R&D Incentives Reference Guide

Andersen · Europe

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We value open communication, information sharing and inclusive decision making.

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Our platform allows us to objectively serve as our client's advocate; the only advice and solutions we offer are those that are in the best interest of our client.

Stewardship
We hire the best and the brightest and we invest in our people to ensure that legacy.

Seamless
Our firm is constructed as a global firm. We share an interest in providing the highest level of client service regardless of location.

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Foreward

Dear Reader,

A large proportion of corporations is engaged in research, development and innovation (R&D&I) activities since an innovative approach is inevitable for long-term success. However, most of them are unfamiliar with the concept of R&D activities in the light of relevant legislation therefore missing out on possible cost-cutting prospects through R&D incentives.

We can say, R&D is a viral topic throughout Europe. Within the European Union, the legal bases for current research and technological development policy are already embedded in the Treaty on the Functioning of the European Union. Over the years the EU has launched several multiannual European level R&D framework programs. The current program called Horizon Europe is the 9th in the row being the world's largest research and innovation program and will run between 2021-2027.

The Member States should build their legislation on EU regulation and definitions, yet some country-specific differences can occur since taxation is in the competence of the Member States. The foundation of the definitions can be found in EU law, hence we considered useful to briefly summarize research and development activities based on that.

Our mission is to serve the goal of our clients with a cross-border approach, including assistance to benefiting from the possible R&D incentives throughout most of the Member States. In the frame of this guide our aim is to provide the Reader a general overview of R&D incentives from an array of 24 Member States complemented with those available in Albania, Switzerland and the United Kingdom ensuring an easy access to useful information.

We hope and believe that with our cross-border approach we can contribute to your success.

Yours sincerely,

Károly Radnai
European Business Incentives & Tax Credits Coordinator

I. The definition of research and development

On EU level, the definition of R&D is directly provided by European Union regulations and guidelines (e.g. by the General Block Exemption Regulation or by the State aid Framework for research, development and innovation), so the concept itself should be the same in all EU Member States. The same definitions are applied by the additional members of the European Economic Area (Iceland, Lichtenstein and Norway), Switzerland and the United Kingdom as well.

R&D is characterized by (i) novelty, (ii) the resolution of scientific and technological uncertainties, as well as (iii) creative and (iv) systematic activities, (v) the results of which may be transferable and reproducible by others.

The three main types of research and development are fundamental research, industrial research, and experimental development. From the perspective of incentives, these activities separate from so-called innovation activity, which can be interpreted as innovation within an organization.

Experimental development means the acquiring, combining, shaping, and using existing scientific, technological knowledge and skills for the purpose of new, altered or improved products, processes or services.

Example: development of new software applications, substantial improvements or prototyping of operating systems, application programs, trial operation and testing related activities.

Industrial research means the acquisition of new knowledge and expertise to develop new products, processes or services, or to bring about significant improvements in existing products, processes, or services.

Example: during the development of the new raw material, the study of the binding of raw materials, the analysis of chemical reactions; development of new programming languages, new operating systems and program generations.

Fundamental research means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct practical application or use in view.

Most of the incentives focus on research and development. However, innovation and IP protection are supported by several measures as well.

II. Summary of R&D incentives

	ALBANIA	AUSTRIA	BELGIUM	BULGARIA	CROATIA	CYPRUS	CZECH REPUBLIC	DENMARK	ESTONIA	FRANCE	GREECE	HUNGARY	IRELAND	ITALY	LATVIA	LITHUANIA	MALTA	NETHERLANDS	POLAND	PORTUGAL	ROMANIA	SLOVAKIA	SLOVENIA	SPAIN	SWEDEN	SWITZERLAND	UNITED KINGDOM
Accelerated depreciation R&D assets	○	○	●	●	●	●	●	✓	n/a	✓	✓	●	✓	●	●	✓	○	✓	●	●	✓	●	●	✓	●	✓	✓
Loans	●	●	●	✓	●	●	●	●	n/a	●	●	●	●	●	✓	●	✓	●	●	●	●	●	●	●	●	●	✓
Patent-related incentive	○	●	✓	●	●	●	●	✓	n/a	✓	✓	✓	✓	✓	○	○	✓	✓	✓	✓	●	✓	●	✓	●	✓	✓
Payroll related incentives	✓	●	✓	✓	●	●	✓	●	n/a	●	✓	●	✓	✓	●	●	✓	✓	✓	●	●	●	●	✓	✓	●	●
Reduced tax rates	✓	●	●	✓	●	●	●	●	n/a	●	●	●	●	●	✓	✓	○	✓	✓	●	●	●	●	✓	●	●	✓
Reimbursement	●	✓	●	●	●	●	✓	●	n/a	✓	●	●	✓	●	●	●	✓	●	●	●	●	●	●	✓	●	●	●
Tax base deduction	●	●	✓	✓	✓	✓	✓	✓	n/a	●	●	✓	●	✓	✓	✓	○	✓	✓	●	✓	✓	✓	●	✓	✓	✓
Tax credit	●	●	✓	●	●	✓	✓	✓	n/a	✓	✓	✓	✓	✓	✓	●	✓	●	✓	✓	●	●	●	✓	●	●	✓
Tax exemption	✓	●	●	✓	●	●	✓	●	n/a	●	●	●	●	●	✓	●	○	●	●	●	✓	✓	●	●	●	●	●
Tax holiday	●	●	●	●	●	●	●	●	n/a	●	●	●	●	●	●	●	○	●	●	●	●	●	●	●	●	✓	●
Other	✓	●	✓	●	●	●	●	●	n/a	●	●	●	●	●	✓	●	✓	●	●	●	●	●	●	●	✓	✓	●

III. Country guide

1. What type of incentives are available in Your country?
2. What are the typical eligibility requirements for R&D incentives?
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6. Is there a limitation of the utilization period? If yes, please specify the period.
7. Does Your country apply a patent box regime?
8. How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?
9. What services would You offer with respect to R&D incentives and royalty planning?

Albania

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01 — What type of incentives are available in Your country?

*Abbreviations:
PIT: Personal income tax
VAT: Value added tax
IT: Infrastructure tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive	✓	PIT
Reduced tax rates	✓	VAT
Reimbursement		
Tax base deduction		
Tax credit		
Tax exemption	✓	VAT, IT
Tax holiday		
Other	✓	

02 — What are the typical eligibility requirements for R&D incentives?

The Investment Reform Action Plan (IRAP) sets out a detailed list of reform actions to be enacted by the Government of Albania as part of the Regional Investment Reform Agenda (RIRA)'s implementation. The reform actions are structured along 3 eligible areas for different tax incentives outlined in the RIRA as Technological and Economic Development Areas (TEDAs): 1. Investment Entry & Establishment; 2. Investment Protection & Retention; and 3. Investment Attraction & Promotion. There are 45 types of investment incentives in total spread in 29 sector-specific incentives for: manufacturing, agri-business, agriculture, tourism, renewable energy; ICT, automotive, oil and gas, handicraft, etc.

03 — What type of spendings/costs can qualify?

- **Training costs**: Training costs are deductible for a period of 10 years, up to the double of the value.
- **Deductible Social Security Costs**: wages and social security costs are up to 150% deductible for the first year. New expenses for these categories compared to the previous year are 150% deductible for the subsequent year.
- **R&D costs**: Research and Development costs are doubly deductible for a period of 10 years.
- **Capital expenditure**: 20% deductible for 2 years if developers/users invest in the TEDA within 3 years of operation.

