimate performer and that the SR&ED is related to a business of the claimant. Therefore, the nature of the contract and not the type of expenditures incurred by the performer would be the deciding factor in determining whether the contract amount represents an allowable SR&ED expenditure of the claimant (payer). Where a claimant contracts with an arm's length party to perform only SR&ED on its behalf, the full amount of the SR&ED contract would be an allowable SR&ED expenditure provided that the expenditure was made prior to January 1, 2014. After 2013, a claimant's expenditure made to another party to be used in SR&ED must be reduced by the amount of any related expenditure of the person or partnership (the performer) that is not an expenditure of a current nature. A claimant (payer) may contract with an arm's length party (performer) to do SR&ED and other work (that is not SR&ED) on behalf of the payer, within a single contract for a total contract price. The claimant (payer) incurs SR&ED expenditures and earns an ITC on the amount that relates to SR&ED work performed under the contract by a taxable supplier to the extent that the SR&ED is related to a business of the payer and is performed in Canada in the tax year. The portion of the contract amount that relates to non-SR&ED work is not allowed as SR&ED expenditure and does not earn any ITCs. Contract costs for non-SR&ED work (for example, work performed by electricians, welders, and mechanics that is not one of the eight support work activities described in the definition of SR&ED in the Act) may qualify as SR&ED overhead and other expenditures under the traditional method if the directly related and incremental tests are met. (2) Non-arm's length SR&ED contracts: Non-arm's length refers to a situation where two related parties that deal with each other and one party exerts control over the other. In other words, the parties are not dealing at arm's length. Where a claimant (payer) enters into an SR&ED contract with a non-arm's length (NAL) party (NAL performer), special rules apply,

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Type of Scheme	R&D tax credit
	whereby the claimant's expenditures in respect of the SR&ED contract are allowable SR&ED expenditures, but do not qualify for SR&ED investment tax credit (ITC) purposes. The NAL performer can claim its SR&ED expenditures and qualified expenditures relating to the SR&ED work performed on behalf of the payer. Also, the amount received or receivable is not considered to be a contract payment and it will not reduce the NAL's performer's qualified expenditure for ITC purposes. Special rules may apply to allow the NAL performer to transfer all or a portion of its qualified SR&ED expenditures in the year to the payer up to a maximum of the contract amount. (3) Third-party payments: Under the Income Tax Act, a claimant can make payments to certain entities to be used for SR&ED. The amounts are usually referred to as third-party payments for SR&ED and are reported on "Third-party payments" line of Form T661. They do not include payments for contract expenditures for SR&ED performed on behalf of the claimant which are reported on their own lines of Form T661. One key distinction between third-party payments and contract expenditures for SR&ED performed on behalf of the claimant is that payments for SR&ED performed on behalf of the claimant are generally made to contractors for tasks or pieces of work. In such cases, the claimant rather than the contractor would control the work. For third-party payments, the claimant generally does not control the work performed. In a contract situation, SR&ED services are performed for a payer who receives the rights to the SR&ED. The entitlement to the SR&ED tax incentive occurs at the time the SR&ED is performed. In comparison, a third-party payment situation gives the payer entitlement only to the results of the SR&ED. Unlike contract expenditures for SR&ED performed on behalf of the claimant, third-party payments, with the exception of payments to an A entity, become eligible for the SR&ED tax incentive at the time the payment is made (cash basis), rather than at the time the SR&ED is performed (accrual basis) Sources: https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/contract-expenditures-performed-on-behalf-a-claimant-policy.html
Aggregation rules	An enhanced ITC rate of 35% may be earned by CCPCs on their qualified SR&ED expenditures up to their expenditure limit. The expenditure limit may be reduced (phased-out) depending on the amount of taxable income and taxable capital employed in Canada of the CCPC for the previous tax year. For CCPCs associated with one or more corporations in a tax year, the expenditure limit may be reduced (phased-out) depending on the amount of taxable income and taxable capital the CCPC and the associated corporations employed in Canada for the previous calendar year. Short tax years will also have an effect on calculating the expenditure limit. A CCPC and its associated corporations must allocate the annual expenditure limit for the purposes of calculating their ITCs earned at the enhanced 35% rate. Associated CCPCs that have multiple tax years in the same calendar year will have an effect on calculating the expenditure limit.The expenditure limit begins to decrease when the taxable income of the CCPC (with no associated corporations) for the previous tax year is more than $500,000 and becomes nil starting at $800,000. For a CCPC with associated corporations, the expenditure limit begins to decrease when the total of all taxable incomes of the CCPC and its associated

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Type of Scheme	R&D tax credit
	corporations for their last tax years ending in the preceding calendar year is more than $500,000 and becomes nil starting at $800,000. The taxable income for the previous tax year or for the last tax year in the preceding calendar year is calculated before taking into consideration the specified future tax consequences for that previous year. The expenditure limit also begins to decrease when the taxable capital employed in Canada of the CCPC (with no associated corporations) for the previous tax year reaches $10 million and becomes nil starting at $50 million. For CCPCs with associated corporations, the expenditure limit also begins to decrease when the taxable capital employed in Canada of the CCPC and its associated corporations for their last tax years ending in the preceding calendar year reaches $10 million and becomes nil starting at $50 million. Taxable capital employed in Canada by the corporation has the meaning provided in the Act. For more information on taxable capital, please refer to Interpretation Bulletin IT-532, Part I.3 – Tax on Large Corporations. A CCPC and its associated corporations must allocate the annual expenditure limit for the purposes of calculating their ITCs earned at the enhanced 35% rate. The portion of the CCPC's expenditure limit that is not allocated to itself may be allocated to an associated corporation to the extent of the associated corporation's expenditure limit determined under the Act. Thus, the expenditure limit allocated to each particular corporation cannot exceed the expenditure limit determined for the associated group for the applicable tax year. The expenditure limit otherwise determined is nil in a tax year that a corporation is associated with another corporation unless all of the CCPCs that are associated in the year file an agreement in prescribed form allocating the expenditure limit among themselves. Determining whether a corporation is associated with another relies on determining the control of the corporation that is exercised directly or indirectly in any manner whatever. Corporations deemed to be associated: If two otherwise unassociated corporations are associated with the same third corporation, the Act deems the two corporations to be associated with each other. There are exceptions but they only apply for the purposes of the small business deduction. Two or more corporations are deemed associated with each other if one of the main reasons for the separate existence of those corporations is to reduce the amount of income tax otherwise payable or to increase the amount of refundable ITCs available. Corporations deemed not to be associated: As a result of the group of persons definition, CCPCs may be considered to be associated when the same group of otherwise unconnected investors, such as venture capital investors, have invested in each of them. To ensure the receipt of SR&ED tax incentives by small businesses is not hindered in these situations, the Act provides relieving provisions. The provisions deem that corporations will not be associated for the purposes of calculating the expenditure limit and refundable ITC, if the only reason one corporation is associated with another is because two or more investors own shares in each corporation. These relieving provisions are subject to the following conditions: •the corporations must not be otherwise associated under the Act;•there is at least one shareholder of one of the corporations who is not a shareholder of the other corporation; and •the existence of one or more shareholders of one of the corporations who is not a shareholder of the other corporation, is not for the purpose of satisfying these relieving provisions. This relief for the particular corporations is for SR&ED ITC

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Type of Scheme	R&D tax credit
	purposes only and does not extend to shareholding structures intended to multiply the expenditure limit of corporations. Source: http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/srdnvstmnttxcrdt-eng.html
Definition of eligible taxpayer	The SR&ED tax incentives program can be claimed by corporations, individuals (proprietorships), trusts, and members of a partnership. There is general tax credit rate for all eligible entities that can claim the SR&ED and there is an enhanced tax credit rate for eligible Canadian-controlled private corporations (CCPC). A corporation is a CCPC if it meets all of the following requirements at the end of the tax year: • it is a private corporation; • it is a corporation that was resident in Canada and was either incorporated in Canada or resident in Canada from June 18, 1971, to the end of the tax year; • it is not controlled directly or indirectly by one or more non-resident persons; • it is not controlled directly or indirectly by one or more public corporations (other than a prescribed venture capital corporation, as defined in Regulation 6700); • it is not controlled by a Canadian resident corporation that lists its shares on a designated stock exchanges outside of Canada; • it is not controlled directly or indirectly by any combination of persons described in the three previous conditions; • if all of its shares that are owned by a non-resident person, by a public corporation (other than a prescribed venture capital corporation), or by a corporation with a class of shares listed on a designated stock exchanges, were owned by one person, that person would not own sufficient shares to control the corporation; and • no class of its shares of capital stock is listed on a designated stock exchange. Qualifying corporation means: (i) a corporation that is a Canadian-controlled private corporation (CCPC) in a particular tax year, with a taxable income in the previous tax year that is not more than the corporation's qualifying income limit for the particular tax year, or for tax years ending no later than March 18, 2019 (ii) corporation that is a CCPC in a particular tax year and is associated with one or more corporations and the total of the taxable incomes of the corporation and the associated corporations for their last tax year ending in the preceding calendar year that is not more than the corporation's qualifying income limit for the particular tax year. The taxable income in the previous tax year or in the last tax year ending in the preceding calendar year is calculated before taking into consideration the specified future tax consequences for that previous year. Where a CCPC's qualifying income limit is reduced to zero because the CCPC's taxable capital is CAD50 million or greater in the immediately preceding year, the CCPC is not a qualifying corporation and would not be entitled to any refundable ITC. Qualifying income limit / Plafond de revenu admissible for the 2010 and later tax years, the qualifying income limit of a corporation for a particular tax year is the amount determined in the ITA by the formula: CAD500,000 x [(CAD40,000,000 – A) / CAD40,000,000]. In this formula A is: (i) nil if the taxable capital amount is less than or equal to CAD10 million; or (ii) is the lesser of CAD40 million and the amount by which the taxable capital amount exceeds CAD10 million, in any other case. The taxable capital amount is the total of the corporation's taxable capital employed in Canada for its immediately preceding tax year and the taxable capital employed in Canada of all associated corporations (if applicable) for the last

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Type of Scheme	R&D tax credit
	tax year ending in the preceding calendar year that ended before the end of the particular tax year of the corporation. Taxable capital employed in Canada by the corporation has the meaning provided in the ITA. For more information on taxable capital, please refer to Interpretation Bulletin IT 532, Part I.3 – Tax on Large Corporations. Sources: http://www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtns/typs-eng.html http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/glssry-eng.html#cndn http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/glssry-eng.html#qcrp The Department of Finance announced in the March 19, 2019, Federal Budget that for tax years ending after March 18, 2019, the use of previous year taxable income is removed as a factor in determining a canadian-controlled private corporation's annual expenditure limit for the purpose of the refundable enhanced scientific research and experimental development (SR&ED) investment tax credit. Source: https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/investment-tax-credit-policy.html
Additional Comments	Since 2014, all capital expenditures have been excluded from the R&D tax credit base. Before 2014, SR&ED capital expenditures were limited to the acquisition of depreciable property. Depreciable property is any property in which a capital cost allowance (CCA) can be claimed. CCA could be claimed only for property owned or deemed to be owned by the claimant or property in which the claimant had a leasehold interest. Expenditures for software and software licences may be capital or current expenditures - computer software is generally considered to have an "enduring nature" where its useful life is anticipated to last beyond one year.
R&D Definition	
Other S&T&I	Yes
Note	Work directly in support of SR&ED: engineering, design, operations research, mathematical analysis, computer programming, data collection, testing or psychological research. Other innovation activities not eligible.
SSH	No
Note	
Eligible R&D	
Wages and salaries	Yes
Note	Reductions in payroll taxes/social security contributions not applicable. See additional comments.
R&D services	Yes
Note	80% of third-party payments.

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Type of Scheme	R&D tax credit
Consumables	Yes
Note	
M&E	No
Note	Capital expenditures ceased to be eligible for the SR&ED tax incentive program on January 1, 2014. Capital expenditures ceased to be eligible for the SR&ED tax incentive program on January 1, 2014. Accordingly, capital expenditures made after 2014 are excluded from SR&ED tax incentives. This includes capital expenditures made before 2014 for property that became available for use after 2013.
Land and buildings	No
Note	Expenditures for non-depreciable property such as the acquisition of land, property that is described in a claimant's inventory, or eligible capital property (such as goodwill) cannot be included in the pool of deductible SR&ED expenditures as an SR&ED capital expenditure.
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	The R&D tax credit applies to resident companies and domestic branches of non-resident companies. The credit applies only to domestic R&D expenditures (not expenditures of foreign branches of resident companies). As of 2013, the proxy rate for the calculations of overhead expenses is reduced to 60% of the salary base (and to 55% in 2014 and afterwards) while, the R&D tax credit base includes 80% of arm's length contract payments (instead of 100%). In general, the pool of deductible SR&ED expenditures includes the following: (i) the amount of expenditures of a current nature incurred on SR&ED carried on in Canada, including: (a) the portion of salary or wages of directly engaged in the SR&ED. For more information, please refer to the SR&ED Salary or Wages Policy; (b) the cost of materials consumed or materials transformed in the prosecution of SR&ED. For more information, please refer to the Materials for SR&ED Policy; (c) lease costs of equipment used for SR&ED for costs incurred prior to 2014. For more information, please refer to the SR&ED Lease Expenditures Policy; (d) contract expenditures for SR&ED performed on behalf of the claimant. For more information, please refer to the Contract Expenditures for SR&ED Performed on Behalf of a Claimant Policy; (e) certain payments to corporations and approved entities for SR&ED. For more information, please refer to the Third-Party Payments Policy; and (f) overhead expenditures when the traditional method is used. For more information, please refer to the SR&ED Overhead and Other Expenditures Policy; (ii) the amount of expenditures of a capital nature incurred on SR&ED carried

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Type of Scheme	R&D tax credit
	on in Canada for capital acquired prior to 2014. For more information, please refer to the SR&ED Capital Expenditures Policy; (iii) the amount of repayments of government assistance or non-government assistance that had previously reduced the pool of deductible SR&ED expenditures. For more information, please refer to the Assistance and Contract Payments Policy. Repayments of assistance are expenditures pursuant to the Income Tax Act; (iv) the amounts that have been included in income in a previous tax year under paragraph 12(1)(v) of the Act (see section 5.0); (v) the pool of deductible SR&ED expenditures transferred on an amalgamation or wind-up (see section 8.0); and (vi) the amount of SR&ED investment tax credit (ITC) recaptured in the prior year. For more information, please refer to the Recapture of SR&ED Investment Tax Credit Policy. The lower of amount A or B can be claimed as the permissible salary or wages for SR&ED carried on outside Canada: (i) Amount A – Total of salary or wages for SR&ED work carried on outside Canada: The salary or wages that can be claimed for SR&ED work carried on outside Canada must meet the following criteria: •the costs were incurred after February 25, 2008; •the SR&ED work was directly undertaken by an employee of the claimant and not performed by a contractor; •the employee who performed the SR&ED work was a resident of Canada at the time the expense was incurred; •the work was related to a business of the claimant; •the SR&ED work carried on by the employee outside Canada was an integral part and solely in support of the SR&ED work carried on in Canada (see section 10.2.1); and •the salary or wages paid were not subject to income or profits tax from another country (see section 10.2.2). (ii) Amount B – 10% of the total of SR&ED salary or wages for SR&ED carried on in Canada: This limit is calculated as 10% of the total salary or wages claimed for SR&ED carried on in Canada (see section 10.2.3). Note: Although the Income Tax Act refers to an expense incurred in the year for salary or wages paid to an employee in respect of SR&ED, it is the practice of the CRA to use the amount on line 306 of Form T661 (expenditure incurred) for the purposes of determining the 10% limit. For the tax year that includes February 26, 2008, the 10% limit is prorated based on the number of days after February 25, 2008, that are in that tax year over the total number of days that are in that tax year. The formula is: (Number of days in the tax year after February 25, 2008) / (Total number of days in the tax year). Since 2014, all capital expenditures have been excluded from the R&D tax credit base. Before 2014, SR&ED capital expenditures were limited to the acquisition of depreciable property. Depreciable property is any property in which a capital cost allowance (CCA) can be claimed. CCA could be claimed only for property owned or deemed to be owned by the claimant or property in which the claimant had a leasehold interest. Expenditures for software and software licences may be capital or current expenditures - computer software is generally considered to have an "enduring nature" where its useful life is anticipated to last beyond one year. Sources: http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/plfddctblsrdxpndtrs-eng.html#s3_0 http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/slrywgs-eng.html#s10_0 http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/cptlxpndtrs-eng.html#N111D7
Administration and Monitoring	

CANADA

Type of Scheme	R&D tax credit
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Canada Revenue Agency (CRA) Documentation requirements: A voluntary Pre-Claim Review service is available upon request. To request a review, SR&ED work underway must not be linked to a formal objection or litigation. Must have previously particpated in a Pre-Claim Consulation, a First-Time Claimant Advisory Service, or an SR&ED review. Must provide a Self-Assessment Learning Tool report for each potential claim project. Need to submit the Request for a Pre-Claim review form. Evaluation of claims Responsible authority: Canada Revenue Agency (CRA) Documentation requirements: Support document related to claimed SR&ED expenditure in case of review(as part of claim evaluation) If an SR&ED claim is selected for review, a firm will be asked during the review to support its claim by providing evidence that was generated as the SR&ED was being carried out. Audit Responsible Authority: Canada Revenue Agency (CRA) Deadline: Up to 4 years. Documentation requirements: Support document related to claimed SR&ED expenditure in case of review(as part of claim evaluation) The normal reassessment period is three years for individuals, Trust and CCPCs and four years for corporations other than CCPCs. Other - Submit claim Responsible Authority: Canada Revenue Agency (CRA) Deadline: 18 months after the tax year end. Documentation requirements: Income tax return along with the following prescribed forms: Form T661 (SR&ED Expenditures Claim) and Form T2SCH31 (Investment Tax Credit)
Additional Comments	The SR&ED Program has the following service standards for processing SR&ED claims: • refundable claims – 120 calendar days from receipt of a complete claim • non-refundable claims – 365 calendar days from receipt of a complete claim • claimant-requested adjustments to refundable claims – 240 calendar days from receipt of a complete claim • claimant-requested adjustments to non-refundable claims – 365 calendar days from receipt of a complete claim Source: http://www.cra-arc.gc.ca/txcrdt/sred-rsde/srvc_stds-eng.html Payments (repayments) of government and non government assistance for SR&ED expenditures, reducing (increasing) the pool of deductible SR&ED expenditures, need to be declared. There is no pre-approval of qualified SR&ED

CANADA

Type of Scheme	R&D tax credit
	expenditures. To apply for SR&ED tax incentives, firms must file the applicable prescribed forms with their income tax return by their SR&ED reporting deadline. For corporations, the reporting deadline is 18 months from the end of the tax year in which you incurred the expenditures. Individuals have 17.5 months. If firms do not report an expenditure and provide project information on the prescribed forms by their reporting deadline, they will not be able to include the amounts in their pool of deductible SR&ED expenditures to use to reduce their income. They will not be able to earn an investment tax credit (ITC) on these expenditures. For claim approval, it is important to maintain supporting evidence (e.g. information, records, documentation) to substantiate that the scientific research and experimental development (SR&ED) work was performed and allowable expenditures have been incurred. When firms file their claim with their tax return, the tax centre will check it for completeness and will determine if it can be processed as filed without further review. If the tax centre can process the firm's claim without any further review, the tax return will be assessed as filed. If it is determined that a review is needed, the tax centre will forward it to a coordinating tax services office (CTSO) for further review. The CTSO's technical and financial reviewers will review the claim and will ensure that the firm gets the SR&ED investment tax credit to which it is entitled. The technical reviewer evaluates the claimed work to determine whether it meets the definition of SR&ED. The financial reviewer examines the costs associated with the claimed work to make sure that they are allowable SR&ED expenditures. The claim is then assessed and a Notice of Assessment is sent to the firm. If a SR&ED claim is selected for review, a firm will be asked during the review to support its claim by providing evidence that was generated as the SR&ED was being carried out. Examples of technical and financial supporting evidence are (e.g., salary, logbook of equipment use, cost allocation methods, cost breakdown) - this list is not comprehensive: •Project planning documents; •Documents on design of experiments; •Experimentation plan •Design documents and technical drawings; •Project records, laboratory notebooks; •Design, system architecture and source code (software development); •Records of trial runs; •Project progress reports; •Minutes of project meetings; •Test protocols, data, results, analysis and conclusions; •Final project report or professional publication; •Photographs, videos; •Prototypes, samples; •Scrap, scrap records; •Contracts, lease agreements; •Records of resources allocated to the project, time sheets, activity records, payroll records; •Purchase invoices and proof of payment; •Accounting records. If a claimant does not agree with a notice of assessment or reassessment, they have the right to a formal review of it by filing a notice of objection with the CRA. They have up to 90 days from the date of the notice of assessment or reassessment to file an objection. Objections are handled by the Appeals Branch at the CRA. Source: http://www.cra-arc.gc.ca/txcrdt/sred-rsde/pblctns/p2000-02r-eng.html http://www.cra-arc.gc.ca/txcrdt/sred-rsde/pblctns/gd-tchrvw-eng.html http://www.cra-arc.gc.ca/gncy/cmplntsdspts/sred-rsde-eng.html

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CHILE

Type of Scheme	R&D tax credit
Scheme name/description	Law 20.570: R&D tax credit (and R&D allowance) for intramural and extramural expenses
Status in 2021	In force in 2021
Enforcing law/regulation	Law 20.570
Design	
Expense Base	C, MED, BD
Deducted from	Tax
Volume-based rate Large firms	35 (net: 31.5 if a baseline tax allowance of 100 is taken as a benchmark for current expenditures (vs. 65) in 2021)
Volume-based rate SMEs	35 (net: 31.5 if a baseline tax allowance of 100 is taken as a benchmark for current expenditures (vs. 65) in 2021)
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	Minimum threshold (value R&D contract/project): 100 UTM (monthly tax unit; 1 UTM ~ CLP 53500; 100 CLP = 0.11 EUR, Q3 2021)
Ceilings	Yearly cap of 15,000 UTM
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	Infinite
Carry-back (in Yrs)	-
Limitation	Any excess credit may be carried forward indefinitely, but is not refundable. Source: http://newsletters.usdbriefs.com/2012/Tax/WTA/120413_2.pdf

CHILE

Type of Scheme	R&D tax credit
Taxability of R&D tax relief	The 35% R&D tax credit is effectively taxable, being compatible with a 65% (vs. 100%) baseline deduction of current expenditure
Grant-funded R&D projects	Direct funding does not reduce the expense base of the tax credit.
Subcontracting rules	The sums paid by contractors who have commissioned the R&D operations are deducted from the base for calculating their own R&D tax credit (and allowance). Firms that do not do intramural R&D or subcontract R&D locally but subcontract all of their R&D abroad are not eligible to benefit from the tax credit. Still, if a firm that subcontracts R&D abroad also subcontracts R&D locally, it could still benefit from the incentive as long as the proportion subcontracted abroad is less than or equal to 50% of overall R&D costs. Source: http://www.economia.gob.cl/wp-content/uploads/2013/05/Informe-Final-Estudio-cr%C3%A9dito-Tributario-para-Investigaci%C3%B3n-y-Desarrollo-versi%C3%B3n-ingl%C3%A9s.pdf Under the new rules, it will not be necessary for the research center and the taxpayer requesting the tax benefit to be unrelated parties, i.e. related parties can qualify. Taxpayers that already have a contract with a research center when the new rules become effective will continue to be governed by the old rules until 31 December 2012. As from 1 January 2013, such taxpayers can opt to either remain under the old regime or be subject to the new rules. Source: http://newsletters.usdbriefs.com/2012/Tax/WTA/120413_2.pdf If taxpayers enter into an uncertified contract, they will only be entitled to deduct 65% of the disbursements made in connection to the R&D contract as expenses and will not be entitled to the 35% tax credit. However, certification at a later date, in accordance with the procedures set forth in the law, will enable the taxpayer to access the tax credit benefit. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide Two different taxpayers can't benefit from tax support for the same R&D activity. There is only one firm who can apply for tax benefits for each project that is certified. Corfo is in charge of monitoring that this doesn't happen. Neverthelles, in this scheme a group of firms can apply as executors or funders and benefit from the scheme. The benefits arising from each expense can't be duplicated.
Aggregation rules	There is no use of any aggregation rules in computing the R&D tax incentive benefits of companies that are part of a group.
Definition of eligible taxpayer	R&D tax benefit will be available to domestic companies and foreign companies carrying on activities in Chile (specifically, the benefits will only be available to companies that determine their Chilean taxable income on the basis of full accounting records – foreign companies generally are not obliged to determine their Chilean taxable income in this manner, unless they have a permanent establishment in Chile). Source: http://newsletters.usdbriefs.com/2012/Tax/WTA/120413_2.pdf The main requirements for applicability are as follows: i) the taxpayer must be subject to the First Category Income Tax calculated on the basis of its effective taxable income, determined through full accounting records; ii) the "Research and Development Project" is defined by the Law as the set of activities undertaken by taxpayers using their own capabilities (in house intramural R&D) or those of third parties

CHILE

Type of Scheme	R&D tax credit
	(extramural), whose objective is to perform research or development activities, or both, as they are defined in the Law 20.241, whenever they are relevant to the development of the country and are carried out mainly inside national territory (max 50% abroad).
Additional Comments	The Income Tax Law, in its Art.31, N°11 establishes the deduction of expenses incurred in scientific and technological research which is in the interest of the company even if they are not necessary to produce the gross income for the business period. They may be deducted in the same year in which they are paid or up to six consecutive business years. The Income Tax Law (Art. 31, N°11) and the modified law 20.241 (Law 20.570) cannot be used simultaneously. The taxpayer has to choose between one and the other. When taxpayers apply for the tax relief of Modified Law 20.241 (Law 20.570), they can use the straight-line depreciation method or accelerated depreciation for machinery and buildings. Concerning the straight-line depreciation method, the annual depreciation deduction is obtained by dividing the value of the fixed asset by its useful life. The accelerated depreciation method allows the reduction of the useful life of fixed assets to one third of it. In this case, the annual depreciation deduction is obtained by dividing the value of the asset by one third of its normal useful life. In other words, if the asset has a useful life of 10 years it could be depreciated in 3 years.
R&D Definition	
Other S&T&I	Yes
Note	The modified law 20.241 (law 20.570) covers activities related to research and development and licensing and patenting costs. Other innovation activities not eligible
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	Proof that workers have gained R&D experience in the previous 36 months is required. Abroad accepted if it does not exceed 50% of R&D wage expenditures.
R&D services	Yes
Note	Abroad accepted if it does not exceed 50%.
Consumables	Yes
Note	

CHILE

Type of Scheme	R&D tax credit
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	Yes
Note	The modified law 20.241 (law 20.570) allows only depreciation of assets, not amortisation. The equipment could be purchased in the context of R&D activities in a certified project by CORFO and it is consider the annual depreciation, also an existing equipment can be used in another R & D project certified by CORFO and it is allowed to continue the depreciation process if the useful life of the equipment is not reached, in other words, an equipment can be depreciated if it was previously acquired in the context of a certified project by CORFO and it´s useful life allows it. The modified law considers only the acquisition of buildings in case of intramural activities for the development of the R&D project (also considers improvement and extension of existing infrastructure). The acquisition of land it is not considered. Abroad accepted if it does not exceed 50%.
R&D labour paid by 3rd parties	Yes
R&D services incurred abroad	Yes
Open-ended note	Modifications to the initial scheme were introduced in September 2012 and new scheme (law 20.570) is valid until December 2025. From September 2012 to date: Intramural R&D is now covered in addition to extramural R&D. Also capital costs (depreciation) are now eligible as well as patenting costs. 35% tax credit rate on eligible R&D expenditures (both current and capital costs). As of September 2012 capital costs are allowed: the annual depreciation of assets as long as the R&D project or contract is valid/running. The modified law also allows for accelerated depreciation. No refundability. Carry forward is possible to next exercises. The modified law expand the scope of the first version of the tax credit law, by: (i) incorporating within the expenditure eligible for deduction all the resources that are spent on internal R&D and the inclusion of expenditure on R&D done abroad (up to 50%), (ii) maintaining the 35% tax credit on the amount invested in R&D, amount that needs to be certified ex-ante by CORFO, and the rest of the amount (65%) is deducted as an expense necessary to produce income, iii) the annual credit cap was tripled, and the annual credit cap as a percentage of sales was removed (which benefits technology-based SMEs) and the deadline for carry-over provisions was extended; (iv) the deductible costs also apply to current expenses, costs of protection of intellectual property and capital expenses.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration of the R&D performing center Responsible authority: Corporation for Promotion of Production (CORFO)

CHILE

Type of Scheme	R&D tax credit
	Centers must perform R&D as their main activity. Corfo must certify this and add them to the Register. They have to have enough resources and means established in Chile to be able to perform R&D, at least 4 persons devoted to the R&D activities, at least 1 doctorate holder and be functional 6 months prior to the beginning of the R&D contract. Registration/pre-approval Responsible authority: Corporation for Promotion of Production (CORFO) Deadline: Companies can apply by registering the R&D contracts with the registered R&D Centers prior to the use of the tax benefit. When applying in this mode, Corfo has to certify that the contract is actually R&D. Another option is to inform Corfo up until 30 days after the first payment of the project has started. In the latter, the beneficiary can only get the 35% credit after the contract has been certfied by Corfo. Documentation requirements: R&D project certification: Certification of R&D contracts with a research center: Supporting documentation (written R&D contract for an amount of more than UTM100, contract's purpose is to develop R&D activities. The activities to be developed are related to the center's resources, material, and personnel in order to accomplish the objective. The price of the contract is at market value) Research center registration: The possibility for requesting a CORFO certification for eligible R&D projects has been extended until 31 December 2025. Audit Responsible authority: CORFO and Chilean Internal Revenue Service
Additional Comments	From 2008 to August 2012. This scheme (Law 20.241) only covers extramural expenditures on R&D. The Income Tax Law in its Art. 31 N°11 (standard deductibility), allows the deduction of expenses incurred in "scientific and technological research" which is in the interest of the company even if they are not necessary to produce the gross income for the business period. They may be deducted in the same year in which they are paid or up to six consecutive business years. In this case the definitions are as follows: The "scientific research " seeks to obtain true knowledge of things by their principles and causes; the "technological research" aims to obtain proper knowledge from a mechanical trade or industrial art. Source: https://www.bcn.cl/leychile/navegar?idNorma=268637

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax allowance	Accelerated depreciation for R&D capital
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Cai Shui [2015] No.119	
Design		
Expense Base	C, MED, BD	ME
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	75 (100 for manufacturing firms)	100 (1 year straight line depreciation)
Volume-based rate SMEs	75 (100 for manufacturing firms)	100 (1 year straight line depreciation)
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	Chinese firms outsourcing research work to domestic service providers face an 80% deduction cap. For payments to overseas providers, there was no 80% cap but the super deduction bonus was denied. The new change in the law abolishes the deniability of the super deduction to payments to overseas providers and no cap is currently in place. The new treatment is retroactively effective from 1st January 2018. The limitation to tax deduction for staff education expenses set at 2.5% of the firm's salary bill and 8% for advanced technology services enterprises (ATSEs) will be set to 8% for all firms. The new treatment is retroactively effective from 1st January 2018. Source: http://www.internationaltaxreview.com/Article/3809956/New-Chinese-tax-incentives-for-innovation-and-private-pension-provision.html	Ceiling = CNY 1m. If above, the depreciation can be 40% shorter than usually or the company can follow the double declining value or the sum of the year's digits method.
Special rate SMEs	-	-
Special refund provision SMEs	-	-

CHINA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	5 years; extended to 10 years for high and new technology enterprises (HNTEs) and science and technology SMEs. The new treatment is retroactively effective from 1st January 2018. Source: http://www.internationaltaxreview.com/Article/3809956/New-Chinese-tax-incentives-for-innovation-and-private-pension-provision.html	-
Carry-back (in Yrs)	-	-
Limitation	-	-
Taxability of R&D tax relief		The depreciation allowance is not taxable.
Grant-funded R&D projects	-	-
Subcontracting rules	The recent Cai Shui 119 (Notice on Policy Improvement of research and Development Expenses Super Deduction Cai Shui [2015] No.119) clarifies that: (i) if R&D activities are contracted to unrelated local companies, the service recipient (principal company) is entitled to the super deduction: 80% of the actual R&D expenses incurred is eligible for super deduction. The subcontractor is not allowed to claim the super deduction and does not have any obligations to provide detailed R&D expenditures of the project for principal company super deduction purpose. (ii) if R&D activities are contracted to related local companies or individuals, the principal company is entitled to the super deduction for the eligible incurred R&D expenses on arm's length terms: 80% of the actual R&D expenses that are on arm's length terms incurred is eligible for super deduction. The service provider, however, is not allowed to claim the super deduction, but is required to provide the principal company with detailed R&D expenditures of the project for the principal company super deduction purpose. (iii) If R&D activities were carried through cost sharing agreements, each party can only super-deduct its share of expenses under the allocation parameters. (iii) if R&D activities are contracted to overseas companies, the principal company is not allowed to claim the super deduction. The circular does not	Only R&D tax investments that are undertaken on own account qualify for the accelerated depreciation provision.

CHINA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	clarify whether the intellectual property needs to be owned by the entrusting party (payer) or whether it can be owned by the entrusted party, or whether it can be shared. Source : http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL201601.pdf;	
Aggregation rules		
Definition of eligible taxpayer	Companies will need to satisfy the definition of R&D activities but will no longer need to match the activity to one of the categories of "Key High & New Technology Sectors Supported by the State" and the "Guidelines for Key High & New Technology Industrialization Fields for Prioritized Development". For qualifying applicable scope, Caishui 119 adopts the "Negative List" approach, meaning that all industries and activities are eligible for R&D super deduction unless they fall within the "Negative List". Source: http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL201601.pdf	Any company with equipment for R&D purposes.
Additional comments	Beginning January 1, 2021, China's research and development "super deduction" will be enhanced significantly for manufacturing enterprises. "super deduction" for research and development expenses is also extended for three years to December 31, 2023. This rule provides taxpayers with an extra 75% deduction for R&D expenses incurred when calculating the Chinese enterprise income tax, in addition to a deduction for the actual expenses incurred. The super deduction will be increased for manufacturing enterprises from 75% to 100% Sources: https://mnetax.com/china-enhances-rd-super-deduction-for-manufacturing-extends-multiple-tax-breaks-for-doing-business-in-china-43298	The accelerated depreciation is compatible with the super-deduction. For R&D equipment, if the super-deduction of R&D expenses also applies, the super-deduction (for CIT purpose) shall still be made based on the accounting depreciation of the relevant R&D equipment. At the same time, the tax depreciation of the R&D

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
		equipment can be made based on Caishui [2014] No. 75 and SAT Announcement [2014] No. 64. This indicates that a 'pro-rata' allocation of such R&D expenses may apply. Eg. If an asset is used for R&D purposes 50% of the year, then 50% of the depreciation expense may now be allowable in that year. Source: https://assets.kpmg/content/dam/kpmg/pdf/2016/01/China-tax-alert-1511-31-RD-Super-Deduction-Regulation-Update.pdf
Other S&T&I	Yes	Yes
Note		
SSH	No	No
Note	E.g. design expenditures for new products (see additional comments below)	E.g. design expenditures for new products (see additional comments below)
Eligible R&D		

CHINA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Wages and salaries	Yes	No
Note		
R&D services	Yes	No
Note	Cooperative or contract R&D related costs will be eligible for the R&D Super Deduction; Cai Shui [2015] No. 119 places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party.	
Consumables	Yes	No
Note		
M&E	No	Yes
Note		The accelerated depreciation provision for R&D capital assets (machinery and equipment, intangibles) available in China is limited to CNY 1 million. If above, the depreciation can be 40% shorter than usually or the company can follow the double declining value or the sum of the year's digits method
Land and buildings	No	No
Note		
Depreciation	Yes	No
Note	Depreciation of M&E; Amortization expenditures for intangible assets (including software)	
R&D labour paid by 3rd parties	No	No

CHINA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
R&D services incurred abroad	No	No
Open-ended note	Cai Shui [2015] No.119 is the most important regulatory change to the R&D Super Deduction in years and it replaces Guo Shui Fa [2008] No. 116 and Cai Shui [2013] No. 70. It applies from 1 January 2016. All R&D expenses shall be eligible for the R&D super deduction, unless specifically listed as ineligible. The scope of eligible R&D activities and R&D expenditures will therefore expand. Specifically listed additional eligible items include "other related costs" such as: expert consulting fees, high-and-new technology R&D insurance fees, R&D output related fees (including information retrieval, analysing, discussion, evaluation, assessment, checking and acceptance), IP right related fees (including application, registration and agent), travelling fees, and meeting fees. However such costs are capped at 10% of total eligible R&D expenses and the precise nature of the 10% cap will need to be clarified. Costs for externally engaged R&D personnel are now eligible. Qualifying expenditures include: (i) Labour costs: For employees directly and entirely engaged in the R&D activities: Salaries, basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund paid by enterprises; Service fee for external R&D personnel; (ii) Direct Investment Cost: Materials, fuel and power directly consumed in the R&D activities; Expenses for development and production of moulds and technique equipment used for intermediate experiment and trial production of products; Expenses for samples and prototypes that do not constitute fixed assets; Expenses for general testing solutions; Expenses for testing trial products; Expenses for operation, maintenance, adjustment, examination, repair and rental cost of devices and equipment that are used especially for R&D activities. (iii) Depreciation: Depreciation expenses of devices and equipment used for R&D activities; (iv) Amortization expenses of intangible assets: Amortization expenses of software, patents and non-patented technologies (licensing, know-how, design and calculation method, etc.) used for R&D activities; (v) Design expenses for new products etc.: Design expenses for new products; Expenses for formulating new technique procedures; Clinical testing expenses for new medicine; Field experiment expenses for exploration and development technologies; (vi) Other costs directly related to R&D activities (capped at 10% of the total qualifying R&D expenses): Expenses for technical books and information, Translation fees, Expert consultation fees, Insurance premium for R&D of high and new technology, Expenditures for research, analysis,	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	review, verification, identification, evaluation, assessment and inspection of R&D results, Application, registration and agency fees for intellectual property, Travel and meeting expenses, etc.. (vii) Other expenses as prescribed by the MOF or the SAT. Creative design activities undertaken for obtaining creative, novel and innovative products, shall be eligible. This is, arguably, an extension of the existing rules and highlights the government's intention to support design related activities, and includes: (i) industrial design, and model designs; (ii) design of building construction (3 star Green Building standard); (iii) development of multi-media software and animation game software, design and production of digital animation and game; (iv) landscape architecture. The term "solely/exclusively" has been removed in respect of depreciation, rental and other relevant expenses regarding R&D devices and equipment, amortization of intangible assets and development/manufacturing expense for models and processing equipment. This indicates that a 'pro-rata' allocation of such R&D expenses may apply. Eg. If an asset is used for R&D purposes 50% of the year, then 50% of the depreciation expense may now be allowable in that year. The circular removes the requirement: "unless otherwise stipulated by the law, the amortisation period shall not be less than 10 years". At this stage it is unclear how the in-charge tax authorities will treat amortisation for R&D tax purposes. Cai Shui [2015] No. 119 places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party. Currently no cap applies. The circular states that the entrusting party (payer) can claim the R&D deduction in respect of the contract expense. However, the circular does not clarify whether the intellectual property needs to be owned by the entrusting party (payer) or whether it can be owned by the entrusted party, or whether it can be shared. This issue should be clarified in subsequent circulars/guidelines. R&D expenses carried out and paid to a foreign external organisation are not eligible. Negative list as it applies to 'industries'. The circular specifically excludes certain industry sectors from R&D Super Deduction eligibility: 1. Tobacco manufacturing industry 2. Accommodation and catering industry 3. Wholesale and retail industry 4. Real estate industry 5. Leasing and commercial service industries 6. Entertainment industry 7. Other industries as prescribed by ministry of finance and the state administration of taxation Negative list as it applies to 'activities'. The circular specifically excludes certain activities from R&D Super Deduction eligibility: if the activities are not listed below, it is likely the activities will be eligible if there is a direct connection to	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	the R&D project/activity: (i) regular product upgrade; (ii) use of R&D results that are publicly available regarding new processes, materials, devices, products, services or knowledge; (iii) post-commercialization support; (iv) Repeat or simple update of existing products, services, technologies, materials or processes; (v) Market research and studies, efficiency research or management studies; (vi) Industrial (services) processes or regular quality control, testing analysis, maintenance. (vii) Humanities and social sciences related studies. The above list of 'activity' exclusions is not materially different to the existing provisions, will have minimal impact on companies, and is consistent with benchmark R&D tax inventive policies globally. However, companies that fall within the negative list 'industry' sectors will find it difficult, if not impossible, to claim the R&D super Deduction. So even if a company in these sectors is undertaking highly innovative activities, it is likely such companies and projects will not qualify for the Super Deduction. Source: https://assets.kpmg/content/dam/kpmg/pdf/2016/01/China-tax-alert-1511-31-RD-Super-Deduction-Regulation-Update.pdf http://www.internationaltaxreview.com/Article/3511735/Moving-up-the-value-chaingreater-access-to-R-D-incentives.html http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL201601.pdf The encouraged R&D technical 'categories' specified in the original policy will no longer apply. This means that companies will need to satisfy the definition of R&D activities but will no longer need to match the activity to one of the categories. According to the former regulations, R&D activities eligible for super deduction should fall under the "Categories of Key High & New Technology Sectors Supported by the State" and the "Guidelines for Key High & New Technology Industrialization Fields for Prioritized Development". Before 2008, the 150% R&D allowances was available only for R&D firms located to new technology zones, it had been extended to all R&D firms working in key areas (biotech, ICT and other high tech fields). Sources: https://assets.kpmg/content/dam/kpmg/pdf/2016/01/China-tax-alert-1511-31-RD-Super-Deduction-Regulation-Update.pdf http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL201601.pdf Prior to 1 January 2016, eligible R&D expenditures for the 150% super deduction included: (i) Design expenditures for new products; expenditures for formulating new techniques and procedures;	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	(ii) expenditures for technical books and materials, including translation expenditures, that are directly related to the R&D activities; (iii) Expenditures of direct materials, fuel and power consumed during the R&D activities; (iv) Wages, salaries, bonuses, subsidies and allowances for research personnel; (v) Depreciation or lease expenditures for equipment and devices used specifically for the R&D activities; (vi) Amortization expenditures for intangible assets, such as software, patent rights and certain non-patented technologies used specifically for the R&D activities; (vii) Expenditures incurred to develop and fabricate prototypes and trial models exclusively used for intermediate testing and experiments; (viii) Site-testing expenditures for exploration activities; (ix) Expenditures incurred on assessment, review, inspection and certification of research results; (x) Basic pension fund, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund contributed by a company for its employees directly engaging in R&D activities in accordance with regulations set by the State Council or relevant provincial-level government authorities; (xi) Costs of operational maintenance, adjustment, testing, and repair of tools and equipment incurred exclusively for R&D activities; (xii) Costs of samples and prototypes that do not constitute fixed assets, and expenses for general testing solutions; (xiii) Clinical trial costs for R&D activities for new drugs; (xiv) Certificate cost for R&D results. Sources: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide http://www.tax.sh.gov.cn/qptax/xxgk/ssgg/sstz/200903/P020111020520423902756.doc	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Certification: Provincial branch of the Ministry of Science and Technology Deadline: Deadline depends on specific city or province. Documentation requirements: Certification: Disclosure of the number of the R&D projects, names of personnel who work on them, types of activities taking places on the projects and other confidential business information. Super deduction: Certification is needed for HNTE qualification. According to Cai Shui 119, advance approval from the relevant tax authorities is no longer required. http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL2016	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	01.pdf Evaluation of claims Responsible authority: Tax authorities: The State Tax Bureau (STB) and State Administration of Taxation (SAT) Deadline: End of fiscal year (at the same time as submission of the annual corporate income tax return) Documentation requirements: i. Annual corporate income tax return and the government approval ii. R&D super deduction claim with STB and SAT iii. Description of technical aspect of the R&D project http://www.internationaltaxreview.com/Article/3406622/Created-in-China-The-fast-pace-of-innovation-R-D-incentives-and-economic-development.html By completing the relevant record-filing procedures, company can deduct previously unclaimed qualified R&D expenses (incurred on or after 1 January 2016) for the preceding 3-year period. Audit Responsible authority: Tax authorities: The State Tax Bureau (STB)and State Administration of Taxation (SAT) Documentation requirements: Contemporaneous and post-filing record keeping and auxiliary account management Post monitoring is used to replace the prior record filing procedure. Not less than 20% of all R&D super deduction cases will be audited annually. http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL2016 01.pdf Other In case the competent tax authority has any disagreement on the R&D project for super deduction purpose, Caishui 119 indicates that now it is the tax authority, instead of the enterprise, to request authentication opinion from the in-charge science and technology authority.	
Additional Comments	The SAT released a Notice on Further Implementation of the Policy of R&D Expenses Super Deduction (Shuizonghan [2016] No. 685, 'This notice') on 21 December 2016. Based on Caishui [2015] No.119 and State Administration of Taxation Announcement [2015] No. 97, which specified new rules for the	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	implementation of the preferential policy for R&D Expenses Super Deduction, this notice requires each local tax authority to ensure proper implementation of this preferential policy during 2016 annual tax filing. This notice emphasizes the following four major perspectives: 1. Tax authorities at all levels shall step up publicity to keep taxpayers well-informed, further optimise taxation service processes, simplify taxation service procedures and improve the efficiency of taxation services so as to create favourable conditions for enterprises to enjoy the preferential policy of R&D Expenses Super Deduction in a timely and accurate manner. Moreover, tax authorities at all levels shall organise supervision and assessment of the implementation of this preferential policy. 2. In implementing the preferential policy, taxation authorities shall verify the information relating to enterprises' enjoyment of the preferential policy in 2016 rather than that in the previous years in principle. If an enterprise has or is found to have tax-related problems in the previous years, the case shall be dealt with separately in accordance with applicable requirements without preventing the enterprise from enjoying the R&D Super Deduction in 2016 in any manner. 3. If an enterprise applies for the preferential policy, but its accounting books/vouchers are not complete, the taxation authorities concerned shall provide coaching, actively make explanations to the enterprise and assist the enterprise in establishing accounts and systems. 4. If an enterprise fails to apply for the R&D Super Deduction preferential policy in a timely manner in 2016, it may enjoy the policy retrospectively in the next 3 years. Source: https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2017/05/china-tax-weekly-update-19.pdf Pursuant to the former policy, enterprises have to set up a special account to record R&D expenses separately for super deduction purposes. Caishui 119 now specifies that companies may use an auxiliary or supplementary account to capture the R&D expenses that are eligible for super deduction treatment. Managing R&D expenses in a special account is no longer required. According to Caishui 119, R&D registration requirements will be simplified and certain registration requirements will be relaxed: (i) Caishui 119 replaces the current prior record filing procedure with a post monitoring procedure. Advance approval from the relevant tax authorities is not required. (ii) Tax authorities will intensify their administration of super deduction claims filed by taxpayers through regular inspections	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	and monitoring. (iii) Not less than 20% of all R&D super deduction cases will be audited annually. Accordingly, contemporaneous and post-filing record keeping and auxiliary account management will be important to manage tax compliance in case the authorities wish to investigate the activities or related expenses. Some local tax bureaus may still require some type of registration formality. In case the competent tax authority has any disagreement on the R&D project for super deduction purpose, Caishui 119 indicates that now it is the tax authority, instead of the enterprise, to request authentication opinion from the in-charge science and technology authority. It also clarifies that for companies undertaking R&D projects at the provincial or ministerial level or above, or projects that span over multiple years and that already have been verified, annual verification by the competent science and technology authorities is no longer required. By completing the relevant record-filing procedures, company can deduct previously unclaimed qualified R&D expenses (incurred on or after 1 January 2016) for the preceding 3-year period. When claiming centralized R&D activities and expenses within a corporate group, companies should be mindful of any applicable transfer pricing regulations. The Cai Shui [2015] No. 119 also now no longer require written 'agreement' or 'contract' between members of the corporate group regarding R&D activities but it is possible the in-charge tax authority may nevertheless request such documentary evidence. The old provisions required an 'agreement' between related entities i.e. "Where the agreement or contract is not provided, R&D expenses shall not be allowed for deduction." Where payments are made to external parties in respect of eligible R&D activities, the entrusting party (payer) is no longer required to submit a breakdown of the expenses/invoices as prepared or issued by the entrusted party. In related party arrangements, the breakdown of expenses is still required for R&D Super Deduction purposes. Source: http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL2016 0	

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Type of Scheme	R&D tax credit	R&D tax credit
Scheme name/description	R&D tax credit	R&D tax credit for SMEs
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Law 1816/2016 and National Decree 1011/2020	
Design		
Expense Base	C, MED, BD	C, MED, BD
Deducted from	Tax	Tax
Volume-based rate Large firms	25	-
Volume-based rate SMEs	25	50
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	R&D credit is limited to 25% of tax liability and eligible R&D spending is capped at COP million 90k per entity	Eligible R&D spending is capped at COP million 90k per entity
Special rate SMEs	-	Yes
Special refund provision SMEs	-	Yes
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	-
Refunds SME (in Yrs)	No	Refund payable over two years
Limitations	-	-
Carry-forward (in Yrs)	4	2
Carry-back (in Yrs)	-	-
Limitation	-	-
Taxability of R&D tax relief	No	No
Grant-funded R&D projects	Direct funding does not reduce the expense base of the tax incentive	Direct funding does not reduce the expense base of the tax incentive

COLOMBIA

Type of Scheme	R&D tax credit	R&D tax credit
Subcontracting rules	The tax incentive is can only be claimed by Enties whom invest and develop their own projects, however, in the areas of the proposal, the expenses to the taxpayer of specialized consultancies and technological services that are carried out within the framework of the proposal are recognized. The projects can be presented by one or more companies, for which the investment is recognized for the amount of their contributions.;Tax incentives are available for direct investment of R&D activities, which are not outsourced.;A R&D project for access to tax incentives can be executed by several companies, which may claim the tax benefit according to the investment made in the project.	The tax incentive is can only be claimed by Enties whom invest and develop their own projects, however, in the areas of the proposal, the expenses to the taxpayer of specialized consultancies and technological services that are carried out within the framework of the proposal are recognized. The projects can be presented by one or more companies, for which the investment is recognized for the amount of their contributions.;Tax incentives are available for direct investment of R&D activities, which are not outsourced.;A R&D project for access to tax incentives can be executed by several companies, which may claim the tax benefit according to the investment made in the project.
Aggregation rules	Tax incentives are given to each legal entity, for the investment that will be made according to the project presented to the Ministry of science, technology and innovation. The expenses can be shared by several companies, that is, the consultancy can be paid in part by company A and by Company B, both access the benefit for the amount of their contributions. The terms of reference for the calls (869 and 886 of 2020) and the project typologies document are available on the website of the Ministry of Science, Technology and Innovation.	Tax incentives are given to each legal entity, for the investment that will be made according to the project presented to the Ministry of science, technology and innovation. The expenses can be shared by several companies, that is, the consultancy can be paid in part by company A and by Company B, both access the benefit for the amount of their contributions. The terms of reference for the calls (869 and 886 of 2020) and the project typologies document are available on the website of the Ministry of Science, Technology and Innovation.
Definition of eligible taxpayer	Business entity legally incorporated in Colombia, income taxpayers, who develop R&D projects in alliance with Science, Technology and Innovation Nacional System's actors recognized by the Ministry of Science, Technology and Innovation (Universities through their groups, research centers, technological development or innovation and productivity, business R + D + i units, offices for the transfer of research results).	Business entity legally incorporated in Colombia, income taxpayers, who develop R&D projects in alliance with Science, Technology and Innovation Nacional System's actors recognized by the Ministry of Science, Technology and Innovation (Universities through their groups, research centers, technological development or innovation and productivity, business R + D + i units, offices for the transfer of research results).

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Type of Scheme	R&D tax credit	R&D tax credit
Additional Comments		Introduced in 2020, the new R&D tax credit allows SMEs to claim 50% on invesments in R&D&I projects, when paying national Taxes or applying for marketable securities.
R&D Definition		
Other S&T&I	Yes	Yes
Note	Ex: Development of prototipes, pilot plants, development, Scaling up of new products process and organizational models. In Colombia, the significative improvement of products or process.	Ex: Development of prototipes, pilot plants, development, Scaling up of new products process and organizational models. In Colombia, the significative improvement of products or process.
SSH	Yes	Yes
Note		
Eligible R&D		
Wages and salaries	Yes	Yes
Note	This item (support personnel) may include international consultants whose CV (résumé) is not registered in the CvLAC database for Colombian researcher's CVs.	This item (support personnel) may include international consultants whose CV (résumé) is not registered in the CvLAC database for Colombian researcher's CVs.
R&D services	Yes	Yes
Note	This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project. This item includes the subcontracting of tests, analysis, simulations and software development that the company cannot develop by itself. However, no personnel cost can be included. This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project.	This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project. This item includes the subcontracting of tests, analysis, simulations and software development that the company cannot develop by itself. However, no personnel cost can be included. This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project.
Consumables	Yes	Yes
Note		

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Type of Scheme	R&D tax credit	R&D tax credit
M&E	No	No
Note		
Land and buildings	No	No
Note		
Depreciation	Yes	Yes
Note	Machinery and equipment, buildings and land; costs relating to the rearrangement and use of existing buildings for research purposes up to 20% of the total project costs	Machinery and equipment, buildings and land; costs relating to the rearrangement and use of existing buildings for research purposes up to 20% of the total project costs
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	Yes	Yes
Open-ended note		
Administration and Monitoring		
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Deadline: Every year until July Documentation requirements: Project application, letters of endorsement signed by the legal representatives of the entities involved, annexes to the project In order to benefit from the incentive, the tax payer must formulate a scientific research, technological development or innovation project, which will be evaluated and qualified by the CNBT. <u>Evaluation of claims</u> Responsible authority: Ministry of Science, Technology and Innovation. Deadline: Form July to November Documentation requirements: Concept of evaluation, CNBT meeting minutes, approval resolutions for use of the tax	<u>Registration/pre-approval</u> Responsible authority: Deadline: Every year until July Documentation requirements: Project application, letters of endorsement signed by the legal representatives of the entities involved, annexes to the project In order to benefit from the incentive, the tax payer must formulate a scientific research, technological development or innovation project, which will be evaluated and qualified by the CNBT. <u>Evaluation of claims</u> Responsible authority: Ministry of Science, Technology and Innovation. Deadline: Form July to November Documentation requirements: Concept of evaluation, CNBT meeting minutes, approval resolutions for use of the tax incentive

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Type of Scheme	R&D tax credit	R&D tax credit
	incentive Colombia's Ministry of Science, Technology and Innovation make a peer review evaluation of proposals developed by enterprises, like requirement for tax incentive assignation. <u>Audit</u> Responsible authority: Ministry of Science, Technology and Innovation - DIAN (National Taxes and Customs Management) Documentation requirements: Technical and financial reports. Concept of evaluation of reports, resolutions of approval of multi-annual budgets Deadline: Every year in March.	Colombia's Ministry of Science, Technology and Innovation make a peer review evaluation of proposals developed by enterprises, like requirement for tax incentive assignation. <u>Audit</u> Responsible authority: Ministry of Science, Technology and Innovation - DIAN (National Taxes and Customs Management) Documentation requirements: Technical and financial reports. Concept of evaluation of reports, resolutions of approval of multi-annual budgets Deadline: Every year in March.