04 — What is the maximum of the R&D tax benefit?

- **VAT**: Imported goods in TEDA and transported goods between TEDAs are exempt from VAT. A reduced rate of value added tax of 6% was applied to sales of public passenger transport vehicles with nine or more seats, fitted with electric engine. The 6% rate was applied until 31 December 2021. From 1 January 2022, the reduced VAT rate applied for such purpose is 10%. Companies producing or installing solar panel systems enjoy exemption from customs duties and VAT charged on solar panel systems. Individuals producing or installing such systems for hot water or sanitary purposes in buildings or industrial technological processes should be reimbursed for the custom duties paid on the import of raw materials used for the production or assembly of these systems.
- **Profit tax**: For legal persons exercising the production / development of softwares, the applied profit tax rate is 5%. Additionally, developers and users are exempted from 50% of the profit tax rate for a period of 5 years.
- **Construction tax**: Developer's projects are exempt from infrastructure taxes, whereas buildings in TEDAs are exempted from real estate taxes for 5 years.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

There are no limitations on size or legal status as long as the investments are carried out in TEDAs by companies conducting activities in the incentivized areas.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Loss Carry Forward for Corporate Income Tax Purposes: Fiscal losses can be carried forward for 3 consecutive years (the first losses are used in the first). However, they can't be carried forward if more than 50% of direct or indirect ownership of the share capital or voting rights of the taxpayer is transferred (changed) during the tax year.

07 — Does Your country apply a patent box regime?

There are no preferential regimes in Albania of the patent box type.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global minimum tax may affect the scope / application of the R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Review of corporate governance systems to track R&D activities
- Assistance in the preparation and submission of ruling requests for preliminary/subsequent R&D qualification
- Preparation of guideline and ruling requests to be submitted to the Tax Authority, the Ministry of Finance or other authorities
- Assistance in application of state aid rules for cumulation of various incentives

Austria

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01 — What type of incentives are available in Your country?

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement	✓	
Tax base deduction		
Tax credit		
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

There is a research premium ("Forschungsprämie") for internal research ("eigenbetriebliche Forschung") and contract research ("Auftragsforschung"). The premium is a non-taxable business income and therefore does not lead to a reduction in expenses. Since 1 January 2018, the premium rate is 14%.

Internal research:
Internal research is systematic research and experimental development using scientific methods in a domestic company or a domestic establishment by the company itself. The Ministry of Finance has specified the criteria for when such research is considered to have taken place on the basis of an authorization in the Research Premium Ordinance (Forschungsprämienverordnung BGBl II 2012/515). As a general rule, research and experimental development consist of activities the primary objective of which is further technical improvement of the product or process. As mentioned above, questions of delimitation are defined in more detail in the ordinance.

In order to claim a research premium for internal research, the taxpayer must submit an annual report (free of charge) to the Research Promotion Agency ("Forschungsförderungsgesellschaft mbH" – "FFG"). The FFG evaluates whether the substantive prerequisites for research and experimental development are fulfilled. In such application the entire research activity of the business year for which the premium is being applied for shall be presented, broken down into research projects and research focus areas. In the expert report, the FFG evaluates the extent the legal requirements are fulfilled to. The completed expert report of the FFG is sent to the tax authority in charge and can be viewed by the taxpayer or his/her tax representative (tax advisor) in "FinanzOnline". The FFG determines only whether the company's R&D activities detailed in the application correspond qualitatively with the legal requirements. Assessing whether the basis for calculating the premium has been correctly determined is the responsibility of the tax authority.

For individual research projects, an application can be filed to the tax authority to have a research certificate issued. The existence of the eligibility requirements can be agreed in it in advance.

Contract research:
The same qualitative requirements apply as for internal research. However, an expert report from the FFG is not required. A research certificate is not foreseen.

03 — What type of spendings/costs can qualify?

Internal research:
The assessment basis for the research premium includes the following:

- **Wages and salaries** for employees engaged in research and experimental development, as well as fees from work contracts.
- **Direct expenses** (expenditures) **and direct investments** (including the acquisition of land), insofar as they are sustainable (i.e. at least half the useful lifespan, in case of land and buildings minimum 10 years) for research and experimental development.
- **Financing expenses** (expenditures), insofar as they are attributable to research and
  - Experimental development
  - Overhead costs, insofar they are attributable to research and experimental development (e.g. costs of the payroll office, if attributable to research personnel)

The expenses for research and experimental development shall be presented in a list. The list shall contain the calculation of the assessment basis and the research premium determined thereupon. The list shall be presented to the tax authority on request.

Contract research:
The same qualitative requirements apply as for internal research. However, the research premium can only be claimed for expenses amounting to EUR 1 million per business year (to be aliquoted if shorter than 12 months). In order for the principal to be able to claim the premium for its expenses (expenditures) generated for the benefit of the commissioned research company, the following requirements must be met:

- The research must be commissioned by a domestic company or a domestic permanent establishment.
- The commissioned research company must be an institution (e.g. university, research association) or a company that deals with research and development tasks and is established in the EU or the EEA. The contractor may not be under the controlling influence of the principal or be a member of a group of companies to which the principal also belongs.
- The principal shall inform the contractor by the end of the financial year about the extent of a research premium for contract research to be claimed. The costs invoiced by the contractor shall be the maximum basis for assessment.

The Contractor may not claim any additional premium for internal research for the R&D expenses covered by the Principal's Notice. This excludes double tax consideration. The contractor can then only claim a research premium for internal research for the remaining part of the expenses.

04 — What is the maximum of the R&D tax benefit?

The research premium amounts to 14% of the research expenditure eligible for the premium. In case of contract research, the research premium can only be claimed for expenses amounting to EUR 1 million per business year (to be aliquoted if shorter than 12 months).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

The prerequisite for claiming the research premium is the determination of profits by means of a comparison of business assets (balance sheet) or a complete income-expenditure account (no flat-rate calculation). The legal form of the company is not decisive. In case of a partnership, the research premium is to be claimed by the partnership (not by the individual partners).

06 — Is there a limitation of the utilization period? If yes, please specify the period.

The research premium must be claimed at the latest by the time the income tax, corporate tax or assessment notice for the respective year becomes legally binding.

07 — Does Your country apply a patent box regime?

Austria does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We do not expect changes.

09 — What services would You offer with respect to R&D incentives and royalty planning?

We offer all services related to income and corporate taxation.

Belgium

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
WT: Wage tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive	✓	WT
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT
Tax credit	✓	CIT
Tax exemption		
Tax holiday		
Other	✓	

02 — What are the typical eligibility requirements for R&D incentives?

Key eligibility criteria by tax type:

- Innovation Income Deduction / IP box (CIT): Net qualifying IP (patent, copyrighted software etc.) incomes are 85% deductible from the CIT base.
- R&D tax credit (CIT): R&D costs capitalized may qualify for a one-time R&D tax credit (13.5%) or a spread tax credit (20.5% on the depreciations). Development costs must be booked as (intangible) assets. Under certain conditions, research costs may also qualify. Taxpayers can claim a refund if the excess tax credit is not used after five years. A certificate from a regional authority attesting that the R&D activities do not have a negative effect on the environment must be requested within 3 months after the closing of the FY.
- Partial exemption of WHT for researchers (WT): A payroll withholding tax exemption of 80% can be granted to employers for wages paid to qualifying researchers working on R&D projects or programs. The incentive results in an immediate cash benefit for the company. The exemption applies to researchers with specific master and bachelor degrees. "Young Innovative Companies" do not have degree requirements to claim the WHT exemption for their scientific personnel.
- Others: National/EU grants & subsidies, author rights regime

An official R&D qualification may be requested from a competent authority (BELSPO) to confirm that an R&D project or program qualifies as R&D for tax incentives.

03 — What type of spendings/costs can qualify?

- Innovation Income Deduction / IP box (CIT): Income based incentive. R&D costs are to be deducted from the gross innovation income.
- R&D tax credit (CIT): Development costs capitalized and, under conditions, research costs.
- Partial exemption of WHT for researchers (WT): Wages paid to qualifying researchers working on R&D projects or programs.

04 — What is the maximum of the R&D tax benefit?

- Innovation Income Deduction / IP box (CIT): 85% tax exemption on net revenue generated from qualifying IP rights.
- R&D tax credit (CIT): Tax cash benefit of 3.375% (one-off) or 5.125% (spread) on the value of qualifying R&D capex or patents.
- Partial exemption of WHT for researchers (WT): 80% payroll withholding tax exemption.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In general, there is no limitation on size/industry. SMEs may benefit from a proportionately higher investment deduction (including R&D assets).

06 — Is there a limitation of the utilization period? If yes, please specify the period.

- Innovation Income Deduction / IP box (CIT): For patent related income, IP box can be claimed (on a temporary basis) as from the date of filing a patent. For copyrighted softwares, a binding advise from BELSPO is usually imposed. The request of an advance tax ruling is recommended. For income related to calendar year FY 2022, the ruling procedure should be initiated by 30 November 2022 at the latest.
- R&D tax credit (CIT): Only applicable to new R&D capex.
- Partial exemption of WHT for researchers (SST): Applies only as from the notification of an R&D project or program to BELSPO.

07 — Does Your country apply a patent box regime?

Yes, the Innovation Income Deduction which also applies to copyrighted software income. The OECD nexus approach applies.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global minimum tax could affect the scope/ application of the R&D incentives.
The author right regime is likely to be changed or abolished in the near future. Stricter conditions are also likely to be introduced for the application of the partial exemption of WHT for researchers (mandatory time sheeting etc.).

09 — What services would You offer with respect to R&D incentives and royalty planning?

- IP box / R&D incentives implementation
- Assistance in the preparation and submission of ruling requests
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied intragroup

Bulgaria

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
PIT: Personal income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan	✓	CIT, PIT
Patent-related incentive		
Payroll-related incentive	✓	CIT
Reduced tax rates	✓	CIT
Reimbursement		
Tax base deduction	✓	CIT, PIT
Tax credit		
Tax exemption	✓	CIT, PIT
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

At present, there are no tax R&D incentives in Bulgaria.

03 — What type of spendings/costs can qualify?

Not applicable due to the limited availability of R&D incentives in Bulgaria.

04 — What is the maximum of the R&D tax benefit?

Not applicable due to the limited availability of R&D incentives in Bulgaria.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Not applicable due to the limited availability of R&D incentives in Bulgaria.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Not applicable due to the limited availability of R&D incentives in Bulgaria.

07 — Does Your country apply a patent box regime?

Bulgaria does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We do not expect changes.

09 — What services would You offer with respect to R&D incentives and royalty planning?

We offer all services related to corporate taxation and transfer pricing.

Croatia

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01 — What type of incentives are available in Your country?

Types of incentives (✓ if applicable)		Relevant tax type
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	
Tax credit		
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

Aid for research and development projects is regulated by the Act on State Aid for Research and Development Projects (OG 64/18) which has been in force since 26 July 2018.

Entrepreneurs must submit an application for the award of state aid to the Ministry of Economy, Entrepreneurship and Crafts, as the grantor, directly or by mail before project activities begin.

Implementing body: Croatian Agency for SMEs, Innovations and Investments – HAMAG BICRO

Beneficiaries: legal and natural persons, taxpayers of profit tax and income tax.

Type of aid: tax relief for research and development projects and feasibility studies (reduction of the tax base).

A research and development project includes one or more categories of research: basic research, industrial research and experimental development or feasibility study.

03 — What type of spendings/costs can qualify?

The following are considered justified research costs:

- **Salaries of employees and compensation of persons** directly participating in research
- **Material costs for research** (consumed raw materials and materials including packaging and small inventory, consumed energy, spare parts used or consumed during research, spent material and parts for current and investment maintenance of facilities and equipment directly used for research)
- **Costs of services used during research**, such as intellectual services related to research and all other services that are a condition for carrying out research
- **Depreciation costs of real estate, plant and equipment** in the part in which these funds are used for research by those taxpayers who carry out research themselves, and depreciation expenses determined in the manner prescribed by Article 12 of the Law on Profit Tax
- **Amortization costs of acquired patents and licenses** used for specific research, and amortization expenses determined in the manner prescribed by Article 12 of the Income Tax Act
- **General costs**, which are understood to mean only those costs that are necessary for research and that can be allocated on a reasonable and consistent basis to that activity, such as process insurance premiums, liability and research equipment, and rents and membership fees of professional research associations

04 — What is the maximum of the R&D tax benefit?

The maximum aid intensities to which a beneficiary may be entitled, on any basis under this Act, including other legal bases, may be up to:

- 100% of the amount of eligible project costs for fundamental research
- 50% of the amount of eligible project costs for industrial research*
- 25% of the amount of eligible costs of the project for experimental development*
- 50% of eligible costs for feasibility studies**

* Aid intensities for industrial research and experimental development may in some cases be increased to a maximum aid intensity of 80% of the eligible costs for industrial research and experimental development.

** Aid intensities for feasibility studies may be increased by 10 percentage points for medium-sized enterprises and 20 percentage points for small enterprises

The total amount of support for research and development that the beneficiary may receive per project under this Act is as per the following categories:

- Predominantly fundamental research: in Croatian Kuna equivalent to a maximum of EUR 300 thousand per entrepreneur per project
- Predominantly industrial research: in Croatian Kuna equivalent to a maximum of EUR 200 thousand per entrepreneur per project
- Predominantly experimental development: in Croatian Kuna equivalent to a maximum of EUR 100 thousand per entrepreneur per project
- Feasibility studies in the preparation of research activities: in Croatian Kuna equivalent to a maximum of EUR 50 thousand per study

The maximum total cumulative amount of support for a research and development project that an individual entrepreneur may receive on the basis of this Act and other legal bases is as per the following categories:

- Predominantly basic research: in Croatian Kuna equivalent to a maximum of EUR 40 million per entrepreneur per project.
- Predominantly industrial research: in Croatian Kuna equivalent to a maximum of EUR 20 million per entrepreneur per project.
- Predominantly experimental development: in Croatian Kuna equivalent to a maximum of EUR 15 million per entrepreneur per project.
- Feasibility studies in the preparation of research activities: in Croatian Kuna equivalent to a maximum of EUR 7.5 million per study.

The beneficiary receives support through an additional reduction of the tax base for eligible costs of research and development projects or feasibility studies, in accordance with the regulations on profit tax or income tax, in the following total percentages:

- 200% of eligible project costs for fundamental research
- 150% of eligible project costs for industrial research
- 125% of eligible project costs for experimental development
- 150% of eligible costs for feasibility study

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Intensity benefit depending on the size of the company.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Project implementation period: up to 3 years from commencement of the project.