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Type of Scheme	R&D tax allowance
Scheme name/description	R&D tax allowance
Status in 2021	In force in 2021
Enforcing law/regulation	Act on State Aid for Research and Development Projects (NN 64/18) effective from 26 July 2018. Ordinance on State Aid for Research and Development Projects have been in force from 2 February 2019. Accordingly, the measure has been in implementation since February 2019.
Design	
Expense Base	C, MED
Deducted from	Taxable income
Volume-based rate Large firms	Tax base deduction (enhanced tax allowance rates, on top of baseline tax deduction) a) 100% of eligible project costs for basic research b) 50% of eligible project costs for industrial research c) 25% of eligible project costs for experimental development d) 50% of eligible costs for the feasibility study.
Volume-based rate SMEs	Tax base deduction (enhanced tax allowance rates, on top of baseline tax deduction) a) 100% of eligible project costs for basic research b) 50% of eligible project costs for industrial research c) 25% of eligible project costs for experimental development d) 50% of eligible costs for the feasibility study.
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	Threshold: a) for predominantly basic research: the amount in kuna equivalent of up to EUR 300,000 per entrepreneur per project b) for predominantly industrial research: the amount in kuna equivalent of up to EUR 200,000 per entrepreneur per project c) for predominantly experimental development: the amount in kuna equivalent to EUR 100.000,00 per entrepreneur per project d) for feasibility studies in the preparation of research activities: the amount in kuna equivalent to EUR 50.000,00 per study.
Ceilings	Maximum aid intensity a) 100% of eligible project costs for basic research b) 50% of eligible project costs for industrial research (+30% in some cases)

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Type of Scheme	R&D tax allowance
	c) 25% of eligible project costs for experimental development (+35% in some cases) d) 50% of eligible costs for the feasibility study (+20% if small ; +10% if medium-sized). a)* for predominantly basic research: the amount in kuna equivalent of up to EUR 40,000,000 per entrepreneur per project b)* for predominantly industrial research: the amount in kuna equivalent of up to EUR 20,000,000 per entrepreneur per project c)* for predominantly experimental development: the amount in kuna equivalent to EUR 15,000.000,00 per entrepreneur per project d)* for feasibility studies in the preparation of research activities: the amount in kuna equivalent to EUR 7,500.000,00 per study.
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	No
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	Not taxable
Grant-funded R&D projects	The use of the R&D tax allowance is compatible with the receipt of direct government funding.The beneficiary may use the aid under the Act on State Aid for Research and Development Projects if the beneficiary is eligible for aid and other legal bases when such aid relates to the different eligible costs that may be established in relation to the eligible costs. The beneficiary may use the aid under the Act on State Aid for Research and Development Projects if the beneficiary is eligible for State aid and other legal bases related to the same eligible costs, whether they are partially overlapping, so that the cumulation of aid is permitted up to the maximum intensity of aid and the amount of aid referred to mentioned Act.
Subcontracting rules	The Act on State Aid for Research and Development projects defines among eligible costs the costs of research conducted on the basis of contracts, knowledge and patents obtained or licensed by other parties under market conditions and the cost of advisory and similar services used solely for the project. These costs are eligible up to a maximum of 30% of the total eligible project costs, respecting the maximum allowable intensity of the aid referred to in Article 11 of this Act. It is not forseen that two different taxpayers can benefit for the same underlying R&D activity. The Act clearly states that

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Type of Scheme	R&D tax allowance
	beneficiaries are those who carrys out the activities of their own research and development.;It is not foreseen that two different taxpayers can benefit for the same underlying R&D activity. The Act clearly states that beneficiaries are those who carries out the activities of their own research and development.
Aggregation rules	The cumulation is prescribed in the Article 15 of the Act on State Aid for Research and Development Projects (Official Gazette: 64/2018) as follows: (2) The beneficiary may use the aid under this Act if the beneficiary is eligible for State aid and other legal bases related to the same eligible costs, whether they are partially overlapping, so that the cumulation of aid is permitted up to the maximum intensity of aid and the amount of aid referred to in Articles 11 and 12 of this Act. (3) In the case of the cumulation of aid under this Act with the small value aid (de minimis aids), the provisions from paragraphs 1 and 2 of this Article shall apply mutatis mutandis. (4) In case a beneficiary uses funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union, that are not directly or indirectly under the control of Member States, and where such Union funding is combined with State aid, only the latter should be considered for determining whether notification thresholds and maximum aid intensities are respected, provided the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate laid down in the applicable rules of Union law.
Definition of eligible taxpayer	The beneficiary of the aid is "a taxpayer established in accordance with the regulations of the Republic of Croatia on taxation of profit or income taxpayer established in accordance with the Republic of Croatia regulations on income taxation based on data from business books and records." The aid beneficiary "carries out the activities of their own research and development so that the project resolves their own technical problem or scientific research question for the future commercialisation of the final product, service or process arising from the research and development project.". The beneficiaries are classified as a small, medium and large enterprise in accordance with the provisions of the current General Block Exemption Regulation. Under the category of a large enterprise is a beneficiary who does not meet the requirements laid down in Annex I to the General Block Exemption Regulation. According to Income Tax Act, Official Gazette 115/16, 106/18, a taxpayer is "1. A natural person who generates an income, 2. An heir of all tax liabilities arising from income which the deceased generated before his or her death. The heir is at the same time the income taxpayer for the income from inherited income sources." (https://www.porezna-uprava.hr/en/Pages/Taxes/Income-tax.aspx) The Act on state aid for Research and Development also defines cases where the aid may not be granted to (applicants that are not eligible), in line with exceptions defined in Article 1 of General Block Exemption Regulation.

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Type of Scheme	R&D tax allowance
Additional Comments	
R&D Definition	
Other S&T&I	Yes
Note	50% of feasibility study, support intensity can be increased by 10 percentage points for medium sized entrepreneurs and 20 percentage points for small entrepreneurs.
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	These costs shall be eligible up to a maximum of 30% of the total eligible project costs
Consumables	Yes
Note	
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	Yes
Note	Instruments and equipment to the extent and for the period used for the project
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	

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Type of Scheme	R&D tax allowance
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Ministry of Economy and Sustainable Development Deadline: No deadline (but before the project starts) Documentation requirements: State Aid Application for a Research and Development Project (defined in the Ordinance) - Form 1 a taxpayer's data as the applicant to State aid in the form of tax relief, including the undertaking size data and all other required data from Form 1; - data on the type of aid claimed (for research and development or feasibility study) as well as the categories of research to which the project relates (basic research, industrial research or experimental development), if an R&D project is submitted; - project data - a statement of the truthfulness of all data from the Application form and the submitted project documentation; - a summary overview of the estimated costs of an R&D project or feasibility study as the basis for calculating the amount of total public funding required for the project - a contact address The following must be enclosed with the Application: - collective statements of the applicant, provided in the forms that are an integral part of this Ordinance (Forms 2 and 2a); - a certificate by the tax administration that the applicant has fulfilled the obligation of tax liabilities and pension and health insurance; - documentation proving the effective collaboration or its intent; - documentation demonstrating the intention to publish the results of the project; - a quote for conducting a feasibility study, if a feasibility study is submitted; - responses to ethical issues in a form that is an integral part of this Ordinance After the processing and evaluation of the application, the granting authority issues to a beneficiary the Certificate of Aid Beneficiary Status or a Notification of Rejection, on the basis of the findings and opinions of the implementing body. <u>Evaluation of claims</u> Responsible authority: Croatian Agency fo SMEs, innovations and investments (HAMAG-BICRO) Deadline: The granting authority shall notify the applicant of the outcome of the evaluation of the material conditions of their Application within 90 days from the date of filing of the Application Documentation requirements: Eligible project costs incurred after the submission of the Application shall be determined in the

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Type of Scheme	R&D tax allowance
	project implementation period: 1. from the payroll 2. from accounting documentation 3. from invoices and agreements 4. from accounts for costs of other operating expenses (costs of materials, consumables and similar products), which were incurred as a result of work on the project; 5. by calculating the fixed rate of overheads; 6. from invoices and other evidence of conducting the feasibility study, by enclosing a conducted feasibility study; 7. from other relevant evidence that the cost has incurred and has been covered. The implementing body is entrusted with the implementation of the following activities in the procedure of the granting of aid: - administrative verification; - verification of the eligibility of a user, project, activity, and costs; - registration of the beneficiaries of the aid for R&D projects; - monitoring the implementation of project activities and project costs; - reporting on the results and the effects of the aid according to the given indicators during and after the completion of the project. After the processing and evaluation of the application, the granting authority issues to a beneficiary the Certificate of Aid Beneficiary Status or a Notification of Rejection, on the basis of the findings and opinions of the implementing body. The granting authority shall, following the annual report and based on findings and opinions of the implementing body, issue an Approval on the Use of Aid for the previous period or a Decision on the Loss of Beneficiary Status in the event of failure to submit the reports referred to in Article 18, paragraph 5 of the Act. <u>Audit</u> Responsible authority: Ministry of Economy and Sustainable Development Deadline: Documentation requirements: The Annual Report on the Execution of Project Activities, Qualified Costs and Use of Aid (hereinafter: 'Annual Report') shall be submitted by the beneficiary to the implementing body and to the ministry responsible for finance (Form 3 and 3A). The granting authority shall, following the annual report and based on findings and opinions of the implementing body, issue an Approval on the Use of Aid for the previous period or a Decision on the Loss of Beneficiary Status in the event of failure to submit

CROATIA

Type of Scheme	R&D tax allowance
	the reports. The granting authority, in collaboration with the implementing body, may, if necessary, supervise the use of State aid on the premises of the beneficiary of the aid, either alone or in collaboration with the ministry responsible for finance. The implementing body shall, upon the request of the granting authority, submit a report on the status of processing the received applications. The granting authority may, if necessary, inspect and supervise the implementation of the aid by the implementing body
Additional Comments	R&D tax allowance scheme defined by the Act on State Aid for Research and Development Projects (Official Gazette: 64/2018) effective since 26 July 2018 and Ordinance on State Aid for Research and Development Projects (NN 9/2019)effective from 2 February 2019. Ministry of Science and Education is responsible for the two former R&D tax allowance schemes so Ministry of Science and Education should give a relevant information.

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CZECH REPUBLIC

Type of Scheme	R&D tax allowance
Scheme name/description	R&D tax allowance
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	C, MED
Deducted from	Taxable income
Volume-based rate Large firms	100
Volume-based rate SMEs	100
Incremental rate Large firms	10
Incremental rate SMEs	10
Base amount (if incremental)	R&D expenditures in previous year
Thresholds	-
Ceilings	-
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	3
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.
Grant-funded R&D projects	R&D expenditures subsidized (e.g. grants) from public sources do not qualify for the enhanced R&D tax allowance
Subcontracting rules	Effective January 2014, qualifying expenses have been expanded to include external services related to R&D provided by public R&D institutions (such as universities and research institutes). Public universities and public research institutions do not use the R&D tax

CZECH REPUBLIC

Type of Scheme	R&D tax allowance
	incentive generally. They focus on the direct public support of R&D. For a R&D project, the combination of direct and indirect (tax incentive) support is not allowed. Sold R&D services are considered as revenue for public universities and public research institution.;In this case the performer (public R&D institution) cannot claim tax relief.;The performer cannot claim R&D tax support for the same underlying R&D activity as the funder.
Aggregation rules	It depends on the position of the firm within the enterprise group. If a firm (better a branch of company or local unit) is not legal entity (i.e. without the identification number in the Business Register) than there is the aggregation of tax relief up to parent company. If the firm (within enterprise group) is the legal entity (i.e. with the identification number in the Business Register) than the aggregation rule is not applied.
Definition of eligible taxpayer	Tax residents and branches of non-residents performing R&D projects in the Czech Republic qualify for the enhanced R&D tax allowance.
Additional comments	Effective January 2014, the scheme has a volume-based and an incremental component. The volume-based component includes a 100% deduction of expenses incurred in the year. If the total R&D expenditure for the year exceeds the R&D expenditure in the previous year, an allowance of 10% is applied on the excess amount.
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	Off-site consultants and R&D services provided by third parties eligible only if contracted with public universities or certified research organizations (since the tax year 2014).
Consumables	Yes
Note	Operating expenses directly related to R&D (books, magazines, electricity, heating, gas, water, telecommunication charges etc.).
M&E	No

CZECH REPUBLIC

Type of Scheme	R&D tax allowance
Note	
Land and buildings	No
Note	
Depreciation	Yes
Note	The tax depreciation of movable fixed assets used for R&D activities qualifies.
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	The R&D tax allowance applies to resident companies and domestic branches of non-resident companies. The allowance also applies to not only domestic R&D expenditures, but also to R&D expenditures of foreign branches of resident companies. Eligible expenditures include direct costs (e.g. salaries paid to research workers including related social security and health insurance deductions, consumed material), tax depreciation of movable fixed assets used for R&D activities, other operating expenses directly related to R&D (books, magazines, electricity, heating, gas, water, telecommunication charges etc.) and travelling reimbursement from employers to employees that emerged during project realization. Effective January 2014, qualifying expenses have been expanded to include external services related to R&D provided by public R&D institutions (such as universities and research institutes); however, expenses incurred during the certification of R&D results may not be included in qualifying expenses anymore.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Local competent tax administrator Pre-approval is not required A binding ruling on qualifying R&D expenses is available to firms on an optional basis. <u>Evaluations of claims</u> Responsible authority: Czech Tax authority Deadline: Submission with corporate income tax return Documentation requirements: Documentation such as timesheet and allocations of time spent on project must be maintained to support claims. The taxpayer must compile a written “summary” document specifying the qualified activities before the start of the project, but it’s not required to be submitted to any government agency. <u>Audit</u> Auditing of the R&D tax allowance is applied/ undertaken.

CZECH REPUBLIC

Type of Scheme	R&D tax allowance
Additional Comments	All R&D projects must have their own written documentation with prescribed requisites in order to qualify for the tax allowance. The taxpayer must compile a written "summary" document specifying the qualified activities before the start of the project. The summary is part of the mandatory internal documentation that must be completed prior to start of the project, but it's not required to be submitted to any government agency. The summary typically includes a description of the project objectives; project schedule and phases, project administrative process, project staffing, and project budgets. Additionally, the taxpayer may file an application for a binding ruling on the qualifying research and development expenses with the local competent tax administrator.

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DENMARK

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital	R&D tax allowance
Scheme name/description	R&D tax credit for deficit related R&D expenses	Accelerated depreciation for R&D capital assets (Machinery and Equipment) and ships	Enhanced Tax allowance on R&D capital
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation			
Design			
Expense Base	C, ME, BD (deficit)	ME	C, ME, BD
Deducted from	Tax	Taxable income	Taxable income
Volume-based rate Large firms	22	100	30 (income years 2020 and 2021)
Volume-based rate SMEs	-	-	-
Incremental rate Large firms	-	-	-
Incremental rate SMEs	-	-	-
Base amount (if incremental)	-	-	-
Thresholds	-	-	-
Ceilings	DKK 25m (eligible R&D expenditure). The maximum tax credit that can be given is DKK 5.5 million per year (22% of DKK 25 million). If the income year is less than 12 months, the tax credit is reduced proportionally.	-	DKK 850m (eligible R&D expenditure)
Special rate SMEs	-	-	-
Special refund provision SMEs	-	-	-
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	Immediate	No	No
Refunds SME (in Yrs)	Immediate	No	No
Limitations	-	-	-

DENMARK

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital	R&D tax allowance
Carry-forward (in Yrs)	-	-	Indefinite
Carry-back (in Yrs)	-	-	-
Limitation	-	-	-
Taxability of R&D tax relief	Tax credits paid out to firms are not included in taxable income.	Accelerated depreciation allownaces are not taxable.	Tax credits paid out to firms are not included in taxable income.
Grant-funded R&D projects	No	No	No
Subcontracting rules	Qualified R&D expenditures include payments for R&D services performed by others. Payments received by an R&D performer under an R&D service contract or cost contribution agreement do not reduce the tax credit amount available. Source: http://skat.dk/SKAT.aspx?oId=2083520&chk=210252 (see point C.C.2.2.2.20 Udgifter til forsøg og forskning mv.);	The accelerated depreciation is provided for all M&E used in R&D. It is provided regardless of whether the owner performs R&D for his own company or other companies (e.g. as an R&D service provider). ;	Qualified R&D expenditures include payments for R&D services performed by others. Payments received by an R&D performer under an R&D service contract or cost contribution agreement do not reduce the tax credit amount available. Source: http://skat.dk/SKAT.aspx?oId=2083520&chk=210252 (see point C.C.2.2.2.20 Udgifter til forsøg og forskning mv.)
Aggregation rules	If the company is a company that is part of a group, a joint assessment will be made which requires the consolidated taxable income to be negative. The refund available is computed on a consolidated group basis. If the income year is less than 12 months, the tax credit is reduced proportionally.	CIT Act Art 8.X: https://www.retsinformation.dk/Forms/R0710.aspx?id=173414	If the company is a company that is part of a group, a joint assessment will be made which requires the consolidated taxable income to be negative. The refund available is computed on a consolidated group basis. If the income year is less than 12 months, the tax credit is reduced proportionally.
Definition of eligible taxpayer groups (e.g., SME)	Corporations, self-employed with deficit related R&D expenses.	All companies and self-employed. - https://www.retsinformation.dk/Forms/R0710.aspx?id=174205 (limited liability companies) -	

DENMARK

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital	R&D tax allowance
		https://www.retsinformation.dk/Forms/R0710.aspx?id=158851 - https://www.skat.dk/SKAT.aspx?oID=2048527	
Additional comments	Firms can request the tax authorities to pay out tax credits corresponding to 22% of any deficit related to R&D expenses from 2016 onwards (23.5% in 2015 and 24.5% in 2014). Only the deficit for the year in which the request for payment of the tax credit has been made can be used in calculating the tax credit. This means that losses from previous years cannot be included in calculating the credit. Source: ; http://www.tax.dk/jv/cc/C_C_2_2_2_20.htm		The scheme offers enhanced tax allowances on top of the 100 percent. baseline tax deductions from 2018 onwards. For tax yeas 2018 and 2019 the deduction amounts to 1.5 percent of expenses incurred. This increases to 3 percent for expenses incurred in the income year 2020, to 5 percent for income years 2021 and 2022, and 8 percent for income years 2023-2025. The increase will reach 10 percent by 2026. However, due to COVID-19 the enhanced tax allowance has been raised to 30 percent for tax years 2020 and 2021 for R&D expenses up to DKK 850 million.
R&D Definition			
Other S&T&I	No	No	No
Note			Costs incurred in connection with the exploration for raw materials may also be fully deducted in the same year. TBC
SSH	Yes	Yes	Yes
Note			
Eligible R&D			
Wages and salaries	Yes	No	Yes

DENMARK

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital	R&D tax allowance
Note			
R&D services	Yes	No	Yes
Note			
Consumables	Yes	No	Yes
Note			
M&E	Yes	Yes	Yes
Note	These expenses can only be deducted or amortized under the general rules of the depreciation law	Also includes ships.	These expenses can only be deducted or amortized under the general rules of the depreciation law.
Land and buildings	Yes	No	Yes
Note	These expenses can only be deducted or amortized under the general rules of the depreciation law		These expenses can only be deducted or amortized under the general rules of the depreciation law.
Depreciation	No	No	No
Note			
R&D labour paid by 3rd parties	Yes	No	Yes
R&D services incurred abroad	Yes	No	Yes
Open-ended note	Qualified R&D expenditures include salaries, cost of raw materials as well as rental costs for premises, machinery, equipment and similar equipment, in addition to payments for R&D services performed by others, and professional fees for consultants. Source: http://skat.dk/SKAT.aspx?oId=2083520&chk=210252 (see point C.C.2.2.2.20 Udgifter til forsøg og forskning mv.)	The total acquisition cost can be deducted from taxable income (expensed) in the income year where the acquisition takes place. This rule also applies to all acquisitions of machinery and equipment used in business activities by the owner if the lifetime of the M&E is less than 3 years or the acquisition price below 12.300 DKK (not just machinery and equipment used in R&D). It is provided regardless of whether the owner performs	All expenditures on R&D are eligible for enhanced R&D tax allowances, except for expenditure on exploration of raw materials and costs for the procurement of fixed assets and vessels used for the exploration of raw materials. The expense base is thus the same as for the R&D tax credit for deficit related R&D expenses, i.e. the allowance applies to both M&E and B&L used in the context of R&D projects. In the case of M&E, the allowance applies to

DENMARK

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital	R&D tax allowance
		R&D for his own company or other companies (e.g. as an R&D service provider).	accelerated depreciation expenditure or acquisition cost.
Administration and Monitoring			
Stages, responsible authority and documentation requirements	Evaluation of claims Responsible authority: Danish tax Authority Deadline: The request for the tax credit should be made not later than the submission of the tax return. Documentation requirements: (i) Annual corporate income tax return, Form 05.007; (ii) Filled application form (online form available). The company's deficit must be related to the trial and development expenses in accordance with the tax law definition.		Evaluation of claims Responsible authority: Danish tax Authority Deadline: The request for the tax credit should be made not later than the submission of the tax return. Documentation requirements: (i) Annual corporate income tax return, Form 05.007; (ii) Filled application form (online form available). The company's deficit must be related to the trial and development expenses in accordance with the tax law definition.

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FINLAND

Type of Scheme	R&D tax allowance
Scheme name/description	Tax deduction for R&D-related research cooperation expenditures (2021-2027)
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	Outsourced R&D
Deducted from	Taxable income
Volume-based rate Large firms	50
Volume-based rate SMEs	50
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	Minimum level (floor) of qualifying R&D expenditure:ofEUR 10,000 (minimum deduction: EUR 5 000 per fiscal year)
Ceilings	Qualifying R&D expenditure capped at EUR 1 million (maximum deduction: EUR 500 000 per fiscal year)
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	10
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	-
Grant-funded R&D projects	-
Subcontracting rules	Companies get the super-deduction on the subcontracting costs of R&D projects carried out in collaboration with universities and research institutes. The deductible expenditure is the invoice(s) of the research organization that relates to the R&D work.

FINLAND

Type of Scheme	R&D tax allowance
Aggregation rules	For the super-deduction to apply, the cooperation must be with eligible organizations, i.e. organizations defined as research organizations in the EU General Block Exemption Regulation (e.g. universities and other non-commercial research organizations).
	There are no aggregation rules. Calculation of the amount of R&D tax incentive is carried out at the individual (group) company level.
Definition of eligible taxpayer	Available for all companies operating in Finland, both domestic and international.
Additional comments	The additional deduction does not constitute state aid under EU rules.
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	No
Note	
R&D services	Yes
Note	Companies get an additional tax deduction of 50% on the costs of research and innovation projects carried out in collaboration with universities and research institutes. The new 150% super-deduction is available for all companies operating in Finland, both domestic and international, and does not constitute state aid under EU rules, if the actual R&D work is performed by a sub-contracted party (university/research institute etc.),
Consumables	No
Note	
M&E	No
Note	
Land and buildings	No

FINLAND

Type of Scheme	R&D tax allowance
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Evaluation of claims Responsible authority: Verohallinto (Finnish Tax authority) Deadline: Request to be submitted to submitting the tax return/report of the tax year to the tax authorities. Generally this happens around 4 months after the tax year has ended. Documentation requirements: Form 67 (enhanced Research and Development tax allowance) Audit Responsible authority: Verohallinto (Finnish Tax authority) Documentation requirements: Supporting documentation

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FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax credit - Crédit d'Impôt Recherche (CIR)	Payroll withholding tax credit for young innovative firms (JEI) and young university firms (JEU)	Accelerated depreciation for R&D capital assets (Machinery and Equipment)
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation		Le régime de la jeune entreprise innovante (J.E.I.) ou universitaire (J.E.U.)	
Design			
Expense Base	C, MED, BD	L	ME
Deducted from	Tax	SSC	Taxable income
Volume-based rate Large firms	30 (R&D expenses up to EUR 100 million), 5 (R&D expenses above EUR 100 million)	-	40 (declining balance depreciation method)
Volume-based rate SMEs	30 (R&D expenses up to EUR 100 million), 5 (R&D expenses above EUR 100 million)	100 The exemption of social security contributions is available for a maximum period of 8 years as long as the company holds the JEI/JEU status.	40 (declining balance depreciation method)
Incremental rate Large firms	-	-	-
Incremental rate SMEs	-	-	-
Base amount (if incremental)	-	-	-
Thresholds	EUR 100m (qualifying R&D expenditure)	-	-
Ceilings	EUR 10 million cap per year and per company applied for R&D subcontracted to approved public or private organisations; EUR 12 million cap for R&D subcontracted to approved public research organisations (EUR 10 million and no double-counting of related R&D expenditures from 2022 onwards) and	Employee level: 4.5 times the minimum salary (SMIC); company level: 5 times the annual social security ceiling	-

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	EUR 2 million if taxpayer and the subcontractor are related. Private subcontracted R&D expenses are capped at an amount equal to three times all other qualifying expenses, but it cannot exceed EUR 10 million. For Innovation expenditure, the ceiling is EUR 400,000.		
Special rate SMEs	-	-	-
Special refund provision SMEs	Yes	-	-
Special terms for collaboration	Yes	-	-
Refund Large firm (in Yrs)	Any excess constitutes a claim on the State which may be used to pay income tax payable in respect of the following three years; any non-deducted excess is returned at the end of the three-year period.	Immediate	No
Refunds SME (in Yrs)	The claim is reimbursed immediately with no ceiling to certain enterprises: new enterprises for five years, innovative young enterprises, enterprises in difficulty and to SMEs as defined in EU regulations.	Immediate	No
Limitations	-	-	-
Carry-forward (in Yrs)	3(large companies)	-	Infinite
Carry-back (in Yrs)	-	-	-
Limitation	-	-	-
Taxability of R&D tax relief	The R&D tax credit is not taxable	The SSC exemption is taxable. Payroll and social security related incentives increase the taxable income of businesses.	The accelerated depreciation allowance is not taxable.
Grant-funded R&D projects	Under the terms of Article 244 quater B III CGI, public subsidies received by enterprises for operations that qualify for the CIR are deducted from the base for	The company can accumulate the JEI/JEU status with the CIR (research tax credit)	-

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	calculating the credit whether they are repayable or not. Where the subsidies are repayable, they are added to the base for calculating the tax credit for the year during which they are repaid to the body that paid them	and other innovation and employment subsidies. Source: http://www.jcarmand.com/en/tax-incentives-and-subsidies/jei-france-the-young-innovative-company/	
Subcontracting rules	Eligibility criteria for subcontracted R&D expenditure (amount invoiced): - they must correspond to real R&D operations; - the private service provider must be approved by MESRI; - subcontracted expenditure is then subject to different ceilings. The sums received by the organizations or experts (B) having carried out the research work for a third party (A) in the context of public or private subcontracting are deducted for the calculation of their own tax credit, in order to prevent the same category of research expenditure or taken into account twice (line 28b of Cerfa 2069-A-SD). Source: http://bofip.impots.gouv.fr/bofip/6486-PGP.html?identifiant=BOI-BIC-RICI-10-10-10-20-20120912		
Aggregation rules	Under the tax consolidation regime (Tax Code, Article 223 O-1-b), each subsidiary member of the consolidated group calculates and declares the R&D tax credit at its level. The parent company receives the	Not applicable. Young innovative companies and young university companies must be independent in order	

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	R&D tax credit generated by the group members and offset it against the CIT liability of the consolidated group. The law does not specify how the tax offset is to be distributed within the group. Source: http://cache.media.enseignementsup-recherche.gouv.fr/file/guide_CIR/37/7/Le_credit_d_impot_recherche_en_2013_558377.pdf	to qualify for the exemption of social security contributions.	
Definition of eligible taxpayer groups (e.g., SME)	Enterprises that incur certain expenditures allocated to scientific and technical research may qualify for a tax credit under Article 244 quater B CGI. The CIR is available to all French or foreign enterprises liable to income tax in France, under the territoriality rules that apply to such taxes. The SME definition for R&D tax incentives purposes complies with the EU SME definition (The enterprise employs less than 250 employees and (i) its annual turnover does not exceed EUR 50 million or (ii) its annual balance sheet does not exceed EUR 43 million). JEI (jeune entreprise innovante/young innovative company) are those complying with the following requirements: i) be a SME; ii) be less than 8 years old; iii) be independent; iv) be new (have not resulted from restructuring, concentration or extension); v) dedicate at least 15% of its expenses to R&D. JEU (jeune entreprise universitaire/ young university company) are those complying with the following requirements: i) be a SME; ii) be less than 8 years old; ii) be independent; iii) be independent; iv) be new (have not resulted from	JEI (jeune entreprise innovante/young innovative company) are those complying with the following requirements: i) be a SME; ii) be less than 8 years old; iii) be independent; iv) be new (have not resulted from restructuring, concentration or extension); v) dedicate at least 15% of its expenses to R&D. A subsidiary can acquire JEI status if: (i) the group to which it belongs is a European SME, and (ii) the subsidiary is more than 50% owned directly or indirectly (but a single link of interposition) by physical persons, and (iii) it dedicates at least 15% of its expenses to R&D. JEU (jeune entreprise universitaire/young university company) are those complying with the following requirements: i) be a SME; ii) be less than 8 years old; ii) be independent; iii) be independent; iv) be new (have not resulted from restructuring, concentration	French or foreign enterprises liable to income tax in France.

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	restructuring, concentration or extension); v) be managed or owned at least by 10% by students, recent graduates from masters or PhDs or teachers or researchers; vi) have as its main activity the exploitation of the research developed in the higher education institutions. Enterprises in difficulty are those in conciliation, backup, recovery or liquidation. Sources: http://bofip.impots.gouv.fr/bofip/4669-PGP.html http://www.enseignementsup-recherche.gouv.fr/cid5738/le-statut-de-la-jeune-entreprise-innovante-jei.html http://www.enseignementsup-recherche.gouv.fr/cid67053/j.e.u.-jeune-entreprise-universitaire.html http://www.economie.gouv.fr/cedef/definition-petites-et-moyennes-entreprises	or extension); v) be managed or owned at least by 10% by students, recent graduates from masters or PhDs or teachers or researchers; vi) have as its main activity the exploitation of the research developed in the higher education institutions. Sources: http://www.enseignementsup-recherche.gouv.fr/cid5738/le-statut-de-la-jeune-entreprise-innovante-jei.html http://www.jcarmand.com/en/tax-incentives-and-subsidies/jei-france-the-young-innovative-company/ http://www.enseignementsup-recherche.gouv.fr/cid67053/j.e.u.-jeune-entreprise-universitaire.html	
Additional comments			As provided for at Article 39 AA quinquies CGI, an enhanced declining-balance rate may be applied to M&E used for the purposes of scientific or technical research. Equipment and tools mainly used for R&D operations can be subject to an accelerated amortization. The applicable coefficients are 1.5, 2 and 2.5, depending on the standard duration of

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
			amortization of the equipment or the tools for tax purposes. The plant and equipment must be primarily (but not exclusively) used for R&D operations eligible for the R&D tax credit. Source: http://bofip.impots.gouv.fr/bofip/4744-PGP.html
R&D Definition			
Other S&T&I	Yes	Yes	Yes
Note	Marginally (patents, technological intelligence, standardisation expenses...). Only for SMEs: Other innovation activities related to prototype design and pilot installation of new products (= new to the market and with significantly improved features compared to older products) other than the prototypes and installations included in the R&D activities.	Other innovation activities: The same non-R&D innovation expenditures as in the CIR are taken into account.	
SSH	Yes	Yes	Yes
Eligible R&D			
Wages and salaries	Yes	Yes	No
Note	In the case of researchers with a PhD or equivalent degree, wage expenditures are considered twice for R&D credit purposes during the first 24 months following their recruitment subject to the condition that the employment contract is unlimited and that the headcount of the research personnel is not lower	Researchers, technicians, project managers of R & D, the lawyers involved in the protection of industrial and technology agreements related to the project and the personnel responsible for pre-competitive testing	

FRANCE

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	than the one in the preceding year. Includes technicians.		
R&D services	Yes	No	No
Note	R&D work subcontracted to approved public or private organisations up to certain limits (EUR 10 mn. per year and company, increased to EUR 12 mn. until 2021 in the case R&D is subcontracted to approved public research organisations). Expenditures on subcontracted R&D are taken into account twice (doubled) until 2021 if the R&D is outsourced to certain approved research institutions.		
Consumables	Yes	No	No
Note	Only immobile material.		
M&E	No	No	Yes
Note			
Land and buildings	No	No	No
Note			
Depreciation	Yes	No	No
Note			Only if exclusively used for R&D activity.
R&D labour paid by 3rd parties	No	No	No
R&D services incurred abroad	Yes	No	No
Open-ended note	Qualifying expenditures for the CRI are in principle those incurred for the performance of operations located within the European Union or in another State party to the agreement on the European Economic Area that has concluded an administrative assistance	The status of Young Innovative Company (YIC) was established in 2004 to encourage the creation of small and medium enterprises engaged in research. The system was extended until 2016.	As provided for at Article 39 AA quinquies CGI, an enhanced declining-balance rate may be applied to M&E used for the purposes of scientific or

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	agreement with France with a view to combating tax fraud and tax evasion (cf. Article 244 quater B II CGI). This territoriality condition is lifted for expenses incurred in the defence of patents or for technology watch purposes: for these two expenditures the territory has been extended to the entire world since January 2013. In January 2014, the registration and maintenance fees of patents were extended to the entire world. The expenditures included in the base for calculating the CIR comprise: a) depreciation expense for fixed assets created or acquired new and allocated to R&D activities; b) the labour costs of researchers and technicians; c) operating expenses relating to R&D activities estimated on a flat-rate basis (for fixed assets: 75% of depreciation expenses and 50% of labour costs for researchers and research technicians; in the case of young PhDs 200% of their actual non-doubled wage during first 24 months); d) R&D work subcontracted to approved public or private organisations, up to certain limits (EUR 10 mn. per year and company, increased to EUR 12 mn. in the case R&D is subcontracted to approved public research organisations). Expenditures for subcontracted R&D are taken into account twice (doubled) if the R&D is outsourced to certain approved research institutions: (i) Public research organizations (CNRS, INSERM, INRA, CEA, CHU, GIP, CTI, colleges public ...); (ii) Higher education	Since 2004, the status of new innovative enterprise (JEI) gives significant support to SMEs active in R&D, allowing them to get over the difficult first years of their development, under certain conditions: the company must be an SME (less than 250 workers, turnover less than EUR 50 mn. EUR or total balance below EUR 43 mn.EUR), must be independent (conditions for the holding of the company's capital), be genuinely new (not have been created after a procedure of concentration, restructuration or other), having less than 8 years, and have an investment on R&D of at least 15% of all fiscally deductible expenditures. The company qualified as JEI is exempt from paying the employer's social security contributions for researchers, technicians, managers of the project, lawyers in charge of industrial protection and in charge of the technology agreements related to the project, and the personnel in charge of the pre-competitive tests such as prototype testing affected to R&D and innovation projects (same expenditures taken into account than in the CIR). The exemption of social security contributions	technical research. Pursuant to the provisions of Article 39 AA quinquies CGI, enhanced coefficients are applied to M&E used for scientific and technical research operations that qualify for the research tax credit (provided for at Article 244 quater B CGI). These operations correspond to basic research, applied research and experimental developments. This exception is allowed because investment in research, necessarily costly, generates little or no return. Under Article 39 of the CGI, the benefit of accelerated depreciation is reserved for capital goods normally used in industrial companies. Industrial activities are the activities that directly affect the development or conversion of movable tangible property. These activities include the processing of raw materials or semi-finished manufactured

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	institutions which award diplomas constituting the master's degree (Universities, Supelec, ECAM ...); (iii) approved scientific cooperation foundations, legal persons of private law non-profit that can handle RTRA (Thematic Networks for Advanced Research) or PRES (pole research and higher education); (iv) Public institutions for scientific cooperation; (v) Foundations recognized utility of approved research sector as listed in Annex VII; (vi) Associations governed by the law of 1 July 1901 whose founder and member organization public research or higher education institution delivering a diploma conferring the Master's degree or limited companies whose capital or voting rights are held for more than 50% by one of these bodies. These associations and companies must be approved and have entered into an agreement pursuant to Article L. 313-2 of the Research Code or Article L. 762-3 of the Education Code with the abovementioned body. Research work must be made in one or more research units of the entity into the agreement; e) expenses relating to patents (granting, maintenance, depreciation and defence); f) technology watch expenses, up to a certain amount; g) certain standardisation expenses relating to the enterprise's products. Research operations may be commissioned from bodies established in a Member State of the European Union or in another State party to the agreement on the European Economic Area that has	is available for a maximum period of 8 years as long as the company holds the JEI status. In 2011, the annual rate of exemption was set at 100% in the first four years, 75% in the fifth, 50% in the sixth, 30% in the seventh and 10% in the eight year. From January 1 2012 to December 2013 the rates were increased as follows: 100% in the first four years, 80% in the fifth, 70% in the sixth, 60% in the seventh and 50% in the eight year. Young innovative companies benefit also from other fiscal advantages such as a full tax exemption on corporate income tax on their first year, followed by a 50% tax exemption on their corporate income tax on their second year. Given that JEI do not have profits due to their youth; the main interest on the benefits is the employer's social security contributions. The JEI status is not exclusive to the R&D credit. The company can jointly benefit from the credit together with the benefits provided for JEI. In 2008, a new enterprise form was introduced under the name "Jeune entreprise universitaire" (JEU). Companies under this status enjoy the same benefits as JEIs. The requirements for holding this	products; the role of equipment and tooling is predominant. However, it is accepted that commercial companies with assets identical to those industrial companies can, under the same conditions as these, benefit from accelerated depreciation in respect of such assets (BOI-BIC-AMT-20-20- 10). 280. Other beneficiaries from this measure under the same conditions include: (i) Companies engaged in farming subject to the real income regime (CGI, Sch III, article 38 sexdecies E..); (ii) Relavant taxpayers of income tax for non-commercial profits and subject to the regime of controlled declaration (CGI, art 93.1 to 2 °.). The benefit of this measure is not restricted by the use of the company research tax credit (CIR). Source: http://bofip.impots.gouv.fr/bofip/4744-PGP.html

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	concluded an administrative assistance agreement with France with a view to combating tax fraud and tax evasion (cf. Article 244 quater B II d bis CGI). In such case, the authorisation for private bodies required under Article 244 quater B II d bis CGI may be issued by the French minister responsible for research or, where a similar system exists in the country of establishment of the body from which the research operations have been commissioned, by the entity competent to issue an authorisation equivalent to that required for the French research tax credit. Source: http://bofip.impots.gouv.fr/bofip/6486-PGP.html?identifiant=BOI-BIC-RICI-10-10-10-20-20120912 With the Finance Law for 2021, France harmonised the tax treatment of outsourced expenditures - R&D operations conducted by state service providers and accredited private providers. s. Until 2021, the expenses incurred on R&D works subcontracted to state-funded service providers may be double counted when calculating the R&D tax credit. Moreover, the ceiling on subcontracted R&D expenditures can be raised from EUR 10 million to EUR 12 million in the case of R&D conducted by state-funded providers. These two mechanisms will be abolished with effect from 1 January 2022.	status are: being an SME according to EU legislation, be younger than 8 years, be independent (capital holding conditions), be genuinely new (not resulting from concentration, restructuration, or from the extension of a pre-existing activity). It must also be managed or owned by at least a 10% by: students, PhD or master holders having graduated less than 5 years ago, or people with teaching or research activities. Furthermore, it must have stablished a connection with a higher education institution. Source : http://www.enseignementsup-recherche.gouv.fr/cid5738/le-statut-de-la-jeune-entreprise-innovante-jei.html http://www.enseignementsup-recherche.gouv.fr/cid67053/j.e.u.-jeune-entreprise-universitaire.html	
Administration and Monitoring			

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: French Ministry of Higher Education and Research, the ex-ante assessment ("rescrit") for firms claiming only innovation expenses is done in the Ministry of Finances; Documentation requirements: Pre-approval is necessary for project, but not mandatory for benefitting from the R&D tax credit. Evaluation of claims Responsible authority: French tax authority and French Ministry of Higher Education and Research Deadline: 31 December of the second calendar year following the one during which the R&D expenses were incurred. Documentation requirements: Claim is made by filing a specific form (2069-A) along with the annual tax return of the company Detailed documentation is necessary for control purpose and should include detailed factual information (e.g., objective of the project, cost and calculation of the credits). Documentation must be prepared in French and has to be provided to the French tax authorities upon request. Tax Ruling allows tax payers to obtain a Notice of Tax Administration from MESR on the eligibility of their R&D work before the start of the projects. Audit	Registration/pre-approval Responsible authority: French tax authority/ Service des impôts des entreprises (SIE), but for the ex-ante assessment (so-called "rescrit") it is done by the Ministry in charge of Research only. Documentation requirements: In order to reduce the risk of queries from the tax authorities on the innovative nature of the research program, and consequently the statut of JEI, it is recommended for companies to request for the SIE to which they file, to take a stand on the innovating nature of the project by filing notice request. http://www.jcarmand.com/en/tax-incentives-and-subsidies/jei-france-the-young-innovative-company/ Evaluation of claims Responsible authority: French tax authority/ Service des impôts des entreprises (SIE) Deadline: three month prior to the end of the fiscal year Documentation requirements: Firms claim JEI and JEU status on their annual income tax return.	Evaluation of claims Responsible authority: French tax authority. Documentation requirements: The amortization has to be booked in the accounts of the company. Form 2055 should also be filed along with the company's annual tax return.

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	Responsible authority: The fiscal administration is in charge of all fiscal controls. The fiscal administration calls upon the ministry in charge of research in case expertise on the eligible R&D expenses is required. Documentation requirements: Control of the tax credit is generally included in more general controls but the fiscal administration applies a specific risk grid to identify companies to be included in its annual auditing programme. There is an automatic audit if the tax credit exceeds EUR1 million. Ex-post control, but potential control also possible before cash refund for some of the SMEs asking for immediate refund in case of insufficient corporate income tax (new ones, fast increases in declared expenses…) Tests on controls (by Government) are conducted on an average of 10% to 20% of the overall projects qualifying for the incentives, and taxpayers are advised to take consistent approaches in preparing documentation. https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide	Alternatively, firms may confirm JEI/JEU status in advance through an advance ruling procedure Audit Responsible authority: French tax authority/ Service des impôts des entreprises (SIE) Accelerated depreciation for R&D capital assets: French tax authority.:	

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Type of Scheme	R&D tax credit
Scheme name/description	R&D tax credit (Forschungszulage)
Status in 2021	In force in 2021
Enforcing law/regulation	Introduced with effect of January 2020
Design	
Expense Base	Labour
Deducted from	Tax
Volume-based rate Large firms	25
Volume-based rate SMEs	25
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	R&D expenditures are limited to EUR 2000,000 per year (increased to EUR 4000,000 for R&D expenditures performed between 1 July 2020 and 30 June 2026). The total amount of public support for firm and R&D project must no exceed EUR 15, 000
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Immediate
Refunds SME (in Yrs)	Immediate
Limitations	-
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	Tax credits provided to firms do not constitute taxable income.
Grant-funded R&D projects	Direct funding can be combined (subject to ceiling on total amount of support) but reduces the expense base of the tax credit. Section (7) of the FZulG specifies with regards to the R&D tax credit's accumulation with others grants or state aid:

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Type of Scheme	R&D tax credit
	(1) The research allowance may be subject to paragraph 2 alongside other grants or government aid granted for the same beneficiary research and development project. (2) Eligible expenses within the meaning of § 3 paragraph 1 to 4 may not be included in the assessment basis according to § 3 paragraph 5, if they have or will be funded by other grants or state aid. This cumulative exclusion also applies if the other grants come from Union funds. (3) The information according to § 5 must include the information used for determining the requirements provided for in paragraph 2. Source: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2019-12-20-Forschungszulagengesetz-FZulG/3-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2
Subcontracting rules	The eligible expenses for contract research are 60% of the remuneration paid by the client to the contractor and can only be claimed by the client (and not by the contractor). The R&D tax credit can only be applied if a company conducts research and development. Therefore it is not possible for two different taxpayers to claim the R&D tax credt for the same underlying R&D activity. Source: https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/02/kapitel-1-10-neue-forschungszulage-in-deutschland.html
Aggregation rules	R&D tax benefits and qualifying R&D expenditures are computed at group level. The funding rate is 25% of the eligible costs; the assessment basis is limited to 2 million euros per company / group and year (increased to EUR 4 million for R&D expenditures performed between 1 July 2020 and 30 June 2026), so that the maximum funding amount per company/group is 500,000 euros per year (1 Mio euros per year for R&D expenditures performed between 1 July 2020 and 30 June 2026). Source: https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/02/kapitel-1-10-neue-forschungszulage-in-deutschland.html In accordance with § 15 paragraph 1 Sentence 1 number 2 of the Income Tax Act, in the case of co-partnerships, the beneficiary is the co-partnership and not the taxpayer. In case of co-partnerships, the shares in the allocated R&D tax benefits are to be determined separately and in a uniform manner. based on the agreed-up on formula for distributing profits. Source:

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Type of Scheme	R&D tax credit
	https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2019-12-20-Forschungszulagengesetz-FZulG/3-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2
Definition of eligible taxpayer	The research credit can be applied for by all companies that are based in Germany, are taxable there and conduct research and development. It is therefore available to large as well as small and medium-sized companies, established companies and start-ups. It can be applied for by companies from all sectors and regions in Germany. Self-employed individuals carrying out their own R&D acitivities also qualify for the tax credit. They may claim eligible expenses of up to 40 euros per proven working hour, at a maximum of 40 working hours per week. Source: https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/02/kapitel-1-10-neue-forschungszulage-in-deutschland.html
Additional comments	Germany's coalition government agreed on a comprehensive financial aid package on 3 June 2020 to combat the economic effects of the coronavirus (COVID-19) and to stimulate and reinvigorate the economy. The tax measures include an increase in the maximum amount of annual qualifying expenses for the newly introduced R&D tax incentive from EUR 2 million to EUR 4 million, with retroactive effect as from 1 January 2020. Based on a funding quota of 25 percent of personnel expenses for eligible R&D projects and client costs for contract research, this results in a maximum annual cash benefit of EUR 1 million per company (previously EUR 500,000). In the case of affiliated companies, the limit applies at the group level. For collaborative projects between unrelated parties, the limit applies individually to each eligible party. The increase in the maximum amount of annual qualifying expenses applies until 31 December 2025, at which time the scheme will be reviewed. The R&D tax allowance will be settled in full when the corporate tax assessment is issued. Where a company incurs losses, the cash allowance will be paid to the company. Sources: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel https://www.bundesfinanzministerium.de/Web/DE/Themen/Schlaglichter
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes

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Type of Scheme	R&D tax credit
Note	
Eligible R&D	
Wages and salaries	Yes
Note	25% of wages and salaries, together with tax-exempt social insurance contributions, will be offset against the annual tax demand, and any remaining overhangs will be refunded. The refund enables companies to profit from the concession even during loss phases. The research incentive is set at 25% of the assessment basis, which is limited to an amount of EUR 2,000,000 (EUR 4,000,000 million for R&D expenditures performed between 1 July 2020 and 30 June 2026). This means that a maximum of EUR 500,000 may be drawn on per year (EUR 1,000,000 per company for R&D expenditures performed between 1 July 2020 and 30 June 2026).
R&D services	Yes
Note	In contract research, 60 percent of the remuneration paid by the client to the contractor is considered to be an eligible expense. If research and development projects are commissioned abroad, they are only eligible if the contractor is based in a member State of the European Union or in another country to which the Agreement on the European Economic Area (EEA Agreemeent) applies and which, based on a contractual obligation, provides mutual assistance in accordance with the EU Mutual Assistance Act to an extent that is necessary for the review of the eligibility requirements.
Consumables	No
Note	
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	Yes
Open-ended note	The new research credit amounts to 25% of the eligible expenses. These are, in particular, wages and salaries of employees, and the employer's expenses for securing the future of the employees, who are subject to wage tax deduction and who participate in favored research and development projects. In contract research, 60 percent of the remuneration paid by the client to the

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Type of Scheme	R&D tax credit
	contractor is considered to be an eligible expense. However, the eligible assessment basis is limited per company / group to an upper limit of EUR 2 million per marketing year. This leads to the highest possible research credit of 500,000 euros per marketing year. The research credit is offset against the beneficiary's income tax liability. If the research credit is higher than the tax determined in the next assessment, this amount is paid out as a tax refund. This can also be used to support research and development activities by companies that are in a loss phase and therefore pay little or no tax. Beneficiary research and development projects will be determined in accordance with the criteria for general block exemption (AGVO) (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 on the Functioning of the European Union; Official journal L 187 of 26 June 2014 p.1). The AGVO excludes companies facing difficulties from eligibility for the research incentives. This exclusion covers both the period of implementation of beneficiary research and development projects and the time when the research incentives are applied for. Special provisions governing sole entrepreneurs and partners in a partnership. It provides for verified own research by sole entrepreneurs and partners to be eligible for tax concessions at a flat rate (EUR 40 per hour of work and a maximum of 40 working hours per week).
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Pursuant to Section 14 (1) FZulG, the Federal Ministry of Education and Research (BMBF) was authorized to designate one or more bodies that are responsible for the actions required to issue the certificates in accordance with Section 6. The Research Allowance Certification Ordinance (FZulBV) of January 30, 2020 (Federal Law Gazette 1 p. 118) laid the basis for the certification process and for the tendering body's tender. The BMBF intends to transfer the task of the certification process to an external contractor. Documentation requirements: There is a two-step procedure for claiming the R&D tax credit. Firstly, claimaints must apply for a certificate from the certification body: the right to receive the research credit depends on the determination of whether there is a beneficiary R&D project. The certification body, or other related authorities, assess the content of the application in order to determine if the requirements for determining the existence of an R&D project are met. It is not checked whether the information provided on the amount of expenses, etc, is correct, but only whether there is an R&D project.

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Type of Scheme	R&D tax credit
	The certificate is the basic notification for the determination of the research credit within the meaning of section 171 (10) sentences 2 and 3 and section 175 (1) sentence 1 number 1 of the Tax Code (AO). The determination of whether the R&D projects carried out by a beneficiary are favored is carried out separately for each R&D project carried out. However, the findings can be summarized in an application and a certificate. Source: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Steuerliche_Themengebiete/Forschungszulage/2020-04-08-forschungszulage-introartikel.html Evaluation of claims Responsible authority: The tax Office responsible for taxing the beneficiary based on income Deadline: 4 years after the end of the business year Documentation requirements: R&D certificate The second step of the procedure is the application for the determination of the research credit. The research credit is applied for at the tax office responsible for taxing the beneficiary based on income. The tax office determines the amount of the credit and then correspondingly reduces the beneficiary's income tax liability. If and insofar as the credit exceeds the tax liability, the credit is payable.This application can only be made after the end of the marketing year in which the eligible expenses for subsidized R&D projects arose. Sources: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Steuerliche_Themengebiete/Forschungszulage/2020-04-08-forschungszulage-introartikel.html https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/02/kapitel-1-10-neue-forschungszulage-in-deutschland.html

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Type of Scheme	R&D tax allowance
Scheme name/description	R&D tax allowance
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	C, MED
Deducted from	Taxable income
Volume-based rate Large firms	100
Volume-based rate SMEs	100
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	-
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	5
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.
Grant-funded R&D projects	R&D tax incentives and direct funding are not compatible.
Subcontracting rules	Firms that subcontract R&D to research laboratories of the public sector qualify for the R&D tax allowance. The public research laboratories as subcontractors are not entitled to R&D tax relief for the R&D they have been commissioned by companies.;Firms that

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Type of Scheme	R&D tax allowance
	subcontract R&D to research laboratories of the public sector qualify for the R&D tax allowance. The public research laboratories as subcontractors are not entitled to R&D tax relief for the R&D they have been commissioned by companies. In the case of subcontracting to external partners or agencies (private laboratories and companies, public research centers and laboratories, universities etc), of a specific and clearly defined part of a project focusing on scientific and technological research. Eligible for these purposes of this subcontracting costs (individuals or/and legal entities) for the execution of part of the research project may not exceed 70% of the research project total budget.;The legislation in Greece is descrit for the claims of R&D support. The R&D tax incentives descibed concern only companies Greek tax paying entity which perform R&D expenditures eligiblebased on the Joint Ministerial Decisions (JMC) 100335 /28.06.2019 (B΄ 2600). The scientific and technological activities should be exclusively linked to self-financed projects implemented by the company, while all projects funded by any other national (direct support), European or international body are excluded.As far as the funder tax support is concerned there was a provision in the article 70A of the Tax Law 4172/2013, as transformed by the article 49 of the L. 4712/2020 providing tax incentives for "Angel Investors". More analytically, 39937 FEK B' 1415/09.04.2021, angel investor is a person (individual), tax resident of Greece or abroad, holding Greek VAT, who contributes funds to start-ups in order to develop them in general, in the manner provided by the provisions hereof. The business angel" may be entitled to a deduction from his taxable income for capital contributions to "start-ups" up to a total amount of 300.000 EUR per tax year, which can be carried out in up to 3 different start-ups maximum and up to the amount of 100.000 EUR per company. These capital contributions are realized through an increase of its share or corporate capital, with the issuance of new shares, in accordance with the provisions of the existing regulations that regulate the capital increase process of SAs, LTDs and IKE. The payment of the amount of money intended for the capital contribution is made through a transfer from a bank account maintained by the "Business Angel" in Greece or abroad, to a corporate account of the start-up that maintains in a Greek banking institution and is proven exclusively from the relevant document of the bank. The right for deduction from the personal taxable income equals an amount of 50% of the amount of the investment angel's capital contribution, deducted proportionally per category of income declared within the person's taxable income.
Aggregation rules	Not applicable,the Greek legislation does not contain any specific provisions regarding the tax treatment of groups.
Definition of eligible taxpayer	The company must be a Greek tax paying entity. Taxpayers who do not have their tax residence in Greece are not entitled to the tax reductions, according to the previous articles of this Chapter, unless they: retain their tax residence in another EU or EEA member state and a) at least ninety percent (90%) of the world their income obtained in Greece or b) demonstrate that their taxable income is so low that would benefit from the reduction of tax under the tax laws of the State of residence. Source: Ministerial Decision no. 1731/1987 - http://www.taxheaven.gr/laws/circular/view/id/18812

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Type of Scheme	R&D tax allowance
Additional comments	Prior to Law 4172/2013, the expenses for scientific and technological research of companies would be deducted at time they were incurred, except for expenses regarding capital goods, which were amortized in equal amounts within a three-year period. The qualification criteria for the above expenses were determined by decision of the Minister of Industry, Energy and Technology. Such expenses received a more favourable fiscal treatment that consisted in the deduction from net earnings of an additional 50% of these expenses subject to the following conditions: a) these expenses exceeded, within the accounting period, the average equivalent expenses incurred in the previous two accounting periods, and b) they were confirmed by a certificate provided by committees of the General Secretariat for Research and Technology. According to the new Regulation 4172/2013, deductible expenses are the expenses for scientific and technological research at the time they are incurred, incremented by 30%. Expenses for capital goods shall be divided in equal amounts within a three-year period in order to be incremented by 30%. If there are losses after deducting that percentage and the losses are transferred, Law 4172/2013 Article 27 states: If the determination of the profits from doing business in the fiscal year is a loss, it may be transferred to be offset against corporate profits successively in the next five (5) tax years. The loss of the earlier year offsets in priority over subsequent year loss. Source: Law 4172/2013- Art 22A and 27.
R&D Definition	
Other S&T&I	Yes
Note	Until 2021, based on the definition of the Joint Ministerial Decisions (JMC) 100335 /28.06.2019 (B΄ 2600) the definition was somewhat broader than the Frascati Manual Definition for R&D (Law 1731/1987) and inter alia it covered expenses for patent applications, industrial design, demonstration/pilot projects, industrial engineering activities (only after research purposes) and original-innovative software development as long as they were related to experiments for new products or processes, etc. Other innovation activities are not eligible.
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	Payments to on-site consultants not eligible. Contract research expenses qualify for tax incentives if performed by R&D organizations approved by the General Secretariat of Research and Technology (GSRT). Approved organizations are public institutions, labs, and

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Type of Scheme	R&D tax allowance
	specific research organizations. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf
Consumables	Yes
Note	
M&E	Yes
Note	
Land and buildings	No
Note	
Depreciation	Yes
Note	M&E depreciation expenditures only. R&D capital spending is considered within general fiscal legislation to be an investment, which can be written off over three years.
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: General Secretariat for Research and Technology (GSRT) Deadline: End of the fiscal year Documentation requirements: Documents relating to the expenditures made on research and technology. The GSRT is obliged to verify the qualification of R&D expenditures for tax relief within 10 months (GSRT issues a certificate on the approved R&D expenses) and to notify the Ministry of Finance accordingly. Despite the fact that the Ministry of Finance is notified the evaluation and certification process is subject to GSRT approval. After this period has lapsed without effect, the relevant expenses shall be considered to have been approved. <u>Evaluation of claims</u> Responsible authority: General Secretariat for Research and Technology (GSRT) Deadline: End of the fiscal year

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Type of Scheme	R&D tax allowance
	Documentation requirements: Annual income tax return and the verification and certification of the companies' expenditure on the project. Audit Responsible authority: General Secretariat for Research and Technology (GSRT) Deadline: End of the fiscal year Documentation requirements: Documentation related to the expenditures made on research and technology. A certified evaluator conducts two reports for the physical and financial part of the projects.
Additional Comments	When a business submits its annual income tax return, it should simultaneously submit the documents relating to the expenditures made on research and technology to the responsible authority of the General Secretariat for Research and Technology (GSRT). The GSRT is obliged to verify their qualification as such within 10 months and to notify the Ministry of Finance accordingly. After this period has lapsed without effect, the relevant expenses shall be considered to have been approved. The quality control on the object of the research project, the implementation, the deliverables in relation to the objectives and the certification of the expenses are carried out by an Expert in the thematic field of the evaluated proposal, which can come either from the Registered Certifiers, or not and from a Certifier for financial part, which can also be a Registered Certifier/Supplier of GSRT, or not registered. The certifiers will be appointed by the Secretary General of Research and Technology with the relevant administrative acts. These experts/Certifiers may carry out on-site verifications of the physical and financial object at the seat of the potential beneficiary. Their work will be completed with the submission to the GSRT of an evaluation report of physical and financial object, respectively, for approval by the General Secretary of Research and Technology. Sources: POL 1210/2017, JMD 100335/21.06.2019, ΦΕΚ (B2600/28.06.2019), FEK Number 45821/11.05.2020,(B΄ 1902).