07 — Does Your country apply a patent box regime?

Croatia does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We do not expect changes.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Creation of business plans and investment studies
- Preparation of projects and project proposals for applications to public tenders for incentives and grants

Cyprus

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
PIT: Personal income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	PIT, CIT
Tax credit	✓	PIT, CIT
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

Any expenditure for scientific research incurred by a person carrying on any business, as well as R&D expenses as recognized by international accounting standards carried out by small and medium-sized innovative companies, shall be deducted from taxable income if they were wholly and exclusively incurred to produce income, so long as the Commissioner is satisfied that such expenditure has been incurred for the use and benefit of the business.

Any such expenditure of a capital nature shall be distributed equally between the tax year in which it was incurred and the five immediately following years.

For expenses incurred during 2022, 2023 and 2024, including expenses of a capital nature, an extra tax deduction of 20% is granted for R&D expenses. Therefore, 120% of the actual eligible R&D expenses can be deducted from the taxable income.

Where the relevant expenses are of a capital nature, the deduction is claimed over the anticipated life duration of the intangible asset, according to accepted accounting principles and with a maximum period of 20 years.

The person carrying on the business should have economic ownership of the intangible asset that arises or is likely to arise from incurring such R&D expenses.

03 — What type of spendings/costs can qualify?

Any expenditure for scientific research (including expenses incurred for the acquisition of plant and machinery or buildings, including staff accommodation) incurred by a person carrying on any business, **as well as R&D expenses** as recognized by international accounting standards carried out by small and medium-sized innovative companies, if they were wholly and exclusively incurred for the production of income, so long as the Commissioner is satisfied that such expenditure has been incurred for the use and benefit of the business.

Additionally, any qualifying investor making a risk-finance investment in an innovative small and medium-sized enterprise (SME) may deduct the costs of the investment from their taxable income (subject to limitations).

04 — What is the maximum of the R&D tax benefit?

In case of a risk-finance investment in an innovative SME, the tax deduction is limited to 50% of the investor's taxable income in the year of the investment, and the total deductible amount may not exceed EUR 150 thousand per year.

The remaining investment cost not claimed as tax deductible may be carried forward and deducted from the taxable incomes of the subsequent 5 years, subject to the aforementioned restrictions.

In practice, the tax savings can be as high as 35% of the investment in an innovative business depending on the investor's personal income tax bracket and subject to the aforementioned restrictions.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In case of a risk-finance investment in an innovative SME, the investee must satisfy the following characteristics:

- Its operations are carried out in the Republic of Cyprus, and
- Has drawn up a business plan for the venture capital investment and, in addition, meets at least one of the following conditions:
  - Is not currently active in any market, or
  - Has operated in any market for less than 7 years after its first commercial sale, or
  - Requires an initial business risk financing investment based on a business plan drawn up for a new product or penetration into a new geographic market, which is higher than 50% of its average annual turnover over the previous 5 years; and
- The company must not be listed on the Cypriot or any other stock exchange, and
- A company stops being innovative if receiving more than EUR 15 million in investments.
- To obtain a certificate of 'innovative SME' status, it is necessary to receive a independent auditor statement confirming that research and development (R&D) expenses (including capitalized) represent more than 10% of the enterprise's total operating expenditure in at least one out of the 3 years preceding that of the investment.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Any cost of investment in an innovative SME not claimed as tax deductible because of the limitations explained in point 4, may be carried forward and deducted from the taxable incomes of the subsequent 5 years.

07 — Does Your country apply a patent box regime?

The Cyprus IP tax regime covers a wide range of intangibles including:

- Copyrights, which may take any of the following forms: literary works, dramatic works, musical works, scientific works, artistic works, sound recordings, films, broadcasts, published editions, databases, publications, software programs
- Patented inventions
- Trademarks (and service marks), designs and models that are used or applied on products

Tax benefits of Cypriot IP companies:

- 80% of worldwide royalty income generated from IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax
- 80% of profit generated from the disposal of IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax
- Any expenditure of a capital nature for the acquisition or development of IP is claimed as a tax deduction in the year in which it was incurred and the immediate 4 consecutive years.
- All the above exemptions are also available for IPs acquired or developed before January 2012

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global Minimum Tax may affect the scope / application of the R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Review of corporate governance systems (ERPs) to track R&D activities
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Assistance in the preparation and submission of ruling requests for preliminary/subsequent R&D qualification
- Preparation of guideline and ruling requests to be submitted to the Tax Authority, the Ministry of Finance or other authorities
- Patent box planning, royalty qualification assistance
- All legal work in connection to registrations, agreements preparation, protection of product designs, licensing, franchising, and sponsorship

Czech Republic

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
PT: Property tax

Types of incentives (✓ if applicable)		Relevant tax type
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive	✓	Cash grant
Reduced tax rates		
Reimbursement	✓	Cash grant
Tax base deduction	✓	CIT
Tax credit	✓	CIT
Tax exemption	✓	PT
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

R&D support can be provided mainly within the scope and the conditions set out in the Czech Act on the Support of Research and Development. R&D support is typically project-focused. The presence of a measurable element of novelty and clarification of research or technical uncertainties is required.

R&D support includes R&D tax allowance and investment incentives as well as direct support in the form of various financial subsidies:

- **R&D tax allowance**: It allows businesses to reduce the corporate income tax base by expenses incurred in the implementation of R&D activities. The tax benefit is provided as a tax credit on an annual basis through a deduction from the tax base. The taxable entity must apply for tax deduction for every single new project with the relevant financial authority and must prepare project documentation, including a description and objectives of the project (planned budget, project schedule and phases, team). The eligible costs for the project must be kept separately.
- **Investment incentives**: These aim at supporting so-called technology centres (projects with higher added value) outside Prague with a focus on both the establishment and expansion of development capacities. The project must not be launched before the application for an investment incentive. The projects are subject to the approval of the Czech government. Investment incentives also include employment and training incentives, including cash grants. Besides that, support can also be provided by local labour offices. The investment incentive may also be granted through a property tax exemption in special industrial zones.
- **Financial subsidies**: Various cash grant programs for R&D, both from national and EU funds are available in the Czech Republic, including grants for capital expenditure (CAPEX), operating expenditure (OPEX), or technology – Industry 4.0" investment grants for small and medium-sized enterprises.

03 — What type of spendings/costs can qualify?

The following spendings/costs incurred in the implementation of R&D activities may be deducted from the corporate income tax base as a special tax allowance:

- Direct costs (wages, costs of materials and supplies)
- Tax depreciation of tangible movable property used for R&D activities
- Operating expenses (electricity, water, heat, gas, etc.)
- Travel reimbursements related to the realization of R&D activities
- Costs related to financial leasing related to the realization of R&D activities
- Certification of the R&D results (e.g. homologation)

04 — What is the maximum of the R&D tax benefit?

R&D tax deduction from the corporate income tax rate has two components:

- Up to 100% of the R&D eligible costs incurred in a given tax year may be deducted from the corporate income tax base as a special tax allowance. These costs are therefore deducted twice for tax purposes: once as a normal tax-deductible cost and then again as a special tax allowance.
- An additional 10% deduction is provided in the amount of the difference between the eligible costs of the current year and the eligible costs of the prior year.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

There is no limitation for the R&D tax allowance.