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
Scheme name/description	R&D tax allowance (R&D related tax base deductibility)	R&D tax allowance in innovation contribution	• Reduced SSC and vocational training contribution for researchers (SSC exemption) • Small Business Tax (KIVA exemption)	Development tax incentive	• Tax credit on wages of research facility employees carrying out R&D (SSC credit) • Tax credit on Small Business Tax (KIVA credit)
Status in 2021	In force in 2021	In force in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Act LXXXI of 1996 on Corporate Tax and Dividend Tax	Act Nr. LXXVI of 2014 on Scientific Research, Development and Innovation	Act LII of 2018 on Social Contribution Tax & Act CLV of 2011 on Vocational Training Contributions and Support for the Development of Training Programs (until 2019: Act CLVI. Of 2011 on Amending Certain Tax Laws and Other Related Laws & Act CLV of 2011 on Vocational Training Contributions and Support for the Development of Training Programs)	Act LXXXI of 1996 on Corporate Tax and Dividend Tax	Act LII of 2018 on Social Contribution Tax
Design					

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
Expense Base	C, ME, BL	C, ME, BL	Labour	ME, B, Intangibles	Labour
Deducted from	Taxable income	Innovation contribution (The rate is 0.3%. The base of this tax is net sales revenue decreased by the value of the payments to subcontractors and the cost of raw materials)	• SSC and Trainng Levy • KIVA	Tax (CIT)	• SSC • KIVA
Volume-based rate Large firms	100 (300 collaboration)	100	SSC: 100 (SSC and training levy rate: 17; 7.5 for PhD student ordoctoral candidates)	0-50, depending on the region of investment	• SSC: 50 (SSC rate: 15.5)
Volume-based rate SMEs	100 (300 collaboration)	100	• SSC: 100 (SSC rate: 17; 7.5 for PhD student or doctoral candidates) KIVA: 100 (KIVA rate: 11; 5.5 for PhD student or doctoral candidates)	10-60 (medium-sized) and 20-70 (small), depending on the region of investment	• SSC: 50 (SSC rate: 15.5) • KIVA: 50 (KIVA rate: 11)
Incremental rate Large firms	-		-		-
Incremental rate SMEs	-		-		-
Base amount (if incremental)	-		-		-
Thresholds	-	-	-	-	-
Ceilings	Collaboration: maximum of HUF 50		The tax relief can be validated up to the gross wages of HUF	The tax relief is maximum 80% of the calculated	Gross wages per month: 50 per cent of the tax liability established on

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	million per year and organization		500,000 per month (HUF 200,000 in case of PhD students or doctoral candidates).	corporate income tax (CIT).	the basis of the labour cost of R&D
Special rate SMEs	-	-	-	The maximum applicable regional aid intensity can be lifted by 10 or 20 percentage points in case of SME's.	-
Special refund provision SMEs	-	-	-	-	-
Special terms for collaboration	Yes	-	-	-	-
Refund Large firm (in Yrs)	No	No	Redeemable against payroll/ related taxes	No	Redeemable against payroll/ related taxes
Refunds SME (in Yrs)	No	No	Redeemable against payroll/ related taxes	No	Redeemable against payroll/ related taxes
Limitations	-	-	-	-	-
Carry-forward (in Yrs)	5	-	-	14	-
Carry-back (in Yrs)	-	-	-	-	-
Limitation	If the tax base is negative in a year, taxpayers can decrease their tax base by this amount during the next 5 years up to the half (50%) of their positive tax base.	-	-	At the latest during the fourteenth tax year following the tax year in which the notification or the application was submitted.	-

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
Taxability of R&D tax relief	The R&D tax allowance is not taxable	The R&D tax allowance is not taxable	The SSC and KIVA exemptions are taxable. Payroll and social security related incentives increase the taxable income of businesses.	The Development tax incentive is not taxable.	The SSC and KIVA credits are taxable. They reduces the amount of payroll taxes accounted in pre-tax profit, thus increasing the CIT/KIVA base.
Grant-funded R&D projects	Direct funding (e.g. R&D grants) reduces the expenses base of the R&D tax incentive.	Direct funding (e.g. R&D grants) does not reduce the expenses base of the R&D tax incentive.	Direct funding (e.g. R&D grants) does not reduce the expenses base of the R&D tax incentive.	Direct funding (e.g. R&D grants) does not reduce the expenses base of the R&D tax incentive. The tax credit may be applied together with cash grants. In case a beneficiary applies for another aid, such application has to be submitted simultaneously to the Ministry of Finance and to the other concerned Granting Authority. Furthermore, according to the decree, the beneficiary is required to submit annually in the tax return all relevant information for	Direct funding (e.g. R&D grants) does not reduce the expenses base of the R&D tax incentive.

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
				demonstrating that the rules on accumulation have been respected. Source: http://ec.europa.eu/competition	
Subcontracting rules	As a main rule: That business can claim the tax relief who makes 'R&D activities carried out within the taxpayer's operations' which means R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out	As a main rule: That business can claim the tax relief who makes 'R&D activities carried out within the taxpayer's operations' which means R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out under research and	The beneficiary is always the subcontractor. The funder cannot claim tax relief.	Not applicable. Only R&D investments made on own account qualify for the Development Tax Incentive.	The beneficiary is always the subcontractor. The funder cannot claim tax relief.

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	under research and development agreement. From 26th of July, 2018 as regards the research and experimental development services provided directly by the resident taxpayer, the tax allowance may be shared by the customer and the service provider by means of a written statement made jointly by the customer and the service provider, up to the amount that can be claimed by the service provider. This provision shall apply on condition that the customer and the service	development agreement. From 26th of July, 2018 as regards the research and experimental development services provided directly by the resident taxpayer, the tax allowance may be shared by the customer and the service provider by means of a written statement made jointly by the customer and the service provider, up to the amount that can be claimed by the service provider. This provision shall apply on condition that the customer and the service provider declare jointly by the deadline for filing the tax return in a written statement the quality of the research and experimental			

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	provider declare jointly by the deadline for filing the tax return in a written statement the quality of the research and experimental development services, the sum that can be claimed by the service provider, including the share of the customer and of the service provider from that sum. Responsibility for the veracity and for the implementation of the declaration lies with the customer and the service provider jointly and severally.	development services, the sum that can be claimed by the service provider, including the share of the customer and of the service provider from that sum. Responsibility for the veracity and for the implementation of the declaration lies with the customer and the service provider jointly and severally.			
Aggregation rules	There are no group-level aggregation rules.	There are no group-level aggregation rules.	There are no group-level aggregation rules.	There are no group-level aggregation rules in general, but in case of	There are no group-level aggregation rules.

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
				large investments, the members of the group (may) have a role in the level of the tax credit. As a main rule, the amount of the tax credit is equal to a certain proportion (aid intensity) of the eligible cost of the investment, where the maximum value of the aid intensity depends on the region and is legally defined. As a special rule, if the amount of those investments which made by the taxpayer or its partners in the previous 3 years in the same county and which have received any state aid, plus the planned amount of the new investment exeeds EUR 50 million in total, then the maximum aid intensity will be lower (according to the law)	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
				than it would be under the main rule. In this way, in case of large investments, the members of the group (may) have a role in the level of the aid.	
Definition of eligible taxpayer	(1) Taxpayers defined in the act, except for entities mentioned in Annex 5 in the Act LXXXI of 1996 on Corporate Tax and Dividend Tax (2) Taxpayers carrying out R&D activities jointly - under written contract - with higher education institutions, the Hungarian Academy of Sciences or research institutions operated as a central budgetary agency or research institutions established by them.	Innovation contribution is a revenue source of the central budget, but only the large and medium sized enterprises have to pay it. Exceptions are micro- and small-sized enterprises. That business can claim the tax relief who makes 'R&D activities carried out within the taxpayer's operations' which means R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the	SSC exemption: Enterprises recognised as a research facility, employing researchers, developers with PhD degree or PhD students in employment relationship resulting in tax liability, shall be entitled to the tax credit from the tax burdening them regarding that employment relation (set out in the Act LII of 2018). KIVA exemption: Enterprises recognised as a research facility carrying out basic	Taxpayers as defined in the Act, except for entities mentioned in Annex 5 of the Corporate Income Tax Act. The beneficiaries of the scheme are all types of enterprises (small, medium and large) that invest in the assisted areas of Hungary and the investment project is concerning basic research, applied research and experimental development and it is valued at 100 million forints or more at current prices.	SSC credit: Enterprises recognised as a research facility, employing researchers, developers with PhD degree or PhD students in employment relationship resulting in tax liability, shall be entitled to the tax credit from the tax burdening them regarding that employment relation (set out in the Act LII of 2018). KIVA credit: Enterprises recognised as a research facility carrying out basic research, applied research or experimental development within their scope of activity,

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	That business can claim the tax relief who makes 'R&D activities carried out within the taxpayer's operations' which means R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out under research and development agreement.	taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out under research and development agreement.	research, applied research or experimental development within their scope of activity, employing researchers or developers in employment relationship resulting in tax liability, shall be entitled to the tax credit from the tax burdening them regarding that employment relation (set out in the Act LII of 2018). Own scope of activity means that R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's		employing researchers or developers in employment relationship resulting in tax liability, shall be entitled to the tax credit from the tax burdening them regarding that employment relation (set out in the Act LII of 2018). Own scope of activity means that R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out under research and

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
			own assets on behalf of others, as well as (joint) research and development activities carried out under research and development agreement.		development agreement.
Additional comments			From 2014 onwards, the social contribution tax relief is extended to PhD students and doctoral candidates. In 2012, the 10% tax relief on the wages of software developers and workers carrying out R&D activities was repealed. So was the 15% tax relief on the wages of software developers employed by SME-s. The relief after the wage costs calculated until 31 December 2011 could be availed for the last		In 2019, Hungary introduced three additional R&D labour cost related tax incentives: an SSC credit of 9.25%, a KIVA exemption of 100% (KIVA tax rate: 13.5%, 6.5% for Ph.D students) and KIVA credit of 6.5%. Both the KIVA exemption and credit are available to small companies. KIVA is an optional small business tax, replacing SSCs and the corporate income tax. The three new tax incenitvese are mutually exclusive in

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
			time from the tax base of the tax year of 2014. In 2019, Hungary introduced three additional R&D labour cost related tax incentives: an SSC credit of 9.25%, a KIVA exemption of 100% (KIVA tax rate: 13.5%, 6.5% for Ph.D students) and KIVA credit of 6.5%. Both the KIVA exemption and credit are available to small companies. KIVA is an optional small business tax, replacing SSCs and the corporate income tax. The three new tax incenitvese are mutually exclusive in their use with the existing SSC exemption.		their use with the existing SSC exemption. KIVA is an optional tax which replaces CIT, Social Contribution Tax and Vocational Training levy by a 11% rate tax levied on the sum of profit and wage bill. According to the Act CXLVII of 2012 on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax businesses up to 50 employees and with revenues and balance sheet below HUF 3 billion are eligible for choosing KIVA. Firms are entitled to be KIVA-payers as long as their revenues do not exceed HUF 6 billion or their number of employees do not exceed 100.

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
			KIVA is an optional tax which replaces CIT, Social Contribution Tax and Vocational Training levy by a 11% rate tax levied on the sum of profit and wage bill. According to the Act CXLVII of 2012 on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax businesses up to 50 employees and with revenues and balance sheet below HUF 3 billion are eligible for choosing KIVA. Firms are entitled to be KIVA-payers as long as their revenues do not exceed HUF 6 billion or their number of employees do not exceed 100.		
R&D Definition					

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
Other S&T&I	No	No	No	No	No
Note					
SSH	Yes	Yes	Yes	Yes	Yes
Note					
Eligible R&D					
Wages and salaries	Yes	Yes	Yes	No	Yes
Note	Payroll taxes and social security contributions are part of the direct costs of R&D activities. This means, that these are -proportionately to the other activities carried out by the researchers - deductible as well.	Payroll taxes and social security contributions are part of the direct costs of R&D activities. This means, that these are -proportionately to the other activities carried out by the researchers - deductible as well.	The rate of social contribution tax and the vocational training contribution will be zero percent (instead of 17%) for gross wages up to HUF 500,000 per month. In 2021, PhD students or doctoral candidates' social contribution tax rate is 0% (instead of 7.75%) for gross wages up to HUF 200,000 per month.		
R&D services	Yes	Yes	No	No	No
Note	On the basis of the Act C of 2000 on Accounting direct costs of R&D include classified costs incurred in	On the basis of the Act C of 2000 on Accounting direct costs of R&D include classified costs incurred in connection with an R & D activity if			

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	connection with an R & D activity if it is clearly stated and proved that these costs are directly related to the R&D activity and incurred in connection with the R&D activity. Payments to on site consultants and contractors might be regarded as direct costs of the R&D activity if consultants and contractors are experts of the special field of the specified R&D. Off-site consultants are not eligible. The direct costs of basic research, applied research and experimental development carried out within the taxpayer's own scope	it is clearly stated and proved that these costs are directly related to the R&D activity and incurred in connection with the R&D activity. Payments to on site consultants and contractors might be regarded as direct costs of the R&D activity if consultants and contractors are experts of the special field of the specified R&D. Payments to on site consultants and contractors might be regarded as direct costs of the R&D activity. Services provided by thrid parties not eligible.			

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	of activities do not include the value of research and experimental development services provided by a resident taxpayer, by the domestic branch of a nonresident entrepreneur or - pursuant to the Personal Income Tax Act - by a private entrepreneur directly or indirectly.				
Consumables	Yes	Yes	No	Yes	No
Note				In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
				they serve the purpose of the investment project.	
M&E	Yes	Yes	No	Yes	No
Note				In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if they serve the purpose of the investment project.	
Land and buildings	Yes	Yes	No	Yes	No
Note				In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
				they serve the purpose of the investment project.	
Depreciation	Yes	Yes	No	No	No
Note					
R&D labour paid by 3rd parties	Yes	Yes	No	No	No
R&D services incurred abroad	Yes	Yes	No	No	No
Open-ended note	According to the Act LXXXI of 1996 on Corporate Tax and Dividend Tax taxpayers are eligible for R&D tax incentives, provided that they fulfil all requirements related to the preferences. Foreign firms having tax residency in Hungary (e.g. foreign entities that have their place of management in Hungary) could apply R&D tax incentives, provided that they fulfil all requirements related to the preferences. Eligible	Innovation contribution is a revenue source of the central budget, but only the large and medium sized enterprises have to pay it. The base of this tax is net sales revenue decreased by the value of the payments to subcontractors and the cost of raw materials. The rate is 0.3%. Between 2004 and 2011 direct cost of basic research, applied research and experimental development had been deductible from the liability. Beside the tax credit mentioned there		According to the Act LXXXI of 1996 on Corporate Tax and Dividend Tax taxpayers are eligible for Development Tax Incentive, provided that they fulfil all requirements. Tax credit shall be granted to taxpayers for investment projects valued at 100 million forints or more. Basically the Development Tax Incentive scheme is to enhance business investments - e.g. R&D project - by providing tax relief up to 80% of the corporate income tax. The maximum applicable regional aid intensity can be lifted by 10 or 20	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	R&D expenditures include direct, current costs. Related R&D activities are activities carried out within the taxpayer's operations which means R&D activities carried out using the taxpayer's own assets and workers, at the taxpayer's risk and benefit, including where R&D activities are carried out by the taxpayer's workers using the taxpayer's own assets on behalf of others, as well as (joint) research and development activities carried out under research and development agreement. In connection with basic research,	is also a tax-base allowance in innovation contribution which has been in force since 2010. The innovation contribution is to be paid to the Innovation Fund for Research and Technology (hereinafter referred to as "Fund"), which is an extra-budgetary fund allocated under Act XXXVIII of 1992 on Public Finances exclusively to provide government funding for research and development and technological innovation projects. The Fund's objective is to provide constant and reliable resources to promote and support technological innovation projects for the benefit of the Hungarian economy, to advocate		percentage points in case of SME's. Eligible expenses are costs related to both tangible and intangible assets. The Hungarian authorities confirmed that the material eligible assets, as defined by the Act on Accountancy, are only the ones within the boundaries of the investment site. Furthermore the purchasing cost of tangible assets in case of takeovers qualifies as well as eligible expenses. (i) In the case of large enterprises, intangible assets such as the costs of patent, software, licence or know-how are eligible only up to 50% of the total eligible expenditure on tangible assets. (ii) In the transport sector, expenditure on the purchase of movable assets is not eligible for aid	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	applied research and experimental development performed jointly by a taxpayer and an institution of higher education, the Magyar Tudományos Akadémia (Hungarian Academy of Sciences), a research institution operated as a central budgetary agency or a research institution (research facility) established by either of them or jointly, as well as any research institution operating in a form of a business association under majority State ownership directly or indirectly, the taxpayer may claim three times the amount referred to	research and development to be applied for the economy and other sectors, the utilization of local and international scientific achievements, and the improvement of the innovation infrastructure and of the related service activities. The Fund's revenues for the year shall comprise inter alia the innovation contributions paid by the resident business associations governed under Act C of 2000 on Accounting. Exceptions are the following: micro- and small-sized enterprises, the National Bank of Hungary, the Hungarian National Asset Management Zrt., the business association created for the statutory employment of prisoners		for initial investment. (iii) Replacement investment is excluded from the scheme. (iv) Except in the case of SMEs and takeovers the assets acquired should be new. This does not apply to the purchase of land. (v) Lease can be taken for costs related to the acquisition of tangible or intangible assets in case the lease takes the form of financial leasing and if the contract contains an obligation to purchase the asset at the expiry of the term of the lease. (vi) For small and medium-sized enterprises, the costs of preparatory studies and consultancy costs linked to the investment are eligible costs. (vii) In case of aid to job creation linked to investment the eligible costs are the two years	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	in and calculated according to Paragraph t) of Subsection (1) hereof up to maximum fifty million forints, whose value calculated by the tax rate referred to in Section 19 for the purposes of the provisions governing state subsidies shall be treated as de minimis aid received for the tax year. These provisions shall also apply to any equivalent organization established in any Member State of the European Union or any State that is a party to the Agreement on the European Economic Area.	under the supervision of the minister in charge of penal administration, newly incorporated business associations during the year of their registration, or their pre-companies, non-profit business associations of the status of public benefit organization, business associations liable to pay contribution, but being under liquidation or involuntary de-registration proceedings. Local Business Tax: All municipalities are entitled to LBTs. LBTs are deductible for Hungarian CIT purposes and are not normally treated as 'income tax' in the application of the tax treaties. The LBT base is the net sales revenue reduced by the cost of		wage costs of jobs created from the start of the investment until the third year after completion of the investment. Job creation means a net increase in the number of employees.	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
		goods sold, subcontractors' work, the costs of materials, mediated services, and R&D costs. However, taxpayers are only allowed to deduct from the LBT base part of the cost of goods sold and part of the value of mediated services as calculated based on brackets determined in relation to their annual sales revenues. General service fees, depreciation, and labour costs are typically not deductible for LBT purposes. Also, LBT rules exclude the possibility of multiple deduction of R&D costs from the net sales revenue on different titles at the same time. 100% of royalty, interest, or dividend income and the			

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
		LBT base of a foreign PE of a Hungarian company are exempt from LBT. The LBT rate may differ from municipality to municipality but is capped at 2% by law. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide			
Administration and Monitoring					
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: there is no registration / pre-approval. Deadline: the deadline for filing the tax return. Documentation requirements: Sharing of tax allowance shall apply	Registration/pre-approval Responsible authority: there is no registration / pre-approval. Deadline: the deadline for filing the tax return. Documentation requirements: Sharing of tax allowance shall apply on condition that the customer and the service provider declare jointly	Registration/pre-approval Responsible authority: no registration / pre-approval. Deadline: the deadline for filing the tax return. Documentation requirements: Evaluation of claims no evaluation Audit Responsible authority:	Registration/pre-approval Responsible authority: Ministry fof Finance. Deadline: before starting to implement the investment project. Documentation requirements: documentation shall be kept until the statue of limitation. Preapproval from the Ministry of Finance and	Registration/pre-approval Responsible authority: no registration / pre-approval. Deadline: the deadline for filing the tax return. Documentation requirements: Evaluation of claims no evaluation Audit

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	on condition that the customer and the service provider declare jointly by the deadline for filing the tax return in a written statement the quality of the research and experimental development services, the sum that can be claimed by the service provider under the main rule, and the share of the customer and of the service provider from that sum. Evaluation of claims Responsible authority: (i) the taxpayer may apply to the Hungarian Intellectual Property Office (HIPO) (not required); or directly	by the deadline for filing the tax return in a written statement the quality of the research and experimental development services, the sum that can be claimed by the service provider under the main rule, and the share of the customer and of the service provider from that sum. Evaluation of claims Responsible authority: (i) the taxpayer may apply to the Hungarian Intellectual Property Office (HIPO) (not required); or directly to (ii) Hungarian tax authority when applying R&D tax benefits from 2015. Deadline: R&D benefits can be claimed retrospectively within the statute of	Hungarian tax authority. Deadline: Based on the tax authority's internal procedures. Documentation requirements: The costs shall be documented according to the Act C of 2000 on Accounting.	the Government is required. Evaluation of claims Responsible authority: Ministry of Finance (only registration) Deadline: Taxpayers may claim the CIT credit 13 years from or following the year in which the investment is put into operation. The tax return is due by 31 May following the given tax year (or last day of the fifth month following the given tax year if it differs from the calendar year). Documentation requirements: the allowance can be claimed in the annual CIT return, the costs shall be documented according to the Act C of 2000 on Accounting. Audit Responsible authority:	Responsible authority: Hungarian tax authority. Deadline: Based on the tax authority's internal procedures. Documentation requirements: The costs shall be documented according to the Act C of 2000 on Accounting.

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	to (ii) Hungarian tax authority when applying R&D tax benefits from 2015. Deadline: R&D benefits can be claimed retrospectively within the statute of limitations. The tax return is due by 31 May following the given tax year (or last day of the fifth month following the given tax year if it differs from the calendar year); Documentation requirements: the allowance can be claimed in the Annual tax return, the costs shall be documented according to the Act C of 2000 on Accounting; Until 2015 the	limitations. The tax return is due by 31 May following the given tax year (or last day of the fifth month following the given tax year if it differs from the calendar year); Documentation requirements: the allowance can be claimed in the Annual tax return, the costs shall be documented according to the Act C of 2000 on Accounting; Until 2015 the Hungarian Intellectual Property Office (HIPO) evaluated and passed judgment on the claim which was binding upon the tax authority. The R&D classification issued by the Hungarian Intellectual Property Office is not mandatory when applying R&D tax benefits from 2015.		Hungarian tax authority. Deadline: According to the law, compliance with the conditions of the tax credit shall be verified by the tax authority at least once until the end of the third tax year following the first use of the tax credit. Documentation requirements: The costs shall be documented according to the Act C of 2000 on Accounting.	

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	Hungarian Intellectual Property Office (HIPO) evaluated and passed judgment on the claim which was binding upon the tax authority. The R&D classification issued by the Hungarian Intellectual Property Office is not mandatory when applying R&D tax benefits from 2015. <u>Audit</u> Responsible authority: Hungarian tax authority. Deadline: Based on the tax authority's internal procedures. Documentation requirements: The costs shall be documented according to the Act	<u>Audit</u> Responsible authority: Hungarian tax authority. Deadline: Based on the tax authority's internal procedures. Documentation requirements: The costs shall be documented according to the Act C of 2000 on Accounting.			

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Type of Scheme	R&D tax allowance	R&D tax allowance	SSC and KIVA exemptions	R&D tax credit	SSC and KIVA credits
	C of 2000 on Accounting.				
Additional Comments	-	-	-	-	-

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Type of Scheme	R&D tax credit
Scheme name/description	R&D tax credit
Status in 2021	In force in 2021
Enforcing law/regulation	From 2011 onwards
Design	
Expense Base	C, MED, BD
Deducted from	Tax
Volume-based rate Large firms	25
Volume-based rate SMEs	35
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	Minimum ISK 1 million per project and firm.
Ceilings	ISK 1100 million per project and firm (200 million in the case of purchased R&D or collaboration agreement).
Special rate SMEs	Yes
Special refund provision SMEs	-
Special terms for collaboration	Yes
Refund Large firm (in Yrs)	Immediate
Refunds SME (in Yrs)	Immediate
Limitations	-
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	The R&D tax credit is not taxable.
Grant-funded R&D projects	Firms can receive tax support and other public sources for the same research or development project. There are limitations on the total amount of public funding. Total public funding of R&D, including tax deductions under 7 Article shall not exceed certain ratios

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Type of Scheme	R&D tax credit
	of the eligible costs for the same research or development projects (cf. 15th Article. Act no. 152/2009 on support for innovation companies).
Subcontracting rules	Company who owns the R&D projects will be eligible to claim the tax credit. In collaboration between two or more parties, the tax deduction is prorated between the participating companies. Source: http://www.rannis.is/media/skattaivilnun/Handbok_2.0.pdf;
Aggregation rules	See https://www.rannis.is/sjodir/atvinnulif/skattfradrattur/nr/66
Definition of eligible taxpayer	All companies that own research or development projects. Universities and institutions are not considered companies within the meaning of this Act (Act No. 152/2009). https://www.rannis.is/sjodir/atvinnulif/skattfradrattur/ Small Business: Companies with fewer than 50 employees and with an annual turnover below 2 million and/or balance sheet of less than 2 million, cf. Annex I to Regulation (EC) No. 800/2008 of 6 August 2008, declaring certain categories of aid compatible with the common market in application of 61 and 62. Agreement on the European Economic Area. SME: Companies with at 50-250 employees and with an annual turnover below 50 million and/or balance sheet not exceeding 43 million, cf. Annex I to Regulation (EC) No. 800/2008. Large companies: Companies with more than 250 employees cf. Annex I to Regulation (EC) No. 800/2008. Universities and public agencies are not considered as businesses/companies. Source: http://www.stjornartidindi.is/Advert.aspx?ID=ecbfb712-938d-46a0-8f2c-ec0fb6e44d84
Additional comments	The scheme was introduced in 2010 (R&D projects carried out in 2010 were eligible for the tax credit in 2011). Any innovation company committed to the exploration or development project approved under this Regulation is entitled to a special deduction from their income tax of 20% of the costs considered as operating expenses according to the meaning of paragraph 1.1 of article 31 of the Act 90/2003. The maximum tax cut varies depending on the size of the company (large, medium, small) and depending on whether or not the project in question is a collaborative one. 1. In the small business is a combined strength can become the highest 70% of the total eligible costs of the research project or cooperatively in the case of 80%. The combined strength of a development project can become the highest 45% of the total eligible costs or in case cooperatively 60%. 2. In the medium business case can be combined concentration of the highest 60% of the total eligible costs of the research project or cooperatively in the case of 75%. The combined strength of development project, the highest reach 35% of the total eligible costs or in case cooperatively 50%. 3.In a large company there may be combined strength highest 50% of the total eligible costs of the research project or cooperatively in the case of 65%,

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Type of Scheme	R&D tax credit
	provided that a collaboration between the countries of the European Economic Area or with at least one small or medium company. The combined strength of a development project can become the highest 25% of the total eligible costs or in case cooperatively 40% as in the case of transnational European Economic Area or with at least one small or medium company. The sum of from public sources shall not exceed the following percentages of the eligible costs for the same research or development project: 1. Small business can aggregate up to 70% of the total eligible costs of the research project, or 80% if it is done in a collaboration scheme. The combined eligibility of a development project can be up to 45% of the total eligible costs or 60% if it is done in a collaboration scheme. 2. Medium business can aggregate up to 60% of the total eligible costs of the research project, or 75% if it is done in a collaboration scheme. The combined eligibility of a development project can be up to 35% of the total eligible costs or 50% if it is done in a collaboration scheme. 3. Large companies can aggregate up to 50% of the total eligible costs of the research project, or 65% if it is done in a collaboration scheme, provided that the collaboration takes place between countries of the EEA or at least one small or medium company. The combined eligibility of a development project can be up to 25% of the total eligible costs, or 40% if it is done in a collaboration scheme, i.e. countries of the EEA or at least one small or medium company. Conditions that increase the eligibility of partnerships is that they constitute a partnership between at least two independent companies and the following conditions are met:(i) no one company carries out more than 70% of the eligible costs of a Project; (ii) the project must involve collaboration between at least one small or medium-sized enterprise or a cross-border cooperation, i.e. R&D that take place within two EEA countries. The increase in the eligibility is also permitted if the project involves a partnership between companies and research institute, and the following conditions are met: 1. The institute holds at least 10% of the eligible costs; 2. The institute has the right to publish the results of the research project to the extent that they arise from the research that the institution has implemented. Furthermore, the increase in eligibility is permitted for only if the results of the project are distributed in a general manner through conferences, publications or through open databases or open source software. Source: http://www.stjornartidindi.is/Advert.aspx?ID=ecbfb712-938d-46a0-8f2c-ec0fb6e44d84
R&D Definition	
Other S&T&I	No
Note	
SSH	No
Note	
Eligible R&D	

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Type of Scheme	R&D tax credit
Wages and salaries	Yes
Note	
R&D services	Yes
Note	
Consumables	Yes
Note	
M&E	Yes
Note	
Land and buildings	Yes
Note	The cost of buildings and land, to the extent and for such time as the property is used for research, constitutes, with regard to buildings, only the amortized cost which corresponds to the time that research persists and is calculated on the basis of Generally Accepted Accounting Principles eligible costs. In respect of land deemed outlay of waiver or financial expenses incurred fulfil the conditions of the eligible costs.
Depreciation	No
Note	If the full life-time of tools and equipment or land and buildings is longer than the duration of the research project concerned, only the amortized cost which corresponds to the time of the research is eligible for tax credit.
R&D labour paid by 3rd parties	No
R&D services incurred abroad	Yes
Open-ended note	The R&D projects of companies located in Iceland are eligible for tax credit. Universities and R&D centres are excluded. The following expenditure is eligible research and development under. Act no. 152/2009: (i) Personnel costs, including the work of scientists, technicians and other assistants who work for the research project. (ii) The cost of tools and equipment to the extent and for the time they are used in research. If the tools and equipment are not used all his life to the research considered, only the amortized cost which corresponds to the time of the research is eligible for tax credit. (iii) The cost of buildings and land, to the extent and in the time properties are used for research, for the purposes of construction, the amortized cost corresponding to the time of the research is eligible for tax credit. (iv) Cost associated with contractual research, technical knowledge and patents bought or licensed obtained from outside sources at market in arm's length transactions and costs of consultants and similar services exclusively used in connection with research activities. (v) Other costs incurred directly for the research project, excluding the costs incurred in direct connection with the application for approval. (vi) Other expenses, including the cost of materials, cost of supplies and the like

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Type of Scheme	R&D tax credit
	incurred directly in connection with research activities. Source: http://www.reglugerd.is/interpro/dkm/WebGuard.nsf/key2/758-2011
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Icelandic Centre for research (Rannis) Deadline: Applications for approval: no later than 1 October each year for the current income year. Extensions of approval: no later than 1 April for each income year. Documentation requirements: Detailed description of the project, including procedure and cost projection. Cooperative research projects: the application must include information on the participants and the approximate amount of each individual contribution to the research project. Certification process shall be completed within two months. The Rannis will inform the applicant and the Directorate of Internal Revenue. <u>Evaluation of claims</u> Responsible authority: Directorate of Internal Revenue Documentation requirements: Certification from Rannis The certificate is valid for the calendar year on the year of the application. <u>Audit</u> Responsible authority: Icelandic Centre for research (Rannis) and a professional committee consisting of three representatives with experience in innovation matters.
Additional Comments	The scheme was introduced in 2010 (R&D projects carried out in 2010 were eligible for tax credit in 2011). Applications are submitted for projects in Rannís' application system. It is necessary to submit the following application documents with applications: Co-operation agreement in the case of co-operation projects. Approval for new projects must be applied for no later than 1 October, but if the project is successful between years, an application must be submitted for continuation no later than 1 April. A condition for a project to be approved (and thereby be able to take advantage of a tax deduction) is that it is considered a research or development project according to law and also: that the idea of a value-added product / service and business plan is well defined, and that it is demonstrated with data that at least ISK 1 million will be spent. for research and development over a period of 12 months, and employees have training, education or experience in the field on which the idea of a value-added product or service is based. Source: https://www.rannis.is/sjodir/atvinnulif/skattfradrattur/

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax credit	Accelerated depreciation for R&D capital
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Finance Act 2004	
Design		
Expense Base	C, ME, B	ME, B
Deducted from	Tax	Taxable income
Volume-based rate Large firms	25	100 (1 year straight line depreciation)
Volume-based rate SMEs	25	100 (1 year straight line depreciation)
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	Contracted research costs up to a limit of 15% (15%) of total qualifying expenditures on R&D activities (if R&D activities are contracted to a university or institute)	
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	3	No
Refunds SME (in Yrs)	3	No
Limitations	Unused amounts are paid to the company over 3 years (three instalments). The aggregate amount of payable credits in respect of R&D expenditure in an accounting period is subject to a limit that is the greater of: (i) the aggregate amount of Corporation Tax paid by the company for accounting periods ending in the ten years prior to the year preceding the accounting period concerned, reduced by any amounts of Payable R&D Credit claimed in respect of prior periods, OR (ii) the aggregate of payroll liabilities for the period concerned and the preceding accounting	-

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	period (Payroll liabilities include amounts due to Revenue in respect of PAYE, PRSI and USC) reduced by the lesser of a) any excess of aggregate payable R&D credit over aggregate payroll liabilities for all periods in respect of which a payable credit was claimed prior to the period in question; OR b) the payroll liabilities for the preceding period.	
Carry-forward (in Yrs)	Indefinite	
Carry-back (in Yrs)	1	-
Limitation	-	-
Taxability of R&D tax relief	The R&D tax credit is not taxable.	
Grant-funded R&D projects	Any expenditure which is met directly or indirectly by any grant aid or assistance from the State or any public or local authority or other agency of the State will not qualify for relief. Grants received towards qualifying R&D expenditure must be deducted from the costs included in a claim. Source: http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf	
Subcontracting rules	There are two situations where relief is available to a company that has not carried out all of the qualifying R&D itself: (1) This applies where the subcontractor carrying out the research and development is unrelated to the company who paid for the research or (2) where a university or institute of higher education carries out the qualifying R&D. A connected person is generally a person (including a company) who can exercise control over the company as set out in Section 10 of the Taxes Consolidation Act 1997. Payments to an unconnected person or a third level institute of higher education by an R&D performer under an R&D service contract or cost contribution agreement do not reduce the base of the R&D tax credit, where the limits are not exceeded. For accounting period ending after January 1, 2012, the subcontracting limit is the greater of EUR100K, or the 15% (10% before January 2014 for subcontractors and 5% before January 2020 for universities and higher institutions). In order to claim the credit for these costs, the company on whose behalf the R&D sub-contracting was carried out, must notify the sub-contracting party in writing that they may not make a claim for the R&D credit for these purposes.	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	Source: http://www.revenue.ie/en/tax/ct/research-development.html http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf If an Irish company performs research for other unrelated companies for a fee, the company performing the research is permitted to claim the credit, as long as the company providing the funding is not claiming the credit. A company is able to claim tax credits irrespective of whether it has received funding from a customer (including related entities) to carry out the research activities, as they will have incurred expenditure wholly and exclusively in the carrying on by it of research and development activities. The requirement in the definition of qualifying R&D activity that it be carried on "by it" (i.e. the company) denotes that the activities must be carried on by the claimant company and not by another person. Source: http://www.revenue.ie/en/tax/ct/research-development.html http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf	
Aggregation rules	Section 766(1) Taxes Consolidation Act 1997 defines "group expenditure on research and development" means the aggregate of the amounts of expenditure on research and development incurred in the relevant period by qualified companies which are group members for the relevant period. A 'qualified company' is a trading company which carries out research and development activities in the relevant period and maintains a record of expenditure incurred. Companies will be regarded as members of a group where one is a 51% subsidiary of the other, or both are 51% subsidiaries of a third company, irrespective of the country of residence of each company. A company shall not be regarded as a subsidiary of another unless, in addition to the 51 per cent shareholding relationship, the parent company is also entitled to 51 percent of the profits available for distribution to shareholders and would be entitled to a 51 share of any assets available for distribution in the event of a winding up of the company. In determining whether this is the case, ownership of shares by a company dealing in shares is ignored. The Order of Offset for credits claimed in respect of qualifying R&D activity in a group is the same as that for a company. If companies do	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	not have a common accounting period they must jointly elect which accounting date should be used. For relevant periods commencing before 1 January 2015, qualifying group expenditure for a relevant period is the excess group expenditure on R&D activities in that relevant period over the threshold amount for that group. “Threshold amount” is defined in relation to a relevant period of a group of companies; however the concept also applies to a single company. It is the amount of qualifying expenditure on R&D in the base period of 2003 (the threshold period). This amount is then compared with the expenditure on R&D by that group in the relevant period in order to determine the level of incremental expenditure. For accounting periods commencing on or after 1 January 2015, it is no longer necessary to adjust for the base year (2003) expenditure in the computation of the R&D tax credit. The members of the group may, by election, allocate the tax credit between group members as they wish. Alternatively the credit is allocated by reference to the following formula: Q x C/G, where: Q is the qualifying group expenditure on R&D in the relevant period, C is the amount of expenditure on R&D incurred by the company in the relevant period at a time when the company is a member of the group, and G is the group expenditure on R&D in the relevant period. Where a company which carried on qualifying R&D activity and has made a claim under s.766 ceases to carry on a trade and another company commences to carry on that trade and continues the qualifying R&D activity related to that trade which was carried on by the ceasing company, the “successor company” may claim any R&D tax credit amounts not used by the “predecessor company” provided that both companies were members of the same group of companies at the time of the transfer of the trade and provided that the “successor company” carries on the qualifying R&D activity for a period of at least 2 years after the transfer. In these circumstances the “successor” company may use any unused credits to reduce its current or future Corporation Tax liability but it may not claim a payable tax credit in respect of any such unused amounts. The threshold amount in relation to a group is fixed at the amount of expenditure incurred in the threshold period (2003) by those companies who were members of the group in that period.	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	Where a company is disposed of by one group and acquired by another, any base year R&D expenditure incurred by the company which is being divested will remain with the divesting group, and subsequently does not form part of the base year expenditure of the acquiring group. These provisions do not apply where there is common control of the divesting and acquiring groups. In practice, this may mean that where the divesting group has no other qualifying R&D activity the threshold amount for that group ceases to be relevant for the purposes of the R&D computation of any group. Source: http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf	
Definition of eligible taxpayer	Companies within the charge to Irish tax and undertake qualifying R&D activities within the European economic Area (EEA). The legislative definition of a qualifying company requires that such a company carries on qualifying R&D activity and maintains a record of expenditure incurred wholly and exclusively by it in the carrying on of this activity.	
Additional comments	The R&D tax credit was originally designed to incentivise incremental R&D expenditure. Year 2003 was set as the base year for all accounting periods, meaning that if a company incurred expenditure on R&D in 2003, the amount of that expenditure was to be subtracted from the current year expenditure when calculating a claim. This 2003 amount is referred as the “threshold amount”, up to and including 31 December 2011. Commencing on or after 1 January 2012, the threshold amount was less than EUR 100,000, EUR 200,000 on or after January 2013 and EUR 300,000 on or after January 2014; up to and including 31 December 2011. If the company did not exist in 2003 or it incurred no qualified expenditures in the first 12 month accounting period ending after January 1, 2003, the base amount was set to zero and the credit was available for all expenditures. For accounting periods beginning on or after 1 January 2015, the requirement to subtract base year (2003) R&D expenditure has been removed and all qualifying R&D expenditure will be eligible for the 25% tax credit. Where there is insufficient Corporation Tax liability to use up all of the R&D tax	The accelerated depreciation provision can no longer be used in conjunction with the Scientific Research Allowance.

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	credit – the tax credit may be credited against the Corporation Tax for the preceding period, carried forward indefinitely, or if the company is a member of a group, the tax credit can be allocated to other group members. Alternatively, a company may claim a payable credit (depending on some restrictions and rules). This is not a refund of tax but rather a payable credit paid in three instalments over a period of 33 months. The first instalment to be paid will amount to 33% of the excess amount and become payable not earlier than 21st day of the ninth month following the end of the company's accounting period in which the R&D expenditure was incurred. The remaining balance of the excess amount will then be used to reduce the company's Corporation Tax liability of the next accounting period (if it has not otherwise discharged), and then if any of the excess amount still remains, a second instalment amounting to 50% of that amount remaining will become payable not earlier than 12 months after payment of the first instalment. Any part of the excess amount still remains will then be used to reduce the company's Corporation Tax liability of the following accounting period (if it has not otherwise been discharged), and if any part of the excess amount still remains, that amount will become payable not earlier than 24 months after payment of the first instalment. Source: http://www.revenue.ie/en/tax/ct/research-development.html	
R&D Definition		
Other S&T&I	No	Yes
Note		
SSH	No	Yes
Note		
Eligible R&D		
Wages and salaries	Yes	No
Note	Only such portion as is wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity.	
R&D services	Yes	No

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
Note	Costs incurred related to individual consultants who are hired on a part time or short term basis to undertake sub-contracted activity can be treated as part of the direct employee costs of the company and not as agency staff (subject to limitations) provided that the following conditions are met: i)The individual works under the company's control and direction ii)The individual works on the company's premises iii) The individual must be able to contribute specialist knowledge, which cannot be supplied by the in-house research team, to a specific R&D project being undertaken by this in-house team iv)The engagement period does not exceed 6 months. If the above conditions do not apply, the payments are considered outsourcing expenditures and are therefore limited to 15% or 5%, depending on the case. Covered are payments for R&D services, subject to a limit of 15% .	
Consumables	Yes	No
Note	Only if wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity and subject to other conditions.	
M&E	Yes	Yes
Note		
Land and buildings	Yes	Yes
Note	Buildings only and provided that at least 35% of their use is for R&D. Land is not allowable.	
Depreciation	No	No
Note	Whether or not the cost is allowed is determined when it is incurred, so for example, the full cost of a machine used for R&D will be allowable when incurred rather than being spread over a number of years as a depreciation (tax or accounting) charge.	
R&D labour paid by 3rd parties	Yes	No
R&D services incurred abroad	Yes	No
Open-ended note	R&D expenditures by resident companies and branches of non-resident companies qualify. R&D activities must occur within Ireland or the European Economic Area (EEA), in the case of an Irish tax resident company, the expenditure must not qualify	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	for a tax deduction under the law of another territory. Payments under a cost contribution agreement also qualify. The tax credit is available in respect of expenditure incurred wholly and exclusively: 1. in the carrying on; 2. by it (the company) of qualifying R&D activities. The phrase "in the carrying on" must be distinguished from "for the purposes of" or "in connection with" used elsewhere in the Taxes Consolidation Act 1997. Additionally, it should not be confused with expenditure incurred to enable a company to carry on R&D. The phrase "in the carrying on" is narrower in scope. Costs which are not wholly and exclusively incurred in the carrying on of the R&D activity, including indirect overheads such as recruitment fees, insurance, travel, equipment repairs or maintenance, shipping, business entertainment, telephone, bank charges and interest, do not qualify as relevant expenditure. However, overheads which are wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity, for example power consumed in the R&D process, qualify for the credit. The eligibility of the cost of rewarding individuals will relate to the extent of their deployment to, and actual engagement in, qualifying R&D activities. In practice this means that where an employee spends an identified proportion of their time "in the carrying on" of qualifying activity, then that same proportion of their emoluments may be considered to be qualifying expenditure. The term 'emoluments' may be taken to include pension contributions, bonus payments, health insurance or other items included in the reward package paid to R&D employees18. Emoluments also include holiday entitlement, public holidays etc. Note that overheads associated with the employment of an individual e.g. HR costs, payroll team costs, canteen costs or similar are not considered to be eligible as these costs, while they may be incurred in connection with the qualifying activity, are not incurred in the carrying on by it of the activity. If pension is a contracted part of the employees' emolument, that proportion of the pension costs which corresponds with the time spent on qualifying R&D is allowable. If an employee is working on qualifying R&D, that proportion of the bonus which corresponds with the time spent on qualifying R&D is allowable. Similarly,	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	where an employee is directly working on qualifying R&D, a proportion of any other emoluments corresponding to the amount of time spent on qualifying R&D is allowable. Note that benefits will not be allowable if they are paid by the company but not ultimately borne by the company. The use of agency staff is considered to be outsourcing for the purposes of computing the amount of qualifying activity and the related expenditure is, therefore, subject to the limitations on outsourcing set out in Section 6. This relates to any individual not remunerated directly by the company for their services. Costs incurred related to individual consultants who are hired on a part time or short term basis to undertake sub-contracted activity can be treated as part of the direct employee costs of the company and not as agency staff provided that the following conditions are met: (i) The individual works under the company's control and direction. (ii) The individual works on the company's premises. (iii) The individual must be able to contribute specialist knowledge, which cannot be supplied by the in-house research team, to a specific R&D project being undertaken by this in-house team. (iv) The engagement period does not exceed 6 months. Expenditure on R&D shall not include a royalty or any other sum paid by a company to a connected person20 and which is, in the hands of the recipient, income from a qualifying patent within the meaning of Section 234 of the Taxes Consolidation Act 1997, i.e. 'a patent in relation to which the research, planning, processing, experimenting, testing, devising, designing, developing or similar activity leading to the invention which is the subject of the patent was carried on in an EEA state. Royalty payments not subject to the above exclusion may qualify provided they are incurred wholly and exclusively in the carrying on of qualifying R&D activities. Where expenditure has been incurred by a company in the carrying on of R&D activities before the company commenced to trade, a claim in respect of that expenditure must be made within 12 months from the end of the accounting period beginning at the date the company first carried on a trade. The amount of the credit due is the amount which the company would have been entitled to claim if it had been trading when the expenditure was incurred. That amount may then be carried forward and used against the Corporation Tax liability of	

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Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	future periods. Materials used in qualifying research and development activities may be of further commercial value after their research use has concluded. In this situation, the lower of cost, or net realisable value of any materials or other saleable product which remain after the R&D activity should be deducted from the expenditure claimed. Expenditure which is incurred on qualifying R&D which is carried on as part of the trade activities of a company may qualify for the credit. In these circumstances the eligible expenditure is limited to additional expenditure that is incurred wholly and exclusively in the carrying on of the qualifying activity. For example, where a company carries out qualifying R&D activity on a live production line while continuing to produce saleable product on the same line, costs such as increased unsaleable product and additional time costs which can be shown to have been incurred in the carrying on of the qualifying R&D activity may be eligible. Expenditure on the construction or refurbishment of a building for use for qualifying R&D activity may qualify for an R&D tax credit under S.766A of the Act where such a building also qualifies for industrial buildings capital allowances (See Part 9 of the Act). The R&D tax credit is in addition to any capital allowances claimed. The credit is available for new expenditure on the construction, including refurbishment, of a building or structure where the R&D activities carried on by a company in that building or structure over a period of four years (referred to as the “specified relevant period”) represents at least 35% of all activities carried on in the building or structure. Qualifying expenditure on the construction or refurbishment of a qualifying building may be treated as having been incurred either:-(i) on the date it was actually incurred, or (ii) on the date the building was first brought into use for the purposes of a trade, or the refurbishment is completed as appropriate. Expenditure may be incurred on the construction or refurbishment of a building which spans two or more accounting periods. Where this occurs, the aggregate expenditure may be treated as having been incurred on the date that it was actually incurred, or on the date the building is first brought into use. The 12 month claim period applies by reference to the date that the expenditure is treated as incurred. The cost of acquiring the land on which the	

IRELAND

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	building or structure is erected does not qualify for the R&D credit. The credit is calculated by reference only to that portion of the building or structure to be used for R&D activities. Where a building is used for qualifying R&D and for other (non- R&D) purposes, for example in production, the cost of the construction or refurbishment should be apportioned on a just and reasonable basis. Records should be maintained to show the computation of any apportionment and the rationale for the use of such basis of apportionment. If an apportionment that has already been made in this manner is later shown not to be "just and reasonable" a revised apportionment must be made. Any such expenditure which is met directly or indirectly by any grant aid or assistance from the State or any other State, OR any board established by statute, OR any public or local authority or any other agency of the State, or of another State will not qualify for relief. The credit is claimable as long as there is a minimum 35% usage of the building for R&D activity over a period of four years beginning on the date it is brought into use. The tax credit is however clawed back if, within ten years of the accounting period for which a credit is claimed, the building or structure is sold, or is used for purposes other than either the carrying on of R&D activities or the same trade that was carried on by the company at the beginning of the specified relevant period and to which the R&D activity was related. Revenue will claw back both the tax credit already used to reduce tax, and withdraw any unused tax credits. Expenditure on plant and machinery may qualify for the R&D tax credit where such expenditure also qualifies for capital allowances. However, where plant and machinery which is used for qualifying R&D and for other (non-R&D) purposes, for example in production, the cost of the plant and machinery should be apportioned on a just and reasonable basis over each relevant period of its useful economic life. If an apportionment that has already been made in this manner is later shown not to be "just and reasonable" a revised apportionment must be made in respect of each relevant accounting period and brought to account in the tax return for the period in which the adjustment is identified. For the purposes of determining the amounts of expenditure on plant and machinery to be included in any computation of tax credit due under Section 766 TCA,	

IRELAND

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	1997, Revenue are prepared to accept that expenditure on plant and machinery may be treated as incurred on either (1) the date the plant and machinery is first brought into use for the purposes of a trade or (2) the date the expenditure becomes payable. This latter option is subject to a condition that the credit will be clawed back if the plant or machinery is not brought into use for the purpose of a trade within two years of the expenditure becoming payable. Source: http://www.revenue.ie/en/tax/ct/research-development.html http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval No governmental pre-approval is required. Evaluation of claims Responsible authority: Revenue Commissioners Deadline: N/A but claims must be made within 12 months of the end of the accounting period to which they relate. Documentation requirements: Completion of the relevant sections of the form CT1 via the Revenue Online System. No supporting documentation should be submitted, but it must be maintained by the company to suport the claim should that claim be subject to Audit or a compliance intervention. The Irish corporation tax regime is a self-assessment regime. This means that companies self-assess their compliance with the rules, with their returns accepted on a non-judgemental basis, which are then subject to after the fact compliance checks. The R&D tax credit regime operates this basis. Audit Responsible authority: Revenue Commissioners Deadline: Revenue may enquire into a tax return for a period of 4 years after that return has been filed. Documentation requirements: Records must be kept to satisfy both the science and accounting tests. Contemporaneous records, whether in a hard copy or electronic	

IRELAND

Type of Scheme	R&D tax credit	Accelerated depreciation for R&D capital
	format, must be available for inspection by Revenue officials. Company should be able to demonstrate that its claim can satisfy Science test and Accounting test, when Revenue ask for that (and/or using an assistance of an R&D expert to examine the science test for certain claims). Other - Evaluation of claims - Non-audit risk compliance interventions Responsible authority: Revenue Commissioners Deadline: Revenue may enquire into a tax return for a period of 4 years after that return has been filed. Each Revenue intervention is intended to be in the form that is most efficient in terms of time and resources, whilst addressing the percieved risk. Revenue also carries out a number of non-audit risk management compliance interventions two of which are carried out on R&D claims these include Assurance checks (including aspect queries) and Profile interviews. Documentation requirements: Records must be kept to satisfy both tests. Contemporaneous records, whether in a hard copy or electronic format, must be available for inspection by Revenue officials. Company should be able to demonstrate that its claim can satisfy Science test and Accounting test, when Revenue ask for that (and/or using an assistance of an R&D expert to examine the science test for certain claims).	
Additional Comments		Capital expenditure incurred in the carrying on of research and development is included in expenditure on research and development for the purposes of the R&D tax credit. There is no separate scheme.