The amount of investment incentives depends on the size of the applicant or the type of investment. It also varies according to the regional map of support.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

R&D tax allowance may be deducted from the corporate income tax base in a given tax year. However, if the deduction cannot be claimed (due to a tax loss or the deduction exceeding the annual tax base) any non-utilized R&D allowance can be carried forward and utilized within the following three years.

07 — Does Your country apply a patent box regime?

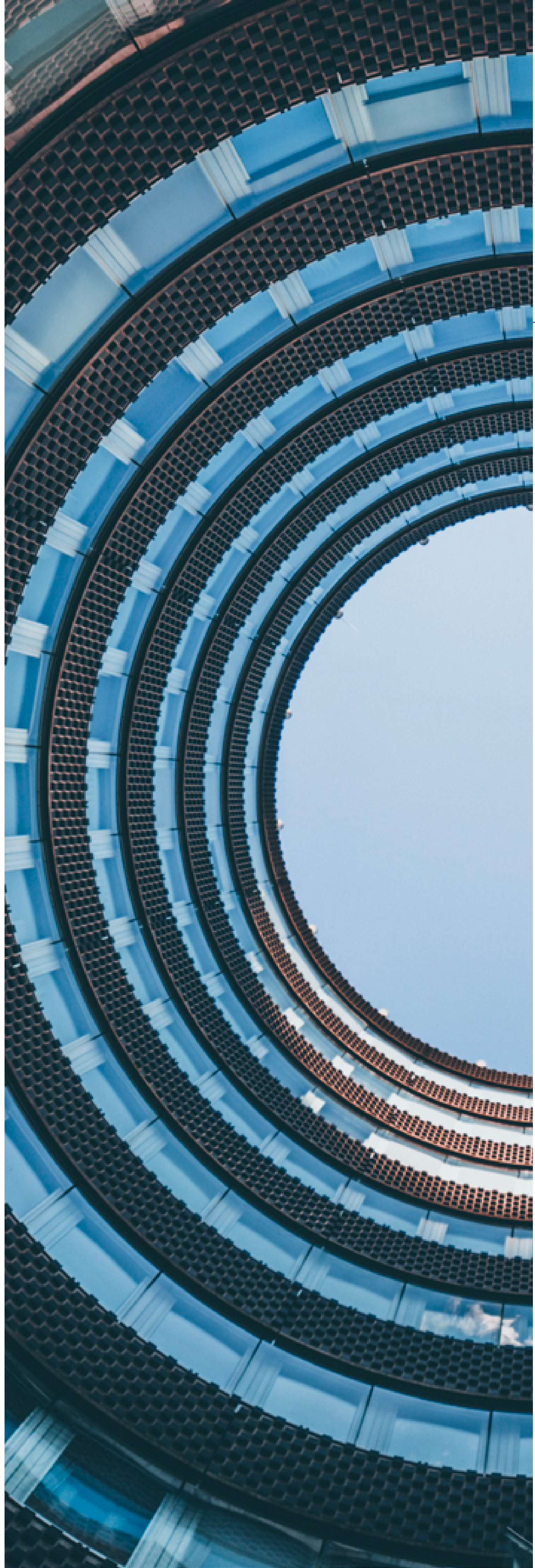
The Czech Republic does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

The new rules on the Global Minimum Tax, including the legislative framework, should be known in 2023. This might have an impact on R&D regime, but specific rules have not been published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D qualification pre-check and check
- R&D focused due diligence
- Company formation & domiciliation, corporate structure review
- Review/design/preparation of R&D documentation with a view to mitigating legal and tax risks
- Assessment of costs eligible for the deduction as a special tax allowance
- Legal and tax services related to corporate taxation, including analysis of potential tax savings
- Representation before the Tax Administration
- Assistance with respect to tax audits and inspections carried out by the Tax Administration



Denmark

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
PIT: Personal income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT (PIT)
Loan		
Patent-related incentive	✓	CIT (PIT)
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT (PIT)
Tax credit	✓	CIT (PIT)
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

There are a number of R&D tax incentives in Denmark.

R&D costs incurred in connection with a taxable person´s business may either be deducted fully for tax purposes in the income year where the costs are incurred or depreciated in the same year and the following four years on a straight-line basis – i.e. 20% annually.

A prerequisite for tax deductibility is that the incurred costs have a commercial purpose.

Costs related to acquired patents and know-how can be deducted in two manners for tax purposes. Either by way of depreciation in the year of acquisition and the following 6 years on a straight-line basis – i.e. 1/7 annually. Or by full deduction in the year of acquisition.

The same applies to costs related to licenses or the right to use patents or know-how.

These provisions are not directly deemed as R&D costs, however, are similar in nature.

Companies having losses deriving from R&D costs can apply for a payment equal to the tax value of negative taxable income – i.e. a 22% repayable tax credit is available for the actual R&D costs incurred within the income year.

Generally, research is defined as the creation of new knowledge. Development is generally defined as the application of known knowledge. If an individual project is not to be considered a mere routine in nature, the project is deemed to be development.

03 — What type of spendings/costs can qualify?

The notion of R&D costs has been described briefly above.

The most common R&D costs are those related **to remuneration of employees, raw material costs, expenses related to renting premises, acquiring or renting machinery, furniture and similar operating equipment**. Costs incurred for R&D carried out by subcontractors will fall under the provisions.

04 — What is the maximum of the R&D tax benefit?

The depreciation basis for R&D costs has temporarily been enhanced to 130% in 2020-2022 as a COVID-19 stimulus measure. The depreciation basis for R&D costs is 108% in 2023-2025 and 110% from 2026.

Maximum deduction for the enhanced depreciation basis is DKK 910 million for the years 2021 and 2022.

For companies participating in Danish group taxation the limit of DKK 910 million applies for all the companies in the group together – i.e. the cap can´t be exceeded by creating a new subsidiary that performs R&D activities.

The enhanced tax deductions mentioned above where the base is multiplied by a factor could be described as a tax base deduction measure.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Companies applying for a tax credit due to losses from R&D costs are subject to limitations in the tax credit.

The negative taxable annual income is maximized to DKK 25 million.

For companies participating in Danish group taxation the limit is DKK 25 million. This amount applies for all the companies in the group together – i.e. the DKK 25 million cap can´t be exceeded by creating subsidiaries performing R&D activities.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Pursuant to the general carry forward regulations in the CIT Act companies are granted an unlimited carry forward option of tax losses. However, the annual amount of losses from previous tax years to be set off against profits can´t exceed DKK 8,872,500 (2022). This base amount applies to group level, i.e., companies participating in Danish group taxation have a mutual base amount of DKK 8,872,500 for the group as a whole.

If the loss carried forward exceeds DKK 8,872,500, the remaining loss may be set off against 60% or less of the year's profit. There is no time limit for how many years the losses may be carried forward.

07 — Does Your country apply a patent box regime?

Denmark does not apply a patent box regime. Income deriving from patents and other intellectual property rights is taxed as ordinary income.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

It is unclear if and how the Global Minimum Tax initiative by the OECD will affect the scope or application of existing Danish R&D tax incentives. However, no amendments of the existing rules have been proposed yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Assistance with contact to the Danish Tax Authorities regarding the qualification of R&D costs
- Assistance in the preparation and submission of requests for binding rulings regarding the qualification of R&D costs
- Assistance in litigation regarding the qualification of R&D costs

Estonia

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01 — What type of incentives are available in Your country?