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ISRAEL

Type of Scheme	Accelerated depreciation for R&D capital
Scheme name/description	Accelerated depreciation provision for R&D capital assets (machinery and equipment, buildings) under the Law for the Encouragement of Capital Investments (LECI)
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	ME, B
Deducted from	Taxable income
Volume-based rate Large firms	up to 200% of the standard/ordinary rates for machinery or equipment; up to 400% of the standard/ordinary rates for buildings;
Volume-based rate SMEs	up to 200% of the standard/ordinary rates for machinery or equipment; up to 400% of the standard/ordinary rates for buildings;
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	-
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	-
Refunds SME (in Yrs)	-
Limitations	-
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	Accelerated depreciation allowances are not taxble.

ISRAEL

Type of Scheme	Accelerated depreciation for R&D capital
Grant-funded R&D projects	The amount of any grant given by the government is deducted from the amount of R&D expenses that are allowed as deductions.
Subcontracting rules	The perfomer can claim tax relief according to the LECI (e.g. accelerated depreciation) if he meets certain conditions and terms according to the Regulations of the LECI (Conditions for an enterprise who sells to other enterprise as entitled for tax reliefs), 5767-2007.
Aggregation rules	-
Definition of eligible taxpayer	Accelerated depreciation applies equally on tangible assets (machinery, equipment and buildings) in R&D companies and non R&D companies under the Law for the Encouragement of Capital Investments (LECI).
R&D Definition	
Other S&T&I	No
Note	
SSH	No
Note	
Eligible R&D	
Wages and salaries	No
Note	
R&D services	No
Note	
Consumables	No
Note	
M&E	Yes
Note	
Land and buildings	Yes
Note	Buildings only
Depreciation	No
Note	

ISRAEL

Type of Scheme	Accelerated depreciation for R&D capital
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	Machinery and equipment: standard depreciation provisions apply, with assets (including machinery and equipment) depreciated on a straight-line basis for tax purposes. The standard/ordinary depreciation rates for machinery and equipment vary from 7% to 33% (e.g. 15% for electronic equipment, 33% for personal computers, 25% for facilities using solar energy to produce electricity). Under certain conditions, a company whose main activity is R&D (industrial, programming, biotechnology, nanotechnology, or renewable energy R&D) may use accelerated depreciation -- up to 200% of the standard/ordinary rates for machinery or equipment. Buildings: standard depreciation provisions apply, with assets (including buildings) depreciated on a straight-line basis for tax purposes. The standard/ordinary depreciation rates for buildings vary from 1.5% to 6.5%, depending on the quality of construction (the better the quality of the building, the lower the rate of depreciation allowed). Under certain conditions, a company whose main activity is R&D (industrial, programming, biotechnology, nanotechnology, or renewable energy R&D) may use accelerated depreciation -- up to 400% of the standard/ordinary rates for buildings.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	1. In 2017, the LECI was amended (Amendment #73) and some articles regarding "preferred technological enterprise" were added to the law and they state tax benefits due to such preferred technological enterprise, for example - low corporate tax rates if certain conditions are met. Also, accelerated depreciation may apply on the assets of those enterprises in addition to low dividend tax rate for non-residents holding at least 90% of the share capital of the company with the preferred technological enterprise. 2. In the Arrangements Law from 2006, the LECI was amended in order to streamline the format of the law in such a way that taxpayers who meet the criteria set by the law (including R&D companies), will be entitled to claim tax benefits under the law, without having to obtain prior approval from the Investment Center Administration or from the Tax Authority. All this, in order to encourage the Israeli economy to integrate into global competition and increase growth. Prior to the amendment, two tracks for receiving tax benefits were anchored in the law: one, the grants track, and the other, the alternative benefits track. As part of the amendment, three new tax benefit tracks were established under the alternative benefits track. It was further determined that the tax benefits in the tax track do not require the prior approval as mentioned above, and that a taxpayer who meets the criteria set by law will be entitled to claim the tax benefits in the self-assessment he submits to the tax authority.

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ITALY

Type of Scheme	R&D tax credit
Scheme name/description	R&D, innovation and design credit
Status in 2021	In force in 2021
Enforcing law/regulation	Law 160/2019, extended and modified by Law 178/2020
Design	
Expense Base	C, MED
Deducted from	Tax
Volume-based rate Large firms	20 (30 for certain labour expenditures); enhanced rates for firms in Southern regions of Italy: 45 (small), 35 (medium), 25 (large); Tax benefits are payable in three yearly instalments in both the profit and loss case
Volume-based rate SMEs	20 (30 for certain labour expenditures); enhanced rates for firms in Southern regions of Italy: 45 (small), 35 (medium), 25 (large); Tax benefits are payable in three yearly instalments in both the profit and loss case
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	EUR 4m (R&D tax relief per year and company)
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Yes (redeemable against income tax liability, regional taxes (IRAP) and social security contributions), payable in three instalments
Refunds SME (in Yrs)	Yes (redeemable against income tax liability, regional taxes (IRAP) and social security contributions), payable in three instalments
Limitations	-
Carry-forward (in Yrs)	Infinite
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	The R&D tax credit is not taxable
Grant-funded R&D projects	Not applicable

ITALY

Type of Scheme	R&D tax credit
Subcontracting rules	Only the taxpayers incurring the R&D expenditure can claim tax relief;
Aggregation rules	As to subcontracted R&D, the law states that if contracts are concluded with companies or entities belonging to the same group, the same rules applicable in the case of R&D activities carried out within the company shall apply.
Definition of eligible taxpayer	All firms resident in the territory of the State, including permanent establishments of non-residents, regardless of legal form, economic sector of activity, size and tax regime for the determination of the company's income, carrying out investments in one of the eligible activities. Firms under certain insolvency proceedings (e.g. voluntary liquidation, bankruptcy and other) or companies that are subject to disqualification penalties are excluded. Furthermore access to the tax credit is subject to compliance by the taxpayer with laws and regulations concerning safety in the workplace and to the obligations of payment of social security and welfare contributions for workers.
Additional comments	Budget Law 2021: - Extension of the tax credit introduced with Budget Law 2020 (Law 160/2019) until tax year 2022. - Increase in the tax credit rates and tax credit ceilings: • Fundamental research, industrial research, experimental development: tax credit rate increased from 12% to 20% and tax relief ceiling raised from EUR 3 million to EUR 4 million; • Technological innovation: tax credit rate increased from 6% to 10% (from 10% to 15% for technological innovation aimed at 4.0 inovation or ecological transition) and tax relief ceiling increased from EUR 1.5 million to EUR 2 million. • Design and aesthetic conception: tax credit rate increased from 6% to 10% and tax relief ceiling increased from EUR 1.5 million to EUR 2 million.
R&D Definition	
Other S&T&I	Yes
Note	Innovation definition conforms to the OECD Oslo Manual.
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	Labor costs for researchers and technicians directly employed in R&D activity carried ot within the firm and limited to the part referrable to R&D activity. Costs related to highly qualified employees under 35 years of age with a Phd, in their first job and employed with a fixed-term contract are computed at 150 percent of the actual expenditure

ITALY

Type of Scheme	R&D tax credit
R&D services	Yes
Note	As to extra-muros R&D: third parties have to directly carry out the R&D activities; contracts with third parties resident in Italy or resident /located for tax purposes in other EU, EEA countries or countries participating to exchange of infotmation. As to R&D services provided by consultants, these are eligible within the maximum amount of 20% of eligible personnel expenses or eligible extra-muros expenses; contracts have to be stipulated with entities resident in Italy or resident/located for tax purposes in other EU, EEA countries or countries participating to the exchange of information.
Consumables	Yes
Note	Eligible within the maximum amount of 30% of eligible personnel expenses or 30% of eligible extra-muros expenses.
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	Yes
Note	Depreciation of tangible goods and software: eligible only for the part attributable to R&D, only for the amount ordinarily deductible, eligible within the maximum amount of 30% of eligible personnel expenses. Depreciation of industrial property rights: eligible within the maximum amount of EUR 1 million, as long as they are used in eligible R&D activity; contracts with third parties (no infra-group) resident in Italy or resident/located for tax purposes in other EU, EEA countries or countries participating to the exchange of information.
R&D labour paid by 3rd parties	Yes
R&D services incurred abroad	No
Open-ended note	
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> No pre-approval needed, only communication to the Italian Ministry of Economic Development for information (aimed at allowing the monitoring of the usage and effectiveness of the measure), it is not a pre-condition to have access to the benefit.

ITALY

Type of Scheme	R&D tax credit
Additional comments	Audit Responsible authority: Italian Revenue Agency (IRA) with participation of Ministry of Economic Development for highly technical aspects. Documentation requirements: the actual incurrence of eligible expenses must result from certification issued by the statutory auditor and the manager has to keep a technical report explaining the aims, contents and results of eligible activities.
	In 2021 the Italian Revenue Agency has issued operational guidance to in order to guide the activities of its offices aimed at preventing and curbing tax evasion (Circolare 4/E, 7 maggio 2021). It is stated, among other guidelines, that the control activity shall be increasingly targeted at highly risky taxpayers and at taxpayers who engage in fraud, including through the misuse of tax credits such as the R&D tax credit. To this end, risk indicators and selective lists will be provided in order to guide the relevant control activity.

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
Scheme name/description	General type R&D tax credit	Open innovation activity-based R&D tax credit	High R&D intensity-based R&D tax credit
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Permanent measure	Permanent measure	Temporary measure
Design			
Expense Base	C, MED, BD	Collaborative R&D (C, MED, BD, Intangibles)	C, MED, BD
Deducted from	Tax	Tax	Tax
Volume-based rate Large firms	6-10 according to the percentage change in R&D expenditures relative to the past 3 year average (as a temporary measure until March 31, 2023: 2–14)	30 or 25 or 20: 30 (20) if special R&D expsense for joint or contracted R&D with national research institutes (SMEs); 25 if joint or contracted basic or applied research etc. with R&D venture corporations, 20 if joint or contracted basic or applied research etc. with others including large corporations.	-
Volume-based rate SMEs	12 (as a temporary measure until March 31, 2023: 12-17 according to the percentage change in R&D expenditures relative to the past 3 year average)	30 or 25 or 20: 30 (20) if special R&D expsense for joint or contracted R&D with national research institutes (SMEs); 25 if joint or contracted basic or applied research etc. with R&D venture corporations, 20 if joint or contracted basic or applied research etc. with others including large corporations.	-
Incremental rate Large firms	-	-	20 * [R&D intensity – 0.1%]
Incremental rate SMEs	-	-	20 * [R&D intensity – 0.1%]
Base amount (if incremental)	-		10% of the “average

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
			annual turnover" (average amount of turnover in the applicable business year and in each business year which started within three years prior to the first day of the business year).
Thresholds	-	-	-
Ceilings	25% of the corporation's national corporate income tax liability before the credit is applied. For R&D venture corporations (established within the past 10 years or less with carry forward losses and not subsidiary of a large corporation), the rate is 40%. Temporarily, an addtional 5% of the corporation's national corporate income tax liability before the credit is applied, if gross sales in a business year beginning between 1 April 2021 and 31 March 2023 declines by 2% or more as compared to the latest business year ended earlier than 1 February 2020 and qualified R&D expenditures for the business year are greater than the amount spent in the previous business year endied earlier than 1 February 2020. In total, up to 45% (temporarily 50%) or 60% (temporarily 65%) for R&D venture	10% (previously 5%) of the corporation's national corporate income tax liability before the credit is applied. In total, up to 45% (temporarily 50%) or 60% (temporarily 65%) for R&D venture corporations) of corporation's national corporate income tax liability can be deductible.	Up to 10% for large firms and 10% for SMEs of the corporation's national corporate income tax liability before the credit is applied. In total, up to 45% (temporarily 50%) or 60% (temporarily 65%) for R&D venture corporations) of corporation's national corporate income tax liability can be deductible.

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	corporations) of corporation's national corporate income tax liability can be deductible.		
Special rate SMEs	Yes	-	-
Special refund provision SMEs	-	-	-
Special terms for collaboration	-	Yes	-
Refund Large firm (in Yrs)	No	No	No
Refunds SME (in Yrs)	No	No	No
Limitations	-	-	-
Carry-forward (in Yrs)	-		
Carry-back (in Yrs)	-	-	-
Limitation	Carry over is no longer available as of 1 April 2015. The unused R&D tax credits for the business years beginning on or after 1 April 2009 through 31 March 2010 could be carried forward up to 3 years. R&D credits for business years beginning on or after 1 April 2010 through 31 March 2011 could be carried forward 2 years. From 1 April 2011 until 31 March 2015, excess claims could be carried forward one year.	Carry over is no longer available as of 1 April 2015. The unused R&D tax credits for the business years beginning on or after 1 April 2009 through 31 March 2010 could be carried forward up to 3 years. R&D credits for business years beginning on or after 1 April 2010 through 31 March 2011 could be carried forward 2 years. From 1 April 2011 until 31 March 2015, excess claims could be carried forward one year.	Carry over is no longer available as of 1 April 2015. The unused R&D tax credits for the business years beginning on or after 1 April 2009 through 31 March 2010 could be carried forward up to 3 years. R&D credits for business years beginning on or after 1 April 2010 through 31 March 2011 could be carried forward 2 years. From 1 April 2011 until 31 March 2015, excess claims could be carried forward one year.
Taxability of R&D tax relief	The R&D tax credit is not taxable.	The R&D tax credit is not taxable.	The R&D tax credit is not taxable.
Grant-funded R&D projects	If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle. However, if the corporation acquires fixed	If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle. However, if the corporation acquires fixed	If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle. However, if the corporation acquires fixed assets with the subsidies

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	assets with the subsidies suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income.	assets with the subsidies suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income.	suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income.
Subcontracting rules	Payments received by an R&D performer under an R&D service contract, or cost contribution agreement reduce the base of the R&D tax credit – in particular, if the funding is from another party then the R&D tax benefit is not available for those funded expenses. In general, research expenses that are funded by unrelated entities (government agencies, customers, suppliers, etc.) are not eligible for research credit. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdfhttps://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide	Payments received by an R&D performer under an R&D service contract, or cost contribution agreement reduce the base of the R&D tax credit – in particular, if the funding is from another party then the R&D tax benefit is not available for those funded expenses. In general, research expenses that are funded by unrelated entities (government agencies, customers, suppliers, etc.) are not eligible for research credit. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf	Payments received by an R&D performer under an R&D service contract, or cost contribution agreement reduce the base of the R&D tax credit – in particular, if the funding is from another party then the R&D tax benefit is not available for those funded expenses. In general, research expenses that are funded by unrelated entities (government agencies, customers, suppliers, etc.) are not eligible for research credit. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf
Aggregation rules	Aggregation rules apply in calculating R&D tax credit limit in which tax credit is calculated based not on the status of individual companies, but on the consolidated status. Source:	Aggregation rules apply in calculating R&D tax credit limit in which tax credit is calculated based not on the status of individual companies, but on the consolidated status. Source:	Aggregation rules apply in calculating R&D tax credit limit in which tax credit is calculated based not on the status of individual companies, but on the consolidated status. Source:
Definition of eligible taxpayer groups (e.g., SME)	All individuals, corporations, or consolidated corporations with qualified	All individuals, corporations, or consolidated corporations with qualified	All individuals, corporations, or consolidated corporations with qualified

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	R&D expenditure. SMEs are defined as follows: i) corporations whose stated capital or equity investment does not exceed JPY 100 million; ii) corporations without stated capital nor equity investment where the number of persons employed regularly does not exceed a thousand; iii) self-employed persons who hire the persons employed regularly who are not exceed a thousand; or iv) agricultural cooperatives etc. This excludes SMEs either i) a half or more of whose issued shares or equity investment in number or in volume are held by a large corporation, whose stated capital exceeds JPY 100 million; or ii) two-thirds or more of whose issued shares or equity investment in number or in volume are held by two or more large corporations. It is stipulated in Article 10, Article 42-4, and Article 68-9 of the Act on Special Measures Concerning Taxation, Article 5-3, Article 27-4, and Article 39-39 of the Order for Enforcement of the Act on Special Measures Concerning Taxation, and Article 5-6, Article 20, and Article 22-23 of the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation.	R&D expenditure: (1) Joint R&D (a) with “special R&D institutes”, which are defined as follows: i) experiment and research institutes etc. stipulated in Article 2, Paragraph 7 of the so-called Act on Enhancing R&D Capability; or ii) national R&D corporations: 30% (The “special R&D institutes” might be called as “national R&D corporations and institutes.); (b) with universities etc.: 30%; (c) with others, including private companies, private R&D institutes, municipal R&D institutes: 20%; (2) Joint R&D through technological research associations which the taxpayer participates as a member: 20%; (3) R&D commission: (a) to “special R&D institutes”: 30%; (b) to universities etc.: 30%; (c) to SMEs: 20%; (d) to public interest corporations, institutes in local governments, and local independent administrative corporations, etc.: 20%; (4) Acquisition of licences and IP rights from SMEs (i.e. the licensers or the initial IP owners are “SMEs” defined in the Japanese taxation system): 20% See also Scheme 1 for “SMEs” and “consolidated corporations”.	R&D expenditure. SMEs are defined as follows: i) corporations whose stated capital or equity investment does not exceed JPY 100 million; ii) corporations without stated capital nor equity investment where the number of persons employed regularly does not exceed a thousand; iii) self-employed persons who hire the persons employed regularly who are not exceed a thousand; or iv) agricultural cooperatives etc. This excludes SMEs either i) a half or more of whose issued shares or equity investment in number or in volume are held by a large corporation, whose stated capital exceeds JPY 100 million; or ii) two-thirds or more of whose issued shares or equity investment in number or in volume are held by two or more large corporations. It is stipulated in Article 10, Article 42-4, and Article 68-9 of the Act on Special Measures Concerning Taxation, Article 5-3, Article 27-4, and Article 39-39 of the Order for Enforcement of the Act on Special Measures Concerning Taxation, and Article 5-6, Article 20, and Article 22-23 of the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation. The “SMEs” (“chu-sho-jigyosha” in Japanese) for the

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	The “SMEs” (“chu-sho-jigyosha” in Japanese) for the R&D tax incentives are stipulated in Article 10, paragraph (6), item (iv) and Article 42-4, paragraph (6), item (iv) of the Act on Special Measures Concerning Taxation, and Article 5-3, paragraph (8), and Article 27-4, paragraph (5) of the Order for Enforcement of the Act on Special Measures Concerning Taxation. The “small and medium consolidated parent corporations” (“chu-sho renketsu-oya-hojin” in Japanese) are stipulated in Article 68-9, paragraph (2) of the Act on Special Measures Concerning Taxation. The “agricultural cooperatives etc.” (“nogyo-kyodo-kumiai to” in Japanese) for the R&D tax incentives are stipulated in Article 42-4, paragraph (6), item (v), Article 68-9, paragraph (6), item (v) of the Act on Special Measures Concerning Taxation. In this questionnaire, the “SMEs etc.” represent the “SMEs”, the “small and medium consolidated parent corporations”, and the “agricultural cooperatives etc.” The “consolidated corporations” (“renketsu-hojin” in Japanese) are stipulated in Article2, paragraph (12-7-2) of the Corporation Tax Act, and Article 2,		R&D tax incentives are stipulated in Article 10, paragraph (6), item (iv) and Article 42-4, paragraph (6), item (iv) of the Act on Special Measures Concerning Taxation, and Article 5-3, paragraph (8), and Article 27-4, paragraph (5) of the Order for Enforcement of the Act on Special Measures Concerning Taxation. The “small and medium consolidated parent corporations” (“chu-sho renketsu-oya-hojin” in Japanese) are stipulated in Article 68-9, paragraph (2) of the Act on Special Measures Concerning Taxation. The “agricultural cooperatives etc.” (“nogyo-kyodo-kumiai to” in Japanese) for the R&D tax incentives are stipulated in Article 42-4, paragraph (6), item (v), Article 68-9, paragraph (6), item (v) of the Act on Special Measures Concerning Taxation. In this questionnaire, the “SMEs etc.” represent the “SMEs”, the “small and medium consolidated parent corporations”, and the “agricultural cooperatives etc.” The “consolidated corporations” (“renketsu-hojin” in Japanese) are stipulated in Article2, paragraph (12-7-2) of the Corporation Tax Act, and Article 2, paragraph (2), item (x-vi) of the Act on Special Measures Concerning Taxation. The “consolidated parent

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	paragraph (2), item (x-vi) of the Act on Special Measures Concerning Taxation. The "consolidated parent corporations" ("renketsu-oya-hojin" in Japanese) are stipulated in Article2, paragraph (12-6-7) of the Corporation Tax Act, and Article 2, paragraph (2), item (x-iv) of the Act on Special Measures Concerning Taxation. The "small and medium consolidated corporations" ("chu-sho renketsu-hojin" in Japanese) are stipulated in Article 68-9, paragraph (6), item (iv) of the Act on Special Measures Concerning Taxation, and Article 39-39, paragraph (4) of the Order for Enforcement of the Act on Special Measures Concerning Taxation.		corporations" ("renketsu-oya-hojin" in Japanese) are stipulated in Article2, paragraph (12-6-7) of the Corporation Tax Act, and Article 2, paragraph (2), item (x-iv) of the Act on Special Measures Concerning Taxation. The "small and medium consolidated corporations" ("chu-sho renketsu-hojin" in Japanese) are stipulated in Article 68-9, paragraph (6), item (iv) of the Act on Special Measures Concerning Taxation, and Article 39-39, paragraph (4) of the Order for Enforcement of the Act on Special Measures Concerning Taxation.
R&D Definition			
Other S&T&I	No	Yes	No
Note		Acquisition of licenses and IP rights is eligible only when the licensers or the initial IP owners are "SMEs" defined in the Japanese taxation system.	
SSH	No	No	No
Note			
Eligible R&D			
Wages and salaries	Yes	Yes	Yes
Note	Salaries generally mean the amount paid to employees who are engaged exclusively in R&D activities; however, segregation of	Salaries generally mean the amount paid to employees who are engaged exclusively in R&D activities; however, segregation of	Salaries generally mean the amount paid to employees who are engaged exclusively in R&D activities; however, segregation of

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	activities may be permitted if clearly documented. Labour costs relating to performing qualifying activities may be allowable for R&D credit purposes to the extent details of the activities are clearly documented. Documentation should indicate the time spent by each employee on qualifying R&D activities, with details of appropriate calculations for the labour costs. The legislation is silent as to how to determine the applicable labour costs. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf	activities may be permitted if clearly documented. Labour costs relating to performing qualifying activities may be allowable for R&D credit purposes to the extent details of the activities are clearly documented. Documentation should indicate the time spent by each employee on qualifying R&D activities, with details of appropriate calculations for the labour costs. The legislation is silent as to how to determine the applicable labour costs. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf	activities may be permitted if clearly documented. Labour costs relating to performing qualifying activities may be allowable for R&D credit purposes to the extent details of the activities are clearly documented. Documentation should indicate the time spent by each employee on qualifying R&D activities, with details of appropriate calculations for the labour costs. The legislation is silent as to how to determine the applicable labour costs. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf
R&D services	Yes	Yes	Yes
Note			
Consumables	Yes	Yes	Yes
Note			
M&E	No	No	No
Note	Depreciation of acquired plant and machinery is eligible.	Depreciation of acquired plant and machinery is eligible.	Depreciation of acquired plant and machinery is eligible.
Land and buildings	No	No	No
Note	Depreciation of acquired buildings is eligible.	Depreciation of acquired buildings is eligible.	Depreciation of acquired buildings is eligible.
Depreciation	Yes	Yes	Yes

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
Note	Strictly speaking, the R&D tax credits apply to R&D deductible expenses rather than depreciation of R&D assets.	Strictly speaking, the R&D tax credits apply to R&D deductible expenses rather than depreciation of R&D assets.	Strictly speaking, the R&D tax credits apply to R&D deductible expenses rather than depreciation of R&D assets.
R&D labour paid by 3rd parties	No	No	No
R&D services incurred abroad	Yes	Yes	Yes
Open-ended note	Qualifying expenses include R&D expenses by either resident or non-resident corporations, as long as the corporations are blue tax return filers. Qualifying expense is not limited to domestic expenses only (expenses of foreign branches of resident companies may qualify). To qualify for the credit, the expenses must be costs of raw materials, labour cost, overhead, depreciation on fixed assets and contract cost, etc. incurred to manufacture products, or to improve, design, formulate, or invent techniques. However, if the corporation receives payments from others for experiment and research, the amount of qualified expenses is the amount obtained by deducting the payment from the total amount of its experiment and research expenses. In order to make this scheme more taxpayer-friendly, amendments have been introduced after the Japan 2017 tax reform. These amendments include: - expansion of the type of eligible	Qualifying expenses include R&D expenses by either resident or non-resident corporations, as long as the corporations are blue tax return filers. Qualifying expense is not limited to domestic expenses only (expenses of foreign branches of resident companies may qualify). To qualify for the credit, the expenses must be costs of raw materials, labour cost, overhead, depreciation on fixed assets and contract cost, etc. incurred to manufacture products, or to improve, design, formulate, or invent techniques. However, if the corporation receives payments from others for experiment and research, the amount of qualified expenses is the amount obtained by deducting the payment from the total amount of its experiment and research expenses. If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle.	The High R&D intensity-based R&D tax credit is applicable for the business years beginning on or after 1 April 2008, through 31 March 2014. The scheme was introduced in 1 April 2008, and the deadline has been extended every 2 years. It is available until the business year starting in March 2019. Qualifying expenses include R&D expenses by either resident or non-resident corporations, as long as the corporations are blue tax return filers. Qualifying expense is not limited to domestic expenses only (expenses of foreign branches of resident companies may qualify). To qualify for the credit, the expenses must be costs of raw materials, labour cost, overhead, depreciation on fixed assets and contract cost, etc. incurred to manufacture products, or to improve, design, formulate, or invent techniques. However, if the corporation receives payments from others for experiment and research, the amount of qualified expenses

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	costs for tax credits; - improved flexibility in the case of additions or changes to cost items due to a contractual change; - and simplifying the conformation process of expenses by counterparty. Source: R&D costs for the development of services in line with the "fourth industrial revolution" (businesses using IT, big data, artificial intelligence, etc.) will be included in the scope of creditable R&D costs: Costs for operation with the purpose of development of new services: (i) Covered operations: - Information collection by use of instruments or techniques which have functions of collecting a large amount of information and all or a main part of which is automated. – Analysis by use of software which has the function of analysing information exclusively used by information analysing professionals in order to find out certain theory concerning the collected information. – Designing new services that make use of the rules found by the above analysis. – Confirming that the rules are reasonable and new services that make use of the rules suit the purpose. (ii) Covered costs: - Material costs. – Labour costs. – Overhead costs. – Outsourcing costs. Source:	However, if the corporation acquires fixed assets with the subsidies suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income. In order to make this scheme more taxpayer-friendly, amendments have been introduced after the Japan 2017 tax reform. These amendments include: - expansion of the type of eligible costs for tax credits; - improved flexibility in the case of additions or changes to cost items due to a contractual change; - and simplifying the conformation process of expenses by counterparty. Source: R&D costs for the development of services in line with the "fourth industrial revolution" (businesses using IT, big data, artificial intelligence, etc.) will be included in the scope of creditable R&D costs: Costs for operation with the purpose of development of new services: (i) Covered operations: - Information collection by use of instruments or techniques which have functions of collecting a large amount of information and all or a main part of which is automated. – Analysis by use of software which has the function of	is the amount obtained by deducting the payment from the total amount of its experiment and research expenses. If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle. However, if the corporation acquires fixed assets with the subsidies suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income. In order to make this scheme more taxpayer-friendly, amendments have been introduced after the Japan 2017 tax reform. These amendments include: - expansion of the type of eligible costs for tax credits; - improved flexibility in the case of additions or changes to cost items due to a contractual change; - and simplifying the conformation process of expenses by counterparty. Source: R&D costs for the development of services in line with the "fourth industrial revolution" (businesses using IT, big data, artificial intelligence, etc.) will be included in the scope of creditable R&D costs: Costs for operation with the purpose of development of new services: (i)

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
		analysing information exclusively used by information analysing professionals in order to find out certain theory concerning the collected information. – Designing new services that make use of the rules found by the above analysis. – Confirming that the rules are reasonable and new services that make use of the rules suit the purpose. (ii) Covered costs: - Material costs. – Labour costs. – Overhead costs. – Outsourcing costs. Source:	Covered operations: - Information collection by use of instruments or techniques which have functions of collecting a large amount of information and all or a main part of which is automated. – Analysis by use of software which has the function of analysing information exclusively used by information analysing professionals in order to find out certain theory concerning the collected information. – Designing new services that make use of the rules found by the above analysis. – Confirming that the rules are reasonable and new services that make use of the rules suit the purpose. (ii) Covered costs: - Material costs. – Labour costs. – Overhead costs. – Outsourcing costs. Source:
Administration and Monitoring			
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> No prior approvals from government/regulatory agencies are required. <u>Evaluation of claims</u> Responsible authority: National Tax Agency Deadline: Within two months (one month extension is generally allowed) following the fiscal year end.	<u>Registration/pre-approval</u> No prior approvals from government/regulatory agencies are required. <u>Evaluation of claims</u> Responsible authority: National Tax Agency Deadline: Within two months (one month extension is generally allowed) following the fiscal year end.	<u>Registration/pre-approval</u> No prior approvals from government/regulatory agencies are required. <u>Evaluation of claims</u> Responsible authority: National Tax Agency Deadline: Within two months (one month extension is generally allowed) following the fiscal year end. Documentation requirements: (i) Blue tax

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Type of Scheme	R&D tax credit	R&D tax credit	R&D tax credit
	Documentation requirements: (i) Blue tax return (ii) Forms (schedule 6(6), 6(7), 6(8) and/or 6(9)) (iii) Record keeping substantiation requirements applicable under the Corporation Tax Act Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide For the terms concerning the claim of R&D tax incentives, the most recent tax year starts at 01/01/2021 and ends at 31/12/2021. Audit Responsible authority: National Tax Agency	Documentation requirements: (i) Blue tax return (ii) Forms (schedule 6(6), 6(7), 6(8) and/or 6(9)) (iii) Record keeping substantiation requirements applicable under the Corporation Tax Act Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide For the terms concerning the claim of R&D tax incentives, the most recent tax year starts at 01/01/2021 and ends at 31/12/2021. Audit Responsible authority: National Tax Agency	return (ii) Forms (schedule 6(6), 6(7), 6(8) and/or 6(9)) (iii) Record keeping substantiation requirements applicable under the Corporation Tax Act Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide For the terms concerning the claim of R&D tax incentives, the most recent tax year starts at 01/01/2021 and ends at 31/12/2021. Audit Responsible authority: National Tax Agency
Additional comments			

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KOREA

Type of Scheme	R&D tax credit	R&D tax credit
Scheme name/description	R&D tax credit	R&D investment credit
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation		
Design		
Expense Base	C	ME, B
Deducted from	Tax	Tax
Volume-based rate Large firms	0-2 [0.5 R&D expense-sales ratio]; 8-15 for High Potential Enterprises; 20-30 for large firms and High Potential Enterprises under Growth Industry and Basic Technology scheme	1; 3 for High Potential Enterprises
Volume-based rate SMEs	25 (15 or 10 for firms losing SME status); 30-40 for SMEs under Growth Industry and Basic Technology scheme	7
Incremental rate Large firms	25, 40 for High Potential Enterprises	-
Incremental rate SMEs	50 (40 for firms losing SME status)	-
Base amount (if incremental)	R&D spending in the past year	-
Thresholds	-	-
Ceilings	Tax credit capped at 2% of R&D spending (large firms)	-
Special rate SMEs	Yes	Yes
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	10	5
Carry-back (in Yrs)	-	-
Limitation	-	-
Taxability of R&D tax relief	The R&D tax credit is not taxable.	The R&D tax credit is not taxable.

KOREA

Type of Scheme	R&D tax credit	R&D tax credit
Grant-funded R&D projects	-	-
Subcontracting rules	Contract expenditure is a qualified expense if paid to university or other research institutions. The R&D tax credits are not allowed for R&D service providers. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-summarykeycritera-alltables.pdf Only the fundercan claim tax relief because the funder has the right and the responsibility on the result of R&D as the principle agent creating R&D activities.	Scheme is not available for subcontracted R&D.
Aggregation rules	There are no applicable aggregation rules as Korea does not aggregate the R&D tax benefits of firms that are part of a group.	There are no applicable aggregation rules as Korea does not aggregate the R&D tax benefits of firms that are part of a group.
Definition of eligible taxpayer	The definition of SMEs in Korea varies across industry sectors. These SME definitions also apply for tax purposes. In agriculture, firms with sales KRW 100 billion or less are classified as SMEs, for instance. Source: http://www.smba.go.kr/eng/smes/scope.do?mc=usr0001146 HPE: High potential enterprises are those not considered SME, but carry out an SME activity, respect rules about being part of a group, and its sales are smaller than KRW 500 billion.	The definition of SMEs in Korea varies across industry sectors. These SME definitions also apply for tax purposes. In agriculture, firms with sales KRW 100 billion or less are classified as SMEs, for instance. Source: http://www.smba.go.kr/eng/smes/scope.do?mc=usr0001146 HPE: High potential enterprises are those not considered SME, but carry out an SME activity, respect rules about being part of a group, and its sales are smaller than KRW 500 billion.
Additional comments	Alternative set of tax credits for SMEs and large firms: the R&D tax credit generally equals the greater of either 1) the volume-based tax off-set, or the 2) incremental tax off-set. In the case where an enterprise loses its SME status for the first time as prescribed by Presidential Decree, the following rate will be applied: (a) From the first day of taxable year when the company no longer has SME status, to the taxable year that ends	The R&D investment credit applies to facility investments (machinery and buildings) made for the purpose of R&D and job training. The R&D investment credit of 7% (3% for HPE and 1% for large corporations) of the cost of developing a new R&D facility may be available in the year the R&D facility is completed. R&D facilities include: (i) Facilities for qualified research and experiment; (ii) Facilities for qualified vocational

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Type of Scheme	R&D tax credit	R&D tax credit
	within 3 years from that date: 15%; (b) From the date after (a) to the taxable year that ends within 2 years from that date: 10%.	training; (iii) Facilities for commercialization of qualified new technology.
Other S&T&I	Yes	Yes
Note		
SSH	Yes	Yes
Note		
Eligible R&D		
Wages and salaries	Yes	No
Note		
R&D services	Yes	No
Note	R&D activities include research conducted by the certified R&D department of the company and/or qualifying bodies (i.e., universities, colleges, research institutes) to develop technology for the company, trademark design, and development , manpower training, and quality control.	
Consumables	Yes	No
Note		
M&E	No	Yes
Note		
Land and buildings	No	Yes
Note		
Depreciation	No	No
Note		
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	Yes	No

KOREA

Type of Scheme	R&D tax credit	R&D tax credit
Open-ended note	There is an R&D tax credit for current R&D expenditures (also for R&D expenses incurred in relation to R&D activities for the New Growth Engine Industry or Original Source Technology programs) and for IP purchases. All R&D expenditures directly related to the R&D activities of the company may be claimed in the tax credit computation regardless of the location of the R&D activities; except for research subcontracted to academic institutions – which must be located in South Korea. Any resulting IP does not have to be held by the South Korean company. The R&D tax credits are not allowed for R&D service providers. R&D activities include research conducted by the certified R&D department of the company and/or qualifying bodies (i.e., universities, colleges, research institutes) to develop technology for the company, trademark design, and development, manpower training, and quality control. Qualified R&D costs include labour costs (salaries, wages, bonuses, etc.), materials costs (samples, parts, and raw materials used in the conduct of R&D), rent for R&D equipment, commissions paid to the qualifying body, training costs, and other costs (trademark development costs, design development costs, consulting fees, and quality guarantee costs). For the purpose of supporting sustainable growth, investment tax deductions for R&D in the fields of new growth engines and fundamental technologies (e.g. LED applications, biopharmaceuticals, etc.) were expanded to a level much greater than general R&D investment. Source: Korean taxation 2016	The R&D investment credit applies to facility investments (machinery and buildings) made for the purpose of R&D and job training.
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Korea Industrial Technology Association Deadline: No deadline(based on request)	Registration/pre-approval Responsible authority: Korea Industrial Technology Association Deadline: No deadline(based on request)

KOREA

Type of Scheme	R&D tax credit	R&D tax credit
	Documentation requirements: R&D ouline, current status of R&D labor force and equipment, etc. The company is required to claim and register according to the Technology Development Promotion Law such that either the dedicated R&D division of the company or the company's internal R&D laboratory has to be registered with the government (i.e., Korea Industrial Technology Association in Korea). Evaluation of claims Responsible authority: National Tax Service (NTS) Deadline: individulas: until the end of May of next year. firms: within three months of the end of its business year. Documentation requirements: annual corporate income, expenditure for R&D, annual R&D note etc. Companies may file an amended corporate income tax return to claim the credit up to 5 years from the date the original tax return was due. Audit Responsible authority: National Tax Service (NTS) Deadline: No details Documentation requirements: No details	Documentation requirements: R&D ouline, current status of R&D labor force and equipment, etc. The company is required to claim and register according to the Technology Development Promotion Law such that either the dedicated R&D division of the company or the company's internal R&D laboratory has to be registered with the government (i.e., Korea Industrial Technology Association in Korea). Evaluation of claims Responsible authority: National Tax Service (NTS) Deadline: individulas: until the end of May of next year. firms: within three months of the end of its business year. Documentation requirements: annual corporate income, expenditure for R&D investment etc. Companies may file an amended corporate income tax return to claim the credit up to 5 years from the date the original tax return was due. Audit Responsible authority: National Tax Service (NTS) Deadline: No details Documentation requirements: No details
Additional Comments	Tax credit for research and human resources (HR) development (STTCL §10): the main R&D tax credit has a volume and incremental component only one of which applies depending on which is larger; a volume-based R&D tax credit is further available for high-growth firms with original technology. Each year, the Korean National Tax Service reviews R&D tax incentive applications that have been submitted with a CIT return	

KOREA

Type of Scheme	R&D tax credit	R&D tax credit
	and processes the R&D tax credit claims. The R&D tax credit claims may also be subject to written information requests or a tax audit in the future. From 2020, a domestic corporation can make a request to the Korean National Tax Service for pre-examination about applicability of R&D tax credit claims. The National Tax Service will examine and determine the type of R&D expenditure qualifying for the tax credit for the corporation that applies. According to the Basic Research Promotion and Technology Development Support Act, a dedicated R&D center or R&D department set up by a company should be registered with the Ministry of Science and ICT to benefit from R&D tax incentives. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020	

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LITHUANIA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax allowance	Accelerated Depreciation for R&D capital assets
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation		
Design		
Expense Base	C	ME, Intangibles
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	200	ME = 50; Installations = 50; Computers = 50; Other Tangible Assets = 50; Software = 50; Other Intangible Assets = 50
Volume-based rate SMEs	200	ME = 50; Installations = 50; Computers = 50; Other Tangible Assets = 50; Software = 50; Other Intangible Assets = 50
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	-	-
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	Infinite	Infinite
Carry-back (in Yrs)	-	-
Limitation	The amount of tax losses resulting from the enhanced deduction may not be carried forward in excess of 70% of taxable profit of a particular accounting year. The remainder may be carried forward,	The amount of tax losses resulting from the enhanced deduction may not be carried forward in excess of 70% of taxable profit of a particular accounting year. The remainder

LITHUANIA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	provided that the entity carries out the activity due to which the losses were incurred. Source: https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq (Art. 30) http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native (See p. 63)	may be carried forward, provided that the entity carries out the activity due to which the losses were incurred. Source: https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq (Art. 30) http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native (See p. 63)
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	The accelerated depreciation allowance is not taxable.
Grant-funded R&D projects	Eligible R&D expenditures must be reduced by the amount the R&D works that were subsidised by State grants, EU funds or any other international financial assistance.	Depreciation expenditures must be proportionally reduced by the amount the R&D works that were subsidised by State grants, EU funds or any other international financial assistance.
Subcontracting rules	Under R&D service contract, an R&D credit may be claimed by the purchaser of the R&D services or the contracting party (principal) providing the R&D services (no double tax relief). Whether or not that other entity is entitled to claim the R&D tax incentives will depend on whether it satisfies the various eligibility and expenditure conditions. In case of R&D subcontracting, only the funder (company contracting out underlying R&D activities) can claim for tax relief if the acquired components of R&D acitivities (product or services provided by other company) are incorporated in its underlying R&D activities.	Under R&D service contract, an R&D credit may be claimed by the purchaser of the R&D services or the contracting party (principal) providing the R&D services (no double tax relief). Whether or not that other entity is entitled to claim the R&D tax incentives will depend on whether it satisfies the various eligibility and expenditure conditions. In case of R&D subcontracting, only the funder (company contracting out underlying R&D activities) can claim for tax relief if the acquired components of R&D acitivities (product or services provided by other company) are incorporated in its underlying R&D activities.
Aggregation rules	There are no aggregation rules in place for determining the R&D tax benefits of firms that are part of the group. The same rules apply as for companies that are not part of a group.	There are no aggregation rules in place for determining the R&D tax benefits of firms that are part of the group. The same rules apply as for companies that are not part of a group.
Definition of eligible taxpayer	Eligibility fo research incentives is not limited to particular industries or types of entity. To claim the benefit, the taxpayer must prove that	Eligibility fo research incentives is not limited to particular industries or types of entity. To claim the benefit, the

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	the activities performed are R&D activities. The activities must have an element of novelty and the underlying activities must address scientific and/or technological uncertainty. In addition, supplementary R&D criteria may apply when determining project eligibility (e.g., methods of research applied; qualification of R&D staff; scientific/ technological advance being sought; source of project financing, etc.).The aim of an R&D project must be scientific or technological progress and the results must be significant for entities that initiated and executed the project.	taxpayer must prove that the activities performed are R&D activities. The activities must have an element of novelty and the underlying activities must address scientific and/or technological uncertainty. In addition, supplementary R&D criteria may apply when determining project eligibility (e.g., methods of research applied; qualification of R&D staff; scientific/ technological advance being sought; source of project financing, etc.).The aim of an R&D project must be scientific or technological progress and the results must be significant for entities that initiated and executed the project.
R&D Definition		
Other S&T&I	No	No
Note		
SSH	Yes	Yes
Note		
Eligible R&D		
Wages and salaries	Yes	No
Note	Wages of employees who are directly involved in scientific research and experimental development works.	
R&D services	Yes	No
Note	Only if the outsourced R&D work was carried out in the European Economic Area or in a State which is outside the European Economic Area, but with which the Republic of Lithuania has concluded and applies the double taxation agreement.	
Consumables	Yes	No
Note		
M&E	No	Yes

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Note		Plants and machinery: 2 years instead of general 5 years; Installations (structures, wells etc.): 2 years instead of general 8 years; computer hardware, communication equipment, software and acquired rights: 2 years instead of general 3 years, other tangible and intangible assets – 2 years instead of general 4 years.
Land and buildings	No	No
Note		
Depreciation	No	No
Note		
R&D labour paid by 3rd parties	Yes	No
R&D services incurred abroad	Yes	No
Open-ended note	Lithuania offers R&D investors a deduction of current expenditures at an enhanced rate of 200% since 2008. Eligible R&D expenditures include: (i) wages of employees who are directly involved in scientific research and experimental development works including compulsory health insurance contributions and social insurance premiums; (ii) business trips directly related to R&D work (iii) costs of stock, materials and other short term assets ; (iv) costs for acquisition of services directly related to scientific research and experimental development works (consulting, leasing, repair, warehousing, telecommunication, etc.) (v) costs for acquisition of scientific research and experimental development works from other natural persons or legal entities; if such work was carried out in the European Economic Area or in a country outside the European Economic Area, but with which the Republic of Lithuania has concluded a double taxation agreement and applies its provisions; (vi) import and input VAT from the above costs that was not deducted according to Law on Value Added Tax provisions.	An accelerated depreciation scheme for R&D capital assets is in place since 2008. Acquisition price of fixed assets used in R&D activities can be written-off within two years (instead of 3-8 years in general) in accordance with the procedure laid down in Law on Corporate Income Tax.Source: https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq (see appendix 1) ; http://www.mita.lt/lt/verslui/mokesciu-lengvatos/

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	Source:https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Lithuanian Agency for Science, Innovation and Technology. Available but not required. http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf Evaluation of claims Responsible authority: Lithuanian Agency for Science, Innovation and Technology (for R&D project eligibility) and State Tax Inspectorate (for R&D incentives applications for tax purposes) https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide Deadline: Within five month of the year-end (together with annual corporate tax returns) i.e., 15 June each year. Documentation requirements: Annual corporate income tax return, other documents R&D incentives are claimed in the annual corporate income tax return for the tax period during which R&D costs were incurred. https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide No review or consent of the tax authorities is required to benefit from R&D tax incentives. Costs of scientific research and/or experimental development works are based on accounting documents. http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native http://ec.europa.eu/taxation_customs/sites/taxation/files/resource	Registration/pre-approval Responsible authority: Lithuanian Agency for Science, Innovation and Technology. Available but not required. http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf Evaluation of claims Responsible authority: Lithuanian Agency for Science, Innovation and Technology (for R&D project eligibility) and State Tax Inspectorate (for R&D incentives applications for tax purposes) https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide Deadline: Within five month of the year-end (together with annual corporate tax returns) i.e., 15 June each year. Documentation requirements: Annual corporate income tax return, other documents R&D incentives are claimed in the annual corporate income tax return for the tax period during which R&D costs were incurred. https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide No review or consent of the tax authorities is required to benefit from R&D tax incentives. Costs of scientific research and/or experimental development works are based on accounting documents. http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	s/documents/taxation/gen_info/economic_analysis/tax_papers/country_fiches.pdf Audit Responsible authority: Tax authorities Deadline: Tax audit is conducted on general Terms. Source: https://www.e-tar.lt/portal/lt/legalAct/TAR.3EB34933E485/rDLYSrNhXL Documentation requirements: R&D documentations (with certain methods and targets stipulated by the legislation) confirmed by the CEO or its authorized person. The taxpayer is not required to submit documentation until the request of the Tax Authorities in case of a tax audit. Other - Appeal There are three possible stages to appeal: i. Central Tax Administrator ii. Commission on Tax Disputes iii. Vilnius District Administrative Court	http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/country_fiches.pdf Audit Responsible authority: Tax authorities Deadline: Tax audit is conducted on general Terms. Source: https://www.e-tar.lt/portal/lt/legalAct/TAR.3EB34933E485/rDLYSrNhXL Documentation requirements: R&D documentations (with certain methods and targets stipulated by the legislation) confirmed by the CEO or its authorized person. The taxpayer is not required to submit documentation until the request of the Tax Authorities in case of a tax audit. Other - Appeal There are three possible stages to appeal: i. Central Tax Administrator ii. Commission on Tax Disputes iii. Vilnius District Administrative Court
Additional Comments	No prior review or approval of the Tax Authorities is required to claim an R&D tax incentive. R&D incentives are claimed in the annual corporate income tax return for the tax period during which R&D costs were incurred. The taxpayer must possess R&D documentation (with certain methods and targets stipulated by the legislation) confirmed by the CEO or its authorized person. However, the taxpayer is not required to submit the documentation until the request of the Tax Authorities in case of a tax audit. Also, a taxpayer may apply for approval from the Lithuanian Agency for Science, Innovation and Technology that certain project meets R&D eligibility requirements. However, such approval is not obligatory required. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-	No prior review or approval of the Tax Authorities is required to claim an R&D tax incentive. R&D incentives are claimed in the annual corporate income tax return for the tax period during which R&D costs were incurred. The taxpayer must possess R&D documentation (with certain methods and targets stipulated by the legislation) confirmed by the CEO or its authorized person. However, the taxpayer is not required to submit the documentation until the request of the Tax Authorities in case of a tax audit. Also, a taxpayer may apply for approval from the Lithuanian Agency for Science, Innovation and Technology that certain project meets R&D eligibility requirements. However, such approval is not

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	incentives-reference-guide Documentation is required when using the R&D tax allowance and accelerated depreciation for R&D capital assets schemes. R&D documentation must include information on: • R&D novelty and progress; • scientific or technological problem or uncertainty; • methods applied; • results expected; •results applied in the company's activities; • costs of R&D works; • calculation of R&D tax exemption; • and other relevant informatikon. If the company is experiencing in its costs not only for R&D, R&D work must be specified in the documentation set based on the criteria that the cost in proportion to the assigned R&D cost of the work. If the costs of a company incurred of carrying out not only R&D activities, eligible R&D costs can only be considered as a part of the cost proportionate to carrying out R&D works. Source: http://www.mita.lt/lt/verslui/mokesciu-lengvatos/ No review or consent of the tax authorities is required to benefit from R&D tax incentives. Costs of scientific research and/or experimental development works are based on accounting documents. Source: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/country_fiches.pdf http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native There are three possible stages to appeal. In the first instance, if a	obligatory required. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide Documentation is required when using the R&D tax allowance and accelerated depreciation for R&D capital assets schemes. R&D documentation must include information on: • R&D novelty and progress; • scientific or technological problem or uncertainty; • methods applied; • results expected; •results applied in the company's activities; • costs of R&D works; • calculation of R&D tax exemption; • and other relevant informatikon. If the company is experiencing in its costs not only for R&D, R&D work must be specified in the documentation set based on the criteria that the cost in proportion to the assigned R&D cost of the work. If the costs of a company incurred of carrying out not only R&D activities, eligible R&D costs can only be considered as a part of the cost proportionate to carrying out R&D works. Source: http://www.mita.lt/lt/verslui/mokesciu-lengvatos/ No review or consent of the tax authorities is required to benefit from R&D tax incentives. Costs of scientific research and/or experimental development works are based on accounting documents. Source: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/country_fiches.pdf http://ec.europa.eu/DocsRoom/documents/8032/attachments/1/translations/en/renditions/native

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	taxpayer is dissatisfied with an act or decision by his local tax office, he may appeal to the Central Tax Administrator (hereinafter – The CTA) within 20 days of the disputed act or decision. The CTA has 30 days (60 days if additional investigation is required) to come to a decision on the appeal. If the taxpayer is dissatisfied with that decision, he may then appeal further, to the Commission on Tax Disputes, within 20 days of receiving The CTA's decision. An appeal against the Commission's decision lies to the courts. However, the court of first instance is also the court of last instance, since all tax cases are heard by the Vilnius District Administrative Court, whose decision is final, subject to a referral of questions to the Court of Justice of the European Union. Source: http://www.moorestephens.com/MediaLibsAndFiles/media/MooreStephens/Documents/Doing-business-in-Lithuania-2015.pdf?ext=.pdf Lithuanian entities and permanent establishments must complete the annual CIT tax return, which can be amended for the preceding three tax periods and file it with the local tax authorities. The amount of expenditure has to be included in the annual CIT return, while the supporting documentation should be provided to the tax authorities upon request. According to Decision No. 1183 of the Government of the Republic of Lithuania, dated 19 November 2008, in order to deduct the R&D expenses, a taxable entity has to have an approved R&D works documentation that specifies R&D works (their aim, the status of implementation, and other important information). The R&D works' documentation must include a description of the work's novelty and progress, solution of scientific or technological problem or uncertainty, method used, the results	There are three possible stages to appeal. In the first instance, if a taxpayer is dissatisfied with an act or decision by his local tax office, he may appeal to the Central Tax Administrator (hereinafter – The CTA) within 20 days of the disputed act or decision. The CTA has 30 days (60 days if additional investigation is required) to come to a decision on the appeal. If the taxpayer is dissatisfied with that decision, he may then appeal further, to the Commission on Tax Disputes, within 20 days of receiving The CTA's decision. An appeal against the Commission's decision lies to the courts. However, the court of first instance is also the court of last instance, since all tax cases are heard by the Vilnius District Administrative Court, whose decision is final, subject to a referral of questions to the Court of Justice of the European Union. Source: http://www.moorestephens.com/MediaLibsAndFiles/media/MooreStephens/Documents/Doing-business-in-Lithuania-2015.pdf?ext=.pdf

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	(or expected results), how these results will be used in the entity's business activities, what expenses were incurred in the performance of R&D works, total amount of these expenses and the calculations of other expenses incurred — including fixed assets — as well as criteria for the attribution of other expenses to the R&D works. By the Decision No. 650 of the Government of the Republic of Lithuania dated 6 June 2012, the recommended description of the R&D stages' classification was approved. It sets the R&D stages from knowledge, the acquisition of the product, creation in accordance with their corresponding activity descriptions and expected performance results. In order to be clear about the qualification of a particular R&D project, it is possible for both taxpayers and tax authorities to consult with the Lithuanian Agency for Science, Innovation and Technology (MITA). They can evaluate the project and provide expert conclusions. R&D expenses have to be reduced by the funds or support received from the national budget, State Social Insurance Fund budget, Mandatory Health Insurance fund, other state money funds, Municipal funds, EU and other financial aid funds. Depreciation expenditures must be proportionally reduced by the amount the R&D works were subsidised by State grants, EU funds or any other international financial assistance. R&D expense deductions The Law on CIT stipulates that a taxpayer may claim additional tax deductions for the prescribed amount of expenses incurred for an R&D project. -Expenses incurred for R&D purposes may be deducted three times in the tax period in which they are incurred, provided that the R&D works are related to the usual or planned activities of the entity which generate or will generate income or economic benefit.	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	-Certain fixed assets used in R&D activities are depreciated or amortized in shorter periods (e.g. up to 50% annual rate is established for installations, machinery and equipment). Such depreciation (amortization) costs can only be deducted once. The qualifying expenses incurred during an R&D project are as follows: -wages and compulsory health, social insurance contributions of a person who directly participates in the R&D project -business trip expenses, which are necessary and directly linked with the R&D works -materials used in the R&D works, other costs of current assets -services (scientific consulting services, premises and/or equipment rental, utilities, repair, storage, telecommunication and other services) that are necessary to perform (and directly related to) the R&D works -services purchased, if the acquired constituent work has been carried out in the EEA or a country outside the EEA which has concluded and brought into effect a double tax treaty with Lithuania -import and input VAT from the R&D costs that may not be deducted for VAT purposes.	

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MEXICO

Type of Scheme	R&D tax credit
Scheme name/description	R&D tax credit
Status in 2021	In force in 2021
Enforcing law/regulation	Ley del Impuesto sobre la Renta (enacted 30/11/2016). Tax credit introduced in 2017.
Design	
Expense Base	C, ME, B
Deducted from	Tax
Volume-based rate Large firms	-
Volume-based rate SMEs	-
Incremental rate Large firms	30
Incremental rate SMEs	30
Base amount (if incremental)	Average R&D expenses incurred in the previous three years
Thresholds	-
Ceilings	MXN 50 million per taxpayer and per financial year
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	10
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	R&D tax benefits are not taxable.
Grant-funded R&D projects	Projects can receive support from both tools (tax incentive and direct funding programs). However, expenses or investments financed by public direct funding programs should be excluded from the amount of the average R&D investments made in the three previous years and, also, from the R&D investments of the current year, whereby the tax credit is requested. Besides, ITL establishes

MEXICO

Type of Scheme	R&D tax credit
	the tax credit can't be jointly applied with other schemes that provides tax benefits or incentives: the maquiladoras regimes, the scheme for real estate investment trusts (FIBRAs), the optional tax regime for groups of companies, and the Decree of tax incentives for the Northern Border Region.
Subcontracting rules	Two different taxpayers can not be authorized for the same R&D project. The taxpayer which receives the authorization to apply for the TC, is directly responsible for paying outsourced specialized services that are strictly necessary to develop the project and can include these expenses in the investment that qualifies for the tax incentive.
Aggregation rules	There are no aggregation rules for enterprise groups. The authorization is granted to the enterprise that presents the approved project, for which a tax compliance assessment was carried out.
Definition of eligible taxpayer	CIT taxpayers of all sizes, that have invested in R&D, during at least the last 3 years. Business sector: Investment projects refer to the R&D expenses and investments made within the national territory, addressed directly and exclusively for the performance of projects which represent a scientific or technological improvement. The expenses and investments must be directly and exclusively applied to the taxpayer's own projects aiming at the development of products, materials, or production processes that represent scientific or technological breakthroughs. The R&D tax credits can not be authorized for taxpayers for the tax regimes for maquiladoras, FIBRAS (real estate investment trust) and ROGS (Optional Tax Regime for Groups of Companies).
Additional Comments	Projects aligned to any of the National Strategic Programs will obtain 5 additional points in the technical evaluation. For more information: https://www.conacyt.gob.mx/images/pdfs_conacyt/efidet/2020/_PRONACES.pdf
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	
Consumables	Yes

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Type of Scheme	R&D tax credit
Note	Specialized machinery needed for the completion of the investment project. This includes the costs of renting specialized equipment which, due to its costs, is not profitable to be bought, but is required in order to perform tests, experiments or other activities relevant for the completion of the investment project and which is not rented to related parties. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
M&E	Yes
Note	Specialized machinery needed for the completion of the investment project. This includes the costs of renting specialized equipment which, due to its costs, is not profitable to be bought, but is required in order to perform tests, experiments or other activities relevant for the completion of the investment project and which is not rented to related parties. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
Land and buildings	Yes
Note	Eligible expenses include the acquisition or leasing of properties and buildings. It is considered that the firm must have the necessary buildings to perform the investment project. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	Investment projects refer to the R&D expenses and investments made in the national territory, addressed directly and exclusively to perform projects which represent a scientific or technological improvement. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017 The expenses and investments must be directly and exclusively applied to the taxpayer's own projects aimed at the development of products, materials, or production processes that represent scientific or technological breakthroughs. Qualifying industries: The R&D tax credit is not limited to specific industries. Eligible R&D expenditure: • Fees paid to external researchers • Experimental testing • Field work • Tools for experimental testing • Technical training that is essential to the R&D project • Specialized equipment that is essential to the R&D project • External services provided by national third parties • Specialized lab equipment that is essential to the R&D project • Specialized machinery that is essential to the R&D project • Animals or plants that are essential to the R&D project for experimental testing • Lease of specialized equipment that is essential to the R&D project • Prototypes • Materials for experimental design • Collaboration costs paid to Mexican private or public Higher Education Institutions and/or Public Research Centers, registered in the National Registry of Scientific and Technological Institutions and Companies ("RENIECYT") • Experimental pilot plant • Payment for services rendered by

MEXICO

Type of Scheme	R&D tax credit
	national CONACYT labs. The following non-R&D related expenditure may qualify for tax relief subject to approval: • Civil engineering works (except for pilot plant) • Acquisition and/or leased of immovable property • Administrative expenses (e.g., utilities, administrative employees) •Manufacturing expenses • Equipment maintenance • Salaries and wages related to the R&D project paid to the taxpayer's employees •Marketing expenses • Expenses for studies or permits related to federal, state or municipal regulations • Freight expenses • Loss reserves • Interest • Buy-sell of currency • Financial expenses • Taxes • Fines, surcharges and penalties • Expenses financed by other CONACYT or Federal Government incentive programs • Payments made to third parties to prepare the project and/or carry out the corresponding follow-up Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: CONACYT trough the on-line System designed for the reception of the applications Deadline: From March 30th to May 29th of the corresponding FY. Documentation requirements: Application form; specific information of the project (name, hypothesis statement, possible solutions, methodology, etc.). Information required: Taxpayer ID number and proof of tax situation, Valid registration in the National Register of Scientific and Technological Institutions and Companies (RENIECYT), Annual integration of investments and expenses in R&D projects from the last three fiscal years, Estimated R&D investments and expenses grouped accordingly. Evaluation of applications and authorization Responsible authority: Inter-agency Committee integrated by •• CONACYT ••Ministry of Economy •• Tax Administration Service ••Ministry of Finance. Deadline: At the end of february of each FY, the Inter-agency Committee will publish a list of the projects and amounts that were authorized during the previous FY, including the names of the taxpayers selected as beneficiaries. Documentation requirements: Projects are technically evaluated and also the tax compliance is verified. If both evaluations are approved, and the project fulfills the rest of the requirements set forth in the related legislation, the Inter-agency Committee authorizes the taxpayers to apply the corresponding tax credit amount. Taxpayers selected by the Inter-agency Committee must: • Accept technical visits from CONACYT and comply with any additional requests for information, etc. • Comply with their commitments in terms of deliverables of the authorized projects. Audit

MEXICO

Type of Scheme	R&D tax credit
	Responsible authority: Tax Administration Service Deadline: Up to the 5 FY after the FY of the authorization. Documentation requirements: • Taxpayers must submit a report certified by a registered CPA, disclosing the expenses incurred and investments made in connection with the authorized R&D project, invoices documents should be verified by the CPA; If data contained in the report does not match with information of the Tax Administration Service, the authorization to apply the tax credit could be revoked, and the taxpayer must pay the correspondig (amount of the tax credit offset against the CIT). <u>Other - patents' registration</u> Responsible authority: Beneficiaries of the TC Deadline: Whenever it is required Documentation requirements: Taxpayers must register in Mexico the patentable breakthroughs resulting, if any, from the authorized projects (patents are not required for all cases).
Additional comments	Taxpayers are required to present technical, legal and fiscal documentation to participate in the program. The following information must be submitted to CONACYT for a taxpayer to receive preapproval: Taxpayer ID number and proof of tax situation, Valid registration in the National Register of Scientific and Technological Institutions and Companies (RENIECYT). Annual integration of investments and expenses in R&D projects from the last three fiscal years, Estimated R&D investments and expenses grouped accordingly. These are the necessary expenses upon which the tax credit will be evaluated, If authorization to pay in installments has been granted, the taxpayer will provide a manifest attesting that it is not in a situation of revocation, Technical memorandum describing the main characteristics and deliverables of the projects, A legal representative who has the capacity to subscribe debt securities and possesses an electronic tax signature, CVs of the legal, administrative and technical representatives and the project personnel in the CONACYT system, After the decision to grant the funds has occurred and in order to formally receive the grant, taxpayers must carry out the procedures described in the Rules of Operation and deliver the legal documents as set out in the call for submissions. At the end of the project, taxpayers must submit to the committee a report of the impacts and benefits obtained by their approved investment projects. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020

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NETHERLANDS

Type of Scheme	Payroll withholding tax credit
Scheme name/description	WBSO (incl. RDA as of 2016)
Status in 2021	In force in 2021
Enforcing law/regulation	'Wet vermindering afdracht loonbelasting en premie voor de volksverzekeringen' (WVA) for employers and 'Wet Inkomstenbelasting' for self-employed entrepreneurs.
Design	
Expense Base	C, ME, BL
Deducted from	Payroll withholding tax/social security contributions
Volume-based rate Large firms	40 for eligible R&D costs up to EUR 350k, 16 above EUR 350k
Volume-based rate SMEs	40 (50 for start-ups) for eligible R&D costs up to EUR 350k, 16 above EUR 350k-
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	&D expenditure threshold at EUR 350k
Ceilings	The deduction of the R&D withholding tax credit may not result in the reduction of the payroll tax to be paid in a tax period to less than zero.
Special rate SMEs	Yes (start-ups)
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Immediate
Refunds SME (in Yrs)	Immediate
Limitations	The deduction of the R&D withholding tax credit may not result in the reduction of the payroll tax to be paid in a tax period to less than zero.
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	Applicants may deduct a maximum of the proportionate amount of the unused R&D withholding tax credit from the payroll tax due in each tax period. If applicants decide that they will not deduct the R&D withholding tax credit in one or more tax periods or will not

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Type of Scheme	Payroll withholding tax credit
	deduct the maximum amount, then the maximum they may deduct in the remaining tax periods will be higher. They can, for example, opt for this approach if they plan to recruit more employees during the course of the year, or if they R&D project is temporarily delayed or halted and is restarted later in the year.
Taxability of R&D tax relief	The WBSO is taxable. Payroll and social security related incentives increase the taxable income of businesses.
Grant-funded R&D projects	Direct funding does not reduce the expense base of the tax incentive.
Subcontracting rules	The costs of outsourced research, i.e., work deemed to be the taxpayer's R&D work that the taxpayer outsources to a third party, do not come into consideration for WBSO support. A company can apply for WBSO tax credits against the costs and expenses that other companies operating within the company's fiscal entity incur for the purpose of R&D. If a company is working on an R&D project together with a number of companies within a single tax entity, then a single joint tax administration will suffice. If a company is working together with a number of other companies on a joint R&D project, then each company must keep its own administrative records detailing its own R&D activities on this project and any costs or expenditure incurred and paid. R&D employees hired out to a third party fall under the WBSO only when they organise the R&D work at the third party's company. An exception is made when hiring in or hiring out employees happens within a tax entity for the purpose of corporate wage tax. When employees are hired in and out by companies within a tax entity then each company employing those employees will need to submit an application. If the company needs to apply for an R&D tax credit against actual costs and expenditures incurred by other companies within the tax entity, this is allowed to the extent that these costs and expenditures are incurred exclusively as a result of the R&D being carried out. Source: https://english.rvo.nl/sites/default/files/2021/06/Manual_WBSO_2021.pdf
Aggregation rules	A holding company can also be deemed to be an R&D tax withholding agent if at least one employee carries out R&D. A company is a withholding agent for the purposes of payroll tax when the company employs staff and the Dutch Tax and Customs Administration has issued a payroll tax number. A change in a company's legal entity creates a new withholding agent. Firms should make sure they always submit an application for the correct withholding agent. An R&D Declaration cannot be transferred to another legal entity. If employees of a holding company and employees of an operating company carry out R&D, both the operating company and the holding company must submit an application. Source: https://english.rvo.nl/sites/default/files/2021/06/Manual_WBSO_2021.pdf
Definition of eligible taxpayer	Every Dutch company or self-employed entrepreneur planning to carry out R&D can submit an application for the WBSO. The size of the company and the sector of activity are not of relevance. Self-employed must comply with the self-employed (entrepreneur) conditions and perform R&D for at least 500 hours per calendar year. Before 2015, non-entrepreneurs, generally knowledge institutions such as research in+A7stitutes and universities, were eligible for WBSO if they implemented contract research that was

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Type of Scheme	Payroll withholding tax credit
	paid for by a company (or consortium) or a product/industry board. This passage from the WVA law, Article 1, L2 was deleted with effect from 2015 onwards. Those who conduct a business which is not a public knowledge institute, carry out R&D, and withhold payroll taxes on behalf of their employees are referred to by the WBSO as 'R&D tax withholding agents'. Holding company / operating company: A holding company can also be deemed to be an R&D tax withholding agent if at least one employee carries out R&D. A company is a withholding agent for the purposes of payroll tax when staff is employed and the Dutch Tax and Customs Administration has issued a payroll tax number. A change in a company's legal entity creates a new withholding agent. Firms should make sure they always submit their application for the correct withholding agent. An R&D Declaration cannot be transferred to another legal entity. If employees of their holding company and employees of their operating company carry out R&D, both the operating company and the holding company must submit an application. Tax entity: If firms hire out R&D employees to a third party, these employees fall under the WBSO only when they organise the R&D work at the third party's company. An exception to this is made, however, for hiring in or hiring out employees within a tax entity for the purposes of corporate wage tax. Employees may be hired in or out for R&D, for example, by an employment agency or by companies within a tax entity that are carrying out work on a specific project. When employees are hired in and out by companies within a tax entity then each company employing those employees will need to submit an application. In other words, if employees of two companies – company A and company B – are working on a specific R&D project and company A also hires in employees from company B, then both companies A and B will need to submit an WBSO-application. However, supplier company B will then be deemed to be carrying out the R&D work that takes place at hiring company A. The companies will also need to demonstrate that they are hiring employees in and out to each other. If the applicant applies for an R&D tax credit against actual costs and expenditures instead of a fixed sum, it may also cite the costs and expenditures incurred by other companies within the tax entity to the extent that these costs and expenditures are incurred exclusively as a result of the R&D being carried out. The following criteria determine whether a company is deemed to be a start-up company: (i) the number of years in which the company has employed personnel or the number of years in which the applicant has been an entrepreneur: the company can be deemed to be a start-up company when the company did not act as a withholding agent in at least one of the previous five calendar years. This means that the applicant has employed personnel for a maximum of four calendar years. Self-employed persons may have acted as entrepreneurs for a maximum of four of the past five calendar years. Neither of the aforementioned periods need to be consecutive periods. (ii) the number of years in which the company has been issued an R&D Declaration: The applicant can be deemed to be a start-up company or entrepreneur for a maximum of three years. When the applicant has been issued R&D Declarations in three or more of the past five years then the applicant no longer qualifies for the start-up status. This does not need to be a consecutive period. Each calendar year in which the applicant was issued one or more R&D Declarations then counts as one year. When specific conditions are met the R&D Declarations issued to a company that

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Type of Scheme	Payroll withholding tax credit
	preceded the company – when the company is the successor to that company – are also taken into account. This is determined by the continuation and ownership structure criteria that are explained below. (iii) whether the company continues the activities from another company owned by the applicant (continuation of activities): has the company taken over activities from another company or did the company take over activities from another company in the past? If so, this is deemed to constitute the continuation of (part of) a company. The company from which the applicant took over the activities does not necessarily need to have been discontinued. When the company continues the activities of another company the R&D Declarations issued to that other company may in some instances be taken into account when determining the start-up status of the company. This is determined by the ownership structure of the company. Sources: https://english.rvo.nl/sites/default/files/2021/06/Your_WBSO_application_has_been_granted_2021.pdf; https://english.rvo.nl/sites/default/files/2021/06/Manual_WBSO_2021.pdf
Additional comments	The WBSO tax credit rates applicable in 2021 in the first bracket have been increased temporarily in response to the COVID-19 crisis. The tax credit rate on R&D costs up to EUR 350,000 has been increased from 32% in 2020 to 40% in 2021. The 16% rate has been maintained on the excess. For startups the tax credit rate has been increased to 50% in 2021 for the first EUR 350,000, from 40% in 2020. The increases in tax credit rates have been accompanied by an increase of the available WBSO budget for companies that are liable to withhold payroll taxes in 2021 from (originally) EUR 1,281 million to EUR 1,438 million. The deduction of taxable income for self-employed persons in 2021 amounts to €13,188; for start-up entrepreneurs a supplementary deduction of € 6,598 is applicable. These amounts are in line with those applicable in 2020, respectively EUR 12,980 and EUR 6,494.
R&D Definition	
Other S&T&I	Yes
Note	Technical scientific research. Process-oriented technical research is excluded from the WBSO as of January 2016.
SSH	No
Note	
Eligible R&D	
Wages and salaries	Yes
Note	The R&D activities must occur within the EU and must be performed by employees on the Dutch payroll.
R&D services	No
Note	

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Consumables	Yes
Note	
M&E	Yes
Note	Except for investments in land and business assets which qualify for the energy or environmental investment allowance.
Land and buildings	Yes
Note	Except for investments in land and business assets which qualify for the energy or environmental investment allowance.
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	Starting in 2016, the WBSO and the RDA have been merged into a single scheme called the WBSO. It means that from 2016, companies can apply for a WBSO tax credit for both the wage cost of an R&D projects (previously handled by the WBSO) and its other costs and expenses (previously handled by the RDA). The tax benefits are administered entirely through payroll taxes (and no longer in part through taxation on profits). Self-employed entrepreneurs are awarded a fixed deduction if the carry out at least 500 R&D hours per year. In 2016, self-employed entrepreneurs are no longer being able to apply for the tax credits against the costs and expenses of an R&D project (which used to be handled by the RDA). Source: https://english.rvo.nl/subsidies-programmes/wbso The WBSO distinguishes between ‘costs’ and ‘expenses’: ‘costs’ are the total amount payed in order to carry out R&D; ‘expenses’ are the total amount payed to acquire new capital equipment with which to carry out R&D. Companies can apply for WBSO tax credits against the costs and expenses incurred directly by their own R&D, provided: (i) the costs are entirely (100%) and exclusively incurred by the R&D; (ii) the expenses are linked to the R&D (though they need not be 100% attributable to R&D). Note: firms can also apply for WBSO tax credits against the costs and expenses that other companies operating within their fiscal entity incur for the purposes of R&D. Examples of ‘costs’ are: costs incurred for the purchase of materials and parts needed in order to build a prototype or to carry out tests; costs incurred in renting third-party equipment needed exclusively to carry out R&D. Examples of ‘expenses’ are: the cost of equipment or instruments specifically intended for R&D; new buildings or sections of new buildings to the extent that these are used for R&D work. When applying for a WBSO tax credit, applicants can choose between: a fixed sum, or the actual amount of costs and expenses. The choice applicants make in their first WBSO application in a calendar year applies to the whole calendar year. For a ‘fixed sum’ what counts is the number of allocated R&D hours. All entrepreneurs (except the self-employed)

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	may select this simple option, regardless of the number of allocated R&D hours. The lump sum is calculated as EUR 10 per allocated R&D hour (up to a maximum of 1,800 R&D hours per calendar year) plus EUR 4 per allocated R&D hour for any additional R&D hours. Choosing the fixed sum option means a considerable reduction in the administrative burden. Applicants are not required to maintain and report details of the costs and expenses incurred. It is only needed to simply report, at the end of the calendar year, the actual R&D hours invested. For companies (not for self-employed entrepreneurs) there are two tax brackets with different benefit percentages for all R&D costs (total R&D wage costs, plus either the actual costs and expenses or the fixed sum against costs and expenses). Whether firms opt to apply for a fixed sum or declaring actual costs and expenditures, an amount is added to their R&D wage costs. The WBSO tax credit (the amount firms deduct from their payroll tax bill) is then calculated on the basis of this total amount and specified in their R&D Declaration. Only those costs or expenditures that are directly attributable to the R&D work carried out by the withholding agent come into consideration for the WBSO. This means that these costs and expenditures must have a directly demonstrable causal link to the R&D being carried out. Wage costs other than those incurred by the taxpayer's own R&D do not come into consideration for the WBSO. The costs relate to costs paid in connection with the performance of in-house R&D to the extent that these payments: (i) have not been included in an earlier R&D Declaration (or, for the period 2012 – 2015, in an RDA Decision); (ii) serve solely for the performance of the taxpayer's own R&D; (iii) are borne by the R&D tax withholding agent, or by a company within the tax entity of the R&D tax withholding agent. 'Serve solely' means that these costs cannot be ascribed to in-house R&D only in part. In other words, costs must be fully (100%) attributable to in-house R&D. 'Expenditure' relates to payments in connection with the purchase of new operating assets to the extent that: (a) these operating assets have not been used before; (b) these operating assets have not been included in a previous R&D Declaration (or, for the period 2012 – 2015, in an RDA Decision); (c) these operating assets serve for the purpose of the in-house R&D; (d) the payments are made at the R&D tax withholding agent's expense or that of a company within the tax entity of the R&D tax withholding agent. Depending on the R&D being carried out, the following two cost types will be taken into consideration: 1. the purchase of non-durables, materials and parts with which to carry out experiments or make trial batches; 2. the purchase of materials and parts needed for the in-house construction of a prototype having no production or commercial value, within the framework of an in-house development project; 3. the costs incurred in arranging for the construction of prototypes that will not ultimately serve a production or commercial purpose; 4. the purchase of licences for specific software tools or ICT tools required for the in-house development of technically new software; 5. the costs incurred in renting equipment or leasing buildings used solely for R&D work. Depending on the R&D being carried out, the following expenditures may come into consideration: (a) buildings or sections of buildings to the extent that these are directly used for in-house R&D work; (b) the purchase of new

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	equipment or instruments specifically intended for the construction of models, preparation of trial batches or manufacture of prototypes that will not ultimately serve a production or commercial purpose; (c) the purchase of ICT tools specifically intended for in-house R&D. More examples of costs and expenditures are available at www.rvo.nl/wbso.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Netherlands Enterprise Agency (RVO) Deadline: • WBSO applications to be more flexible for companies with staff. The requirement for such companies to submit a WBSO application at least one full calendar month before the start of the application period has been scrapped. As such, companies that wish to make use of the R&D tax credit for a period from 1 February 2020 will be able to submit an application on 31 January 2020 at the latest. There is one exception: the deadline to apply for the WBSO for a period from 1 January has been set at 20 December. • Companies with staff may apply four times a year (for a minimum period of 3 months). Previously, this was capped at three times a year. Ddocumentation requirements: General information and project description, e.g., required time, realistic estimation of costs and expenditures. Certain situations require a company to submit the Citizen Service Numbers (BSNs) of the employees who carry out R&D work in 2019 on projects covered by issued R&D Declaration for calculating and determination of the R&D-wage per company. A+A7fter the application has been received, consultants from the Netherlands Enterprise Agency (RVO) will review your application to verify that it is complete. If the application is complete, a confirmation of receipt is issued and technical R&D-experts will review the contents: they review the projects listed in the application, and their costs and expenditures, against the relevant laws and regulations. If the application for WBSO is approved in full or in part, this decision will be issued to the applicant together with an R&D-Declaration. The decision specifies the number of hours and, where relevant, the costs and expenditures allocated to each project and those projects that do not come into consideration for the WBSO. The R&D-Declaration specifies the maximum amount of the R&D tax credit deduction that you are entitled to apply to the payroll tax number without sub-number (RSIN) specified, in the period to which the Declaration applies. Evaluation of claims Responsible authority: Netherlands Enterprise Agency (RVO) Deadline: Following the receipt of R&D Declaration: (i) The R&D withholding tax credit may solely be deducted in tax periods that end during the calendar year to which the R&D Declaration relates. The tax period may be of a duration of one month or of four weeks. (ii) Statement of actual R&D hours worked within three months of the end of the calendar year covered by the R&D Declaration concerned. If you are a self-employed person, you need to provide this statement only if you have failed to invest 500

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	hours of R&D. Documentation requirements: (1) Submission of tax return: R&D tax withholding agents: grant of R&D withholding tax credit; R&D taxpayer (self-employed person): grant of R&D tax credit (to be deducted from wage tax return). (2) Submission of statement of actual R&D hours worked, and the costs and expenditures incurred in connection with each R&D-Declaration. On the basis of this mandatory statement, RVO may issue a correction R&D-Declaration. If you are a self-employed person, then RVO will withdraw your R&D Declaration(s) if you have reported carrying out fewer than 500 R&D hours. The WBSO requires that you keep administrative records of all the R&D projects for which you have received an R&D Declaration. These records must provide clear evidence of the R&D activities carried out at the time devoted to them. If you receive WBSO support on the basis of the fixed-sum approach, RVO does not require you to keep a record of your actual costs and expenditures. If you were granted WBSO support on the basis of actual costs and expenditures, however, you are under the obligation to keep administrative records which provide clear and concise insight into the costs and expenditures incurred, and paid, for each R&D project covered by the R&D Declaration you were issued. These time sheet records must be no more than ten days out of date, and the total number of invested hours must agree with the number of hours specified in the R&D Declaration. If this administration is absent or incomplete, or if it fails to meet the stipulated requirements, then RVO may issue a correction R&D Declaration or impose a fine. Inspection executed R&D-work Responsible authority: Netherlands Enterprise Agency (RVO) Deadline: After receiving an R&D Declaration, RVO will carry out an inspection to verify that the information submitted in the application is in agreement with the actual situation. Ddocumentation requirements: Appropriate R&D administrative records: (i) Project administration; (ii) Timesheet administration; (iii) Administration on costs and expenditures; You are under the obligation to retain the WBSO administrative records for seven years after the end of the period covered by the Declaration. RVO may visit you to make a retrospective inspection of your R&D work, hours worked, and any costs and expenditures against your R&D administrative records. If any errors are identified in your R&D administrative records, then you will be issued a revised R&D Declaration. You will also receive a revised R&D Declaration if there are activities, costs and expenditures for which you have not received and R&D Declaration. RVO may also impose a fine. Chapter 12 details this retrospective inspection and its possible consequences. <u>Other - Appeal</u> Responsible authority: i. RVO ii. Trade and Industry Appeals Tribunal or district court of Rotterdam. ii. Tax Authority. Deadline: Within 6 weeks after (i) full or partial rejection of WBSO application or (ii) correction of R&D-declaration has been issued.

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	Documentation requirements: 1st stage: a statement of the reason for objection; 2nd stage: appeal. A company can appeal against the full or partial rejection of an application for a WBSO tax credit by submitting a notice of objection, with reasons. If then the company disagrees with Netherlands Enterprise Agency's decision on its notice of objection, the company can submit an appeal with the Trade and Industry Appeals Tribunal. If the appeal is met in full or in part, the company will receive a supplementary R&D Declaration. Other - Tax Authorities WBSO-applicants can deduct the financial benefits of WBSO from the payroll tax they pay to the Dutch Tax Authorities. Payroll tax is an advance levy of an employee’s wage tax and national insurance contributions. The Dutch Tax Authorities is responsible for the levy of wage tax and national insurance contributions. Wage tax and national insurance contributions are often jointly referred to as ‘payroll tax’ as they are withheld by the employer and paid to the Dutch Tax Authorities. The inspection of the Dutch Tax Authorities is restricted to your tax returns and to the correct deduction of the amounts specified in your R&D Declaration. Correction messages are part of the payroll tax return and are intended for the revision of tax returns filed at an earlier date. Correction messages also enable you to deduct unused R&D withholding tax credit from tax returns in tax periods that have already expired and that end in the period covered by your R&D Declaration. You can file correction messages with the Dutch Tax Authorities.
Additional Comments	For additional information on how to apply for the WBSO, see https://english.rvo.nl/sites/default/files/2021/06/Manual_WBSO_2021.pdf

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Type of Scheme	R&D tax credit	R&D tax credit
Scheme name/description	Tax Credit for research and development tax losses	Research and Development Tax Incentive
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation		
Design		
Expense Base	C, B (deficit related R&D expenditures)	C, MED, BD
Deducted from	Tax	Tax
Volume-based rate Large firms	28 (equivalent to CIT)	15
Volume-based rate SMEs	28 (equivalent to CIT)	15
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	Minimum level (floor) of eligible R&D expenditure (including R&D performed by an approved research provider): NZD 50,000
Ceilings	28% of any tax losses associated with eligible R&D expenses if resident in New Zealand. Refund limited to the smallest of the product of the corporate tax rate (28%) and i. NZD 2000k, ii. company's net loss for the year, iii. company's R&D expenditure for the tax year, iv. company's total research and development labour expenditure for the year (multiplied by 1.5). The maximum tax credit is NZD 560,000. The cashed out payments should be repaid (and corresponding losses reinstated).	Total eligible R&D expenditure is capped at NZD 120 million for a single firm (the maximum tax credit is NZD 18 million), although there will be provision for businesses to apply for an extension if they can demonstrate that New Zealand will "derive a substantial net benefit from the intended completion of the R&D". Up to 10% of an annual R&D claim can be related to R&D carried out overseas.
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	Immediate	Immediate
Refunds SME (in Yrs)	Immediate	Immediate

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Type of Scheme	R&D tax credit	R&D tax credit
Limitations	28% of any tax losses associated with eligible R&D expenses if resident in New Zealand. Refund limited to the smallest of the product of the corporate tax rate (28%) and i. NZD 2000k, ii. company's net loss for the year, iii. company's R&D expenditure for the tax year, iv. company's total research and development labour expenditure for the year (multiplied by 1.5). The maximum tax credit is NZD 560,000. The cashed out payments should be repaid (and corresponding losses reinstated).	Existence of a labour-related tax cap (refundability cap): R&D tax credit refunds are only limited by the amount of PAYE, Employer Superannuation Contribution Tax, and Fringe Benefit Tax paid within the year by the claimant and companies that the business is controlled by or which sit within the same wholly owned group. The refundability cap does not apply to R&D tax credits claimed by levy body researchers, or credits derived from eligible expenditure on approved research projects.
Carry-forward (in Yrs)	-	yes
Carry-back (in Yrs)	-	-
Limitation	-	-
Taxability of R&D tax relief	R&D tax benefits are not taxable.	R&D tax benefits are not taxable.
Grant-funded R&D projects	R&D funded by Government Grants is ineligible for this tax credit, (e.g. if the business receives a 20% grant, 20% of that R&D would be ineligible)	R&D funded by Government Grants is ineligible for this tax credit, (e.g. if the business receives a 20% grant, 20% of that R&D would be ineligible)
Subcontracting rules	No. If a business pays another business to provide R&D services, the business that pays for the R&D (owns any resulting IP) can claim the tax credit, but the business that provides the services cannot.	An entity performing R&D activity on behalf of another person (the principal) who carries on a business through a fixed establishment in New Zealand, is an R&D contractor and is not eligible to claim the R&D tax credit in relation to that activity; instead, the principal may be eligible to claim the credit. However, the contractor may be eligible to claim the R&D tax credit if its principal does not carry on a business through a fixed establishment in New Zealand. To be eligible, the performer must satisfy the eligible entity criteria in relation to the relevant R&D activity, in its own right. The rationale for the exclusion of the R&D contractor is that the principal to the contract should claim the credit as they make the decision to invest in R&D. However, in order to encourage R&D

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Type of Scheme	R&D tax credit	R&D tax credit
		to be performed in New Zealand, where the principal is based offshore and cannot claim the credit, the performer may be eligible provided that they can use the results of the R&D for no further consideration. Source: https://www.classic.ird.govt.nz/resources/6/3/631b482d-d7fb-41a6-a4bb-c4135ae853cd/rdti-guidance-ir1240.pdf
Aggregation rules	A company which is a part of a group of companies may still be eligible as long as the company meets the criteria of eligible taxpayer (i-vi) and the group as a whole: (i) is in a tax loss position, and (ii) the R&D wage intensity calculation is based on the entire group's total R&D labour expenditure, divided by the total labour expenditure for the entire group. Source: http://www.ird.govt.nz/research-development/eligibility/criteria/ If a company is a part of a group for tax purpose, then that group must have a net loss for the corresponding tax year and meet the wage intensity criteria. The “R&D” group is defined and can include a company, look-through company or limited partnership. Source: http://taxpolicy.ird.govt.nz/publications/2016-sr-cash-out-tax-losses/cash-out-research-and-development-tax-losses#eligibility A company that is part of a group of companies that includes a foreign company or a company that is treated, under a double tax agreement, as a resident of a foreign country will not be eligible.	Companies in the same group, or which are otherwise associated, can apply independently of one another. Consolidated groups, partnerships, and other legal entities that represent more than one entity may also apply (providing they meet the criteria). Aggregation in the R&D tax incentive is applied at the level of the $120 million maximum expenditure ceiling; the ceiling applies across a business and its associates, so the business's maximum claim together with its associates is $120 million (regardless of whether the business and its associates are working on different projects). Similarly, a cap on R&D expenditure on internal software development applies across a business and its associates, limiting their claims on internal software development to a total of NZD 25 million. The refundability rules limit a business's total refundable R&D tax credits to a refundability cap based on the amount of labour-related taxes the business has paid in the relevant income year. However, businesses can include the taxes paid by other companies which control them or which are in the same wholly-owned group for purposes of calculating their refundability cap. Double-dipping rules prevent different businesses from using the same labour-related taxes in their refundability cap.

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Type of Scheme	R&D tax credit	R&D tax credit
	Source: http://www.legislation.govt.nz/bill/government/2015/0007/latest/DLM6391803.html	
Definition of eligible taxpayer	The aim of the R&D loss tax credit is to allow start-up companies (with an R&D focus) to refund tax losses caused by qualifying R&D expenditure. To "cash out" any tax losses from R&D expenditure the company must: (i) be a tax resident in New Zealand (ii) have a net loss in the corresponding tax year (iii) have eligible R&D expenditure for the income year (iv) have sufficient R&D wage intensity (v) meet the corporate eligibility criteria, and (vi) own (solely or jointly) the intellectual property and know-how that results from the R&D activity. If you're part of a group of companies you may still be eligible. As long as your company meets the criteria above and the group as a whole: (i) is in a tax loss position, and (ii) the R&D wage intensity calculation is based on the entire group's total R&D labour expenditure, divided by the total labour expenditure for the entire group. Corporate eligibility: Only certain companies are eligible to apply for the R&D loss tax credit. Your company won't be eligible if it is: (i) treated as a resident of a foreign country or territory under a double tax agreement, or (ii) a look through company, or (iii) listed on a recognised exchange, e.g., a stock exchange , or (iv) 50% or more of the shares in the company are owned by any one, or a combination of, a: public authority, or local authority, or crown research institute, or state enterprise, or (v) established by or subject to: the Education Act 1989, or the New Zealand Public Health and Disability Act 2000, or the Crown Entities Act 2004. R&D wage intensity: In order to be eligible you must spend 20% or more of your total labour expenditure on R&D. The	Eligibility is not restricted by legal form; all forms of legal entities are eligible, including State Owned Enterprises. However, Crown Research Institutes, DHBs, tertiary education organisations, Callaghan Innovation, and majority-owned subsidiaries of these entities are ineligible. The definition of R&D allows for R&D to be conducted by a multi-national group in New Zealand where the resulting intellectual property will be held off-shore in a group company in a country with which New Zealand has a double tax treaty. https://www2.deloitte.com/nz/en/pages/tax-alerts/articles/research-development-tax-incentive.html

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Type of Scheme	R&D tax credit	R&D tax credit
	formula to calculate your percentage of R&D labour expenditure is: total R&D labour expenditure ÷ total labour expenditure x 100. Total R&D labour expenditure is defined as the total of: (i) salary or wages paid to employees for carrying out R&D; (ii) amounts paid to shareholder-employees as income for carrying out R&D, and (iii) the costs of R&D carried out by a contractor excluding GST x 0.66 (the multiplier is intended to exclude profit and non-wage cost components of the contract price). R&D labour expenditure doesn't include labour on activities excluded from eligibility. Total labour expenditure is the total of: (i) salary or wages paid to employees; (ii) amounts paid to shareholder-employees as income, and (iii) the costs of research and development carried out by a contractor excluding GST x 0.66. The total R&D labour expenditure and total labour expenditure can also include: (i) attributed fringe benefits (ii) fringe benefit tax on attributed fringe benefits (iii) employer superannuation cash contributions, and (iv) employer superannuation contribution tax (ESCT). You need to include all of the above in your equation for both total labour expenditure and R&D labour expenditure or none at all. In cases where an employee divides their time between business-as-usual duties for the company, and the R&D project, the total expenditure on the above listed items for each employee should be the same proportion as their total R&D labour expenditure. Source: http://www.ird.govt.nz/research-development/eligibility/criteria/	
Additional comments	The R&D loss tax credit allows business losses from eligible R&D to be cashed out instead of being carried forward. Generally, tax losses are carried forward to the next income year. Losses that	Parliament introduced Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill ("the June

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Type of Scheme	R&D tax credit	R&D tax credit
	are cashed out are no longer available to apply against income in the future. Source: http://www.ird.govt.nz/research-development/overview/what-is-rdltc/ The cashed out payments should be repaid (and corresponding losses reinstated) when: the company makes a return on their investment by disposing of or transferring R&D assets; the company migrates; if the company is liquidated; the company amalgamates with another company; or if more than 90% of the company has been sold since the company first cashed-out R&D tax losses. New section DV 26 and new subsection EJ 23(1)(ab) reinstate the loss and should allow the deduction to be carried forward in line with other deductions for expenditure on R&D. In the case of the sale of R&D, the repayment amount (R&D) will be capped at the market value of the consideration for the disposal or transfer multiplied by the tax rate. However, if both the sale of R&D assets and one of the other triggers occur in the same year, all of the cashed out amounts will need to be repaid that year. In all five cases the repayment amount will be reduced by income tax paid by the company from the time that losses were cashed out. The payment of income tax is a repayment of the cashed-out amount (because the company does not have the use of losses that have been extinguished to set off against that income). No further repayments will be required if the company has already derived sufficient taxable income to repay the balance of the cashed out amounts before one of these events occurs. Source: http://taxpolicy.ird.govt.nz/publications/2015-commentary-arrdrm/research-and-development	Bill”) on 4 June 2020. It proposes some changes to the existing regime, including: -Tangible depreciable property – more employee costs are eligible: This proposal makes more capitalised expenditure on employee costs eligible for the R&D tax credit, if it is related to a core R&D activity. Previously employee costs capitalised into tangible fixed assets were ineligible. -Mining development activities – specific exclusions: Currently, activities relating to prospecting, exploring, or drilling for minerals, petroleum, natural gas, or geothermal energy are already excluded from the regime. The June Bill proposes to extend this to explicitly exclude development activities as well (for example, developing land for the purposes of mining). There are also new exclusions for expenditure on decommissiong, land remediation, and corporate governance activities. -Definition of eligible R&D expenditure: Currently, the regime provides a 15% tax credit for eligible expenditure incurred on eligible R&D activities. The Bill proposes a new definition which would require expenditure to be: • required for conducting an R&D activity; • integral to conducting an R&D activity; and • directly related to conducting an R&D activity. This is a clarification of the existing definition and has retrospective effect to the start of the 2019/20 income year. The COVID-19 Response (Taxation and Social Assistance Urgent Measures Act 2020) was enacted on March 25, 2020. It introduces new rules, which enable claimants in a loss position

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Type of Scheme	R&D tax credit	R&D tax credit
	Trading into profit and impact to imputation credits: Repayment of the R&D loss tax credit can occur by paying future income tax, i.e., by trading into profit. However, no credit balance will arise in an imputation credit account of a company that has claimed the R&D loss tax credit until that company has repaid the cashed-out amounts. When a company trades into profit, any tax payments made will offset the R&D loss tax credits received. An R&D supplementary form is required to be filed so that the outstanding balance of R&D loss tax credits can be tracked every year until it is reduced to zero. New imputation credits for income tax paid by a company will not be available to a company that has cashed out R&D losses until that company has repaid the cashed out amounts. This maintains neutrality with taxpayers who are not able to cash out R&D losses. For a company that cashed out a R&D loss, this imputation credit account will have an imputation debit at the end of the tax year equal to the lesser of the following: (i) the imputation credit that the company has for the current year for amounts of income tax paid by the company to meet provisional tax or end-of-year tax obligations, or (ii) the total amount of the company's R&D loss tax credits, for the current and previous years, minus total R&D loss tax credit imputation debits already accounted for. Repayment of R&D loss tax credits can occur by paying: (i) future income tax, and/or (ii) R&D repayment tax following a loss recovery event (LRE). Imputation credits will only be available when: (i) a company is in a profit situation and begins paying income tax, and (ii) a company has repaid in full the amount of R&D loss tax credits it has received in previous years. Companies will not be issued income tax refunds or be able to impute dividends while their	or with insufficient income tax liability to use the tax credit, to receive a refund of their R&D tax credit from the 2019/2020 income year forward. The Act introduces key changes with regards to refundability: -No R&D wage intensity cap -Removal of the NZD 255,000 maximum cap -Introduction of a labour-related taxes cap (payroll cap): R&D tax credit refunds are only limited by the amount of PAYE, Employer Superannuation Contribution Tax ad Fringe Benefit Tax paid within the year by the claimant and companies that the business is controlled by or which sit within the same wholly owned group. The payroll cap does not apply to R&D tax credits claimed by levy body researchers, or credits derived from eligible expenditure on approved research providers. Sources: https://www2.deloitte.com/nz/en/pages/tax/articles/r-and-d-tax-credit-broader-refundability.html http://www.legislation.govt.nz/bill/government/2020/0273/latest/LMS352578.html https://www2.deloitte.com/nz/en/pages/tax-alerts/articles/r-and-d-tax-credits-june-2020.html

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Type of Scheme	R&D tax credit	R&D tax credit
	R&D loss tax credit balance is negative. The only exception to this rule is for amounts of tax deducted or credited from other sources, e.g., RWT on interest paid to the company. RWT is able to be refunded as this is not classified as "income tax paid". The company will be required to complete a R&D supplementary form each year with its IR4 company tax return, until the amount of tax paid equal or exceed the R&D loss tax credits claimed. http://www.ird.govt.nz/research-development/obligations/imputation/ Loss recovery events: For companies that have cashed out research and development (R&D) tax losses, specific events will cause the repayment of the R&D loss tax credit. These events are known as loss recovery events (LREs). Generally a company will carry forward any tax losses and offset them against their future taxable income. The R&D loss tax credit instead allows eligible companies to receive a refund of the tax losses that are a result of qualifying R&D expenditure. Until future tax payments have been made to the value of any R&D loss tax credits claimed, a company must make an annual declaration of whether a LRE has taken place. If one or more has occurred, an amount of R&D loss tax credit will be required to be paid back. Whether it is a full or partial repayment of the balance depends on the type of event that has occurred. This repayment amount is called a R&D repayment tax. R&D repayment tax is due by the terminal tax date for the tax year the LRE occurred in. A LRE will happen when one or more of the following events occur: (i) Disposal of intellectual property (ii) Appointment of a liquidator (iii) Company migration or no longer a company (iv) Sale of shares When you receive a R&D loss tax credit the amount of losses	

NEW ZEALAND

Type of Scheme	R&D tax credit	R&D tax credit
	cashed out are extinguished. However, the loss value of any R&D repayment tax paid as a result of a LRE will be reinstated to the year in which the payment is made. If you've already repaid your cashed out tax credit balance by trading into profit, no further payment amount is required. Source: http://www.ird.govt.nz/research-development/obligations/lre/	
Other S&T&I	Yes	No
Note		
SSH	No	No
Note		
Eligible R&D		
Wages and salaries	Yes	Yes
Note		
R&D services	Yes	Yes
Note		
Consumables	Yes	Yes
Note		
M&E	No	No
Note		
Land and buildings	Yes	No
Note	If used exclusively for housing research or development facilities.	
Depreciation	Yes	Yes
Note		
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	No	No

NEW ZEALAND

Type of Scheme	R&D tax credit	R&D tax credit
Open-ended note	R&D expenditure as defined for the initiative are more restricted than expenditure that is subject to the income tax deductibility provisions for R&D. Expenditure on certain activities and some types of expenditure are excluded.http://taxpolicy.ird.govt.nz/publications/2015-commentary-arrdrm/research-and-development The research and development (R&D) loss tax credit allows business losses from eligible expenditure associated with R&D to be cashed out instead of being carried forward. Generally, tax losses are carried forward to the next income year. Losses that are cashed out are no longer available to apply against income in future years. For income years beginning on or after 1 April 2015, you may be able to "cash out" (have refunded) up to 28% of any tax losses associated with eligible R&D activity if your company is resident in New Zealand. Firms can repay the R&D loss tax credit by paying: (i) future income tax (ie, by trading into profit), and/or (ii) R&D repayment tax following a loss recovery event (LRE). New imputation credits for income tax paid by a company won't be available to a company that has cashed out R&D losses until that company has repaid the cashed out amounts. The amount you can claim as a tax credit will be the lesser of the company's: •net loss for the year x 28%, or •total R&D expenditure for the tax year x 28%, or •total R&D labour expenditure for the year x 1.5 x 28%. Source: http://www.ird.govt.nz/research-development/overview/what-is-rdltc/ New Zealand plans to introduce a new tax credit in 2019. The proposed new R&D tax credit foresees a significantly larger cap on eligible expenditures (NZD120 million vs NZD25 million) and	Income Tax Act 2007 Schedule 21B Part A: The rules are aimed at ensuring expenditure with a direct connection to an R&D activity conducted in New Zealand is eligible, and that non-R&D expenditure or expenditure tangentially connected with R&D is not. The R&D tax credit regime aims to primarily incentivise R&D activities performed in New Zealand because the wider benefits are more likely to be gained by New Zealand. There is a 10% allowance for expenditure conducted overseas to recognise that experts in certain fields may only be available overseas, or the type of R&D the claimant needs to undertake is not able to be performed in New Zealand or it would be cost prohibitive to perform it here. For R&D activities performed in a commercial production environment, only employee costs and any additional costs of the R&D are eligible. This rule is aimed at ensuring that business as usual expenditure does not qualify for the R&D tax credit. Expenditure must be included on the list of eligible expenditure to be eligible for the tax credit. The following expenditure is all eligible: • depreciation loss for items used in performing R&D • expenditure or loss on acquiring goods and services used in performing R&D • amounts for employees performing R&D. To have eligible research and development (R&D) expenditure, you must have both: • incurred expenditure on an eligible R&D activity • expenditure included on the list of eligible expenditure, and not included on the list of ineligible expenditure. Specific rules apply for R&D in a commercial production

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Type of Scheme	R&D tax credit	R&D tax credit
	has no R&D intensity threshold. For more information, see https://www.mbie.govt.nz/science-and-technology/science-and-innovation/funding-information-and-opportunities/r-d-tax-incentive/	environment, contracted R&D and foreign R&D. A tax credit is only available on expenditure of $50,000 or more, unless you use an approved research provider. There is a cap on eligible expenditure of NZD 120 million in an income year, unless you obtain approval to exceed the cap. Source: https://www.classic.ird.govt.nz/resources/6/3/631b482d-d7fb-41a6-a4bb-c4135ae853cd/rdti-guidance-ir1240.pdf
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Beginning on or after 1 April 2015. The R&D loss tax credit allows business losses from eligible R&D to be cashed out instead of being carried forward. Generally, tax losses are carried forward to the next income year. Losses that are cashed out are no longer available to apply against income in the future. Source: http://www.ird.govt.nz/research-development/overview/what-is-rdltc/ The cashed out payments should be repaid (and corresponding losses reinstated) when: the company makes a return on their investment by disposing of or transferring R&D assets; the company migrates; if the company is liquidated; the company amalgamates with another company; or if more than 90% of the company has been sold since the company first cashed-out R&D tax losses. New section DV 26 and new subsection EJ 23(1)(ab) reinstate the loss and should allow the deduction to be carried forward in line with other deductions for expenditure on R&D. In the case of the sale of R&D, the repayment amount (R&D) will be capped at the market value of the consideration for the disposal or transfer multiplied by the tax rate. However, if both the sale of R&D assets and one of the other triggers occur in the same	The tax relief applied from the beginning of the 2019/20 tax year, which for most firms began on 1 April 2019. For the 2019-20 income year, businesses must lodge a supplementary form with their end-of-year income tax return. For the 2020-21 income years onward, businesses that are likely to spend less than NZD2 million of R&D activities must apply for in-year approval of their R&D activities (due by the 7th day on the 2nd month after the end of their income year) before completing a year-end supplementary form with their income tax return. Businesses that spend NZD2 million or more on R&D activities can opt out of the in-year approval process and into the significant R&D performer alternate application process. Both applications are due by the 7th day on the 2nd month after the end of their income year. Significant R&D performers must obtain a certificate of compliance from an R&D certifier. This certificate is lodged alongside the business' supplementary form and income tax return.

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Type of Scheme	R&D tax credit	R&D tax credit
	year, all of the cashed out amounts will need to be repaid that year. In all five cases the repayment amount will be reduced by income tax paid by the company from the time that losses were cashed out. The payment of income tax is a repayment of the cashed-out amount (because the company does not have the use of losses that have been extinguished to set off against that income). No further repayments will be required if the company has already derived sufficient taxable income to repay the balance of the cashed out amounts before one of these events occurs. Source: http://taxpolicy.ird.govt.nz/publications/2015-commentary-arrdrm/research-and-development A company with R&D repayment tax to pay must include the amount in any application to cash out their tax losses they file for the year, or file a separate statement if there is no such application. Exceptions have been added to the secrecy rules to allow Callaghan Innovation and the Ministry of Business, Innovation and Employment to support Inland Revenue in the administration of the R&D loss tax credits. This will permit information-sharing between Inland Revenue and Callaghan Innovation to help Callaghan Innovation assist Inland Revenue in making decisions on the R&D eligibility for difficult applications. The Ministry of Business, Innovation and Employment will also provide ICT and policy support to Inland Revenue Sources: http://www.ird.govt.nz/research-development/apply/claim/ http://www.ird.govt.nz/research-development/overview/what-is-rdltc http://taxpolicy.ird.govt.nz/publications/2016-sr-cash-out-tax-losses/cash-out-research-and-development-tax-losses#eligibility	

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Type of Scheme	R&D tax credit	R&D tax credit
	http://taxpolicy.ird.govt.nz/publications/2015-commentary-arrdrm/research-and-development -	
Additional Comments	-	-

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Type of Scheme	R&D tax credit
Scheme name/description	R&D tax credit (SKATTEFUNN)
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	C, ME
Deducted from	Tax
Volume-based rate Large firms	19
Volume-based rate SMEs	19
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	The credit is subject to an annual limitation per project, company and fiscal year: NOK 25m (intramural and purchased R&D)
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Immediately in the following year (tax settlements and refunds are made one year after tax year in which R&D costs were incurred)
Refunds SME (in Yrs)	Immediately in the following year (tax settlements and refunds are made one year after tax year in which R&D costs were incurred)
Limitations	The credit is subject to an annual limitation per project per company. In 2021, the maximum base is NOK 25 million in the tax year for projects based on the sum of taxpayer`s own and purchased R&D.
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	The R&D tax credit is non-wastable (refundable) - if the credit amount exceeds pre-credit corporate tax liability, the excess amount is paid to the taxpayer (consequently there are no carry-forward or carry-back provisions).
Taxability of R&D tax relief	The R&D tax credit is not taxable.

NORWAY

Type of Scheme	R&D tax credit
Grant-funded R&D projects	If the taxpayer has received public funding for the a project, the value of the tax credit and the grant are added in order to find out whether the highest permitted level of support under state aid rules have been surpassed. If this is the case, the tax credit is reduced down to the permitted level of support.
Subcontracting rules	Only the company that owns the project can apply for SkatteFUNN. A company would not be entitled to a tax credit for R&D undertaken on behalf of another company, for example a foreign parent company. R&D undertaken for other entities does not qualify for SkatteFUNN. A company can claim tax relief for R&D subcontracted to approved R&D institutions or other entities. Source: http://www.skattefunn.no/prognett-skattefunn/Application_Process/1247149010708?lang=en http://www.skattefunn.no/prognett-skattefunn/Funding_Opportunities_and_Eligibility/1254001716647?lang=en Businesses that require a deduction for R&D services purchased from related parties for more than NOK 100,000 ex. VAT, is obliged as documentation for the costs to attach subcontractors' project accounts and basic documentation with the invoice. Source: https://www.skattefunn.no/skattefunn-prosjekter/skattelovens-16-40-og-forskrift-for-skattefunn---gjelder-fra-1.-januar-2020/ In the case of collaborative projects, each individual taxpayer must apply to have their contribution to the project approved. The extent to which the company benefits from the project, including an explanation of IP rights, is part of the assessment. In the application, the firm must state the sources of funding. An assessment is then made of whether there is real collaboration, or whether it is contract research. The auditor checks the basis for the costs before the claim is reported to the tax authorities, and should prevent the costs from being part of the basis for more taxpayers.
Aggregation rules	Caps in SkatteFUNN are applicable for each individual taxpayer, disregarding ownership. Thus, if a holding company has three subsidiaries, each of the three companies may benefit from SkatteFUNN, up to the cap for each company. Source: http://www.skattefunn.no/prognett-skattefunn/Funding_Opportunities_and_Eligibility/1254001716647?lang=en For a company that has partner companies or associated companies, the data, including the number of employees, is prepared on the basis of the company's accounts and other information about the company or, if available, the company's consolidated accounts or the consolidated accounts the company is included in consolidation. To this is added the data about the affected company's possible immediate superior or subordinate partner companies. The data shall be aggregated in proportion to the share of capital or voting rights (whichever is higher). In the case of mutual ownership interests, the highest percentage shall be used. To the data mentioned in the first sentence and second to fourth sentence is added 100 per cent of the data for any business that is directly or indirectly related to the business concerned and which is not already included in the accounts at consolidation.

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Type of Scheme	R&D tax credit
	The data for the partner companies of the affected company shall be taken from their accounts and other data, possibly in consolidated form. Source: https://www.skattefunn.no/skattefunn-prosjekter/skattelovens-16-40-og-forskrift-for-skattefunn---gjelder-fra-1.-januar-2020/
Definition of eligible taxpayer	Any taxpaying organization or company conducting business in Norway, including subsidiaries or branches of parent companies abroad, may qualify for the R&D tax credit. R&D expenditures must be related to taxable income in Norway. There are no territorial restrictions related to SkatteFUNN, i.e. own and subcontracted R&D may take place in any part of the world. A company may subcontract R&D to any other entity in any other country. A general condition for eligibility is that the R&D cost in question is incurred with the aim of obtaining an income for the applicant. A company would not be entitled to a tax credit for R&D undertaken for another company, for example a foreign parent company. R&D undertaken on behalf of other entities does not qualify for SkatteFUNN. Definition of SME: A taxpayer who conducts business is granted a deduction in tax and social security contributions for 20 per cent (up to and including the income year 2019) of costs for research and development projects if the business meets the following conditions: a. The company has fewer than 250 employees, and b. The business has an annual sales revenue not exceeding EUR 50 million, or an annual balance sheet total not exceeding EUR 43 million. For an independent enterprise the number of employees and financial amounts are calculated on the basis of this enterprise's accounts. Source: https://www.skattefunn.no/skattefunn-prosjekter/skattelovens-16-40-og-forskrift-for-skattefunn---gjelder-fra-1.-januar-2020/
Additional comments	In May 2019 the Ministry of Finance issued a consultation paper proposing several amendments to the scheme with a view to simply the rules and reduce risk of abuse. The majority of these proposals are now included in the 2020 Budget. These include: -Replacing the different tax credits of 20 and 18% for SMEs and large companies with a single credit of 19%. -Cap on the maximum expenditure eligible for the credit is reduced from NOK 50 million to NOK 25 million. -Hourly rate for internal employees would be increased from NOK 600 to NOK 700 per hour. -Introduction of a geographical limitation on costs: R&D costs would be restricted to services from companies within the EEA or those with a tax treaty or information exchange agreement with Norway. -Increase in administrative burden: introduction of a mandatory requirement for signing the time sheets and documentation required for related parties that act as subcontractors of an applying company. Where the applying company acquires R&D services from a related party, the related party also would be required to prepare specific accounts for the project.