Types of incentives (✓ if applicable)		Relevant tax type
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction		
Tax credit		
Tax exemption		
Tax holiday		See 2)
Other		

02 — What are the typical eligibility requirements for R&D incentives?

In Estonia, there are no specific incentives for R&D. The general incentive and the main feature making Estonian corporate income tax ("CIT") system different is that Estonian companies do not pay income tax on undistributed profits.

This means that all earnings of an Estonian company ("EstCo") are not liable to taxation up to the point of distributing them. This exemption covers all economic activity of EstCo, i.e. both active and passive income and capital gains.

When profits are distributed, CIT at the rate of 20% is charged on gross dividends (20/80, when calculated from the net distribution).

03 — What type of spendings/costs can qualify?

N/A

04 — What is the maximum of the R&D tax benefit?

N/A

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

N/A

06 — Is there a limitation of the utilization period? If yes, please specify the period.

N/A

07 — Does Your country apply a patent box regime?

Estonia does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We do not expect changes.

09 — What services would You offer with respect to R&D incentives and royalty planning?

We offer all services related to corporate taxation.

France

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive		
Reduced tax rates		
Reimbursement	✓	CIT
Tax base deduction		
Tax credit	✓	CIT
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

R&D incentives are typically project focused.

France provides R&D tax relief through a volume-based tax credit: Crédit d'Impôt Recherche (CIR). The R&D tax credit is determined on the basis of the eligible R&D expenses incurred by a company during the calendar year.

The Finance Act for 2022 introduced a new tax incentive to promote innovation in France: the Collaborative Research Tax credit (ClCo). The ClCo benefits to companies that conclude research collaboration contracts with certified Research and Knowledge Dissemination Organizations (ORDCs), and which finance, in this context, certain research expenses incurred by these organizations.

The scientific or technical research operations eligible to ClCo are the same as the ones eligible to R&D tax credit i.e., fundamental research, applied research and experimental development.

03 — What type of spendings/costs can qualify?

R&D tax credit. The eligible expenditures mainly include the following:

- Tax deductible depreciation expenses relating to fixed assets, created or acquired newly, assigned to eligible R&D works/projects, including patents.
- Costs relating to staff qualifying as scientists and/or engineers directly and exclusively assigned to research operations.
- Certain operating expenses.
- Costs of taking out, maintaining and defending patents.
- Innovation expenses incurred by SMEs for the design of prototypes of new products or pilot installations of the same nature not beyond December 2024.

It should be noted that expenses resulting from outsourced R&D works/projects could be taken into account under restrictive conditions. Different ceilings apply to subcontracted R&D, depending on the type of R&D service provider.

ClCo: The expenses invoiced by the certified ORDCs for carrying out scientific and technical research operations provided in the contract are eligible for the tax credit.

04 — What is the maximum of the R&D tax benefit?

The **R&D tax credit** is equal to 30% of the eligible R&D expenses incurred during the year up to EUR 100 million falling to 5% for R&D expenditure above the threshold of EUR 100 million. For innovation expenses incurred by SMEs, the tax credit is equal to 20% of the eligible expenses retained within an overall limit of EUR 400 thousand per year.

ClCo: The amount of the tax credit is equal to 40% of the expenses invoiced by the certified ORDCs, up to an overall limit of 6 million euros per year.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

The rate of the ClCo tax credit is increased to 50% for SMEs.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

The R&D tax credit and ClCo can be offset against the corporate income tax payable by the taxpayer with respect to the calendar year during which the expenses are paid. Any excess credit can be carried forward and offset against the tax liability of the taxpayer during the following 3 years. Credits unused after three years will be refunded to the taxpayer.

The R&D tax credit and ClCo are immediately refundable to start-up companies (for the year of their setting up and the four following years), Young Innovative Companies (Jeunes Enterprises Innovantes), SMEs (as defined by EU law), and distressed companies.

07 — Does Your country apply a patent box regime?

Yes. France applies a favourable tax regime to licence income and capital gains from patents and some associated intangible assets.

Income arising from the sale, licensing or sub-licensing of certain intellectual property rights such as patents, utility certificates, supplementary protection certificates attached to a patent or software protected by copyright may benefit from a reduced 10% corporate income tax rate.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global Minimum Tax may affect the scope / application of the R&D incentives, but nothing has been entered into French law yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review of R&D cost calculations
- Review of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Assistance in the preparation and submission

of ruling requests for preliminary/subsequent R&D qualification to be submitted to the French Tax Authority or other authorities

- Patent box planning, royalty qualification assistance
- Assistance with respect to tax audits

Greece

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type
Accelerated depreciation on R&D assets	✓	CIT
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive	✓	CIT
Reduced tax rates		
Reimbursement		
Tax base deduction		
Tax credit	✓	CIT
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

The Income Tax Code states that scientific and technological research expenses are tax deductible at an increased rate of 100%. The criteria for the characterisation of R&D expenses are determined by a joint decision of the Minister of Finance and the Minister of Development and Investments.

The expenses must be incurred within Greece, and they should be related to the promotion of research and development. They should be genuine, in the sense that they should provide a new element to the scientific field they are related with.

03 — What type of spendings/costs can qualify?

Capital expenditure related to R&D (R&D equipment, instruments & software).

04 — What is the maximum of the R&D tax benefit?

R&D expenses are deducted from the gross income of companies at the time of their realisation, at an increased rate of 100%.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

There are no limitations on size or legal status.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

If the entity involved is in a loss position after the deduction of the increased percentage of R&D, the losses can be carried forward (up to five years), according to the general provisions of Greek Income Tax Code.

07 — Does Your country apply a patent box regime?

According to Income Tax Code, the profits of a company arising from the exploitation of an internationally recognised patent under the name of and developed by the company are exempt from income tax for up to three consecutive years, starting from the year in which these profits were realised for the first time. The exemption is granted on the condition that there is a connection with the research and development (R&D) expenses incurred by the company for the development of the patent.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global minimum tax may affect the scope/application of R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D incentives Tax Advisory Services
- Preparation and Submission of files to the General Secretariat for Research and Technology for R&D expenditure justification

Hungary

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*Abbreviations:
CIT: Corporate income tax
LBT: Local business tax
SST: Social security tax
IC: Innovation contribution
EST: Energy suppliers' tax

01 — What type of incentives are available in Your country?

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	CIT, LBT, IC
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT, LBT, IC
Tax credit	✓	CIT, EST, SST
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

R&D incentives are typically project focused. An official R&D qualification may be requested from a competent authority (from the Hungarian Intellectual Property Office (HIPO)) whether the project subject to the R&D incentive qualifies as R&D.

Key eligibility criteria by tax type:

- **CIT double deduction**: Direct costs of so-called "own R&D" activity can be applied for double CIT base deduction. (activity to be carried out either by own assets and employees or based on an R&D agreement).
- **LBT and IC base deduction**: R&D tax base deduction determined by the CIT rules can also be claimed in LBT and IC.
- **Tax credit in CIT:** Special tax credit (Development tax credit) can be claimed for R&D investment projects with min. capex volume of approx. EUR 250 thousand.
- **Tax credit in EST**: Upon the decision of the taxpayer, instead of applying it as a tax credit in CIT, Development tax credit can also be claimed in EST up to 50% of the payable tax (conditions are the same as in CIT).
- **SST credit**: Upon the decision of the taxpayer, instead of deducting CIT base by the SST payable for R&D personnel costs, SST can also be reduced to 50% if the employee performs R&D. Tax credit can also be claimed if the company employs researchers with PhD or similar qualification (with certain limitations).

03 — What type of spendings/costs can qualify?

- **CIT double deduction, LBT and IC base deduction**: Direct costs of own R&D activity such as R&D personnel costs, depreciation, certain R&D services purchased.
- **Development tax credit**: R&D project investment costs (e.g. assets purchased, real estate lease fee).
- **SST credit**: R&D employees' direct R&D salary costs. If the SST credit is claimed, direct R&D salary costs are not eligible for CIT double deduction.

04 — What is the maximum of the R&D tax benefit?

- **CIT double deduction**: Up to 9% tax benefit can be achieved. The double deduction can be claimed in the tax year in which it is incurred or, if these costs are capitalized as IP, in the tax year in which depreciation is claimed, up to the amount of the depreciation. Direct costs of R&D or depreciation of capitalized R&D/IP are considered as tax deductible expenses from CIT perspective. Additionally, CIT base can be decreased by R&D costs, up to 9% tax benefit can be achieved.
- **LBT and IC base deduction**: Up to 2.3% R&D tax benefit can be achieved.
- **Development tax credit**: Depending on the location of the investment, the overall amount of the tax credit can reach 50% of the investment costs at present value. SMEs can reach up to 70% aid intensity. Payable CIT in a given tax year can be reduced by up to 80% as a tax credit, resulting in a tax benefit of 7.2%. Payable EST can be reduced by up to 50% as a tax credit, resulting in a tax benefit of up to 15.5%.
- **SST credit**: Max. 6.5% tax benefit can be achieved.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In general, limitation should not apply based on size/industry.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

- **CIT double deduction, LBT and IC base deduction**: Incentives can be claimed for past and ongoing projects (within the statute of limitation period) based on actually incurred qualifying R&D costs.
- **Development tax credit**: Tax credit can be claimed throughout 13 tax years after the completion of the qualifying investment (max. within a 16-year long period from the date of requesting the tax credit).
- **SST credit**: Tax credit for past and ongoing projects (within the statute of limitation period) can be claimed based on actually incurred salary costs.

07 — Does Your country apply a patent box regime?

Hungary applies the modified nexus approach for the patent box regime. Max. 50% exemption (with the limit of 50% of the pretax profit) applies to qualifying royalty profit with certain conditions (nexus ratio). Full exemption applies to royalty revenue in LBT and IC.

Additional exemption applies to capital gains from the alienation of reported IP (similar to participation exemption rules) and royalty generating IPs.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global Minimum Tax may affect the scope / application of the R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Review of corporate governance systems (ERPs) to track R&D activities
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Assistance in the preparation and submission of ruling requests for preliminary/subsequent R&D qualification
- Preparation of guideline and ruling requests to be submitted to the Tax Authority, the Ministry of Finance or other authorities
- Patent box planning, royalty qualification assistance with HIPO
- Assistance of application of state aid rules for cumulation of various incentives
- Assistance in grant applications and disbursement of the grant

Ireland

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01 — What type of incentives are available in Your country?

Types of incentives (✓ if applicable)		Relevant tax type
Accelerated depreciation on R&D assets	✓	On Energy Efficient Equipment — often relates to R&D but not specific to R&D
Loan		
Patent-related incentive	✓	Knowledge Development Box (ETR 6.25%) based on qualifying R&D
Payroll-related incentive	✓	Tax rebate limited to level of payroll taxes paid where company is loss making
Reduced tax rates		
Reimbursement	✓	Cash payment based on R&D limited to level of payroll taxes paid, where losses
Tax base deduction		
Tax credit	✓	
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

Qualifying activities must be systematic, investigative or experimental activities, in a field of science or technology, encompassing either Basic research, Applied research or Experimental development. In addition, they must seek to achieve scientific or technological advancement, and involve the resolution of scientific or technological uncertainty.

03 — What type of spendings/costs can qualify?

Salaries, consultant costs up to EUR 100 thousand per year, royalties, rental expenses in some cases.

04 — What is the maximum of the R&D tax benefit?

25% tax credit on all qualifying spending. Tax credit is first set off against corporation tax liability for that period. Where no taxable profits for that period, it can be repaid in 3 installments over 3 years or carried forward in perpetuum against future corporation tax liabilities.

On 20 October 2022 Finance Bill 2022 was published which would introduce R&D tax credit changes as follows:

- According to changes, a company could claim the R&D tax credit in cash in 3 fixed installments over 3 years or have an option to offset the credit against other tax liabilities. The caps on payable R&D tax credit claims would be removed.
- Supporting smaller R&D projects, the modification would allow companies reclaim up to EUR 25 thousand refund in the first year.
- Companies would have the ability to claim pre-trading expenditure as a payable credit over a 3-year period once the company commences to trade.
- The Knowledge Development Box (KDB) regime would be extended for 4 years until 2027 and the effective rate would increase from 6.25% to 10%.
- A technical amendment confirms that the outright sale of a patent is subject to capital gain tax at rate of 33%, while the sale of patent rights for a capital sum is taxed at 25% by corporation tax.
- Based on the amendment intra-group transfer of patent rights would be tax neutral where certain conditions are met.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Not for R&D tax credits but for KDB there are less stringent tests for SME's.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

N/A.

07 — Does Your country apply a patent box regime?

Yes.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

R&D incentives should not be changed, however, the effective tax rate may increase.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D qualification pre-check and check
- KDB qualification pre-check and check
- Assistance with Revenue Interventions or Tax Audits
- Tax structure planning to maximize the benefit of EU based R&D incentives, etc

Italy

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
LBT: Local business tax
IC: Innovation contribution

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	CIT, LBT
Payroll-related incentive	✓	LBT
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT, LBT, IC
Tax credit	✓	CIT, LBT, IC
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

R&D incentives (Patent Box) are available to all persons with business income, regardless of their legal nature, size and production sector, including permanent establishments in Italy of residents in countries with which an agreement to avoid double taxation is in force and with which the exchange of information is effective. The option may be exercised by the investor who owns the right to the economic exploitation of the intangibles.

The new facilitation discipline allows to increase, for the purposes of direct taxes (CIT) and regional tax (LBT) on productive activities, by 110% the expenses incurred in carrying out research and development activities aimed at maintaining, enhancing, protecting and increasing the value of software protected by copyright, industrial patents and legally protected designs and models. Compared to the previous patent box rules, trademarks and know-how (processes, formulas and information relating to legally protectable industrial, commercial or scientific experience) are not included in the list of eligible assets. In addition, the new facilitating regime allows for the recovery, in the tax period in which a facilitable intangible asset obtains an industrial property right, of the research and development expenses, incurred in the previous eight tax periods, which contributed to its creation, increasing them by 110%.

It also provides taxpayers with the possibility of preparing appropriate documentation preventing them to be subject, under certain conditions, to the penalty for misrepresentation. The implementing provision of the Inland Revenue Agency also provides that taxpayers may file an application for an interpello, without prejudice to the need to attach a technical opinion issued by the competent authority to their application whether the activities carried out qualify as research and development.

R&D incentives (Payroll) deduction of expenses related to research and development personnel (LBT). The deduction may be made both with regard to costs incurred for basic research (understood as all study activities, experiments, investigations and study activities, experiments, investigations and research that do not have a specific purpose but have a general utility for the company), and with reference to costs incurred for personnel assigned to applied research and development, in which case, on the other hand, the said activities are aimed at the realization of a specific project.