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Type of Scheme	R&D tax credit
R&D Definition	
Other S&T&I	Yes
Note	Includes patenting cost incurred in the context of a company's own R&D activity. This provision applies however only for SMEs. Other innovation activities are not eligible.
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes
Note	The costs are calculated as numbers of hours worked multiplied by an estimated wage rate including overhead cost (NOK 600 per hour and max 1850 hours per year). The tax base does not include unpaid hours worked (mainly by the owners).
R&D services	Yes
Note	R&D services from domestic and foreign research institutes approved by the Research Council, qualify.
Consumables	Yes
Note	
M&E	Yes
Note	The cost of R&D equipment qualify.
Land and buildings	No
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	Yes
Open-ended note	Qualifying R&D expenditures include: (i) R&D personnel costs where the costs are calculated as hours worked on R&D multiplied by an hourly rate (the hourly rate is calculated as 0.12 percent of an employee's nominal annual salary) of maximum NOK 600 (NOK 600 since 2014, up from NOK 560 in 2013). The maximum number of hours per employee per year is 1850 (since 2014). Unpaid hours worked do not qualify as a cost; (ii) Contracted R&D services; (iii) Purchase of R&D equipment; (iv) Other current costs. Patent and licensing costs associated with filing the first patent in a given country may be included. Costs from developing a prototype or a pilot

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Type of Scheme	R&D tax credit
	plant may be included although any income generated from subsequent use of the prototype or pilot plant in case will be deducted from the total R&D project expenditures and hence lower the basis for calculating the tax credit. There are no specific rules regarding cost contribution agreements; instead, payments under such agreements are deductible according to the general deduction rules. However, costs relating to a specific project which has become, or may become, a fixed asset (capitalized), are treated as a part of the asset`s cost price and depreciated accordingly. Partnership is not required to cooperate in SkatteFUNN projects. The company may choose to make the project work itself, or collaborate with other companies. If several companies are collaborating on a joint project, every business needs to send its own SkatteFUNN application and describe its project activities in order to get tax deductions for project costs. The company can also purchase R&D services from approved R&D institutions or other centres of expertise, to implement project activities. Research and development institutions (research institutions) or R&D institutions/centres of expertise, may be research-intensive companies, colleges or universities. The requirement of being approved as an R&D institution is that the enterprise or institution whose purpose is to conduct research and development (R&D), and to conduct regular scientific publication or systematic work on open technology and knowledge dissemination. If firms want to purchase R&D services from a competence that is not approved as a research institution in SkatteFUNN, they can apply to have it approved.
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Research Council of Norway. Deadline: 1 September each year (extended under Covid-19, all firms that apply before 1 May, can expect to get the answer before 1 July) Documentation requirements: i. Application via skattefunn.no. ii. R&D project description. All projects have to be approved in advance by the Research Council, based on a detailed project description (clear objective and defined scope). The requirement of being approved as an R&D institution is that the enterprise or institution whose purpose is to conduct research and development (R&D), and to conduct regular scientific publication or systematic work on open technology and knowledge dissemination. If you want to purchase R&D services from a competence that is not approved as a research institution in SkatteFUNN, you can apply to have it approved. Since the Research Council's approval of an R&D project under the SkatteFUNN scheme is directly associated with the milestones in the progress plan, any significant changes in this plan may require a new application. Evaluation of claims Responsible authority: (i) Research Council of Norway; (ii) Norwegian Tax Administration

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Type of Scheme	R&D tax credit
	Deadline: (i) The deadline for reports is 1 March each year. (ii) Continuous deadline, but 1 September each year (once after approval) in order to be processed within the same taxable year. Ddocumentation requirements: (i) RCN: i. annual report ii. final project report (there is no auditor requirement for final and annual reports) (ii) Norwegian Tax Administration: i. RF-1053 R&D tax deduction. ii. Authorised financial report. All SkatteFUNN projects are approved per calendar year. The SkatteFUNN is administered by the Research Council of Norway and the Norwegian Tax Administration. The Research Council is responsible for the approval of the R&D content of the project. The Norwegian Tax Administration assesses and grants the actual tax credit. Audit Responsible authority: Norwegian tax authority Deadline: End of fiscal year. Ddocumentation requirements: Tax form approved by a state authorised public accountant along with income tax return. The tax authorities will scrutinise the tax return, including the claim for the tax credit, and may conduct any audit deemed necessary. Many SMEs in Norway are not required to use a state authorised public accountant for the rest of their company’s accounts. Therefore, it can be quite difficult to control whether the reported hours were actually used on R&D activities. Other - Appeal Responsible authority: Research Council of Norway. Deadline: Within three weeks after receiving the decision letter. Ddocumentation requirements: Explanation on the reason why the decision shall be changed and more comprehensive information about the project. If the Research Council chooses to uphold its original ruling, the matter will be submitted to the SkatteFUNN scheme's external Appeals Committee, accompanied by a letter specifying the reasons why the complaint has not been approved.
Additional Comments	A partnership is not required to cooperate in SkatteFUNN projects. The company may choose to make the project work itself, or collaborate with other companies. If several companies are collaborating on a joint project, every business needs to send its own SkatteFUNN application and describe its project activities in order to get tax deductions for project costs. The company can also purchase R&D services from approved R&D institutions or other centres of expertise, to implement project activities. Research and development institutions (research institutions) or R&D institutions/centres of expertise, may be research-intensive companies, colleges or universities. The requirement of being approved as an R&D institution is that the enterprise or institution whose purpose is to conduct research and development (R&D), and to conduct regular scientific publication or systematic work on open technology and knowledge dissemination. If firms want to purchase R&D services from a competence that is not approved as a research

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Type of Scheme	R&D tax credit
	institution in SkatteFUNN, they can apply to have it approved. Firms must have an approved SkatteFUNN project or be started with a new tax deduction application to search, and they must apply on behalf of the expert environment. They cannot apply themselves. An approval by a research institution in SkatteFUNN will apply for three years (from the date of approval and three calendar years plus the year of approval). If the company wants to buy services from an approved R&D institution in SkatteFUNN, and it sees that the approval period will go out before the project period expires, it must, on behalf of the R&D institution, apply for a new approval. Enterprises with an ongoing SkatteFUNN project that was approved in 2013 or earlier and which loaded - or applied for and received approval for a research institution in 2013 or earlier - may use the current R&D institution in all the approved project period although the project period lasts longer than research institution approval. Sources: http://www.skattefunn.no/prognett-skattefunn/Artikkel/Hvem_kan_fa_stotte__og_hvor_mye/1253987672197 http://www.statsbudsjettet.no/Statsbudsjettet-2015/Dokumenter-NY/Budsjettdokumenter/Skatte--avgifts/Prop-1-LS/Del-2-Narmere-om-de-enkelte-forslagene/5-Naringsbeskatning-for-ovrig/ http://www.skattefunn.no/prognett-skattefunn/Funding_Opportunities_and_Eligibility/1254001716647?lang=en http://www.skattefunn.no/prognett-skattefunn/Artikkel/Hvem_kan_fa_stotte__og_hvor_mye/1253987672197 http://www.statsbudsjettet.no/Statsbudsjettet-2015/Dokumenter-NY/Budsjettdokumenter/Skatte--avgifts/Prop-1-LS/Del-2-Narmere-om-de-enkelte-forslagene/5-Naringsbeskatning-for-ovrig/ http://www.skattefunn.no/prognett-skattefunn/Bruk_av_FoUinstitusjoner/1224697947708?lang=no

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
Scheme name/description	R&D tax allowance (introduced 2016)	Accelerated depreciation for R&D capital	Tax deduction for R&D Centres
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation			The Act of 29 July 2005 on some forms of support for innovation activity
Design			
Expense Base	C, ME (C, ME, BD if company has RDC status)	ME, B	C, ME, B, Intangibles
Deducted from	Taxable income	Taxable income	Taxable income
Volume-based rate Large firms	100 (150 for companies with R&D Centre status)	100 (1 year straight line depreciation)	Standard tax rate
Volume-based rate SMEs	100 (150 for companies with R&D Centre status)	100 (1 year straight line depreciation)	Standard tax rate
Incremental rate Large firms	-	-	-
Incremental rate SMEs	-	-	-
Base amount (if incremental)	-	-	-
Thresholds	-	-	-
Ceilings	-	-	A maximum of 20% of monthly revenues can be allocated and recognized as tax deductible costs for CIT (or PIT) purposes
Special rate SMEs	-	-	-
Special refund provision SMEs	Yes (start-ups)	-	-
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	Immediate (start-ups)	No	No
Refunds SME (in Yrs)	Immediate (start-ups)	No	No
Limitations	-	-	-
Carry-forward (in Yrs)	6	No details	1
Carry-back (in Yrs)	-	-	-

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
Limitation	-	-	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	The accelerated depreciation provision is not taxable.	The tax deduction for R&D Centres is not taxable.
Grant-funded R&D projects	Taxpayers lose the right for R&D allowance if they are reimbursed in any form for the eligible costs	Direct funding reduces the expense base of the R&D tax incentive.	Direct funding reduces the expense base of the R&D tax incentive.
Subcontracting rules	-	-	-
Aggregation rules	Polish tax capital groups can benefit from the R&D tax allowance at the level for tax settlement for the entire group (according to the provisions of Corporate Income tax Act)		Polish tax capital groups can benefit from the R&D tax allowance at the level for tax settlement for the entire group (according to the provisions of Corporate Income tax Act)
Definition of eligible taxpayer groups (e.g., SME)	Polish tax resident companies. The R&D tax relief allows for qualifying projects in progress – for example projects launched in previous years. Taxpayers who operate in a special economic zone during the tax year are not eligible for the relief. Source: http://www.internationaltaxreview.com/Article/3536283/Poland-Poland-introduces-new-R-D-tax-incentives.html https://www.pwc.pl/pl/pdf/pwc-rd-tax-relief.pdf http://laszczuk.pl/133/publication The R&D tax relief may be applied not only by entities carrying out R&D activities, but also by companies investing in such entities. According to Article 14 par. 1 of the Act, revenues from the disposition of shares in entities conducting R&D	All types of taxpayers (natural and legal persons, entities without legal personality).	The taxpayer should be an R&D centre. The status of R&D centre may be granted to entities with net revenues generated on sales of goods and products and on financial operations worth at least EUR 1.2 million per annum, where a minimum of 20% is generated on sales of their own R&D activity results (in the year prior to the year of filing the application). Additionally, there must not be any outstanding tax and social security liabilities. Source: http://www.paiz.gov.pl/strefa_inw

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
	activities are exempt from corporate income tax. This exemption applies to shares acquired in the years 2016 and 2017 by a limited company or by a limited joint-stock partnership. To take advantage of exemption, the taxpayer is obliged to meet the following criteria: i. The company whose shares are sold is a tax resident of European Union or European Economic Area state. ii. The disposing company holds no less than 10% of the shares in the disposing entity, shares were owned directly and continuously for a period of at least two years, and in this period the disposed entity: a. did not have the status of controlled foreign company; b. did not produce goods subject to excise duty; c. did not conduct trading activity; d. carried our R&D activities. Source: http://www.krgroup.pl/tax-relief-for-research-and-development/?lang=en The R&D tax allowance entails enhanced provisions forR&D Centres. The status of R&D centre may be granted to entities with net revenues generated on sales of goods and products and on financial operations worth at least EUR 1.2 million per annum, where a minimum of 20% is generated on sales of their own R&D activity results (in the year prior to the year of filing the application). Additionally, there must not be any outstanding tax and social security liabilities. Source: http://www.paiz.gov.pl/strefa_inwestora/zachety_inwestycyjne/centra_badawczo-rozwojowe		estora/zachety_inwestycyjne/centra_badawczo-rozwojowe

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
Additional comments	In effect from 1 January 2016 onwards, replacing the New technology Tax Relief scheme. The R&D tax relief may be applied not only by entities carrying out R&D activities, but also by companies investing in such entities. From 1 January 2017 the amount of tax-deductable eligible costs was increased.		
Other S&T&I	Yes	No	No
Note			
SSH	Yes	Yes	Yes
Note			
Eligible R&D			
Wages and salaries	Yes	No	Yes
Note			
R&D services	Yes	No	Yes
Note	Only if the third party is a scientific unit.		
Consumables	Yes	No	Yes
Note	Purchases of materials and raw materials directly related to the undertaken research and development activity; Costs related to the use of research instruments; the application of the tax credit is dependent on the use of the instruments not based on any contract concluded with an entity related to the taxpayer.		
M&E	No	Yes	Yes
Note		Acquisition cost of plant and machinery is eligible.	
Land and buildings	No	Yes	Yes

POLAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
Note		Acquisition cost of land and buildings is eligible.	
Depreciation	Yes	No	No
Note	Depreciation and amortisation write-offs applied for the undertaken research and development activity, except for passenger cars and facilities, buildings and premises being separate ownership. This, for instance concerns: machinery, new invention patents, software licences, know-how.		
R&D labour paid by 3rd parties	No	No	No
R&D services incurred abroad	No	No	No
Open-ended note	The scope of eligible expenses is much wider here than in case of the repealed new technology tax credit. (i) Costs of remunerations and premiums: remuneration of an employee employed on the basis of an employment contract for the purpose of carrying out the research and development activity including the premiums financed by the payer of these premiums (this also applies to the service relationship, home based work and cooperative work relationship); (ii) Costs of materials and raw materials: purchases of materials and raw materials directly related to the undertaken research and development activity; (iii) Costs of services: expenses incurred for the payment for expert's opinions, opinions, consultancy services and similar services as well as those incurred for the purchase of results of scientific research, rendered or performed on a contractual basis by the scientific unit; (iv) Costs	Scheme only applies to development works. In some cases, the cost of machinery and buildings used in development may be expensed, included as tax deductible costs (in a one-off manner in the tax year when they are completed, or in equal parts over a period not exceeding 12 months).	R&D Centre may create the Innovation Fund on which a maximum of 20% of monthly revenues can be allocated and recognized as tax deductible costs for CIT or PIT purposes (under the condition of real money transfer to the separate bank account). Amounts allocated to the fund have to be spent on R&D activities in the current or next year. Source: http://www.jll.pl/poland/pl-pl/Research/Made_in_Poland_2016.pdf

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
	related to the use of research instruments; the application of the tax credit is dependent on the use of the instruments not based on any contract concluded with an entity related to the taxpayer; (v) Depreciation and amortisation write-offs: recognised as operational costs - depreciation and amortisation write-offs applied for the undertaken research and development activity, except for passenger cars and facilities, buildings and premises being separate ownership. This, for instance concerns: machinery, new invention patents, software licences, know-how. Under the new regulations, taxpayers taking R&D relief must segregate the costs of their research and development work in their accounting records or, in the case of legal persons, in their register of fixed assets and intangibles. Through R&D relief, the taxpayer is entitled to take an additional deduction from taxable income for the amount of revenue-earning costs incurred for R&D activity, referred to in the act as “eligible costs,” The Innovation Support Act also introduces an additional condition for eligible costs incurred in connection with basic research. Such costs can be deducted only if the basic research was conducted pursuant to an agreement with a scientific unit within the meaning of the Act on the Rules for Funding of Science of April 30, 2010 Taxpayers who operate in a special economic zone during the tax year are not eligible for the relief. The tax credit may be applied		

POLAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
	irrespectively of the fact whether the costs incurred were paid to the supplier or not. Source: http://laszczuk.pl/133/publication http://www.rsm.global/poland/sites/default/files/media/tax-alerts/2016/tax_alert_1_2016_en.pdf Since 1 January 2017: • increasing tax relief for R&D. SMEs conducting R&D activity are entitled to deduct 50% of eligible costs as R&D relief (including salary costs). Large entreprises are entitled to deduct 50% of qualified costs for employees wages and social contributions and 30% of other qualified costs. • extension from 3 to 6 years the deductibility of costs for R&D, • reimbursement of cash for start-ups (tax cash pay-back), • expanding the list of eligible costs by the costs associated with obtaining a patent (for SMEs). From 2018, the R&D deduction of qualified costs amounts up to 100% for all entrepreneurs regardless of cost and size and up to 150% for R&D centers. The amount of such deduction cannot exceed the amount of income received by the taxpayer in the tax year. The R&D tax relief is available if the qualifying costs are not refundable and for the taxpayer operating within the special economic zone, such deduction is available as regards qualifying costs that are not taken into account when calculating the income exempt from taxation in SEZ. The deduction of R&D expenses is made in the tax		

POLAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
	return in the tax year in which the qualifying costs are incurred. If the taxpayer bears a tax loss or if the taxpayer's income is lower that than the amount of allowed deduction, the deductions – in the entire amount or in the remaining part - can be made in the tax returns for the six tax years following the year in which the taxpayer made the deduction or was allowed to benefit from the R&D tax relief. Tax deduction for R&D centres is not an additional deduction. R&D centres can benefit from R&D allowance that is dedicated to all PIT and CIT taxpayers who meet the conditions set out in the personal and corporate income taxes Acts but in a higher amount (150% of qualified R&D costs).		
Administration and Monitoring			
Stages, responsible authority and documentation requirements	There is no formal call or invitation involved. The deduction is disclosed in the annual tax return by taxpayers. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years Each year, entrepreneurs must submit to the Ministry of Development financial statements with auditor reports, a description of the R&D activities of the past year, and statements confirming they have no outstanding tax or social security liabilities. R&D tax relief A company reports deductions resulting from R&D tax relief together with the annual CIT settlements. There is no specific separate reporting apart from having internal justification and		<u>Registration/pre-approval</u> Responsible authority: Ministry of Finance is not responsible for giving and approval of the status of R&D centres. <u>Evaluation of claims</u> Responsible authority: Minister of Finance. Tax deduction for R&D centres is not an additional deduction. R&D centres can benefit from R&D allowance that is dedicated to all PIT and CIT taxpayers who meet the conditions set out in the personal and

POLAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax allowance
	documentation supporting classification of certain costs as R&D expenditures. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020		corporate income taxes Acts. Deadline: there is no specific evaluation or pre-evaluation of tax returns Documentation requirements: the deduction of qualified R&D costs incurred by the taxpayer is made in the tax return after the end of the tax year. Audit Responsible authority: tax authorities Deadline: 31 March (for CIT taxpayers with the tax year equal to the calendar year) or 30 April (for PIT) each year. Documentation requirements: on the basis of the data from the tax returns
Additional Comments	https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020		

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PORTUGAL

Type of Scheme	R&D tax credit
Scheme name/description	SIFIDE-II R&D tax credit
Status in 2021	In force in 2021
Enforcing law/regulation	Chapter V of Decree-Law 162/2014 of 31 October
Design	
Expense Base	C, ME
Deducted from	Tax
Volume-based rate Large firms	32.5
Volume-based rate SMEs	32.5 + 15 (for IRC taxpayers that are SMEs according to the definition given in article 2 of Decree-Law 372/2007 of 6 November, which have not yet completed two exercises and that did not benefit from the incremental rate set, applies a bonus of 15% on base rate)
Incremental rate Large firms	50
Incremental rate SMEs	50 (only compatible with the 32.5% but not the enhanced, 47.5% volume-based tax credit)
Base amount (if incremental)	Average R&D expenditures in the previous two fiscal years
Thresholds	-
Ceilings	Volume-based expenses: no ceiling; incremental expenses: EUR 1.5 million
Special rate SMEs	Yes (start-ups)
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	8
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	R&D tax benefits are not taxable.

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Type of Scheme	R&D tax credit
Grant-funded R&D projects	Subsidies financed by the European Commission or Portuguese Government will deduct the eligible expenditure. Projects supported by Measures to Support R&D under the Portugal 2020 and Horizon 2020 will still eligible for SIFIDE.
Subcontracting rules	The expenses incurred in the framework R&D projects undertaken exclusively by third parties, in particular through the provision of contract research services and development, are not eligible for the purposes of R&D tax incentive system (In accordance with paragraph 2 Article 37 of the Investment Tax Code, as amended by Decree-Law No. 162/2014 of 31 October). This disposition, thus, excludes the deductibility of all expenses incurred by taxable persons carrying out R&D projects or providing services of R&D by a fee, not acquiring any rights to the results of this R&D activity. The same exclusion is not, however, applicable in situations where there is an agreement for sharing of the costs or the risks associated with the R&D activities and the taxpayer expect to get advantages or benefits of their participation in this agreement, in particular the right to use the results of this activity without payment of any additional consideration, provided that in any case, such expenses are not deductible under paragraph e) of paragraph 1 Article 37 of the Investment Tax Code. Source: http://sifide.adi.pt/arq/fich/Despacho_Conjunto_SIFIDE_20150123.pdf
Aggregation rules	Aggregation rules do not apply in computing the R&D tax incentives benefits of companies that are part of a group.
Definition of eligible taxpayer	-
Additional comments	-
R&D Definition	
Other S&T&I	Yes
Note	Cost of registration and maintenance of patents (applicable only for SMEs). Other innovation activities are not eligible.
SSH	Yes
Note	
Eligible R&D	
Wages and salaries	Yes

PORTUGAL

Type of Scheme	R&D tax credit
Note	Wages of personnel directly involved in R&D activities, with minimum qualifications level 4 of the National Qualifications Framework. In the case of personnel with a qualification level of 8 according to the National Framework of Qualifications (PhD holders), the amount of the wage is multiplied by a factor of 1.2.
R&D services	Yes
Note	2021-25: Expenses incurred in connection with projects that include, exclusively, third parties, including contracts and R&D services, are not considered.
Consumables	Yes
Note	
M&E	Yes
Note	Only if created or acquired in new condition.
Land and buildings	No
Note	https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	Yes
Open-ended note	SIFIDE 2021-25: Eligible expenses related to allowances paid to personnel directly involved with R&D tasks are capped at 55% of the operational expenses incurred. Expenses incurred in connection with projects that include, exclusively, third parties, including contracts and R&D services, are not considered. Expenses relating to staff with a minimum academic qualification of level 8 of the National Qualifications Framework are considered at 120% of their amount. Expenses related to the making of eco-design products will be increased by 10%. This increase will depend on the submission and approval of the project to the Portuguese Environment Agency. Expenses related to demonstrations are eligible for the SIFIDE II regime, provided they are notified up front. Expenses incurred with the acquisition, registration, and maintenance of patents, essential for the performance of R&D activities and

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Type of Scheme	R&D tax credit
	audits, are accepted only for micro, small, or medium-sized companies. Also eligible are the expenses incurred in equity investments in R&D institutions or contributions to private or public investment funds. Conditions apply as follows: - Effective investment in equity or quasi-equity of R&D companies. - Mandatory period of five years of maintenance of the investment in an investment fund. - Following an amendment introduced by the 2021 State Budget Law, an additional requirement applies - within five years, it is required that the investment fund effectively makes an investment of at least 80% in the so-called companies dedicated to R&D activities, and these effectively invest in R&D activities; otherwise, the CIT liability of the tax year concerned is increased by the amount of unpaid CIT resulting from the misuse of the tax benefit (proportionally if applicable). The deduction of R&D expenses requires that the entity develops agricultural, industrial, or commercial activities or services as its main business activity. The applications should be submitted by the last day of the fifth month of the year following the year in which the investment was made, and applications referring to years previous to that fiscal year will not be accepted. The regime applies until 2025. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives-portugal-2020.pdf https://taxsummaries.pwc.com/portugal/corporate/tax-credits-and-incentives
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Certifying Commission SIFIDE - ANI (Agência Nacional de Inovação) appointed by the member of Government responsible for economy area. Deadline: Before applying for tax incentive. SIFIDE II requires the certification of applications by the committee for corporate R&D tax incentives. Companies must present an application each year, up to seven months after their fiscal year-end Documentation requirements: Registration form online. The application requires a description of the technical details of the R&D activities carried out, the corresponding eligible expenditure and related incremental amounts compared with previous accounting periods. Evaluation of claims Responsible authority: Certifying Commission SIFIDE - ANI (Agência Nacional de Inovação) appointed by the member of Government responsible for economy area.

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Type of Scheme	R&D tax credit
	Deadline: By the end of the month of July of the year following the year in which the expenditure was incurred, except for companies whose fiscal year period is different from the calendar year. In this case may submit an application by the end of the seventh month after the end of the company's fiscal period-end. Documentation requirements: i. Company organisation chart; ii. Balance sheets for the cost centres of the projects, the R&D department or company that illustrate the most of the R&D activities in the reporting year. If the company has no analytical account, an Excel file with R&D expenditure by categories (Personnel expenses, operating, ...), its description and account CNS would do; iii. Annual Report of the current year (or Analytical Balance Sheet, Income Statement and Notes to the Income Statement); iv. A copy of the full IRC statement of the current year; v. Copy of certificates of no debt or query authorisation of tax and contributory situations at the time of application; vi. Simulation made by the company in the calculation of the tax credit to apply. This documentation must confirm and identify the expenditure in R&D. The amount of the tax benefit should be included in the Notes to the Income Statement for the fiscal year. http://sifide.aninov.pt/index.php?cat=6 <u>Audit</u> Responsible authority: ADI (Agência da Inovação). Deadline: At the end of the project. <u>Other - Appeal</u> The different stages of contest decisions of the Certification Commission are: 1. Preliminary Hearing The company has 10 working days to contest in this way the proposal of the Certification Commission's decision. The Certification Commission has 30 days to respond. 2. Complaint The company has 15 working days to challenge the decision of the Certifying Commission in a preliminary hearing. The Certification Commission has 30 days to respond. 3. Finally, if the company does not agree with the decision may appeal to the judicial system.
Additional Comments	One significant change for 2012 and subsequent tax years is that the applications for tax incentives must be submitted by July of the following year, except for companies whose fiscal year has a period different from the calendar year, in this case may submit an application 7 months after the close of the exercise. Applications must obligatorily be submitted by the end of the month of July of the following year to the year, will not be accepted applications relating to years prior to this tax period. Companies with different tax period of the calendar year should do so until the last day of the seventh month following the date of expiry of the tax period to which they relate R & D expenses. Application Process 1 - Sign up: The application process begins with the prior registration gives you access to the completion and submission of the electronic application form. To register, go to the area 'record' in the main menu. After filling out the registration form, you will be sent an email with your credentials to access the Portal. The credentials

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Type of Scheme	R&D tax credit
	allow you to get in safely in the area reserved for submission of applications. 2 - Application Submission: The application to SIFIDE must be accompanied by a set of documents in electronic form. List of documents to be attached to the application: Organizational chart of the company; Balance sheets for the cost centres of the projects, the R & D department or company that illustrate the most of the R & D activities in the reporting year. If the company has no analytical accounts, please send an Excel file with R & D expenditure by categories (Personnel expenses, operating, ...), its description and account CNS; Audit report of the current year (or Analytical Balance Sheet, Income Statement and Notes to the Income Statement); Copy IRC declaration full of the current year; Copy of non - debt certificates or permits consultation of tax and contributory situations at the time of application; Simulation made by the company in the calculation of the tax credit to apply. This documentation must confirm and identify the expenditure in R&D. We caution that, under Article 41 of Law No. 162/2014 of 31 October, the amount of the tax benefit to enjoy the company should be in the Notes to the Income Statement for the fiscal year in which the product the deduction. Completed filling out the application form, which can be done in a phased manner, the company will receive a message by e-mail with attached a printable version of the appropriate application form. 3 - Certification Statement Application for Effective Performance of R&D Activities: The application will only be considered after sending by mail the application to the Certifying Commission duly signed and stamped sheet of the company, care of: Certifying Commission SIFIDE Campus Lumiar, Building O, 1st Floor Estrada do Paço do Lumiar 1649-038 Lisboa Sources: http://sifide.aninov.pt/index.php?cat=6https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020

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ROMANIA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax allowance	Accelerated Depreciation for R&D capital assets
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Law.227/2015 - Fiscal Code and Norms regarding the deductions for R&D expenses upon determination of taxable profit	
Design		
Expense Base	C, MED, BD, depreciation costs of intangibles	ME, Intangibles (patents)
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	50	50 (first year); the rest of the asset's value would be depreciated over the remaining useful life.
Volume-based rate SMEs	50	50 (first year); the rest of the asset's value would be depreciated over the remaining useful life.
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	-
Ceilings	-	-
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	7	Tax loss-related deductions only
Carry-back (in Yrs)	-	-
Limitation	-	-

ROMANIA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	The accelerated depreciation allowance is not taxable.
Grant-funded R&D projects	As general rule, direct funding (in the form of grants) for R&D is taxable. In the case of investments (R&D machinery etc.) VAT is exempted. In the case of PWTC the eligible personnel costs going to personnel wages are exempted from taxation. Despite the fact that R&D grants effectively reduce the firms R&D expenses, there are no specific regulations on accounting procedures regarding direct funding (except for their traceability).	As general rule, direct funding (in the form of grants) for R&D is taxable. In the case of investments (R&D machinery etc.) VAT is exempted. In the case of PWTC the eligible personnel costs going to personnel wages are exempted from taxation. Despite the fact that R&D grants effectively reduce the firms R&D expenses, there are no specific regulations on accounting procedures regarding direct funding (except for their traceability).
Subcontracting rules	If part of the R&D activities are ordered and subsequently carried out by a third party, the tax incentives are granted to the part which takes the risk irrespective the costs payed by the tax payer; usually this is the third party, so that the tax incentives are allowed to the performer of R&D (assuming it is fulfilling all other conditions). In this case the tax payer should not register the contractual expenses with the third party as R&D expenses and therefore should not benefit on the incentive. Operating costs include payments to third party services, expenses on consumables, expenditure on inventory objects, costs of raw materials, modules, components, expenditure on experiment animals, and other products, processes, or similar services used in RD activities. R&D tax incentives are also granted to taxpayers who perform R&D activities for the benefit of group companies, provided they also receive the full right to use the results of those R&D activities. R&D tax incentives are also granted to taxpayers who perform R&D activities for the benefit of group companies, provided they also receive the full right to use the results of those R&D activities Sources: https://static.anaf.ro/static/10/Anaf/legislatie/OMFP_1056_2016.pdf	If part of the R&D activities are ordered and subsequently carried out by a third party, the tax incentives are granted to the part which takes the risk irrespective the costs payed by the tax payer; usually this is the third party, so that the tax incentives are allowed to the performer of R&D (assuming it is fulfilling all other conditions). In this case the tax payer should not register the contractual expenses with the third party as R&D expenses and therefore should not benefit on the incentive. Operating costs include payments to third party services, expenses on consumables, expenditure on inventory objects, costs of raw materials, modules, components, expenditure on experiment animals, and other products, processes, or similar services used in RD activities. R&D tax incentives are also granted to taxpayers who perform R&D activities for the benefit of group

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf http://www.tpa-horwath.com/en/publications-news/news/romania-tax-amendments-rd-companies If part of the RD activities carried out by a taxpayer A are carried out by a third party B, the tax incentives are granted to B, and the beneficiary taxpayer A will not calculate his own incentive fiscal expenses incurred by the third party (Joint order No 1056_4435 /5 July 2016). This is an ongoing subject of debates. When the R&D activities are carried out by several taxpayers through collaboration / association / agreement, the fiscal incentives are granted to each of them, based on the eligible expenses incurred. Eligible expenses incurred by a taxpayer are not taken into account when determining the tax incentives granted to other taxpayers.	companies, provided they also receive the full right to use the results of those R&D activities. R&D tax incentives are also granted to taxpayers who perform R&D activities for the benefit of group companies, provided they also receive the full right to use the results of those R&D activities Sources: https://static.anaf.ro/static/10/Anaf/legislatie/OMFP_1056_2016.pdf http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf http://www.tpa-horwath.com/en/publications-news/news/romania-tax-amendments-rd-companies Where R&D activities are carried out in collaborative projects with multiple contributors according to collaborative agreements / associations / partnerships, the tax incentives are granted to each of them, based on the eligible expenses. Expenditure incurred by a taxpayer is not taken into account when calculating the tax incentives granted to other taxpayers. https://static.anaf.ro/static/10/Anaf/legislatie/OMFP_1056_2016.pdf
Aggregation rules	Tax incentives for R&D activities are granted separately for each project. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf	-

ROMANIA

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Definition of eligible taxpayer	Romanian taxpayers (e.g., legal entities tax resident in Romania or Pes of foreign entities) who conduct in-house R&D activities or participate in collaborative R&D through partnerships or associations as long as they have the right to use the research results in their business, e.g. selling products developed through R&D, selling the results of the R&D or exploiting the resulting IP in some other way. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf	Romanian taxpayers (e.g., legal entities tax resident in Romania or Pes of foreign entities) who conduct in-house R&D activities or participate in collaborative R&D through partnerships or associations as long as they have the right to use the research results in their business, e.g. selling products developed through R&D, selling the results of the R&D or exploiting the resulting IP in some other way. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf
Additional comments		
R&D Definition		
Other S&T&I	Yes	Yes
Note	Innovation related activities such as documentation, feasibility studies, measurements, tests, mutual exchanges.	Innovation related activities such as documentation, feasibility studies, measurements, tests, mutual exchanges.
SSH	No	No
Note	Examples of R&D activities that are not considered: research in the social sciences (including sciences economic, business management and science behavioral), arts and human relations.	Examples of R&D activities that are not considered: research in the social sciences (including sciences economic, business management and science behavioral), arts and human relations.
Eligible R&D		
Wages and salaries	Yes	No
Note	Personnel costs involved in the research and development activities, including activities related to their needs (documentation, conducting	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	studies, experiments, measurements, testing, exchange of experience) and the salaries of staff participating indirectly in the R&D activity.	
R&D services	Yes	No
Note	Operating costs, including: third-party services expenses.	
Consumables	Yes	No
Note	Operating costs, including: third-party services expenses, expenses on consumables, expenditure on materials inventory objects, expenses for raw materials, parts, modules, components, expenditure on experimental animals and other/similar goods used in research and development.	
M&E	No	Yes
Note		The incentive applies to investments in equipment used for R&D purposes
Land and buildings	No	No
Note		
Depreciation	Yes	No
Note	Depreciation costs or rent of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development (accelerated depreciation also may be applied for the equipment used for R&D activities).	
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	Yes	No
Open-ended note	Romania offers super deduction on qualifying R&D expenses (art.20 alin.(5) Law.227/2015 -Fiscal Code and the norms regarding the deductions for R&D expenses upon determination of taxable profit, approved via Order 1056/2016). the rate of incentives is 50 percent enhanced allowance. By law, the super deduction can be applied only to expenses incurred in relation to applied research and technological development. Under the incentive, the taxpayer would benefit from an additional deduction for CIT purposes	Depreciation costs or rent of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development (accelerated depreciation also may be applied for the equipment used for R&D activities). The incentive applies to investments in equipment

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	representing 50% of R&D expenses. Deductions are granted by RD projects. Fiscal incentives are granted for research and development conducted by both the national territory and in EU Member States or in European countries which belong to the European Economic Area. Recovery can be done both for itself by taking in actual work of research results, according to business needs industrial or commercial activities by taxpayers and by selling results of research or exploitation of intellectual property rights results. Source: https://static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_19072016.htm Eligible expenses taken into account in granting additional deduction in determining taxable income are: a) depreciation costs or rental of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development; b) personnel costs involved in the research and development activities, including activities related to their needs (documentation, conducting studies, experiments, measurements , testing, exchange of experience); c) the costs of maintenance and repairs of tangible and intangible assets referred to in subparagraph a); d) operating costs, including: third-party services expenses, expenses on consumables, expenditure on materials inventory objects, expenses for raw materials, parts, modules, components, expenditure on experimental animals and other/similar goods used in research and development; e) overheads that can be allocated directly or proportionately research results by using an allocation key; the key shall be the one used by taxpayers to allocate common expenses: 1. e1) directly allocated overheads category may include costs for: rent location where they carry out research and development, ensuring the utilities, such as running water, sewerage, sanitation, electricity and heating, natural gas corresponding surface used for research and development activities and expenditures and office supplies,	used for R&D purposes. Patents qualify for the accelerated depreciation provision.

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	copying and photocopying, postal and courier, telephone, facsimile, internet, transport, storage and related research and development activities necessary to obtain research results; 2. e2) in the category of overheads allocated by sharing key can be included costs: administrative and accounting services, postal and telephone services, maintenance of equipment and services for IT systems, copying and photocopying, office supplies and rent location where Project activities are carried out, ensuring the utilities, such as water, sewerage, sanitation, electricity, gas and other expenses necessary for the project. (2) If the expenses referred to in para. (1) a)-d) are not fully recorded for research and development, they will be allocated using a fixed allocation key for the taxpayer. (3) If the development costs are capitalized under applicable accounting regulations, the tax deduction can be applied in the tax period in which they are registered or in the period they are transferred as an expense in the income statement. The above expenses must be incurred in connection with qualified research activities. The R&D deduction is applicable even if R&D expenses are capitalized according to the accounting regulations. No industry sectors are expressly excluded. Sources:https://static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_19072016.htm,	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Expert - a register of experts will be maintained by the Ministry of Education and Research Documentation requirements: based on semester/ yearly accounting documents For the purpose of determining the amount of tax incentives they are entitled to, taxpayers may require an expert to certify their fulfilment of the relevant conditions. A register of experts will be maintained by the Ministry of Education and Research. http://www.tpa-	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	horwath.com/sites/default/files/news/downloads/tpa_horwath_romania_tax_legal_newsletter_march_2015_tax_incentives_research_development_rd_romania_tax_changes.pdf. Evaluation of claims Responsible authority: Tax authorities Documentation requirements: semester or yearly CITR (i.e., Sheets 100 and 101). Additional deduction related to R&D expenses must be presented on a separate row in the annual profit tax return and separately in the Profits Tax Register. Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf Audit Responsible authority: Tax authorities Documentation requirements: Document describing the research at the project level detailing the objective, period, field of research, financing, type of result and the novelty component of the research project. Taxpayers must provide documentation describing the research at the project level detailing the objective, period, field of research, financing, type of result and the novelty component of the research project. The documentation need not be submitted to the tax authorities for pre-approval, but the tax authorities will examine the documentation during a tax audit. http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf .	
Additional Comments	Taxpayer may obtain certification/expertise regarding its eligibility for the tax incentives, but this is not mandatory. R&D tax allowance: The super deduction is applicable for current and future investments. The super deduction is claimed in the quarterly or annual CIT returns (i.e., Forms 100 and 101). In general, the super deduction should be claimed upon the recognition of the R&D expenses. R&D activities eligible for additional	Accelerated depreciation for R&D capital: The accelerated depreciation incentive applies to future investments. The accelerated depreciation method is claimed in the quarterly or annual CIT returns (i.e., Forms 100 and 101). The depreciation method should be chosen before the assets starts to be

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	deduction in determining taxable income must meet the following conditions: a) are contained in a draft containing at least following: target, period of deployment, field research, funding sources, the category outcome (e.g., studies, schemes, technology, computer products, recipes and the like), the innovative character (e.g., new product/modernized new technology/modernized, new service / upgraded); They are in the category of industrial research or experimental development. To finalize the value of tax incentives in calculating taxable income in a tax year, taxpayers can request a certification/expertise on the conditions for granting them, the experts included in the register of experts on research and development areas, constituted by Ministry Education and Scientific Research Advisory Board on proposals for Research, Development and Innovation. Setting register and methodology certification/expertise be established by the minister of education and scientific research. Sources: http://uefiscdi.gov.ro/userfiles/file/legislatie/2015/ORDIN%20nr_%20256%20din%2010%20martie%202015.pdf https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide	depreciated. There is no specific administrative requirement for the accelerated depreciation method. Sources: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-romania.pdf

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
Scheme name/description	R&D tax allowance	Accelerated depreciation for R&D capital	VAT exemption and property tax credit
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Art. 149 of Russian Tax Code	Art. 256, 259.2 of the Tax Code	Art. 146.1, 149, 246.1, 256, 267.2, 284.1, 381 and 395 of the Tax Code
Design			
Expense Base	C, MED	ME, B	C (non-labour related), ME, BD, Intangibles
Deducted from	Taxable income	Taxable income	VAT, Property tax
Volume-based rate Large firms	50	50 (ME) 10 (B)	100 (full VAT exemption, since 2003 applicable at a rate of 18%) or 44% (reduction of VAT rate from 18% to 10%) depending on activity and type of good; partial to full exemption of property tax
Volume-based rate SMEs	50	50 (ME) 10 (B)	100 (full VAT exemption, since 2003 applicable at a rate of 18%) or 44% (reduction of VAT rate from 18% to 10%) depending on activity and type of good; partial to full exemption of property tax
Incremental rate Large firms	-	-	
Incremental rate SMEs	-	-	
Base amount (if incremental)	-	-	
Thresholds	-	-	-
Ceilings	Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs	Accelerated depreciation with the use of a coefficient smaller or equal to 3 applied to standard depreciation rates for M&E and	

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
	Eligible R&D expenditures may include deductions to STI foundations, but not exceeding 1.5% of revenue.	buildings used for S&T purposes only (Art 259.3 point 2 of the Tax Code)	
Special rate SMEs	-	-	-
Special refund provision SMEs	-	-	-
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	No	No	No
Refunds SME (in Yrs)	No	No	No
Limitations	-	-	-
Carry-forward (in Yrs)	Infinite	10	No details
Carry-back (in Yrs)	-	-	-
Limitation	-	-	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	The accelerated depreciation provision is not taxable.	The R&D tax credit (VAT exemption and property tax credits) is not taxable.
Grant-funded R&D projects	Direct finding reduces the expense base of the R&D tax incentive. In Russia, the taxation of grants is regulated by Art. 251 of the Russian Tax Code (p.1 p.14), according to which R&D grants in Russia are excluded from corporate income tax if they are provided: - through the Russian Federation budget (grants in the form of budget subsidies); - by Russian individuals or non-profit organisations; - foreign or international organisations included on the Russian Government's list of	Direct finding reduces the expense base of the R&D tax incentive. In Russia, the taxation of grants is regulated by Art. 251 of the Russian Tax Code (p.1 p.14), according to which R&D grants in Russia are excluded from corporate income tax if they are provided: - through the Russian Federation budget (grants in the form of budget subsidies); - by Russian individuals or non-profit organisations; - foreign or international organisations included on the Russian Government's list	Direct finding reduces the expense base of the R&D tax incentive. In Russia, the taxation of grants is regulated by Art. 251 of the Russian Tax Code (p.1 p.14), according to which R&D grants in Russia are excluded from corporate income tax if they are provided: - through the Russian Federation budget (grants in the form of budget subsidies); - by Russian individuals or non-profit organisations; - foreign or international organisations included on the Russian Government's

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
	foreign and international organisations whose grants are not subject to taxation; - funds to support scientific, technical, and innovation activities established in accordance with Federal Law No. 127-FZ of 23 August 1996 on Science and State Science and Technology Policy; - in accordance with the acts of the President of the Russian Federation (Presidential grants).	of foreign and international organisations whose grants are not subject to taxation; - funds to support scientific, technical, and innovation activities established in accordance with Federal Law No. 127-FZ of 23 August 1996 on Science and State Science and Technology Policy; - in accordance with the acts of the President of the Russian Federation (Presidential grants).	list of foreign and international organisations whose grants are not subject to taxation; - funds to support scientific, technical, and innovation activities established in accordance with Federal Law No. 127-FZ of 23 August 1996 on Science and State Science and Technology Policy; - in accordance with the acts of the President of the Russian Federation (Presidential grants).
Subcontracting rules	Both the funder and subcontractor can claim tax relief.	Both the funder and subcontractor can claim tax relief.;	-
Aggregation rules	A parent organisation provides a tax report for the group and apply for tax incentive benefits (http://nalog.garant.ru/fns/nk/c7ee641be890436adfc2dd83ec480495/).	A parent organisation provides a tax report for the group and apply for tax incentive benefits (http://nalog.garant.ru/fns/nk/c7ee641be890436adfc2dd83ec480495/).	A parent organisation provides a tax report for the group and apply for tax incentive benefits (http://nalog.garant.ru/fns/nk/c7ee641be890436adfc2dd83ec480495/).
Definition of eligible taxpayer groups (e.g., SME)	Companies conducting eligible R&D activities. A super deduction can be claimed even if eligible R&D activities fail to produce a new product or service. It can be claimed for previous and future periods. R&D field should be in the priority-list approved by the Government of the Russian Federation.	-	Activities exempted from VAT (art. 149.1 of the Tax Code) include S&T and innovation financed from public funds (incl. Russian Science Foundation, Russian Foundation for Basic Research, Russian Technology Development Fund and other public funds supporting STI activities); S&T and innovation implemented by HEIs and research institutions on contractual basis; transfer of exclusive rights on

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
			inventions, utility models, industrial designs, software, databases, integrated circuit topographies, know-how and rights on using these items within license contracts; development of new technologies and products, including engineering project constructions, new machinery and equipment developed for further use (not for transfer or sale). Exemption from VAT and CIT for 10 years for organisations performing R&D and technology commercialization within the framework of the Skolkovo Innovation Center or and innovative scientific and technological centers (art. 246.1 of the Tax Code). Exemption from VAT for imported products (materials or goods) that have no equivalents in Russia and bought for R&D purposes (art. 150 of the Tax Code). Exemption from property tax for R&D performing institutions holding a status of a National Research Center – around 50 organisations by the moment (art. 381 of the Tax Code). Since 1.01.2019, movable property of all types of organizations is exempt from property tax (Federal Law № 302-FZ of 03.08.2018).

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
Additional comments	-	-	-
R&D Definition			
Other S&T&I	Yes	Yes	Yes
Note	Only those conducting R&D in the fields included into the priority-list set by the Government of the Russian Federation		
SSH	No	No	No
Note	SSH are not included to the priority-list set by the Government of the Russian Federation		
Eligible R&D			
Wages and salaries	Yes	No	No
Note			
R&D services	Yes	No	Yes
Note	Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs Eligible R&D expendirures may include deductions to STI foundations, but not exceeding 1.5% of revenue.		
Consumables	Yes	No	Yes
Note	Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs Eligible R&D expendirures may include deductions to STI foundations, but not exceeding 1.5% of revenue.		Exemption from VAT for imported products (materials or goods) that have no equivalents in Russia and bought for R&D purposes (art. 150). Since 2003 VAT rate in Russia is 18% (art. 164 point 3). There is a list of activities and goods (art. 164 point 1 of the Russian Tax Code) fully exempted from VAT (tax rate

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
			= 0%). For some specific activities that may be related to S&T and innovative activities (e.g. medical and pharmaceutical production, publishing activities, etc.), as provided in art. 164 point 2, the VAT rate is set at a level of 10%.
M&E	No	Yes	Yes
Note		Eligible also for high energy efficient M&E in accordance with the list approved by the Government of the Russian Federation.	VAT exemption (point 7, article 150 of the Russian Tax Code) in case of purchasing machinery & equipment that have no analogues in Russia.
Land and buildings	No	Yes	No
Note		S&T related only. M&E and buildings (amortizable fixed assets).	Skolkovo management companies are exempt from the land tax. Reduction and exemptions of property tax may be allowed by regional legal authorities and of land tax by local authorities. Only eligible for property tax credits (incentives # 2 and 3; see notes below).
Depreciation	Yes	No	Yes
Note			Depreciation expenditure qualifies if related to buildings. Reduction and exemptions of property tax may be allowed by regional legal authorities and of land tax by local authorities. The property tax rate, set by regional legal authorities, must not exceed 2.2% (art. 380 of the Code).

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
R&D labour paid by 3rd parties	No	No	No
R&D services incurred abroad	No	No	No
Open-ended note	Benefits include a 150% super deduction of eligible R&D expenses incurred for activities started before the 1st of January 2012 in accordance with the Government-approved list. The super deduction can be applied regardless of whether the activities are successful, i.e., whether or not the activity results in the creation of IP. If the R&D activities do lead to the creation of IP, the relevant expenses are multiplied by 1.5 and amortized over a two-year period (point 11, article 262 of the Russian Tax Code). Qualifying costs include current expenditures such as labour costs and R&D contractor expenses. The Russian Federation's tax policy plan foresaw a clarification of the list of R&D expenditures qualifying for the super deduction over the period 2010-12. Source: Gokhberg L., Kitova G., Roud V. (2014) Tax Incentives for R&D and Innovation: Demand vs. Effects. Foresight-Russia, vol. 8, no 3, pp. 18–41. According to the art. 262 point 2 of the Tax Code eligible S&T (wider than R&D) expenditure includes in particular manufacturing and sales related expenditure. That means such expenditure is excluded from taxable profit. Moreover, in point 7 of	Accelerated depreciation with the use of a coefficient smaller or equal to 3 applied to standard depreciation rates for M&E and buildings used for S&T purposes only (Art 259.3 point 2 of the Tax Code). Generally, the expenses may be carried forward for 10 years. Source: Gokhberg L., Kitova G., Roud V. (2014) Tax Incentives for R&D and Innovation: Demand vs. Effects. Foresight-Russia, vol. 8, no 3, pp. 18–41. https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide	Tax exemptions include VAT exemptions (for R&D and wider S&T activities as well as operations on protection and commercialisation of IPRs), property tax exemptions for state scientific centres (list-based) and income tax exemptions applicable for educational organisations (incl. HEIs) under certain conditions (art. 284 point 1 of the Russian Tax Code). Depreciation expenditure qualifies if related to buildings. Organisations taking part in Skolkovo projects are eligible for all above mentioned tax exemptions; Skolkovo management companies are further exempt from the land tax (art. 145 of the Russian Tax Code).

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
	the same article it is stated that organisations performing R&D that are included to the priority-list approved by the Government of the Russian Federation are allowed to increase their R&D expenditure using a multiplying coefficient equal to 1.5. Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs. Eligible R&D expenditures may include deductions to STI foundations, but not exceeding 1.5% of revenue. There is no specific rule on whether R&D activities must be carried out in Russia or whether foreign R&D contractors can be engaged. However, a contractor performing R&D for a third party cannot claim the incentive, but the third party can make the claim if it meets all other criteria.		
Administration and Monitoring			
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Preapproval procedure is not required as the reports are evaluated during calculation of profits tax within routine tax audit procedure. <u>Evaluation of claims</u> Responsible authority: the Federal Taxation Service Documentation requirements: R&D report, annual profits tax return and R&D expense registers.	<u>Registration/pre-approval</u> Preapproval procedure is not required as the reports are evaluated during calculation of profits tax within routine tax audit procedure. <u>Evaluation of claims</u> Responsible authority: the Federal Taxation Service Documentation requirements: annual profits tax return, all supporting	<u>Registration/pre-approval</u> An application for Skolkovo residency schould be approved by expert commission. <u>Evaluation of claims</u> Responsible authority: the Federal Taxation Service, Skolkovo Foundation. Documentation requirements: annual financial report; all supporting documentation and tax registers.

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Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital	R&D tax credit
	The enhanced allowance of eligible R&D expenses is claimed in the profits tax return in the period when R&D research is completed or when a stage of research is completed. Audit Responsible authority: the Federal Taxation Service. Deadline: 28 March of the year following the reporting year. Documentation requirements: The tax authority has the right to appoint the examination referred to in this paragraph of the report in order to verify the conformity of the executed research and (or) development activities list established by the Government of the Russian Federation, in accordance with the procedure established by Article 95 of this Code. The said examination can be carried out by state academies Sciences, the federal and national research universities, public research centers, national research centers and federal centers of science and high technologies.	documentation and tax registers. Audit Responsible authority: the Federal Taxation Service.	Audit Responsible authority: the Federal Taxation Service, Skolkovo Foundation.
Additional comments			

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Type of Scheme	R&D tax allowance	R&D tax allowance
Scheme name/description	R&D tax allowance (grant recipients)	R&D tax allowance (introduced 2015)
Status in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Income Tax Act §30b	Article 30c of the Corporate Income Tax Act (Law 595/2003)
Design		
Expense Base	C, ME, B	C, ME, B
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	Basic research project: 100; applied research project: 50, feasibility study: 50, experimental development project: 25	200
Volume-based rate SMEs	Basic research project: 100; applied research project: 60 (70 small and micro), feasibility study: 60 (70 small and micro), experimental development project: 35 (45 small and micro)	200
Incremental rate Large firms	-	100
Incremental rate SMEs	-	100
Base amount (if incremental)		Incremental part is calculated as difference between: a) arithmetic mean of R&D expenditures incurred in applicable tax year and R&D expenditures incurred in previous tax year, and b) arithmetic mean of R&D expenditures incurred in two immediately preceding tax years. Please note that for purposes of calculation of incremental part, only expenditures already reported in this R&D tax allowance can be included in formula.
Thresholds	-	-
Ceilings	Ceiling (including R&D grant): Basic research project: EUR 40 million; Applied research project: EUR 20 million; Feasibility study: EUR 7.5 million; Experimental development project: EUR 15 million. The aid intensity may be increased to a maximum aid intensity of 80% of eligible costs. It can increase by 15 percentage points if one of the following conditions is met: 1) the project involves effective	-

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Type of Scheme	R&D tax allowance	R&D tax allowance
	cooperation i) between enterprises, among which at least one is an SME or is carried out in at least two Member States or in one Member State and a Contracting Party to the EEA Agreement, whereby no undertaking individually bears more than 70% of eligible costs, or ii) between the company and one or more organizations dedicated to custom research and dissemination of knowledge, these organizations must bear at least 10% of eligible costs and have the right to publish the results of their own research; 2) the results of the project are widely disseminated through conferences, the publication, in open access data file storage or through free or open source software.	
Special rate SMEs	Yes	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	3	5
Carry-back (in Yrs)	-	-
Limitation	The tax relief can be claimed by the taxpayer for at most three consecutive taxation periods where the first taxation period in which the tax relief can be claimed shall be the taxation period in which the taxpayer received the decision approving the incentives provision and the taxpayer fulfilled the requirements; however, at the latest a taxation period within which three years elapsed from the day of issuing the decision approving the incentives provision pursuant to a special regulation.	If the R&D costs cannot be deducted immediately due to significant tax losses, it is possible to postpone the deduction (in full or in part) until the next taxation period in which the company has a positive tax base. However, the costs cannot be deducted later than in the 4 consecutive taxation periods following the period in which the company was entitled to deduct the R&D costs.
Taxability of R&D tax relief	The R&D tax allowance is not taxable.	The R&D tax allowance is not taxable.

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Type of Scheme	R&D tax allowance	R&D tax allowance
Grant-funded R&D projects	Taxpayers can apply for cash grants. However, the amount of grants received will reduce the amount of R&D tax allowance. The maximum amount of incentives allowed (ceiling) includes the R&D subsidy (grant) and tax relief.	The super deduction excludes expenses paid through government and public subsidies. Expenses for which full or partial public financial support has been granted are ineligible for the R&D tax allowance. Generally, this scheme allows for extra R&D costs to be deemed deductible costs. Therefore, beneficiaries do not receive any direct public funding under this scheme.
Subcontracting rules	Tax relief is provided only to the taxpayer that obtained decision/ruling on the approval of incentives pursuant to Act No. 185/2009 Coll. on Incentives for R&D.	Partner/ Private R&D entity may not claim super deduction for the same expenses (costs) incurred. Fees paid for subcontracted R&D services are qualifying expenses only if the work is subcontracted to public universities or public research institutes. Fees paid to certified private R&D organisation are also eligible as long as the organisation does not also claim the super deduction for the costs it incurred in providing the qualified services. ;In our view, the applicable rules to determine entity that is eligible for R&D tax support are absolutely sufficent and compliance with those rules may be subject to tax audit.
Aggregation rules	Tax Relief for Incentive Beneficiaries is available only for those taxpayers who obtained decision/ruling on the approval of incentives, claimed tax relief and actually incurred R&D expenses (costs). The taxpayer is in any case required to follow the arm´s length principle in its dealings with connected persons. In prinicple, there are not any specific aggregation rules. http://www.finance.gov.sk/en/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=286&documentId=762	Super deduction is available only for those taxpayers who actually incurred R&D expenses (costs). In prinicple, there are not any specific aggregation rules. http://www.finance.gov.sk/en/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=286&documentId=762
Definition of eligible taxpayer	The rates apply to: large enterprises; medium enterprises; small and micro enterprises. The definition complies with the EU definition of SMEs: https://stimuly.vedatechnika.sk/index/ostimuloch	Scheme applies to natural entities and legal entities. Definition of legal entity is included in the Civil Code. It provides that legal entities are: a) associations of legal

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Type of Scheme	R&D tax allowance	R&D tax allowance
		entities or associations of natural entities, b) purpose-built association of assets, c) territorial self-government units, d) other entities, which are stipulated by laws as legal entities. As regards definition of sub-category "micro-taxpayer", it is natural entity or legal entity whose income does not exceed 49 790 EUR in applicable taxable period.
R&D Definition		
Other S&T&I	Yes	Yes
Note	Costs incurred on Feasibility studies.	Costs incurred on Feasibility studies.
SSH	No	No
Note		
Eligible R&D		
Wages and salaries	Yes	Yes
Note		Labour cost qualifies only if the employee is an EU citizen younger than 26 years and has completed a secondary or university education in the previous two years.
R&D services	Yes	Yes
Note	Cost of contractual research.	Generally, deduction may not be applied to the expenses (costs) which have been: 1) covered, fully or partially, by a subsidy from public finances 2) incurred on services, licenses, and non-material results of research and development procured from other persons, except for the expenses (costs) of a) services which are connected with implementation of a R&D project and with non-material results of R&D procured from the Slovak Academy of Sciences (Slovenská akadémia vied), legal entities doing research and development established by the central bodies of state agencies, public universities and state universities; b) non-material results of

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Type of Scheme	R&D tax allowance	R&D tax allowance
		R&D procured from individuals under special legislation (Act No. 172/2005 on Organization of State Support of R&D as amended) who were issued a certificate of qualification for R&D; c) Certification of taxpayer's own R&D results incurred by the taxpayer.
Consumables	Yes	Yes
Note		
M&E	Yes	Yes
Note	Costs of instruments and equipment to the extent and for the period used in the project. If such instruments and equipment are not used in the project throughout its useful life, eligible costs are considered only the depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles.	
Land and buildings	Yes	Yes
Note	The deduction includes the depreciation of buildings and the commercial transfer or capital costs of land.	
Depreciation	Yes	Yes
Note		
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	Yes	No
Open-ended note	Tax relief for incentives recipient (Income Tax Act § 30b): A taxpayer that has obtained a decision approving incentives provision under a special regulation120d) is allowed to claim a tax relief under paragraph 2 separately for each taxation period during the entire period covered by the decision, however, this relief may not exceed the amount of cost showed in the financial statements of the taxpayer covered by its own resources120e) for the purpose under a special regulation if, at the same time, the taxpayer meets the terms	Article 30c of the Corporate Income Tax Act (Law 595/2003): http://www.finance.gov.sk/en/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=286&documentId=762 The deductible costs include the sum of the following: i) 25% of the R&D costs incurred in the taxation period for which the tax return is filed; ii) an additional 25% of the salary costs of employees incurred in the taxation period during which

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Type of Scheme	R&D tax allowance	R&D tax allowance
	and conditions under a special regulation120d) and special terms and conditions under paragraph 3. A taxpayer may claim a tax credit for a maximum of three consecutive tax periods up to the amount of the costs reported in the taxpayer's financial statements paid from its own funds. (1) Eligible cost for a basic research project or applied research project or experimental development project shall be cost specified by a special regulation. (2) Eligible cost of a project feasibility study elaboration include: a) labour cost (wages) and other staff (employment) cost for the entity solving the project, and other employees corresponding to the scope of their involvement in solving the project including health insurance cost), social insurance cost), retirement pension savings cost); b) overhead cost of energy, water supply and drainage while elaborating the study; c) cost of material used for the project solution; d) cost of business trips a business trips abroad related to the incentive being provided up to the amount a title to which is specified by a special regulation). A list of eligible costs for research and development projects allocated to a specific category of research and development is also provided under https://stimuly.vedatechnika.sk/index/ostimuloch: a. Staff costs: researchers, technicians and other supporting staff to the extent that they are involved in the project; b. costs of instruments and equipment to the extent and for the period used in the project. If such instruments and equipment are not used in the project throughout its useful life, eligible costs are considered only the depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles; c. costs for building and land, to the extent and for the duration used for the project. With regard to buildings, the eligible cost as	employment contracts have been entered into for those employees who were graduates before entering into the employment; iii) 25% of the positive difference between the R&D costs incurred in the taxation period for which the tax return is filed and the R&D costs of the immediately preceding taxation period. The costs to be deducted have to be booked on separate accounts. It is possible to deduct costs, as defined above, which directly and fully relate to R&D projects. If these costs partially relate to R&D projects, only a proportional part of these costs can be considered for deduction. Costs of the acquisition of services, licences or the non-tangible results of R&D activities can also be deducted provided they are acquired from public research institutes present in the Slovak Republic. Until 31 December 2017, expenditures incurred on licenses were explicitly excluded from R&D tax allowance scheme. Since 1 January 2018, expenditures incurred specifically on software directly used in R&D project are allowed to be included in R&D tax allowance.

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Type of Scheme	R&D tax allowance	R&D tax allowance
	only depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles. For land are eligible costs of commercial transfer or actually incurred capital costs; d. cost of contractual research, knowledge and patents bought or licensed from outside sources, on the arm's length principle, as well as costs of consultancy and equivalent services used exclusively for the project; e. additional overheads and other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the project. The law does not exclude that the R&D can be performed outside the country. However the practice has been that until now only Slovak entities with R&D performed in Slovakia applied for the aid.	
Administration and Monitoring		
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: Ministry of Education Registration or preapproval is not required. Evaluation of claims Responsible authority: Ministry of Education, with help from the Slovak Innovation and Energy Agency (SIEA) and the Slovak Research and Development Agency. Documentation requirements: corporate income tax return The applicant for incentives shall submit to the Ministry of Education an application for incentives provision before starting to implement the project pursuant to § 2 subparagraphs b) to f) in two paper copies and in the electronic form. Audit Responsible authority: Ministry of Finance Deadline: Tax authorities are allowed to carry out tax audit in 10	Registration/pre-approval Evaluation of claims Responsible authority: Documentation requirements: i. corporate income tax return ii. a description of the project specifying the objectives; iii. A project schedule specifying the phases of the project, and; iv. The details regarding the administration of the project including project staffing, and project budget. There is not regular evaluation, only in case of tax audit. Audit Responsible authority: Ministry of Finance Deadline: Tax authorities are allowed to carry out tax audit in 10 years from the end of the year in which the taxpayer was obliged to submit tax delaration. It is not necessary to file the project documentation with any institutions before the company files its tax return for the tax

SLOVAK REPUBLIC

Type of Scheme	R&D tax allowance	R&D tax allowance
	years from the end of the year in which the taxpayer was obliged to submit tax delaration.	period in which these R&D costs will be deducted from the tax base. Tax authority may request documentation during tax audit. Moreover, tax authority keeps and publishes the list of taxpayers who benefited from the regime.
Additional Comments	The applicant for incentives shall submit to the Ministry of Education an application for incentives provision before starting to implement the project pursuant to § 2 subparagraphs b) to f) in two paper copies and in the electronic form. The incentive is claimed via the corporate income tax return form. A tax credit may be applied for up to three consecutive tax years (the first tax year is the year when the decision on the approval of granting the incentive is issued by the Ministry). The deadline for filing the corporate income tax return is the end of the third month following the respective financial year. Various requirements will need to be met to qualify for the R&D incentives, including the following: (i) If a new workplace is established to carry out R&D activities in Slovakia, the new workplace must continue its activities for at least five years after the incentive period ends; (ii) If an existing workplace is expanded, the workplace must continue its activities for at least five years after the incentives end and the beneficiary may not reduce the amount of annual R&D expenses from its own funds, as compared to the amount before the incentives, for at least five years; (iii) Any new jobs created for highly qualified employees must continue for at least five years after termination of the incentives; (iv) A minimum amount of “eligible costs” (as defined) must be incurred, which varies depending on the type of R&D and the type of applicant (i.e. whether it is a small, medium or large enterprise); and (v) The approved amount of the incentives may not be exceeded. If the incentives amount is exceeded, the excess will be recaptured. R&D	Government pre-approval is not required for claiming super deductions. There is, however, a documentation requirement. The taxpayer must prepare documentation specifying the qualified activities that the researchers plan to undertake in the project before the project commences. This documentation typically includes: a description of the project specifying the objectives; a project schedule specifying the phases of the project; and details regarding the administration of the project, including project staffing and project budgets. Tax authority may request the documentation. Source: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives.pdf The super tax deduction for R&D costs and application of the patent box can be applied without prior consent and with no connection to budget resources. The Ministry of Education administers the R&D subsidy, R&D income tax relief and the subsidy on scientific and technical services, with help from the Slovak Innovation and Energy Agency (SIEA) and the Slovak Research and Development Agency. Any incentives granted in the form of a tax credit are granted by the Ministry of Finance.

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Type of Scheme	R&D tax allowance	R&D tax allowance
	Super deduction: In order to use this benefit, the company should compile and sign an R&D project including the following: • identification of the company; • expected commencement and completion of the project; • description of the project, its objectives measurable during its implementation and at completion; • volume of the costs split into years and their structure; • involved personnel; • method of the evaluation of project results. It is not necessary to file the project documentation with any institutions before the company files its tax return for the tax period in which these R&D costs will be deducted from the tax base. However, the tax authority will ask that it is presented at the tax inspection. A list of taxpayers claiming the super deduction will be published by the Financial Directorate. Source: http://www.leitnerleitner.com/mailing_bmb_2_2016_incentivesnro_en_1.pdf	The approval process of an application for R&D subsidy and R&D income tax relief includes the following: - The application is filed under particular funding programs with the Ministry of Education before commencement of work on the project (the application should meet all conditions stipulated by law, including all obligatory attachments). - The Ministry of Education evaluates the project and seeks two independent expert opinions in determining its decision on approval of the incentives. - If the amount of incentives does not exceed EUR2 million, the Ministry of Education issues the decision on whether the incentives are granted. - If the amount of incentives exceeds EUR2 million, the Government is required to make the approval. - If the project exceeds the state aid notification threshold, the granting of the incentive is subject also to approval by the European Commission. - Agreement for granting incentives is concluded with the Ministry of Education. Moreover, new legislation has been introduced recently, obliging the applicant for R&D subsidy, and R&D income tax relief to register with the Public Partners Register held by the Ministry of Justice. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020

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Type of Scheme	R&D tax allowance
Scheme name/description	R&D tax allowance
Status in 2021	In force in 2021
Enforcing law/regulation	Official Gazette of the RS, no. 75/12
Design	
Expense Base	C, ME
Deducted from	Taxable income
Volume-based rate Large firms	100
Volume-based rate SMEs	100
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	The total reduction of the tax base due to tax reliefs and tax losses from preceding tax periods cannot exceed 63% of the tax base for current the tax period.
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	5
Carry-back (in Yrs)	-
Limitation	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable.
Grant-funded R&D projects	Direct funding reduces the expense base of the R&D tax incentive.

SLOVENIA

Type of Scheme	R&D tax allowance
Subcontracting rules	The contracting company (principal company) can claim the costs of contracts with external experts and researchers performing the R&D work and the costs of contracts with R&D organisations and other parties that are registered for performing R&D activities. ;If the performer and the funder are in the same group, the R&D tax allowance is available to the performer, if it has a specific independent development task and its own business plan or special development project or program. Only one member of the group in Slovenia can claim relief for a certain development task.
Aggregation rules	n.a.
Definition of eligible taxpayer	Any business carrying on qualifying R&D projects (taxpayer legal persons) and individuals deriving business income. The reduction is available to legal persons and individuals deriving business income within the year the expenses are incurred. Taxpayers are allowed to reduce the tax base in the subsequent five tax periods for the unused part of the tax relief.
Additional comments	-
R&D Definition	
Other S&T&I	Yes
Note	Costs related to the protection of intellectual property arising directly from the taxpayer's R&D activity. Purchase of licences shall not be deemed part of investments in the purchase of R&D services.
SSH	Yes
Note	The R&D definition for tax purposes conforms to the Frascati Manual.
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	
Consumables	Yes
Note	
M&E	Yes
Note	Purchases of R&D equipment used exclusively and permanently for the purposes of the taxpayer's R&D activity are eligible expenditure.

SLOVENIA

Type of Scheme	R&D tax allowance
Land and buildings	No
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	According to the Rules on claiming tax relief for investments in research and development the following expenditure are eligible: Internal R&D activities: a) costs of personnel working on concrete R&D projects of an undertaking in a given period; b) purchase of R&D equipment used exclusively and permanently for the purposes of the taxpayer's R&D activity; c) costs of materials and services related to R&D activity (including costs of supporting services for this activity); d) costs of education/training aimed exclusively at the needs of R&D projects implemented in the undertaking; e) costs related to the protection of intellectual property arising directly from the taxpayer's R&D activity. External R&D activities: 1) Investments in the purchase of R&D services performed by other persons, including associated enterprises and/or other public or private research organisations, shall include the following: a) cost of contracts concluded with external experts and researchers working on a R&D project or programme; b) cost of contracts relating to R&D activities, concluded with R&D organisations and other persons registered for performing R&D activities. 2) Purchase of licences shall not be deemed part of investments in the purchase of R&D services. Source: Policy on the application of tax incentives to invest in research and development (Official Gazette of the RS, no. 75/12) http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV11404
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: tax authority Deadline: general deadline for submision of tax return. Documentation requirements: tax return with special appendices (Podatki v zvezi z olajšavo za vlaganja v raziskave in razvoj and Obrazec za uveljavljanje davčne olajšave za vlaganja v raziskave in razvoj) Tax relief must be claimed in the corporate income tax return which shall be submitted not later than three months after the end of the tax period for the previous tax period. In appendices a taxpayer specifies costs from various projects and programs. According to general rules in Tax Procedure Act a taxpayer shall request the issue of binding information about the tax treatment of their planned transactions or planned business events. Evaluation of claims Responsible authority: tax authority

SLOVENIA

Type of Scheme	R&D tax allowance
	Deadline: general rules according to Tax Procedure Act. Documentation requirements: tax return with special appendices; additional data on request of tax authority Tax authority shall request additional data about investment in R&D from taxpayer (business plan or specific development project and/or programme). Regarding the assessment as to whether a concrete investment qualifies as an investment in R&D the tax authority may request the opinion of the ministry responsible for technology. Audit Responsible authority: tax authority Deadline: general rules according to Tax Procedure Act. Documentation requirements: tax return with special appendices; additional data on request of tax authority. The relative statute of limitations for the reassessment of the tax base is five years, while the absolute statute of limitations is 10 years.
Additional Comments	Eligible projects are not subject to prior evaluations or approvals by the tax authorities or other Governmental bodies. However, if in the course of a tax audit the tax authorities determine that R&D expenses were unjustified (i.e., that those expenses should not be deducted from the taxpayer's taxable base), they may reassess the tax base and impose late-payment interests on underpaid tax. Penalties for a tax offense may also be imposed in certain circumstances. The relative statute of limitations for the reassessment of the tax base is five years, while the absolute statute of limitations is 10 years. The relative statute of limitations for the right to assess a penalty depends on the gravity of the offense and varies from 3 years for a tax offense to 5 years for a severe tax offense, while the absolute statute of limitations is 6 to 10 years. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020

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SOUTH AFRICA

Type of Scheme	R&D tax allowance
Scheme name/description	Deductions in respect of scientific or technological Research and Development
Status in 2021	In force in 2021
Enforcing law/regulation	Income Tax Act
Design	
Expense Base	C
Deducted from	Taxable income
Volume-based rate Large firms	50
Volume-based rate SMEs	50
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	-
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	No
Limitations	-
Carry-forward (in Yrs)	Infinite (In line with general provisions of tax administration)
Carry-back (in Yrs)	-
Limitation	If the company is in a tax loss position, unused claims may be carried forward until it is fully spent. https://www.pwc.com/gx/en/tax/pdf/pwc-global-r-and-d-brochure-april-2017.pdf
Taxability of R&D tax relief	The R&D tax allowance is not taxable.
Grant-funded R&D projects	The portion of a government grant received by a taxpayer to fund the research activities should be taken into account for the purpose of the deduction. Direct funding reduces the expense base of the tax incentive.

SOUTH AFRICA

Type of Scheme	R&D tax allowance
	Source: https://www.dst.gov.za/rdtax/
Subcontracting rules	Where company (A) funds another company (B), to undertake R&D on its behalf, company (A) may deduct 150 percent of the actual expenditure in respect of the R&D. Company (B) may only claim a deduction for the R&D expenditure if Company A does not claim. This limitation is to avoid double dipping. Where a company funds R&D that is undertaken by another company, the funding company is eligible for the incentive for the enhanced 50% deduction (based on actual expenditure incurred) on top of 100% baseline. In this case, the R&D must be undertaken by an institution, board or body that is exempt from normal tax under section 10(1) (cA); or the Council for Scientific and Industrial Research or a company forming part of the same group of companies, as defined in Section 41 of the Income Tax Act if the company that carries the R&D does not claim. The company that carries on R&D may be the one that determines or alters the methodology of research. Source: http://www.dst.gov.za/index.php/services/the-rad-tax-incentives-programme http://www.dst.gov.za/images/pdfs/interpretation_note_no_50.pdf Company (B) can claim tax relief if Company (A) does not claim and it may determine or alter the methodology of research; or if it forms part of the same group of companies as company (A) and provided that company (A) has not claimed the tax relief.;If both companies submitted an application for pre-approval for the same R&D activity, both companies will be notified of each other's pending application and a request will be made that one application be withdrawn. The Minister will then grant approval to only one company and may also notify the Commisioner of SARS that the other company is not eligible to claim the tax relief.
Aggregation rules	South Africa does not use group taxation. Each entity is taxed separately.
Definition of eligible taxpayer	All private firms that are not tax-exempt and operate in South Africa are eligible. Foreign firms or their subsidiaries are eligible for the R&D tax incentive only if they are conducting eligible R&D within the boundaries of South Africa. Source: http://www.dst.gov.za/index.php/services/the-rad-tax-incentives-programme
Additional comments	
R&D Definition	
Other S&T&I	Yes
Note	The qualifying R&D also includes significant and innovative improvements to any invention, design, computer programme or knowledge essential for their use, provided it relates to a new of improved function, improved performance, reliability or quality of such invention, design, computer programme or knowledge.
SSH	No

SOUTH AFRICA

Type of Scheme	R&D tax allowance
Note	Social science research, including the arts and humanities are excluded.
Eligible R&D	
Wages and salaries	Yes
Note	Tax allowance - If expenditure incurred in respect of approved R&D.
R&D services	Yes
Note	Tax allowance - If expenditure incurred in respect of approved R&D.
Consumables	Yes
Note	Tax allowance - If expenditure incurred in respect of approved R&D.
M&E	No
Note	Tax allowance - Prototype or pilot plant are eligible, provided they are created solely for the purpose of the process of R&D.
Land and buildings	No
Note	
Depreciation	No
Note	Depreciation of R&D assets do not qualify for enhanced rate, but do receive accelerated depreciation allowances (improvement at a rate of 40:20:20:20 and new unused machinery or plant at 50:30:20).
R&D labour paid by 3rd parties	Yes
R&D services incurred abroad	No
Open-ended note	All private firms that are not tax-exempt and operate in South Africa are eligible. Foreign firms or their subsidiaries are eligible for the R&D tax incentive only if they are conducting eligible R&D within the boundaries of South Africa. To be eligible they must be registered as taxpayer in South Africa. R&D activities conducted outside South Africa, even if funded from within the country, are not eligible for this incentive. Eligible R&D expenditures include current/operating expenses: salaries and wages of R&D personnel directly engaged in R&D activities, materials consumed and transformed in execution of R&D activities, overheads and R&D contracts performed on their behalf. The costs of applying for patents do not qualify. Patents costs and license expenditure are currently not treated as eligible R&D expenditure. Computer software developed for the purpose or for purposes that include the purpose of sale, rent, license, hire or lease to two or more non-associates of the firm is eligible. However, software programmes designed for management or internal business processes are not eligible. Expenditures incurred for subcontracting R&D project to science councils, other private companies, universities, and non-profit benefit organisation, are eligible. However, if the R&D project

SOUTH AFRICA

Type of Scheme	R&D tax allowance
	is outsourced to another private company and is South African taxpayer, the R&D performer/contracted company can claim 150% (100% baseline + 50% enhanced) deduction if the outsourcing company does not claim the deduction. This limitation is to avoid double dipping. Source: http://www.dst.gov.za/images/pdfs/interpretation_note_no_50.pdf Expenditure incurred on the following activities are not eligible for the R&D tax incentive: o market research, market testing or sales promotion o administration, financing, compliance and similar overheads o routine testing, analysis, collection of information and quality control in the normal course of business o development of internal business processes, unless such processes are mainly intended for sale or for granting the use or right of use or permission to the use thereof o social science research, including the arts and humanities o oil and gas or mineral exploration or prospecting, except R&D that develops technology that is used for such exploration or prospecting o creation or development of financial instruments or financial products. o Creation of trademarks or goodwill Source : Word document in http://www.dst.gov.za/index.php/services/the-rad-tax-incentives-programme
Administration and Monitoring	
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: Minister of Science and Innovation supported by a Committee comprising officials from the Department of Science and Innovation (DSI - previously known as DST), the National Treasury (NT) and the South African Revenue Service (SARS). Deadline: Before the R&D is undertaken. http://www.southafrica.info/news/tax-incentive-250414.htm#.V2Fzzvl96Uk Documentation requirements: Submission of an application form (www.dst.gov.za) Since October 2012, companies are required to submit applications to the Department of Science and Innovation (DSI) for purposes of pre-approval of R&D activities before a company can claim the R&D tax allowance. An approval letter is issued by DSI. The time frame for pre-approval from date of lodgement is generally about 9 months, with expenditure qualifying from the date of lodgement of the pre-approval application to the DSI. Source: https://home.kpmg.com/content/dam/kpmg/pdf/2016/05/africa-incentive-survey-2016.pdf An 'Approval Committee' will evaluate the merits of each pre-approval application. The committee will be staffed by three members from the DSI, three members from the South African Revenue Service (SARS) and one member from National Treasury. Source: https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/04/emea-rd-incentives-guide-web-04182017.pdf <u>Evaluation of claims</u> Responsible authority: (i) SARS (South African Revenue Services); (ii) DSI Documentation requirements: (i) SARS: Submission corporate income tax return (ii) DSI: progress report filed annually for approved projects still ongoing 12 months after the close of the year of assessment in which approval was granted; notification of change document indicating any material change(s) made to any ongoing project that has been approved.

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Type of Scheme	R&D tax allowance
	Once an approval is granted, a company can claim the tax deductions from SARS when submitting its tax return. SARS will determine if the expenditures are attributable to the approved R&D activities and whether other provisions of the Income Tax Act are met. Audit Responsible authority: SARS (South African Revenue Services) Documentation requirements: Even if the taxpayer has received pre-approval of an R&D project, SARS will still retain its audit oversight role. Other - Objection and Appeal Responsible authority: SARS (South African Revenue Services) Deadline: ii. 30 business days from the date of the disallowance of the Objection. Documentation requirements: Appeal: Supporting documentation proving the reason for lodging an appeal. A taxpayer has the right to lodge an appeal where the objection has been disallowed in full or in part.
Additional comments	

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SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Scheme name/description	Tax deductions for R + D + i		Accelerated depreciation of R&D capital
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Law 27/2014, of November 27, the income tax. Chapter IV, Article 35 and 39	Royal Decree 475/2014	
Design			
Expense Base	C, ME, Intangibles	Labour	ME, B, Intangibles
Deducted from	Tax	Social Security Contributions	Taxable income
Volume-based rate Large firms	C: 25, +17 (R&D staff); ME and intangibles: 8 12 for technological innovation	40	ME, Intangibles: 100; B: 10 (straight-line)
Volume-based rate SMEs	C: 25, +17 (R&D staff); ME and intangibles: 8 12 for technological innovation	40	ME, Intangibles: 100; B: 10 (straight-line)
Incremental rate Large firms	17	-	-
Incremental rate SMEs	17	-	-
Base amount (if incremental)	Average of taxpayer's R&D expenditures in the preceding two years.	-	-
Thresholds	-	-	-
Ceilings	R&D tax relief capped at 25% of gross tax due if the amount of R&D tax relief equals or is less than 10% of the tax due; else the cap is increased to 50% of the gross tax due.	60% of the annual wage bill for qualified research staff. In the case of employment program beneficiaries, the total value of allowances may not exceed the amount of SSC.	-
Special rate SMEs	Yes (in case of technological innovation activities in production processes in the automotive industry; temporary measure for fiscal exercises 2020 and 2021)	-	-
Special refund provision SMEs	-	-	-

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	Immediate (optional at 20% discount)	Immediate	No
Refunds SME (in Yrs)	Immediate (optional at 20% discount)	Immediate	No
Limitations	With effect of 2015, the limit on the cash refund, available to taxpayers who are not able to utilise the full tax credit (with 20% reduction) in the year after the tax credit was generated, has been raised from EUR 3 million to EUR 5 million when the sum of R&D and technological innovation related expenses for companies with expenditure in R&D exceeding 10% of their turnover. Source: Bill of Spanish Corporate Income Tax Act 2014	60% of the annual wage bill for qualified research staff. In the case of employment program beneficiaries, the total value of allowances may not exceed the amount of SSC.	-
Carry-forward (in Yrs)	18	-	-
Carry-back (in Yrs)	-	-	-
Limitation	-	-	-
Taxability of R&D tax relief	The R&D tax credit is not taxable.	The payroll withholding tax credit is taxable. Payroll and social security related incentives increase the taxable income of businesses.	The accelerated depreciation allowance is not taxable.
Grant-funded R&D projects	The basis of the deduction will be reduced by the amount of subsidies received for the promotion of such activities if they are attributable as income in the tax period. Source: http://www.boe.es/diario_boe/txt.php?id=BOE-A-2014-12328	Not eligible for the R&D tax incentive.	All investment costs related to R&D activities are eligible, regardless of the source of funding of these activities.

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Subcontracting rules	The funder can claim tax relief, as the subcontracted R&D is one of the costs of the project. R&D expenditure if paid for by a third-party does not qualify for the R&I tax credit [Article 35.1.b) TRLIS].	The funder can claim tax relief, as the subcontracted R&D is one of the costs of the project. R&D expenditure if paid for by a third-party does not qualify for the payroll withholding tax credit. [Article 3.e) RD 475/2014]	The funder can claim tax relief, as the subcontracted R&D is one of the costs of the project. R&D expenditure if paid for by a third-party does not qualify for the accelerated depreciation provision.
Aggregation rules	Cash refund limits to the entire group of companies shall apply in the case of entities in the same group according to the criteria set out in Article 42 of the Commercial Code, regardless of their residence and the obligation to prepare consolidated financial statements. Source: http://www.boe.es/buscar/act.php?id=BOE-A-1885-6627	No aggregation rules apply in the case of the payroll withholding tax credit	No aggregation rules apply in the accelerated Depreciation for R&D Capital.
Definition of eligible taxpayer groups (e.g., SME)	Firms from all industries that are incorporated in Spain (or a permanent establishment) are qualified as long as the R&D investments take place in Spain, in a Member State of the EU or EEA.	Firms from all industries that are incorporated in Spain (or a permanent establishment) are qualified as long as the R&D investments take place in Spain, in a Member State of the EU or EEA. "Innovative SMEs": An SME will be considered as R & D + i intensive if one of the following circumstances applies: (i) the company has received public funding in the last three years, without undergoing revocation due to an incorrect or insufficient implementation of the funded activity, through public calls under the a. Sixth National Plan for	Firms from all industries that are incorporated in Spain (or a permanent establishment) are qualified as long as the R&D investments take place in Spain, in a Member State of the EU or EEA.

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Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
		Scientific Research, Development and Technological Innovation Plan or b. the State Scientific and Technical Research and Innovation Support for the realization of R + D + i, c. the Center for Industrial Technological Development and d. the 7th Framework Programme for R + D + i of the Horizon 2020 Programme of the European Union. (ii) it has demonstrated its innovative nature through their own activity by a. having a patent itself in operation over a period not exceeding five years preceding the exercise of application to the deduction; b. having obtained in the three years prior to the application for the deduction a reasoned binding and positive report allowing the company to apply for the deduction. (iii) it has demonstrated its capacity for innovation, through one of the following recognized certifications recognized by the Ministry of Economy and Competitiveness: a. Young Innovative Company (JEI), according to the specification AENOR EA0043; b. Innovative small or micro enterprise according to specification AENOR EA0047; c. Certification according to the UNE 166.002 "Management Systems R & D + i". These SMEs are recognized as such by the official seal of "innovative SMEs" and appear in the Register managed by the Ministry of Economy and Competitiveness. Source: http://www.laboral-	

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
		social.com/real-decreto-475-2014-13-junio-bonificacion-40-por-ciento-cotizacion-empresarial-%20contingencias-comunes-contratacion-investigado	
Additional comments	The percentage of deduction of expenses depends on the scientific and technological rating: 25% for R&D (plus 17% in wages of full time researchers) and 12% in case of technological innovation. In the event that the costs incurred in conducting R&D in the tax period are greater than the average amount in the two previous years, a 25% credit applies to this average and 42% (17% on top of the 25% volume-based tax credit rate) on the excess in respect of the same average amount. Provided that investment in tangible and intangible assets (excluding land and buildings) is exclusively assigned to R&D activities, the deduction for such investments is 8%. Article 7 of Royal Decree Law 23/2020, of June 23, increases the percentage of deduction of expenses in technological innovation from 12% to 25%, for expenses in technological innovation activities aiming at new or relevant improvements in production processes in the value chain of the automotive industry in Spain.	Prior to the partial exemption of SSC, Spain offered a tax credit for R&D wages at a rate of 17%. The SSC exemption was initially introduced in 2007 (Royal Decree 278/2007), abolished in 2012 (Royal Decree 20/2012, July 13) and reinstated in 2014 (Royal Decree 475/2014). The provisions of the Royal Decree will be applied retroactively to full-time research staff in high status from January 1, 2013. Companies that do not make use of the tax deduction for R&D (R&D tax credit) may deduct 40% of employers' social security contributions for research staff. Registered "Innovative SMEs" (innovation intensive SMEs) can benefit from both schemes at the same time.	Eligible R&D expenditures include investment cost on property, plant and equipment and intangible assets, excluding buildings, pertain to the activities of research and development. Buildings will be amortized linearly over a period of 10 years, in the part related with research and development activities. The research and development costs capitalized as intangible assets, net of amortization of the elements to enjoy accelerated depreciation

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	Source: https://www.boe.es/buscar/act.php?id=BOE-A-2020-6621 As of 1 January 2013, if a taxpayer has generated the R&D tax credit that comply with certain specific requirements, the taxpayer may elect not to be subject to the annual limitation on tax credits (25 – 50%), but apply the full tax credit with 20% discount. With this option, the taxpayer would limit the tax credit they apply up to 80% of the original amount they would have been entitled to credit to benefit from this alternative. In addition, as of 1 January 2013, a cash refund is available to taxpayers who are not able to utilize the full tax credit (with the 20% reduction) in the year after the tax credit was generated. In such a case, interest for late payment will not apply. The special rules enabling refunds of unutilised credits apply to taxpayers satisfying the following rules: i) At least one year must pass from the end of the tax year in which the tax credit was generated but not utilized; ii) The average number of staff or the average number of staff involved in R&D and technological innovation must be		

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	maintained from the end of the tax period in which the tax credit is generated until the 24 months following the end of the period in which the corporate income tax return with the application or payment is filed; iii) An amount equivalent to the tax credit applied or paid (i.e., "cash refund") must be invested in R&D and technological innovation for the same period mentioned in the previous bullet; iv) The company must obtain a pre-validation report on the qualification of the activity as R&D and technological innovation or a previous valuation agreement on the expenses and investment in these activities. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf		
R&D Definition			
Other S&T&I	Yes	Yes	Yes
Note	Covers the design and manufacturing of samples (board/book of samples).	Covers the design and manufacturing of samples (board/book of samples).	Covers the design and manufacturing of samples (board/book of samples).
SSH	Yes	Yes	Yes
Note	Any UNESCO code is eligible.		
Eligible R&D			

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
Wages and salaries	Yes	Yes	No
Note		Full-time research staff only; reduction in social contributions for new researchers. Contract may be temporary and internship. Minimum 3 months long and fully dedicated to R&D projects except for a maximum of 15% dedicated to certain activities like training. Other R&D personnel not eligible.	
R&D services	Yes	No	No
Note			
Consumables	Yes	No	No
Note			
M&E	Yes	No	Yes
Note			Art. 12.3.b) (LIS)
Land and buildings	No	No	Yes
Note	Costs for land and buildings are excluded.		Art. 12.3.b) (LIS)
Depreciation	No	No	No
Note			
R&D labour paid by 3rd parties	No	No	No
R&D services incurred abroad	Yes	No	No
Open-ended note	Eligible R&D expenditures include: current and capital costs (tangible and intangible assets); excluded are costs for land and buildings. Supplies and indirect expenses are excluded as well. Qualifying expenses incurred by the taxpayer must be directly related and effectively applied to the realization of R&D activities, and must be	Companies benefiting from the bonus should be devoted to research and development and innovation (R + D + i) and hire workers: (i) With a permanent or temporary contract internship or work or service 3 months minimum. (ii) Exclusively dedicated, full-time, to the realization of R + D + i as defined in Article 35 of the Corporation Tax Act -LIS-. For these purposes, it is admitted that up to	Eligible R&D expenditures include investment cost on property, plant and equipment and intangible assets, excluding buildings, pertain to the activities of research and development. Buildings will be amortized linearly over a period of 10 years,

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	itemized by project (art. 35.1.b) LIS). Qualifying R&D expenses for the credit may correspond to activities carried out in Spain or in any Member State of the European Union or the European Economic Area. In turn, shall be considered as research and development expenses amounts paid for carrying out such activities in Spain or in any Member State of the European Union or the European Economic Area, on behalf of the taxpayer, whether alone or together with others. For tax years beginning after 2015, the regulatory framework is the Law 27/2014, of November 27, the income tax. Chapter IV, Article 35 sets out the measures regulating tax deductions for R + D + i, as well as rules on the application of Article 39. Deductible expenses and investments: project expenditures (personnel, depreciation, consumables, external collaborations, etc.), provided they meet: a. Direct costs, b. Individual projects and c. Effectively applied to the project form. Source: https://www.ciencia.gob.es/portal/site/MICINN/menuitem.7eeac5cd345b4f34f09dfd1001432ea0/?vgnextoid=45d1a8f3785b4410VgnVCM1000001d04140aRCRD	15% of the time spent on tasks of training, dissemination or the like, to compute the exclusive R & D commitment. (iii) Included in contribution groups in the General Scheme of the Social Security Numbers 1 (engineers and graduates, and senior management personnel not included in article 1.3.c) ET); 2 (Technical Engineers, experts and qualified assistants); 3 (Chief Administrative and Workshop) and 4 (helpers graduates). The delimitation of the scope as set out above implies the exclusion of bonuses regime under this Royal Decree for employees who: (i) Intended only part of their working day to carry out those activities. (ii) Work for companies that carry out R + D + i whose work consists of other activities than those indicated in Article 35 of the activities LIS , such as, among others, management, resource management, marketing, general services and address. (iii) They have contracted with the General State Administration and public bodies, regional governments or local authorities and public bodies, as well as other public entities that are fully exempt from income tax. (iv) Employees subject to labour relations of a special nature. Staff hired by companies or agencies for R + D + i whose procurement is explicitly subsidized or publicly funded, provided that such financing also includes employer contributions to Social Security. Sources:	in the part that is used for research and development. The research and development costs capitalized as intangible assets, net of amortization of the elements to enjoy accelerated depreciation. http://www.boe.es/diario_boe/txt.php?id=BOE-A-2014-12328

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
		https://www.ciencia.gob.es/portal/site/MICINN/menuitem.7eeac5cd345b4f34f09dfd1001432ea0/?vgnextoid=45d1a8f3785b4410VgnVCM1000001d04140aRCRD http://www.laboral-social.com/real-decreto-475-2014-13-junio-bonificacion-40-por-ciento-cotizacion-empresarial-%20contingencias-comunes-contratacion-investigado http://noticias.juridicas.com/base_datos/Laboral/531430-rd-475-2014-de-13-jun-bonificaciones-en-la-cotizacion-a-la-seguridad-social.html http://noticias.juridicas.com/base_datos/Admin/rdl20-2012.html. http://noticias.juridicas.com/base_datos/Laboral/rd278-2007.html http://noticias.juridicas.com/base_datos/Fiscal/rdleg4-2004.t6.html#l409	
Administration and Monitoring			
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: (i) Ministry of Science and Innovation (or related institutions) (ii) Spanish tax authority Deadline: The pre-agreed valuation report should be requested prior to the project commencement and the tax authorities have six months to respond. Documentation requirements: The request for a motivated report should be sent with a	<u>Registration/pre-approval</u> Responsible authority: (i) Ministry of Science and Innovation (or related institutions) (ii) Spanish tax authority <u>Evaluation of claims</u> Responsible authority: Ministry of Science and innovation, Labor and Social Security Inspection - General Treasury of the Social Security Deadline: during the following 6 months after the application for the SSC exemption.	

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	technical analysis issued by an official certifying entity. (i) No pre-approval is required. The taxpayer may request a motivated report which confirms or denies the R&D/ITechnological innovation nature of the expenses and investments carried out by the taxpayer. The report is binding on the tax authorities. (ii) The taxpayer may also request a pre-agreed valuation report of the expenses related to the project from the tax authorities. Evaluation of claims Responsible authority: Ministry of Science and Innovation, Spanish tax authority Deadline: Application must be filed with income tax return 25 days following the six months period from the taxpayer's financial year-end. In order to apply for the new tax credit option, available as of January 2013, only up to one year must have elapsed from the period in which the R&D tax deduction was generated without applying the tax credit. Documentation requirements: Annual corporate income tax return. R&I tax credit: In order to apply for the new tax credit option, available as of January	Documentation requirements: Companies must (i) be up-to-date in regard to the payment of social security contributions (ii) provide electronically supporting documents related to business registration, employment of high and low qualified workers as well as aspects relating to trading in the terms and conditions Audit Responsible authority: Labor and Social Security Inspection - General Treasury of the Social Security:	

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	2013, a number of conditions should be met (see additional comments below). Audit Responsible authority: Tax agency		
Additional Comments	R&I tax credit: The taxpayer may request a ruling ("motivated report") from the Ministry of Science and Innovation (or related institutions). This report would confirm or deny the R&D nature of the expenses and investments carried out by the taxpayer. The report is binding on the tax authorities. As general rule, the request for a report should be sent with a technical analysis issued by an official certifying entity. The authorities have three months to issue the report; however, the expiry of the term has no effects for the authorities or the taxpayer. In order to apply the optional regime regarding R&D tax credit, the company must obtain a duly reasoned report on whether its activities qualify as R&D activities. • The taxpayer may also request a pre-agreed valuation report of the expenses related to the project from the tax authorities. This report should be requested prior to the project commencement and the tax authorities have six months to respond. Expiry of the term without tax authority	Payroll withholding tax credit: Companies must fulfil the following requirements to benefit from the partial SSC exemption: (i) be up-to-date in regard to the payment of social security contributions (vid . Art. 77 Law 13/1996); (ii) provide electronically supporting documents related to business registration, employment of high and low qualified workers as well as aspects relating to trading in the terms and conditions established by the Ministry of Inclusion, Social Security and Migration. Exceptionally and on a temporary basis, firms may be authorized by the TGSS to present such documentation in a different format (art. 29 Law 50/1998); (iii) not having been denied access to the benefits due to serious legal offenses (arts. 46 and 46a of LISOS). The bonus and the application of the deduction for R & D under Article 35 of the LIS will be: (1) Fully compatible for intensive SMEs in R + D + i. An SME will be considered as R & D + i intensive if one of the following circumstances applies: (i) the company has received public funding in the last three years, without undergoing revocation due to	

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	response implies that the tax authorities accept the taxpayer's proposal. • Regarding transactions carried out after 29 September 2013, the taxpayer can request from the tax authorities, before such transactions are carried out, a valuation of the revenues and expenses related to the assignment as well as of the income to be generated from a transfer. In addition, the taxpayer can request an agreement on the qualification of the assets under one of the qualifying categories. Firms apply for the tax credits in their annual corporate income tax return. Corporate income tax is filed during the 25 days following the six months period from the taxpayer's financial year-end. In order to apply for the new tax credit option, available as of January 2013, certain conditions should be met: • Only up to one year must have elapsed from the period in which the R&D tax deduction was generated without applying the tax credit. • The company must maintain or increase its general average workforce size or the specific average workforce exclusively carrying out R&D activities, from the end of the period where the tax incentive was generated until 24 months elapsed from the	an incorrect or insufficient implementation of the funded activity, through public calls under the a. Sixth National Plan for Scientific Research, Development and Technological Innovation Plan or b. the State Scientific and Technical Research and Innovation Support for the realization of R + D + i, c. the Center for Industrial Technological Development and d. the 7th Framework Programme for R + D + i of the Horizon 2020 Programme of the European Union. (ii) it has demonstrated its innovative nature through their own activity by a. having a patent itself in operation over a period not exceeding five years preceding the exercise of application to the deduction; b. having obtained in the three years prior to the application for the deduction a reasoned binding and positive report allowing the company to apply for the deduction. (iii) it has demonstrated its capacity for innovation, through one of the following recognized certifications recognized by the Ministry of Science and Innovation: a. Young Innovative Company (JEI), according to the specification AENOR EA0043; b. Innovative small or micro enterprise according to specification AENOR EA0047; c. Certification according to the UNE 166.002 "Management Systems R & D + i". These SMEs are recognized as such by the official seal of "innovative SMEs" and	

SPAIN

Type of Scheme	R&D tax credit	SSC exemption	Accelerated depreciation for R&D capital
	tax year when this tax incentive is applied. • During the following two periods elapsed since the CIT return where the tax credit was applied, an amount at least equal to the tax credit to be applied or refunded must be assigned to R&D expenses or fixed or intangible assets that are exclusively assigned to R&D activities. • Finally, the company must obtain a duly reasoned report, issued by the competent authority, about the qualification of the activities carried out by the company as R&D activities. Sources: https://www.ciencia.gob.es/site-web/Innovar/Informes-Motivados-Vinculantes.html	appear in the Register managed by the Ministry of Science and Innovation. (2) Compatible when the deduction does not apply to the same researcher for other companies or entities; In the case that it applied to the same researchers, the companies can choose between applying the deduction to the Social Security Contribution, or a deduction for the expenditures of such employees on the projects in which they participate in and in the projects where they carry out the activities that the article 35 LIS refers to.	

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SWEDEN

Type of Scheme	SSC exemption
Scheme name/description	Partial exemption of social security contributions
Status in 2021	In force in 2021
Enforcing law/regulation	
Design	
Expense Base	Labour
Deducted from	SSC
Volume-based rate Large firms	19.59
Volume-based rate SMEs	19.59
Incremental rate Large firms	-
Incremental rate SMEs	-
Base amount (if incremental)	-
Thresholds	-
Ceilings	SSC deductions are capped at SEK 1 225 652 per month (or SEK 14.7 million per year) for own standing firms and firms in an enterprise group. In Sweden, social security contributions consist of two parts, employer contributions (19.8%) and the general payroll tax (11.62%). Employer contributions can be deducted up to SEK 600 000 per calendar month and the general payroll tax is reduced by 10 percentage points up to SEK 625 652 per calendar month. The resulting SSC after the deduction must be at least equal to the old age pension contribution of 0.1021 of the salary.
Special rate SMEs	-
Special refund provision SMEs	-
Special terms for collaboration	-
Refund Large firm (in Yrs)	Immediate
Refunds SME (in Yrs)	Immediate
Limitations	-
Carry-forward (in Yrs)	-
Carry-back (in Yrs)	-
Limitation	-

SWEDEN

Type of Scheme	SSC exemption
Taxability of R&D tax relief	Social Security Contribution exemption is taxable. Payroll and social security related incentives increase the taxable income of businesses.
Grant-funded R&D projects	The deduction can be made even if the employer receives: i. Public funding for their own research activities, e.g., from a county council or from Vinnova: and ii. Government grants to certain employees engaged in R&D, for example, in the form of subsidies. Entitlement to both regional reduction and research allowances is possible. However, it is not possible to deduct more regional consideration or research deduction than the balance after both reductions sufficient to pay old age pension contribution of 10.21% of the contribution base. Research deduction should be done first and then the calculation for the regional reduction that is left.
Subcontracting rules	R&D paid for and performed on behalf of a third party does not qualify for the SSC exemption. The tax benefit is tied to R&D performing personnel, i.e. the R&D performing firm can claim all benefits.The tax relief is claimed by the employer and reduces the employer social security contributions on the remuneration paid to the employee engaged in R&D.
Aggregation rules	All enterprises in an enterprise group are considered as one enterprise, no aggregation of tax benefit ceilings apply. Source: https://www4.skatteverket.se/rattsligvagledning/1334.html#h-Vilka-arbetsgivare-far-gora-avdraget
Definition of eligible taxpayer	All enterprises can get the reduction, except self-employed and partners in a trading partnership. The deduction cannot be made by public employers (state, county, municipality or university) that are themselves engaged in research. Private companies engaged in the framework of a public sector R&D project cannot deduct the net R&D salary costs either. Source: https://www.skatteverket.se/foretagorganisationer/arbetsgivare/socialavgifter/forskningsavdrag.4.8dcbbe4142d38302d7cb4.html#
Additional comments	Social security charges are currently rated at 31.42%. The reduction of the contribution from April 1 2021 amounts to 19.59% of the gross salary of the R&D employee. Example: A researcher earns SEK 50,000 a month. Employers' contributions will then be SEK 15,710 (31.42%). From the employer's contributions you deduct 9.59 percent of the gross payroll i. e. SEK 4,795. In addition the general payroll tax is deducted with 10 percent of their salary in research deduction, i.e. SEK 5,000. The final employer's contribution will then be SEK 15,710 - SEK 9,795 = SEK 5,915, representing 11.83 percent of the salary (31.42% - 19.59% = 11.83%) and thus sufficient age pension contribution of 10.21% of salary will remain. Source: https://www4.skatteverket.se/rattsligvagledning/edition/2020.9/1334.html#
R&D Definition	
Other S&T&I	No
Note	
SSH	Yes

SWEDEN

Type of Scheme	SSC exemption
Note	
Eligible R&D	
Wages and salaries	Yes
Note	From July 2021 work at least 50% of its working hours on R&D and at least 15 hours per month. Until 30 June 2021, 75% of working hours on R&D wee required. Until 31 May 2016, the person has to be aged between 26 and 64 (at the beginning of the year for which the deduction is claimed). From June 2016 there is no lower age limit due to other changes in the deduction for employees aged 18-26.
R&D services	No
Note	
Consumables	No
Note	
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	The incentive was introduced in January 2014. The Swedish Government provides a reduction in contribution amounts for social security charges for R&D employees. Reduced social security contributions apply only for tasks concerning commercially performed R&D (business-oriented systematic and qualified research or development). The salary must be paid from an employer which is tax resident in Sweden. In order to be eligible for the deduction, the form of employment does not matter, nor if they have worked in Sweden or any other country. However, employees who have management or coordination function as CEO, project manager or similar and working more than 25% of tasks that do not related to the actual R&D is not subject to deduction. Until May 2016, the reduction applies only for employees born between 1951 and 1990; from June 2016 the reduction is extended to all employees born in 1951 or later. No reduction is available for employees born in 1950 or earlier. Source:

SWEDEN

Type of Scheme	SSC exemption
	https://www.skatteverket.se/foretagorganisationer/arbetsgivare/socialavgifter/forskningsavdrag.4.8dcbbe4142d38302d7cb4.html https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-swedenguide-2016.pdf
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval No pre-approval is required. Evaluation of claims Responsible authority: Swedish Tax Agency. Deadline: Every months Documentation requirements: i. Research, project or job descriptions, evaluation and the like specifies specific research conducted or as the basis for qualified development and shows that work is carried out systematically in order to develop new goods or services; ii. A timesheet or similar surface showing the total number of working hours and the division between the research work and the other tasks for each employee. Research deduction must be reported in two boxes under Basis for deduction from payroll taxes: Box 73: Research and development, documentation and Box 74: Deduction research development. Audit Responsible authority: Swedish Tax Agency.
Additional Comments	No preapproval is required. The incentive is applicable to current and future investments. The reduction should be claimed on a monthly basis through the company’s employer return. The total base for social security contributions, as well as the claimed reduction, must be reported in the company’s employer return. Source: https://www4.skatteverket.se/rattsligvagledning/edition/2020.9/1334.html#

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THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Scheme name/description	Enhanced R&D tax allowance	Accelerated depreciation for R&D capital
Status in 2021	**Retroactive extension for 2021 pending government approval, the information reported refers to 2020**	**Retroactive extension for 2021 pending government approval, the information reported refers to 2020**
Enforcing law/regulation	Royal Decree Issued under the Revenue Code Governing Exemption of Taxes (No. 297), B.E. 2539 (1996) Amended by Royal Decree Issued under the Revenue Code Governing Exemption of Taxes (No. 598) B.E. 2559 (2016)	Royal Decree Issued under the Revenue Code Regarding Deduction of Ware and Tear and Depreciation of Properties (No. 145), B.E. 2527 (1984) Amended by Royal Decree (No. 319), B.E. 2541 (1998)
Design		
Expense Base	C, MED	M&E
Deducted from	Taxable income	Taxable income
Volume-based rate Large firms	100	40-15-15-15-15 (Declining balance depreciation method)
Volume-based rate SMEs	100	40-15-15-15-15 (Declining balance depreciation method)
Incremental rate Large firms	-	-
Incremental rate SMEs	-	-
Base amount (if incremental)	-	-
Thresholds	-	Minimum investment (floor): THB 100 000
Ceilings	Thailand's R&D tax allowance (100% baseline + 100% enhanced tax allowance) is capped as a function of firm's gross income and not necessarily fully deductible at a rate of 200%. The incentive will allow companies to base their tax reduction on 2 times the cost of their R&D expenditures. The maximum tax reduction allowed for each firm depends on the company's gross income. Companies with a gross income of less than THB50 million can deduct up to 60% of their income, companies with a gross income of more than THB50 million but less than THB200 million can deduct no more than 9% of their income, and companies with a gross income of more than THB200 million cannot have a deduction greater than 6% of their income.	-

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
Special rate SMEs	-	-
Special refund provision SMEs	-	-
Special terms for collaboration	-	-
Refund Large firm (in Yrs)	No	No
Refunds SME (in Yrs)	No	No
Limitations	-	-
Carry-forward (in Yrs)	5 (SMEs)	5
Carry-back (in Yrs)	-	-
Limitation	The unused R&D tax allowances cannot be carried over to future periods and cannot be refunded. However, SMEs can accumulate the unused R&D expenditure to claim for other tax benefits such us tax deduction for 5-year accumulated loss from The Revenue Department. Source: National Science and Technology Development Agency (NSTDA) SMEs can use only the 5-year accumulated loss for unused R&D expenditure. Operating losses may be carried forward for five years to offset against future profits. On the other hand, there is no provision for the carry back of losses to offset the profit in previous years.	-
Taxability of R&D tax relief	R&D tax benefits are taxable	R&D tax benefits are taxable
Grant-funded R&D projects	No details	No details
Subcontracting rules	In the case of R&D subcontracting, only the funder can claim tax relief; the performer cannot claim tax relief. However, the performer must issue R&D tax invoice for the funder and the performer must obtain an approval to perform R&D activities from the Revenue Department beforehand.	No details
Aggregation rules	Companies that are part of a group under the same juristic entity, which has obtained approval to perform R&D activities from the	No details

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	Revenue Department, can apply for R&D tax incentive benefits. Tax benefits are assessed at project level. Only the projects approved by NSTDA are eligible for tax relief.	
Definition of eligible taxpayer	i. Eligible tax payers: (a) Firms registered in Thailand that outsource R&D to authorised R&D service providers (extramural R&D) and (b) authorised R&D service providers in Thailand that perform inhouse R&D on their own behalf (intramural R&D). Authorised R&D service providers are government or private agencies announced by the Director-General in the Government Gazette. To obtain the status of an authorised R&D service provider, an application must be filed with the Revenue Department. Case (a): In a case where the R&D institution does R&D for another company, the performance is a service. The institution shall issue a hired document for the other company (proof of booking expense). The R&D institution has also the responsibility to issue a tax invoice for the other company. Case (b): If the R&D institution performs R&D for itself, the performance is not a service. The institution shall issue the hired document for itself as doing for other companies. The R&D institution does not have any responsibility to issue a tax invoice for itself. Sources: http://www.rd.go.th/publish/fileadmin/user_upload/kormor/newlaw/598.pdf http://www.rd.go.th/publish/fileadmin/user_upload/kormor/3_R&D.pdf Announcement of the Director-General of the Revenue Department: Article 7., https://www.nstda.or.th/rdp/images/file/25wp01 Techaprasertporn 2015, "Problems of tax incentive on research and technology development: comparison with Malaysia and Singapore",	No details

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	Thammasat University, https://so05.tci-thaijo.org/index.php/TBLJ/article/view/112891 ; https://doi.nrct.go.th//ListDoi/listDetail?Resolve_DOI=10.14457/TU.the.2015.438 https://www.slideshare.net/boinyc/support-measures-for-activities-related-to-science-and-technology-development https://www.ey.com/Publication/vwLUAssets/ey-2018-worldwide-rd-incentives-reference-guide/$FILE/ey-2018-worldwide-rd-incentives-reference-guide.pdf SME definition for R&D tax relief purposes: SMEs are registered companies or partnerships which have: - paid-up capital as at the end of accounting period of not more than Baht 5 million; and - total revenue from sales of goods and rendering of services of not more than Baht 30 million. Sources: https://www.mazars.co.th/Home/Doing-Business-in-Thailand/Tax/Corporate-Income-Tax-Rate-Reduction https://sherrings.com/small-medium-enterprise-tax-thailand.html	
Additional comments	The standard CIT RATE has been permanently reduced to 20% of net income according to the Revenue Code Amendment Act (no 42), B.E. 2559 (2016). The rate is applied to companies and juristic partnerships for accounting periods beginning on or after 1st January 2016. Previously, the rate was reduced to 23% from 30% for the tax year 2012 and temporarily to 20% for the years 2013-2015, yet from now on the rate is kept at 20% permanently.	Pursuant to Royal Decree No. 319, when acquiring new R&D equipment and machinery, the depreciation value (for the purpose of corporate income tax calculation) will be set at 40% of the asset cost at the acquisition date (depreciation tax for machinery is normally 20% for 5 years, with the balance to be depreciated over the next 4 years). In order to utilize this incentive, the following conditions must be met: 1. Such machinery or equipment must

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	Companies claiming the tax allowance can include qualifying accelerated depreciation expenses in their CIT computations and submit the annual CIT return (IT.50) to the R&D without preapproval from the R&D. (Note: the timeline for filing IT.50 is within 150 days from the end of an accounting period.) Corporate entities that claim a deduction under Royal Decree 598 are not entitled to claim a partial or full deduction under the investment promotion law. Sources: http://www.rd.go.th/publish/fileadmin/user_upload/kormor/newlaw/598.pdf https://www.ey.com/Publication/vwLUAssets/ey-2018-worldwide-rd-incentives-reference-guide/$FILE/ey-2018-worldwide-rd-incentives-reference-guide.pdf	exclusively be for R&D activities, not for manufacturing or providing services, 2. Such machinery or equipment must be used for basic industrial research, applied research or product quality testing, 3. Such machinery or equipment must be brand-new with a lifespan of two or more years and have a minimum product cost of at least THB100,000. Any losses incurred from the accelerated depreciation may be carried forward for five consecutive years. Sources: https://www.slideshare.net/boinyc/support-measures-for-activities-related-to-science-and-technology-development https://www.ey.com/Publication/vwLUAssets/ey-2018-worldwide-rd-incentives-reference-guide/$FILE/ey-2018-worldwide-rd-incentives-reference-guide.pdf Companies claiming the tax allowance can include qualifying accelerated depreciation expenses in their CIT computations and submit the annual CIT return (IT.50) to the R&D without preapproval from the R&D. (Note: the timeline for filing IT.50 is within 150 days from the end of an accounting period.) Corporate entities that claim a deduction under Royal Decree 598 are not entitled to claim a partial or full deduction under the investment promotion law. Sources: http://www.rd.go.th/publish/fileadmin/user_upload/kormor/newlaw/598.pdf https://www.ey.com/Publication/vwLUAssets/ey-2018-worldwide-rd-incentives-reference-guide/$FILE/ey-2018-worldwide-rd-incentives-reference-guide.pdf

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
R&D Definition		
Other S&T&I	No	No
Note		
SSH	No	No
Note		
Eligible R&D		
Wages and salaries	Yes	No
Note		
R&D services	Yes	No
Note		
Consumables	Yes	No
Note		
M&E	No	Yes
Note		
Land and buildings	No	No
Note		
Depreciation	No	No
Note		
R&D labour paid by 3rd parties	No	No
R&D services incurred abroad	No	No
Open-ended note	Eligible R&D expenditure: machinery and equipment related to basic industrial research, applied research, or product quality testing. (i) Basic Research refers to studies or research activities to discover new knowledge that has academic value and in turn will lead to the utilization or problem solving in the developing process of new products, new processes or new services in the future; (ii) applied research refers to research that applied basic knowledge to solve or to	Pursuant to Royal Decree No. 319, when acquiring new R&D equipment and machinery, the depreciation value (for the purpose of corporate income tax calculation) will be set at 40% of the asset cost at the acquisition date (depreciation tax for machinery is normally 20% for 5 years, with the balance to be depreciated over the next 4 years). In order to utilize this incentive, the following conditions

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	develop a concept for commercial purpose, with objectives to obtain a new product or process. Applied research includes related activities such as formula development, product design, production process design for future use in an industrial or commercial level. (iii) Product Quality Testing is defined as improvement of production techniques either to lower the cost or to increase output for the purpose of both research and technology development. Sources: G-CO-RDI-02_Rules and guidelines_Certification, https://www.nstda.or.th/rdp/images/file/G02rev5.pdf https://www.slideshare.net/boinyc/support-measures-for-activities-related-to-science-and-technology-development Ministry of Finance announcement 391, https://www.nstda.or.th/rdp/images/file/16rd391.pdf	must be met: 1. Such machinery or equipment must exclusively be for R&D activities, not for manufacturing or providing services, 2. Such machinery or equipment must be used for basic industrial research, applied research or product quality testing, 3. Such machinery or equipment must be brand-new with a lifespan of two or more years and have a minimum product cost of at least THB100,000. Any losses incurred from the accelerated depreciation may be carried forward for five consecutive years. Sources: https://www.slideshare.net/boinyc/support-measures-for-activities-related-to-science-and-technology-development https://www.ey.com/Publication/vwLUAssets/ey-2018-worldwide-rd-incentives-reference-guide/$FILE/ey-2018-worldwide-rd-incentives-reference-guide.pdf
Administration and Monitoring		
Stages, responsible authority and documentation requirements	<u>Registration/pre-approval</u> Responsible authority: NSTDA Deadline: Rolling basis Documentation requirements: Project Proposal <u>Evaluation of claims</u> Responsible authority: Revenue Department Deadline: Yearly basis (31 December) Documentation requirements: Corporate Income Tax Declaration; R&D Tax Invoice <u>Audit</u> Responsible authority: Revenue Department Deadline: Yearly basis (31 December) Documentation requirements: Corporate Income Tax Declaration;	

THAILAND

Type of Scheme	R&D tax allowance	Accelerated depreciation for R&D capital
	R&D Tax Invoice; Project Approval Certificate The audit is conducted randomly.	
Additional Comments	The enhanced R&D tax allowance applies to R&D outsource to authorised R&D service providers (extramural R&D) and in-house R&D performed by authorised R&D service providers (intramural R&D). Authorised R&D service providers are government or private agencies announced by the Director-General in the Government Gazette. To obtain the status of an authorised R&D service provider, an application must be filed with the Revenue Department. To apply for the R&D tax allowance, a firm registered in Thailand must submit their application through the National Science and Technology Development Agency for approval. The National Science and Technology Development Agency will evaluate candidate companies by applying the previously defined definitions of basic research, applied research, and product development testing used by the Revenue Department. Sources: https://www.slideshare.net/boinyc/support-measures-for-activities-related-to-science-and-technology-development The R&D incentive operates on a self-assessment basis, companies should maintain all of their supporting documents (e.g., project papers, service receipts) in case they are requested or the incentive is challenged by the RD. Source: https://www.ey.com/en_id/tax_law_guides/worldwide-r-and-d-incentives-reference-guide-2020	

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TURKEY

Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
Scheme name/description	R&D tax allowance (incremental)	Partial compensation for social security contributions	Accelerated depreciation of R&D capital
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation	Law on Supporting Research, Development and Design Activities (No. 5746)		
Design			
Expense Base	C, ME, B	Labour	ME
Deducted from	Taxable income	SSC	Taxable income
Volume-based rate Large firms	-	50 (SSC rate of 17.5)	100
Volume-based rate SMEs	-	50 (SSC rate of 17.5)	100
Incremental rate Large firms	50 (qualifying R&D Centre)	-	-
Incremental rate SMEs	50 (qualifying R&D Centre)	-	-
Base amount (if incremental)	R&D expenditures in previous year	-	-
Thresholds	-	-	-
Ceilings	-	The full-time-equivalent (FTE) support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel.	-
Special rate SMEs	-	-	-
Special refund provision SMEs	-	-	-
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	No	Immediate	No
Refunds SME (in Yrs)	No	Immediate	No
Limitations	-	-	-
Carry-forward (in Yrs)	Infinite	n.a.	Infinite

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
Carry-back (in Yrs)	-	-	-
Limitation	-	-	-
Taxability of R&D tax relief	The R&D tax allowance is not taxable	The SSC exemption is taxable. Payroll and social security related incentives increase the taxable income of businesses.	R&D tax benefits are not taxable
Grant-funded R&D projects	Direct funding does not reduce the expense base of the R&D tax incentive. Grants received from government entities, voluntary trusts and international funds in support of R&D activities are recorded in a special fund account instead of being classified as income and added to the tax base. http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-turkey.pdf	Direct funding does not reduce the expense base of the R&D tax incentive. Grant received from government entities, voluntary trusts and international funds in support of R&D activities is recorded in a special fund account instead of being classified as income and added to the tax base. http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-countrypage-turkey.pdf	Direct funding does not reduce the expense base of the R&D tax incentive.
Subcontracting rules	Research development and innovation activities carried out by Research and development centers in the context of an order supported by a contract and design activities carried out by design centers in the context of an order supported by a contract can benefit from reduction, exception, support and incentives under paragraph 9, Article 3 of the Law on Supporting Research Development and Design Activities No. 5746. However, only 50% of	No details	No details

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	expenditure occurred related to research and development and design activities carried out by research and development or design centers in the context of an order supported by a contract can be deducted by these centers, remaining 50% can be deducted by personal and corporate income taxpayers that placed the order. If ordering parties are not income/corporate taxpayer, all of the expenditures related to R&D and design will be taken into consideration as deduction by the parties carrying out R&D activities and design centers.		
Aggregation rules	According to Article 3 paragraph 1 of the Law on Supporting Research Development and Design Activities No. 5746, "all research and development expenditure made by technology center businesses, research and development centers, public institutions and foundations established by law or use fund or credit from international organizations or public institutions to support research and development projects in the scope of technology development project contracts or, by those supported by international funds and benefit from capital support in research development and innovation projects, pre competition cooperation projects, techno entrepreneurship, all the exclusive design expenditure occurred in design centers and design projects supported by aforementioned public institutions (…) (2), can be deducted from		

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	corporate income according to Article 10 of the Corporate Tax Law No. 5520 and from commercial income according to Article 89 of the Personal Income Tax Law No. 193 (Reference: 16/2/2016-6676/ Article 28). 50% of the increase in research development and innovation expenditure in comparison to the previous year made in research and development centers that are eligible according to the criteria determined by the President and 50% of the increase in design expenditure in comparison to the previous year made in design centers that are eligible according to the criteria determined by the President can be deducted in accordance with the rules described above. The President is authorized to differentiate the rates separately or together within the legal limits and according to the specified criteria. Besides, these expenditures can be amortized by way of capitalizing, they can be written off in cases where no economic value is created under the Tax Procedure Law No. 213. The amount that is not written off in the related accounting term due to insufficient income is transferred to the following accounting term. The transferred amount can be increased by the appraisal rate that is determined annually according to the Law No. 213 in the following years.” According to Article 3/A of the Law on Supporting Research Development and Design Activities No.		

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	5746, "100% of research and development expenditure made by personal and corporate income taxpayers exclusively for new technology and information research purposes within their establishment can be deducted from their income under Article 10 of the Law No. 5520 and Article 89 of the Law No. 193 on condition that the projects in this scope are defined as research development and innovation project by the Ministry of Industry and Technology. Besides, these expenditures can be amortized by way of capitalizing, they can be written off in cases where no economic value is created according to the Tax Procedure Law No. 213."		
Definition of eligible taxpayer groups (e.g., SME)	Research and development center is defined as "units of capital companies that have legal or business center in Turkey including business places of limited liable companies established to carry out research and development and innovation activities in the scope of research and development and innovation projects or contracts and are organized separately and have adequate research and development knowledge and capacity, hire at least 50 FTE employee working exclusively on research and development within the country and", under paragraph c, Article 2 of the Law on Supporting Research Development and Design Activities No. 5746. The minimum number	Research and development center is defined as "units of capital companies that have legal or business center in Turkey including business places of limited liable companies established to carry out research and development and innovation activities in the scope of research and development and innovation projects or contracts and are organized separately and have adequate research and development knowledge and capacity, hire at least 50 FTE	-

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	of full-time equivalent R&D personnel that should be employed in R&D centers is reduced to fifteen (thirty for some sectors defined in the Council of Ministers' decision according to the NACE Rev.2).	employee working exclusively on research and development within the country and", under paragraph c, Article 2 of the Law on Supporting Research Development and Design Activities No. 5746. The minimum number of full-time equivalent R&D personnel that should be employed in R&D centers is reduced to fifteen (thirty for some sectors defined in the Council of Ministers' decision according to the NACE Rev.2).	
Additonal comments	Issued in 2008, the Law on Promoting Research and Development Activities (No. 5746) is a policy tool that primarily aims at addressing the need of creating R&D centres with a critical mass. It aims to increase the scale of R&D carried out even in large firms so that it is at a favourable level with the top global competitors and in this way, it is an additional incentive mechanism to promote large R&D centres in Turkey. Besides R&D Centres, the following firms are also eligible beneficiaries for incentives and exemptions under the law 5746 on supporting R&D; a. Entrepreneurs who received the technological entrepreneurship capital support program; b. Firms established in Technology	For R&D and support personnel who work in the R&D centre/Design centre on R&D and innovation projects and graduates from natural sciences, half of the employer's share of the insurance premium calculated on the wages such personnel are entitled to in return for their work is paid from the allowance, which will be set aside for each employee in the budget of the Ministry of Finance until 2023. The full-time-equivalent (FTE) support personnel who benefit from the employer share insurance premium cannot exceed	

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	Incubation Centres which are run by SME Development Agency (KOSGEB); c. Firms which received support and grants for their R&D projects; d. Firms which received support and grants from the Pre-competition Cooperation Support Program in particular, within the context of this Law, without any sectoral or regional distinction. Several incentive instruments, including R&D allowances, are provided until the end of 2023. Normal deduction of R&D expenditure (100%) is available for R&D Centres with > 15 FTE R&D personnel (the threshold was 50 FTE until the enforcement of Law No. 6518 on 19 Feb, 2014) and other beneficiaries of the law. Qualifying R&D centres receive an extra deduction of half of R&D expenditures increase compared to the previous year. For example, if a qualifying company conducts TRL 100 R&D expenditure in 2016 and TRL 150 in 2017. Then it gets a deduction of 100% which is TRL 150, in addition it receives another deduction of 25 = (150-100)/2, increase in the last year divided by 2. Therefore, the total amount deducted is 150+25 = TRL 175, which is the total deduction (117%) of the R&D expenditure of TRL 150.	10% of the number of total full-time R&D personnel. If the number of the support personnel exceeds 10% of the total full-time R&D personnel, the insurance premium employer's share incentive is applied starting from the wage of the support personnel member with the lowest gross salary. If the gross salaries are the same, the support personnel to benefit from the insurance premium employer's share incentive shall be determined by the employer. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf	

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	Under R&D Support Law R&D expenditures can be fully written off in the first year. However, R&D expenditures are generally written off over the standard-5 year time period. The expensing of 100% of the capitalized R&D expenditures applies for R&D centres with at least 15 FTE R&D personnel (researchers and technicians) and for other eligible beneficiaries of the law. R&D expenditures must be incurred within Turkey. Sources: http://www.resmigazete.gov.tr/eskiler/2008/03/20080312-2.htm http://www.alomaliye.com/2014/bkk-2014-6400-5746-sayili-arastirma-ve-gelistirme.htm http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf		
R&D Definition			
Other S&T&I	Yes	Yes	Yes
Note	Designing activities in design centres, R&D centres, and technology development centres will be covered by R&D incentives, effective from March 1, 2016 (Law No. 6676).	Designing activities in design centres, R&D centres, and technology development centres will be covered by R&D incentives, effective from March 1, 2016 (Law No. 6676).	Designing activities in design centres, R&D centres, and technology development centres will be covered by R&D incentives, effective from March 1, 2016 (Law No. 6676).
SSH	No	No	No
Note			
Eligible R&D			
Wages and salaries	Yes	Yes	No

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
Note		The full-time-equivalent support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel (see comments below).	
R&D services	No	No	No
Note	Up to 50% of total R&D and innovation expenses for services received from third party (as of 01.03.2016)		
Consumables	Yes	No	No
Note			
M&E	Yes	No	Yes
Note	Only capital spending on machinery.		
Land and buildings	Yes	No	No
Note	Only buildings used for R&D activities		
Depreciation	No	No	No
Note			
R&D labour paid by 3rd parties	Yes	No	No
R&D services incurred abroad	No	No	No
Open-ended note	Tax incentives and supports provided to R&D and innovation activities in Turkey are expanded by R&D Reform Package within the scope of The Law No. 6676, effective from 1 March 2016. According to the scope of R&D and Innovation Reform Package, changes and amendments are summarised below: i. The Law amends the possibility and definition provisions of the	For R&D and support personnel who work in the R&D/Design centre on R&D and innovation projects and graduated from natural sciences, half of the employer's share of the insurance premium calculated on the wages such personnel are entitled to in	

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	aforementioned laws, so that “designing activities” in design centres, R&D centres, and technology development centres will be covered by R&D incentives. https://taxinsights.ey-vx.com/archive/archive-news/turkey--randd-reform-package-announced.aspx https://regfollower.com/2016/02/26/turkey-rd-reform-package-enters-into-force/ http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf R&D expenditures must be incurred within Turkey, and include starting material costs, depreciation and amortization, labour costs (salaries and wages), outsourced benefits and services, duties, taxes and levies on R&D related activities (such as real estate, tax on R&D land or customs duty on imported R&D related materials, etc.), and other indirect cost for the conduct of qualified research (such as public utility services, transportation expenses, communication expenses, maintenance and repair expenses, insurance expenses, etc.). Allocated general administrative expenses are excluded. Payments for R&D services provided by third parties as well as contributions in collaboration agreements are limited to 50% of total R&D and innovation expenses.	return for their work is paid from the allowance, which will be set aside for each employee in the budget of the Ministry of Finance until 2023. The full-time-equivalent (FTE) support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel. If the number of the support personnel exceeds 10% of the total full-time R&D personnel, the insurance premium employer’s share incentive is applied starting from the wage of the support personnel member with the lowest gross salary. If the gross salaries are the same, the support personnel to benefit from the insurance premium employer’s share incentive shall be determined by the employer. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide http://www.pwc.com/gx/en/tax/newsletters/international-tax-	

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
		services/assets/pwc-international-tax-news-june-2016.pdf	
Administration and Monitoring			
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: The Scientific and Technological Research Council of Turkey (TUBITAK). Deadline: R&D centre certification Documentation requirements: R&D centre certification In order to receive the R&D incentives through R&D projects, taxpayers should have an R&D centre certificate or obtain approval from TÜBİTAK or other authorized Government institutions. Evaluation of claims Responsible authority: Tax office Deadline: until 25 April (fourth month following the month the fiscal period ends). Documentation requirements: annual corporate income tax return, documents related to the process of the R&D and innovation projects conducted within R&D centres and R&D projects; SFC Certification Report certifying that R&D deductions are computed and applied correctly. Expenses made within R&D centres or R&D projects and included in the R&D deduction should be certified by a sworn-in certified public accountant.	Evaluation of claims Responsible authority: Deadline: until the 23rd of the month that follows the month the wages are paid. Documentation requirements: SFC Certification Report certifying R&D deductions are computed and applied correctly.	

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
Additional Comments	In order to receive the R&D incentives through R&D projects, taxpayers should have an R&D centre certificate or obtain approval from TÜBİTAK or other authorized Government institutions. Entities wishing to receive R&D centre certificates should prepare an application including the information and documents required by the Republic of Turkey Ministry of Industry and Technology. Entities that do not have R&D centre certificates should obtain approval from TÜBİTAK or other authorized Government institutions for R&D projects in order to benefit from R&D deduction. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide Firms that are entitled as R&D centres by the Ministry of Industry and Technology should have at least 15 FTE R&D personnel. R&D Activities are subject to a Sworn Fiscal Consultant's (SFC) certification. A taxpayer who benefited from R&D deductions has to give a SFC Certification Report to its tax office certifying that its R&D deductions are computed and applied correctly. Entities that would like to receive an R&D centre certificate should prepare an application including the information and documents required by the Republic of Turkey Ministry of Industry and		

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	Technology. Entities are required to receive an approval from TÜBİTAK or other authorized Government institutions for new R&D activities in order to receive the R&D expense deduction on a project basis. Documents related to the process of the R&D and innovation projects conducted within R&D centres and R&D projects should be submitted to the affiliated tax offices with annual income and corporate tax returns to benefit from the R&D deduction. Expenses made within R&D centres or R&D projects and included in the R&D deduction should be certified by a sworn-in certified public accountant. Partial compensation for social security contributions of employers: The incentive is applicable for current investments. Tax returns are not used in order to benefit from social security premium support. Social security premium support may be applied to premiums accrued due to the monthly premium and service documents issued in the scope of Law no. 5510. Monthly premium and service documents are submitted until the 23rd of the month that follows the month the wages are paid. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide R&D tax allowance: The amounts of R&D deduction calculated over the expenses incurred as		

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Type of Scheme	R&D tax allowance	SSC exemption	Accelerated depreciation for R&D capital
	of the advance tax periods of the taxpayer can be deducted from the income in the tax return of the related advance tax period. The final and certain amounts of R&D deduction are calculated at the end of the year and deducted from the income in the corporate tax return, which can be submitted to the tax office until 25 April (fourth month following the month the fiscal period ends). Income taxpayers also benefit from the R&D tax allowance. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide		

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
Scheme name/description	Corporate Tax Credit for Research & Development	Research and Development Expenditure Credit (RDEC) Scheme	Research and development allowance (RDA)
Status in 2021	In force in 2021	In force in 2021	In force in 2021
Enforcing law/regulation			
Design			
Expense Base	C	C	ME, B, Intangibles
Deducted from	Taxable income	Tax	Taxable income
Volume-based rate Large firms	-	13	100 (less disposal value if applicable)
Volume-based rate SMEs	130	-	100 (less disposal value if applicable)
Incremental rate Large firms			-
Incremental rate SMEs			-
Base amount (if incremental)			-
Thresholds	-	-	-
Ceilings	SMEs (R&D tax relief per project): EUR 7.5m Subcontracted R&D: • If connected subcontractor, lower of: - payment made to subcontractor; - or relevant expenditure of subcontractor. • If unconnected subcontractor, 65% of subcontracted R&D costs. Refund-specific ceiling: 14.5% of surrenderable loss. Maximum of GBP 20,000 in repayments per year plus three times the company's total PAYE and NIC liability (certain exemptions apply)	-	The underlying principle is that relief would be limited to net expenditure incurred by the claimant carrying on qualifying R&D activity.

UNITED KINGDOM

Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
Special rate SMEs	Yes	-	-
Special refund provision SMEs	-	-	-
Special terms for collaboration	-	-	-
Refund Large firm (in Yrs)	-	Immediate	No
Refunds SME (in Yrs)	Immediate (qualified SMEs)	Immediate	No
Limitations	SMEs: 14.5% of surrenderable loss capped at GBP20 000 in repayments per year plus three times the company's total PAYE and NIC liability (certain exemptions apply)	-	-
Carry-forward (in Yrs)	Infinite	Infinite	-
Carry-back (in Yrs)	-	-	-
Limitation	Carry forward relief is limited to set off against profits of the same trade.	-	-
Taxability of R&D tax relief	An R&D tax credit is not taxable income of the company.	The RDEC scheme is taxable.	The accelerated depreciation allowance is not taxable.
Grant-funded R&D projects	If a company receives a subsidy or grant for an R&D project, this may affect how much tax relief it can claim. If the subsidy or grant is a 'state aid' recognised by the European Commission, the company cannot claim anything under the SME Scheme. For other types of subsidy or grant, the R&D expenditure a company can claim for is reduced by the amount of subsidy or grant received. The company may be able to claim under the Large Company Scheme instead. A company that has received grant or other form of support which is notified state aid for a project cannot subsequently repay this support in order to claim R&D	There is no reduction for grant or subsidy under the Large Company scheme. General measures that are not restricted to a specific group are not notified State aid, i.e., the Large company R&D tax credit scheme (for work until 31 March 2016, when this scheme was withdrawn), and the Research and Development Expenditure Credit Scheme (RDEC) (for work undertaken from 1 April 2013). A company in receipt of a notified aid	-

UNITED KINGDOM

Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	relief. If a company receives an aid of less than EUR 200,000 over 3 years, this aid may qualify as De Minimis aid under the De Minimis Regulation. In this case, the company can claim SME R&D tax credits for costs within a project that are not funded by De Minimis aid. This means that a company cannot top up SME R&D tax credits with De Minimis aid. This rule applies only to project costs, not on a company basis. SMEs receiving direct EU funding can claim SME R&D tax credits scheme for their own expenditure in the project including the payable tax credit if appropriate. In addition, relief on the EU grant can be claimed under the Large Company scheme and the RDEC. There is no reduction for grant or subsidy under the Large Company scheme. Source: https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-small-and-medium-sized-enterprises https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81670	can claim the large company tax relief or the RDEC. Companies can also claim for qualifying R&D costs funded by grant because there is no provision under the large company R&D tax credits scheme preventing subsidised expenditure from qualifying for R&D tax relief. Source: https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-small-and-medium-sized-enterprises https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81670	
Subcontracting rules	(A) Payments made by SME for subcontracted R&D: - Payments to unconnected subcontractor: If the company and the subcontractor are not "connected" (CIRD82150) the company can claim R&D tax relief on 65% of the payment it makes to the sub-contractor. The subcontractor does not have to do the work itself but can subcontract the work to a third party.	(A) Payments made by Large Company for subcontracted R&D: For large company, the expenditure on R&D contracted to other persons is generally not allowable. Large companies can only claim subcontract costs if they are paid to a university,	

UNITED KINGDOM

Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	- Payments to connected subcontractor: If the company and the subcontractor are "connected", the company can claim R&D tax relief on the lower of: (a) the payment that it makes to the subcontractor, and (b) the relevant expenditure of the subcontractor, so long as the whole amount of the subcontract payment is brought into account in determining the subcontractor's profit in accounts drawn up under GAAP ending within 12 months of the end of the claimant company's accounting period for which the relief is claimed. The company and the subcontractor may jointly elect to be treated as if they are connected even though they are not connected. The election applies to all payments under the same contract arrangement and must be made by notice in writing gives to HMRC officer with responsibility for the principal's affairs within 2 years of the end of the principal's accounting period in which the contract is made. The subcontractor does not need to be UK resident and there is no requirement for the subcontracted R&D to be performed in the UK. The actual work carried out by the subcontractor need not be R&D when looked at in isolation. For example a company might as part of its R&D activities need to subcontract analytical testing of a material to another person who has the specialised machinery needed for the test. The testing may be well established and routine, and on its own it would not be R&D. But the	health authority, charity, scientific research organization, individual, or a partnership of individuals. (B) Payments received by third party for subcontracted R&D: Large Companies can claim the relief on costs associated with work that is contracted for them as long as it was contracted by another Large Company or any person not subject to UK tax, e.g., UK Large Company performs research for a U.S. company that is not subject to UK tax. Contributions to R&D carried out by third party: SMEs cannot claim for contributions to independent research, while large companies can do so. Source: http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm#4 http://www.hmrc.gov.uk/manuals/cirdmanual/cird84200.htm http://www.hmrc.gov.uk/manuals/cirdmanual/cird80250.htm;	

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	subcontracted work will count as R&D from the perspective of the company, because it is one component of a larger project that is R&D. One of the conditions for a company to make a claim under the SME scheme is that the expenditure is not incurred in carrying on R&D activities as a subcontractor. In some cases, the SME company may still be able to make a claim under the Large Company scheme CIRD89500. This will entitle the company to a 30% deduction for qualifying expenditure. However, losses arising from that expenditure cannot be surrendered for a payable tax credit. (B) Payments received by third party for subcontracted R&D: SMEs cannot claim the more advantageous small company relief on costs that are subsidized or related to activities that were contracted to them, although they may be able to make a claim under the less generous Large Company relief (which means the SME would be unable to monetize losses into cash refunds). Large Companies can claim the relief on costs associated with work that is contracted for them as long as it was contracted by another Large Company or any person not subject to UK tax, e.g., UK Large Company performs research for a U.S. company that is not subject to UK tax. Contributions to R&D carried out by third party: SMEs cannot claim for contributions to independent research, while large		

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	companies can do so. From 1 April 2016, the Large Company enhanced-deduction scheme has been replaced by the RDEC scheme. Source: http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm#4 http://www.hmrc.gov.uk/manuals/cirdmanual/cird84200.htm http://www.hmrc.gov.uk/manuals/cirdmanual/cird80250.htm;		
Aggregation rules	No details	No details	No details
Definition of eligible taxpayer groups (e.g., SME)	Resident companies and branches of non-resident companies are eligible. An SME is a company or organisation with fewer than 500 employees and either of the following: • an annual turnover not exceeding EUR100 million • a balance sheet not exceeding EUR86 million This definition applies to spending on R&D from 1 August 2008. Before that date, an SME was a company with fewer than 250 employees, and either of the following: • an annual turnover not exceeding EUR50 million • a balance sheet not exceeding EUR43 million The company or organisation may not be considered to be an SME if it is part of a larger enterprise that, taken as a whole, would fail these tests. When considering the limits shown above, it may be needed to include any company that has a shareholding of 25% in the company and/or any company in which the claiming company holds a 25% share. If the company or	Resident companies and branches of non-resident companies are eligible. Large companies are those that do not fulfil the definition of SME: An SME is a company or organisation with fewer than 500 employees and either of the following: • an annual turnover not exceeding EUR 100 million • a balance sheet not exceeding EUR 86 million. This definition applies to spending on R&D from 1 August 2008. The company or organisation may not be considered to be an SME if it is part of a larger enterprise that, taken as a whole, would fail these tests. When considering the limits shown above, it may be needed to include any company that has a shareholding of	R&D performing corporations. Individuals and partnerships can also claim RDA.

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	organisation is claiming relief under the SME Scheme, for accounting periods ending before 9 December 2009, then it must own any intellectual property that might arise from the project. This definition of an SME for R&D Relief purposes is not necessarily the same as that used by HMRC in relation to other areas of Corporation Tax or other tax areas such as PAYE, or by other government agencies. Source: https://www.gov.uk/corporation-tax-research-and-development-rd-relief	25% in the company and/or any company in which the claiming company holds a 25% share. If the company or organisation is claiming relief under the SME Scheme, for accounting periods ending before 9 December 2009, then it must own any intellectual property that might arise from the project. This definition of an SME for R&D Relief purposes is not necessarily the same as that used by HMRC in relation to other areas of Corporation Tax or other tax areas such as PAYE, or by other government agencies. Source: https://www.gov.uk/corporation-tax-research-and-development-rd-relief Cash credits are available for large companies under the R&D expenditure credit scheme if the claimant company does not have corporate tax liabilities. Source: http://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-2015-global-survey-of-rd-tax-incentives-102015.pdf	
Additional comments	The SME may be able to claim under the Large Company Scheme if the following two conditions are	The Large Company Scheme includes an 'above the line' credit which has	

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	met: (1) the expenditure would have been allowable under the Large Company Scheme if the company or organisation was 'large'; (2) the expenditure is ruled out of the SME Scheme only because it was subsidised or because the amount received exceeds the EUR 7.5 million limit. Under the Large Company Scheme, the rate of tax relief is lower, and the relief cannot be converted into payable tax credits. There is no reduction for grant or subsidy under the Large company scheme. A company has a surrenderable loss if in an accounting period the company: (i) obtains an additional deduction under section 1044 in calculating the profits of a trade and it makes a trading loss in that period in the trade, or (ii) it is treated as making a trading loss under section 1045. Sources: http://www.hmrc.gov.uk/manuals/cirdmanual/cird81670.htm http://www.hmrc.gov.uk/manuals/cirdmanual/cird90500.htm	been introduced for expenditure incurred on or after 1 April 2013. It was initially optional, running alongside the enhanced-deduction scheme which it replaced in April 2016. The qualifying expenditures are the same as those under the Corporate Tax Credit for Research & Development. Once a company has claimed RDEC for the first time, it has effectively elected into RDEC and the election is irrevocable.	
R&D Definition			
Other S&T&I	No	No	No
Note			
SSH	No	No	No
Note			
Eligible R&D			
Wages and salaries	Yes	Yes	No

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
Note	The staff must be employed under a contract of employment directly with the company or organisation - not consultants, agency workers, or staff/directors whose contracts of employment are with other companies. However, these others may qualify under either the rules for staff providers or subcontractors.		
R&D services	Yes	Yes	No
Note	Depends on contractual arrangement (see subcontracting rules)	Large companies can only claim subcontract costs if they are paid to a university, health authority, charity, scientific research organization, individual, or a partnership of individuals.	
Consumables	Yes	Yes	No
Note			
M&E	No	No	Yes
Note			
Land and buildings	No	No	Yes
Note			Buildings used for R&D only.
Depreciation	No	No	No
Note			
R&D labour paid by 3rd parties	Yes	Yes	No
R&D services incurred abroad	Yes	Yes	No
Open-ended note	Qualified R&D expenditures include: (i) Employing staff who is directly and actively engaged in carrying out R&D, (ii) Consumable or transformable materials		A 100% immediate capital allowance (expensing) is provided for capital expenditure on R&D

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	used directly in carrying out R&D (iii) Power, water, fuel, and computer software used directly in carrying out R&D, (iv) the cost of relevant payments to subjects of clinical trials. Expenditures on land, patents and patent protection are specifically excluded. Special rules apply for payments made to staff providers and subcontractors. R&D tax relief only applies to revenue expenditure - generally, costs incurred in the day-to-day running of the business, not to money spent on capital assets. So firms cannot claim this relief on anything you spend on capital assets. But they may be able to claim relief for capital expenditure on R&D as a capital allowance known as 'Research and Development Allowance'. If any R&D revenue expenditure is 'capitalised' in a company's accounts, this may still qualify for R&D tax relief. Source: http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm#4 http://www.hmrc.gov.uk/manuals/cirdmanual/cird84000.htm https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81470 https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief#how-and-when-to-claim-rd-tax-relief		(including expenditure on machinery and buildings) qualifying for Research and Development Allowances. The treatment depends on whether the R&D is performed for a company's own account, or for another company (e.g. under an R&D service contract). Qualifying expenditure is capital expenditure that a trader incurs on research and development directly undertaken by the trader or on the trader's behalf provided that: •the research and development is related to a trade that the trader carries on, or •the trader sets up and commences a trade connected with the research and development. RDA is only due if the research and development expenditure is related to the trade being carried on or about to be carried on. Research and development related to a trade includes: •any research and development which may lead to or facilitate an extension of the trade;

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
			and •medical research which has a special relation to the welfare of workers employed in that trade, for example research into an occupational disease. Firms should only treat expenditure as incurred on behalf of a trader if there is a clear, close and direct link between the trader and the research undertaken. The relationship between the person claiming the allowances and the person undertaking the research need not be contractual, but if it is not it must be one of agency, or something similar to agency. The fact that research undertaken by someone else is for a trader's benefit, or is in his interest, is not enough to make the expenditure qualify for RDA. Source: https://www.gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca60400
Administration and Monitoring			
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: HM Revenue & Customs Deadline: Applying for Advance Assurance is voluntary and you can do this at any time before the first claim for R&D tax relief.		

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	Documentation requirements: A firm has to meet certain conditions which are that: •it hasn't claimed R&D tax relief before; •its annual turnover is GBP 2 million or less; •it has less than 50 employees. To apply for Advance Assurance you'll need: •your company accounts •your company registration documents (from Companies House) • HMRC correspondence •previous company tax returns (not needed for new companies) •the name of a main contact - someone with a direct knowledge of your company R&D (for example, research manager or company director) and who may need to discuss the application with HMRC. You'll need to give some basic information about your company and detailed information about your company's R&D activities. No pre-approval is required to take advantage of the applicable tax benefit (corporate tax credit, RDA and RDEC). A company many qualify for Advance Assurance. HM Revenue and Customs (HMRC) introduced Advance Assurance for companies that claim Research and Development (R&D) tax relief in November 2015. Once a company's application for Advance Assurance has been accepted, for the first 3 accounting periods of claiming R&D tax relief, HMRC will allow the claim without further enquiries. Evaluation of claims Responsible authority: HM Revenue & Customs Deadline: Two years after the end of the relevant corporate tax accounting period. Documentation requirements: Firms must make any claim for R&D tax relief in their CT return or amended return: i. Company tax return with calculation on the enhanced expenditure in the CT return. ii. An explanation on why the company considers its project(s) to be allowable as R&D, iii. A summary of the costs incurred on the R&D and how the figures in the return were calculated. Although it is not a legal requirement, HMRC encourages companies to tell them why the company or organisation considers its project(s) to be allowable as R&D and provide a summary of the costs incurred on the R&D and how the figures in the return were arrived at. Audit Responsible authority: HM Revenue & Customs Deadline: HMRC will write to tell firms if they can appeal. They normally have 30 days to appeal. Documentation requirements: HM Revenue and Customs (HMRC) will write or phone to say what they want to check. This could be: (i) any taxes you pay; (ii) accounts and tax calculations, (iii) your Self-Assessment tax return; (iv) your Company Tax Return; (v) PAYE records and returns, if you employ people. If the firm uses an accountant, HMRC will contact them instead. If the company has chosen to give up its enhanced relief to receive tax credits instead, or if the company has submitted a claim to carry back a loss to be set off against profits of a previous accounting period, HMRC will make the payment and opens a compliance check or enquiry in to the company's return.		

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	<u>Other</u> Responsible authority: HM Revenue & Customs Deadline: HMRC will write to tell firms if they can appeal. They normally have 30 days to appeal. Documentation requirements: Firms can appeal against some decisions about: their tax bill, e.g. Self-Assessment, Corporation Tax, VAT, a claim for tax relief, a request for information or to check your business records, a penalty, e.g. if they paid their tax late, or filed their tax return late. Firms can appeal if they disagree with the HMRC decision and results of the check. This can also be done by someone who deals with the company's taxes, e.g. an accountant.		
Additional Comments	A company can claim for R&D tax relief by putting an X in either box 99 (SME) or box 100 (large companies) on its CT return, and in both cases the enhanced expenditure – that is the actual amount spent multiplied by 230% or 130% as appropriate - should be placed in box 101. The company should also include this enhanced figure in the calculations of the profit (box 3) or loss (box 122) for the period. If the company is an SME and wants to convert some or all of the tax relief into payable tax credits, it will need to put the amount payable to the company in box 87, box 89 and box 143 and put an X in the 'repayment due for this return period' box on page 1. Although it's not a legal requirement, HMRC encourages companies to tell them why the company or organisation considers its project(s) to be allowable as R&D provide a summary of the costs incurred on the R&D and how the figures in the return were arrived at. If a company just claims relief, this will reduce the company's profit chargeable to CT for the relevant accounting period. But if the company has chosen to give up its enhanced relief to receive tax credits instead, or if the company has submitted a claim to carry back a loss to be set off against profits of a previous accounting period, HMRC will make the payment and opens a compliance check or enquiry in to the company's return. They may agree to make interim payments. When the enquiry is concluded the balance will be paid. HM Revenue and Customs (HMRC) introduced Advance Assurance for companies that claim Research and Development (R&D) tax relief in November 2015. If your company carries out R&D for itself or other companies, it could qualify for Advance Assurance. This means that for the first 3 accounting periods of claiming for R&D tax relief, HMRC will allow the claim without further enquiries. Applying for Advance Assurance is voluntary and you can do this at any time before the first claim for R&D tax relief. A company can still apply for R&D tax relief without Advance Assurance. A company can apply for Advance Assurance if it's planning to carry out, or has previously carried out R&D. It has to meet certain conditions which are that: •it hasn't claimed R&D tax relief before; •its annual turnover is GBP 2 million or less; •it has less than 50 employees. Use information from your accounts to see if your company meets these conditions at the date of application. If your company is new, you can still apply, as long as you haven't claimed R&D tax relief before. These conditions may also apply if your company is part of a group, but see who can't apply for Advance Assurance to be		

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Type of Scheme	R&D tax allowance	R&D tax credit	Accelerated depreciation for R&D capital
	certain. If you're planning to carry out future R&D, HMRC may contact you after you've submitted your first claim. This is to check that your R&D matches the details you gave in the Advance Assurance application form. Source: https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief#how-and-when-to-claim-rd-tax-relief RDA scheme: There are no pre-conditions. Individuals and partnerships can claim RDA's also. The RDA applies to current investments and is claimed through the corporation tax return. The claim must be filed within two years of the end of the accounting period to which it relates; therefore, companies may file amended claims up to the first anniversary of the filling deadline of the tax return. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide		

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Type of Scheme	R&D tax credit
Scheme name/description	Federal research and experimentation (R&E) tax credit
Status in 2021	In force in 2021
Enforcing law/regulation	26 U.S. Code § 41 - Credit for increasing research activities
Design	
Expense Base	C
Deducted from	Tax
Volume-based rate Large firms	Credit for certain energy research: 20
Volume-based rate SMEs	Credit for certain energy research: 20
Incremental rate Large firms	RRC: 20; ASC: 14 or 6 (if no qualified R&D expenses in any one of the three preceding years); Credit for basic research: 20
Incremental rate SMEs	RRC: 20; ASC: 14 or 6 (if no qualified R&D expenses in any one of the three preceding years); Credit for basic research: 20
Base amount (if incremental)	RRC: Product of a company's average annual gross receipts in the previous four tax years and the ratio of its qualified research expenses and gross receipts during its base period, however that is determined; ASC: 50% of the average qualified research expenses for the three preceding years; Credit for basic research: The sum of (a) the greater of two minimum basic research floors plus (b) an amount reflecting any decrease in non-research giving to universities by the corporation as compared to such giving during a fixed-base period, as adjusted for inflation.
Thresholds	-
Ceilings	Taxpayer's net income tax less the greater of the taxpayer's tentative minimum tax liability (TMT) or 25% of net regular tax liability above USD 25,000. For eligible small business, the TMT is treated as zero, the limitation based on regular tax liability still applies. RRC: tax relief limited to 50% of the taxpayer's qualified research expenses for the taxable year (see definition base amount).
Special rate SMEs	-
Special refund provision SMEs	Yes (certain start-ups)
Special terms for collaboration	-
Refund Large firm (in Yrs)	No
Refunds SME (in Yrs)	Payroll tax offset up for qualified small business (certain start-ups)
Limitations	Payroll tax offset up to USD 250,000. Tax deduction limited to payroll tax liability.

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Type of Scheme	R&D tax credit
Carry-forward (in Yrs)	20 y
Carry-back (in Yrs)	1
Limitation	-
Taxability of R&D tax relief	The R&D tax credit is taxable
Grant-funded R&D projects	Under section 41(d)(4)(H), a taxpayer may not claim a research tax credit if that research was "funded by any grant, contract, or otherwise by another person (or governmental entity)."
Subcontracting rules	Section 41(b)(1) defines QREs as the sum of (1) "in-house research expenses" and (2) "contract research expenses". Generally, a contract research expense is 65 percent of any expense paid or incurred in carrying on a trade or business to any person, other than an employee of the taxpayer, for the performance on behalf of the taxpayer of qualified research, or services which, if performed by employees of the taxpayer, would constitute qualified services within the meaning of section 41(b)(2)(B). (See Treasury Regulation section 1.41-2(e)(1)). If any contract research expense is attributable to qualified research to be conducted after the close of the taxable year, it shall be treated as paid or incurred when the qualified research is conducted(section 41(b)(3)(B)). Thus, prepaid research expenditures are not eligible for the credit until the services are performed. Treasury Regulation section 1.41-2(e) provides a three-part test for determining if the payment is for the performance of qualified research where a third party performs the research for the taxpayer. An expense is paid or incurred for the performance of qualified research only to the extent that it is paid or incurred pursuant to an agreement that: (i) is entered into prior to the performance of the qualified research, (ii) provides that research be performed on behalf of the taxpayer, and (iii) requires the taxpayer to bear the expense even if the research is not successful. Qualified research is performed on behalf of the taxpayer if the taxpayer has a right to the research results. Qualified research can be performed on behalf of the taxpayer notwithstanding the fact that the taxpayer does not have exclusive rights to the results. Also, if the expense is paid or incurred pursuant to an agreement under which payment is contingent on the success of the research, then the expense is considered paid for the product or result, rather than the performance of research, and the payment is not a qualified contract research expense. In addition, section 41(d)(4)(H) and Treasury Regulation section 1.41-4A(d) (cross-referenced by Treasury Regulation 1.41-4(c)(9)), prohibit any research funded by any grant, contract, or otherwise by another person to be qualified research. Under section 1.41-4A(d), the performer of the research can only claim a tax credit to the extent that the performer retains substantial rights to the research and can demonstrate research expenses beyond the funded amount. Payments that are contingent on the success of the

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Type of Scheme	R&D tax credit
	research are considered to be paid for the product itself and are not treated as funding. Funded research does not constitute "qualified research" even if the 4-part test of section 41(d)(1) is met. Under applicable reporting requirements, including Form 6765 on which taxpayers must separately report contract research expenses, the uncertain tax position disclosure tax form, and Schedule M-3, Part III, R&D reconciling information attached and made a part of tax return, a taxpayer is required to disclose the amount of contract research expenses claimed for tax purposes. If the Internal Revenue Service (IRS) discovers that two taxpayers are claiming the research credit for the same activity, then the IRS would use the principles for contract research expenses and funded research described in the answers to the previous two questions to determine which taxpayer has the right the claim credit for the research expense, taking a broad view of the total financial relationship between the two taxpayers. The other taxpayer's claim to the credit would then be denied for that expense.
Aggregation rules	Under section 41(f)(1)(A), in determining the amount of the research credit, all members of the same controlled group of corporations shall be treated as a single taxpayer. Under section 41(f)(1)(B), under regulations prescribed by the Secretary, in determining the amount of the research credit, all trades or businesses (whether or not incorporated) which are under common control shall be treated as a single taxpayer. Treasury Regulation section 1.41-6 provides rules for aggregation of expenditures by controlled groups, trades or businesses under common control, and consolidated groups. Under Treasury Regulation section 1.41-6(b), the group credit is computed by applying all of the section 41 computational rules on an aggregate basis. All members of a controlled group must use the same method of computation. Under Treasury Regulation section 1.41-6(c), the group credit is allocated to each member of the controlled group on a proportionate basis to its share of the aggregate of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums taken into account for the taxable year by such controlled group for purposes of the credit. Treasury Regulation section 1.41-6(d) provides special rules for consolidated groups.
Definition of eligible taxpayer	Generally, taxpayers carrying on any trade or business that pay or incur qualified research expenses (QREs) above the base amount are eligible for the credit. Subject to certain exclusions, qualified research under IRC 41(d)(1) means research: 1) with respect to which the expenditures may be treated as expenses under IRC section 174); 2) undertaken for the purpose of discovering information that is technological in nature; 3) the application of which is intended to be useful in the development of a new or improved business component of the taxpayer; and 4) substantially all of the activities of which constitute elements of a process of experimentation for a purpose for a qualified purpose. Eligible small businesses with average annual gross receipts of USD 50 million or less will be allowed to offset their AMT liability with

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Type of Scheme	R&D tax credit
	the credits. An "eligible small business" is a non-publicly traded corporation, a partnership, or a sole proprietorship, if the business's average annual gross receipts for the three-tax-year period preceding the credit year do not exceed USD 50 million. In determining gross receipts, section 38(c)(5)(A) applies rules similar to the rules under section 448(c)(2) and (3), which provide the following: (i) All persons treated as a single employer under section 52(a) and (b) or section 414(m) or (o) are treated as one person. (ii) If the entity was not in existence for the entire three-year period, then the gross receipts requirement is applied on the basis of the period during which such entity (or trade or business) was in existence. (iii) For a short taxable year, gross receipts are annualized by multiplying the gross receipts for the short period by 12 and dividing the result by the number of months in the short period. (iv) Gross receipts for any taxable year is reduced by returns and allowances made during such year. Furthermore, for a partnership or S corporation, the gross receipts test must be met both by the entity and by the partner or shareholder for the taxable year. Effective for taxable years beginning after December 31, 2015, a qualified small business may elect to apply a portion of its research credit—up to USD 250,000—against its payroll tax liability, instead of its income tax liability. For a qualified small business other than a partnership or S corporation, the payroll tax credit portion of the credit is limited to the amount of the business credit carryforward under section 39 carried from the taxable year. Qualified small businesses are certain start-ups that have gross receipts for the taxable year of less than USD 5 million, and no gross receipts for any taxable years preceding the five-taxable-year period ending with the tax year. A small business that is not a corporation or partnership (such as a sole proprietor) must take into account the aggregate gross receipts that the taxpayer receives in carrying on all its trades or businesses. For corporations and partnerships, the gross receipts and the credit limitations apply on a controlled group basis. Sources: https://www.congress.gov/114/plaws/publ113/PLAW-114publ113.pdf. https://www.gpo.gov/fdsys/pkg/USCODE-2015-title26/pdf/USCODE-2015-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec41.pdf
Additonal comments	The research credit has four components: the regular research credit (RRC), alternative simplified credit (ASC), the credit for certain energy research and the credit for basic research. ASC: the credit rate is reduced to 6% if a taxpayer has no qualified research expenses in any one of the three preceding years. Research expenditures undertaken by qualified energy consortia, which are certain tax exempt energy research organizations. 100% of corporate cash expenses (including grants or contributions) paid for basic research conducted by universities and certain non-profit scientific research organizations. Taxpayers can claim the regular credit or elect the alternative simplified credit. Once an election is made, it can only be revoked with the consent of the Secretary of the Treasury. A taxpayer that claims a research credit must reduce the business deduction for research expenditures by the amount of the credit claimed. However, taxpayers can elect to claim a reduced credit and avoid reducing the deduction for research expenditures. The reduced credit is .65 times the unreduced credit. (.65 = 1- maximum

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Type of Scheme	R&D tax credit
	corporate tax rate (.35)). The R&D tax credit is a component of the general business credit (GBC). The GBC may not exceed a limitation based on income tax liability, i.e., it is not refundable. The GBC may not exceed the taxpayer's net income tax less the greater of the taxpayer's tentative minimum tax liability or 25% of net regular tax liability above USD 25,000. From 1997 through 2008, companies had the option of claiming what was known as the Alternative Incremental Research Credit (AIRC) instead of the regular credit. When it was discontinued starting in 2009, the AIRC was equal to the sum of 3% of a firm's QREs above 1% but below 1.5% of its average gross receipts in the four previous years, 4% of its QREs above 1.5% but below 2.0% of the same receipts, and 5% of its QREs above 2.0% of the same receipts. A provision of the Emergency Economic Stabilization Act of 2008 (P.L. 110-343) suspended the AIRC. The federal research and experimentation (R&E) credit was first enacted in 1981 as a temporary measure through the Economic Recovery Tax Act. Since its introduction, the tax credit was been extended 16 times before it was made permanent in December 2015 by the Consolidated Appropriations Act, 2016 (Public Law No. 114-113; H.R.2029) (Guenther 2016). The later amendment applies to amounts paid or incurred after December 31, 2014. The bill also modified the credit by allowing eligible small business to claim the credit against their alternative minimum tax liability. Also, certain start-ups can claim from 2016 onwards the credit against their payroll tax liability subject to some limitations. The amendments for small businesses and start-ups apply to taxable years beginning after December 31, 2015. Source: https://www.congress.gov/bill/114th-congress/house-bill/2029/text.
R&D Definition	
Other S&T&I	Yes
Note	The term includes the costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application. Other innovation activities are not eligible.
SSH	No
Note	
Eligible R&D	
Wages and salaries	Yes
Note	
R&D services	Yes
Note	65 percent of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research (75 percent for amounts paid to certain research consortia and 100 percent for amounts paid to certain small businesses, institutions of higher education and Federal laboratories).

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Type of Scheme	R&D tax credit
Consumables	Yes
Note	Supplies qualify for the credit if they are used in the conduct of qualified research. Section 41(b)(2)(C) defines a supply as any tangible property other than land or improvements to it and depreciable assets like buildings and equipment. Since overhead costs, leasing expenses, and licensing fees are not tangible property, they cannot be regarded as supplies for the purpose of claiming the credit. Supplies are used in the conduct of qualified research if an employee of the taxpayer (or someone acting in that capacity) uses them to provide qualified services. So, a supply qualifies for the credit if it can be regarded as non-depreciable tangible property acquired by a company that is used in the performance of qualified services.
M&E	No
Note	
Land and buildings	No
Note	
Depreciation	No
Note	
R&D labour paid by 3rd parties	No
R&D services incurred abroad	No
Open-ended note	Section 41(b)(1) defines QREs as the sum of (1) "in-house research expenses" and (2) "contract research expenses". Section 41(b)(2)defines in-house research expenses as: 1. any "wages" paid or incurred to an employee for "qualified services" performed by such employee; 2. any amount paid or incurred for "supplies" used in the conduct of "qualified research", 3. under regulations prescribed by the Secretary, any amount paid or incurred to another person for the right to use computers in the conduct of qualified research. Section 41(b)(2)(B) identifies three types of qualified services: 1. Engaging in qualified research, 2. Directly supervising qualified research; or 3. Directly supporting qualified research. Section 41(b)(2)(C) defines the term "supply" to mean any tangible property other than (1) land or improvements to land, and (2) property of a character subject to the allowance for depreciation. Section 41(b)(3) defines "contract research expenses" as 65% of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research. If an expense is not set forth in section 41(b), a taxpayer may not claim the expense as a QRE. https://www.irs.gov/businesses/audit-techniques-guide-credit-for-increasing-research-activities-ie-research-tax-credit-irc-ss-41-qualified-research-expenses

UNITED STATES

Type of Scheme	R&D tax credit
Administration and Monitoring	
Stages, responsible authority and documentation requirements	Registration/pre-approval Responsible authority: IRS Deadline: If claiming a credit or refund, the period of limitations on credit or refund under section 6511 applies. There are also timing considerations applicable to making certain elections. While reviewing Form 6765, IRS examiners review whether the taxpayer has elected the alternative simplified credit (ASC) under section 41(c)(4) and whether the taxpayer has elected the reduced rate of credit under section 280C(c). The reduced credit election must be properly made on a timely filed original return (including extensions). Treasury regulation section 1.41-9 allows a taxpayer to make an ASC election for a taxable year on an amended return if the taxpayer had not previously claimed a section 41 credit for that taxable year on an original or amended return and the tax year is not closed by the period of limitations on assessment under section 6501(a). In addition, the regulations provide that a taxpayer that is a member of a controlled group in a tax year may not make an ASC election for that tax year on an amended return if any member of the controlled group for that year claimed the research credit using a method other than the ASC on an original or amended return. Documentation requirements: Generally, taxpayers must attach Form 6765 to their income tax return to claim the research credit. Under Treasury Regulation section 1.41-4(d), a taxpayer claiming a credit under section 41 must retain records in sufficiently usable form and detail to substantiate that the expenditures claimed are eligible for the credit. For the rules governing record retention, see section 6001-1. To facilitate compliance and administration, the IRS and taxpayers may agree to guidelines for the keeping of specific records for purposes of substantiating research credits. As stated above, although there are myriad of requirements and issues to claim the research credit, the most significant tax research incentive issue involves adequate substantiation or documentation of qualified research and expenses. The research credit provisions require a qualitative analysis that focuses on activities and events engaged in by taxpayers requiring knowledge in widely diverse subject matters addressing technologies and science. Judicial precedent has established that it is not enough to engage in qualified research activities to be entitled to the research credit. Taxpayers claiming the credit must also maintain sufficient records detailing and substantiating the expenditures claimed as eligible for the credit. A Pre-filing Agreement (PFA) program is available to certain taxpayers who wish to have their federal research credit and/or deduction audited in advance of filing tax returns. https://www.irs.gov/businesses/pre-filing-agreement-program

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Type of Scheme	R&D tax credit
	<u>Evaluation of claims</u> Responsible authority: IRS Deadline: As discussed, the period of limitations on credit or refund under section 6511 applies. There are also timing considerations applicable to making certain elections. Documentation requirements: An overpayment of tax for a taxable year generated, in whole or in part, by the research credit and not taken into account on a taxpayer's original income tax return may be taken into account by the timely filing of an amended return. Please also refer to the documentation requirements discussed above. On March 31, 2008, Notice 2008-39 was issued superseding Notice 2002-44. This Notice requires all corporate taxpayers, except those required to file electronically, to file the formal research credit claims (Form 1120X, Amended Corporate Tax Return) with centralized clearinghouse, Ogden Service Center. The clearinghouse processes these claims, including accepting or selecting for examination depending upon risk level. <u>Audit</u> Responsible authority: IRS Deadline: In general, under section 6501 the IRS must assess additional tax and propose penalties no later than 3 years after either a tax return is filed or the return's due date, whichever is later. Where an original tax return omits items of income in an amount exceeding 25 percent of the gross income that was shown on the return, the statute of limitations for assessment is 6 years instead of 3 years. Documentation requirements: See the above responses. <u>Other - Appeal</u> Responsible authority: IRS's Appeals office. https://www.irs.gov/individuals/appeals-resolving-tax-disputes
Additional Comments	The research credit has four components: the regular research credit (RRC), alternative simplified credit (ASC), the credit for certain energy research, and the credit for basic research.

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