R&D incentives (Tax base deduction/Tax credit) The aim of the measure is to support the competitiveness of enterprises by stimulating investment in research and development, technological innovation, fitting to the context of the 4.0 paradigm and the circular economy, design and aesthetic concept. It is aimed at all businesses resident in the territory of the State, including permanent establishments of non-residents, regardless of their legal nature, economic sector, size, accounting regime and income determination system for tax purposes.

For fundamental research, industrial research and experimental development activities in the field of science and technology, the tax credit is recognized during the tax period in progress until 31 December 2022 at an amount equal to 20% of the relevant base, taken net of any other subsidies or grants received for the same eligible expenses, up to an annual maximum limit of EUR 4 million. From the tax period following the one in progress on 31 December 2022 until the one in progress on 31 December 2031, the tax credit is recognized at an amount equal to 10%, up to a maximum annual limit of EUR 5 million. For technological innovation activities aimed at the realization of new or substantially improved products or production processes, the tax credit is recognized, during the tax period in progress until 31 December 2023 in an amount equal to 10% of the relevant base, taken net of any other subsidies or contributions received for any reason on the same eligible expenses, up to an annual maximum limit of EUR 2 million. From the tax period following the one in progress on 31 December 2023 until the tax period in progress on 31 December 2025, the tax credit is recognized at an amount equal to 5%, up to a maximum annual limit of EUR 2 million.

03 — What type of spendings/costs can qualify?

R&D incentives (Patent Box): Research and development costs incurred in connection with:

- Software protected by copyright
- Industrial patents, utility model patents, patents and certificates for plant varieties and topographies of semiconductor products
- Legally protected designs and models
- Assets complementary to the above

The following expenses used in the performance of activities are eligible for aid:

- Personnel expenses
- Depreciation and other expenses relating to movable capital goods and intangible assets
- Expenditure on consultancy and equivalent services
- Expenditure on materials, supplies and other similar items
- Expenses related to the maintenance of rights to subsidized intangible assets

R&D incentives (Payroll): R&D personnel costs.
R&D incentives (Tax base deduction/Tax credit): Direct costs of R&D activity such as R&D personnel costs, depreciation and other expenses relating to movable capital goods and intangible assets, expenditure on consultancy and equivalent services, expenditure on materials, supplies and other similar items.

04 — What is the maximum of the R&D tax benefit?

- **R&D incentives (Patent Box):** the tax benefit is 27,90% (24% CIT and 3,90% LBT) on the higher R&D cost deduction of 110%.
- **R&D incentives (Payroll):** the tax benefit is 3,90% (LBT) on deduction of expenses related to research and development personnel.
- **R&D incentives (Tax base deduction/Tax credit):** for fundamental research, industrial research and experimental development activities in the field of science and technology, the tax credit is recognized during the tax period in progress until 31 December 2022 at an amount equal to 20% of the relevant base, taken net of any other subsidies or grants received for the same eligible expenses. From the tax period following the one in progress on 31 December 2022 until the one in progress on 31 December 2031, the tax credit is recognized at an amount equal to 10%. For technological innovation activities aimed at the realization of new or substantially improved products or production processes, the tax credit is recognized during the tax period in progress until 31 December 2023 in an amount equal to 10% of the relevant base, taken net of any other subsidies or contributions received for any reason on the same eligible expenses. From the tax period following the one in progress on 31 December 2023 until the tax period in progress on 31 December 2025, the tax credit is recognized at an amount equal to 5%.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Limitation or additional intensity benefit should not apply based on size or legal status.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

There is a limitation of the utilization period for R&D incentives (tax credit): the tax credit must be reported in the tax return relating to the tax period in which the expenses were incurred and in those relating to subsequent tax periods until its utilization ends. The credit can be used exclusively by offsetting starting from the tax period following that in which the eligible expenses were incurred, by

submitting the payment model form “F24” through the telematic services made available by the Revenue Agency.

For technological innovation activities aimed at the realization of new or substantially improved products or production processes, the tax credit is recognized during the tax period in progress until 31 December 2023 in an amount equal to 10% of the relevant base; from the tax period following the one in progress on 31 December 2023 until the tax period in progress on 31 December 2025, the tax credit is recognized at an amount equal to 5%.

07 — Does Your country apply a patent box regime?

Italy applies a new Patent Box regime allowing to increase, for the purposes of direct taxes (CIT) and regional tax (LBT) on productive activities by 110% the expenses incurred in carrying out research and development activities aimed at maintaining, enhancing, protecting and increasing the value of software protected by copyright, industrial patents and legally protected designs and models.

Compared to the previous patent box rules, trademarks and know-how are not included in the list of eligible assets. In addition, the new facilitating regime allows for the recovery, in the tax period in which a facilitable intangible asset obtains an industrial property right, of the research and development expenses contributing to its creation incurred in the previous eight tax periods, increasing them by 110%.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global minimum tax may affect the scope/application of R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Preparation, review and certification of R&D cost calculations
- Design, preparation, review and certification of R&D support documents to mitigate fiscal risks
- Assistance in setting up appropriate corporate governance systems to track R&D activities
- Analysis of R&D-related cost-sharing arrangements and methods applied within the group
- Assistance in the preparation and submission of ruling requests for preliminary or subsequent R&D qualification
- Preparation of guidelines and ruling requests to be submitted to the Inland Revenue Agency
- Planning and setting up the Patent Box
- Simulation of the impact of R&D and Patent Box benefits on the financial statements
- Assistance in the application of state aid rules for the cumulation of the various incentives
- Assistance in the application for and disbursement of subsidies of various kinds

Latvia

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
LBT: Local business tax
SST: Social security tax
IC: Innovation contribution

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan	✓	
Patent-related incentive	✓	CIT, LBT, IC
Payroll-related incentive		
Reduced tax rates	✓	CIT
Reimbursement		
Tax base deduction	✓	CIT
Tax credit	✓	CIT, LBT
Tax exemption	✓	SST
Tax holiday		
Other	✓	Special Economic Zones in Latvia – Riga Free Port, Ventspils Free Port, Liepaja Special Economic Zone and Rezekne Special Economic Zone and Latgale Special Economic Zone

02 — What are the typical eligibility requirements for R&D incentives?

For the State Research Program Projects the requirements are listed in the Republic of Latvia Cabinet regulations No. 560 “Procedures for the Implementation of State Research Program Projects”:

- Project of non-economic nature – a project conforming to the following criteria implemented by a research organization
- Activity of non-economic nature – operating activity of a research organization which does not fall within the scope of the activity laid down in Article 107(1) of the Treaty on the Functioning of the European Union and which can manifest as follows:
- Independent research and development to acquire more knowledge and a better understanding, including joint research and development by involvement of the research organization in efficient co-operation;
  - Dissemination of research results without exclusivity and discrimination, in-

cluding through the use of teaching, free access databases, open publications or open-source software
- Activities related to knowledge and technology transfer if:
  - The activities related to knowledge and technology transfer are performed by a division of the research organization or a subsidiary undertaking the research organization (such commercial company in which the participation share of the parent undertaking exceeds 50% or in which the parent undertaking has the majority of votes and which conforms to the definition of the research organization referred to in Sub-paragraph 2.12 of this Regulation), the research organization together with other research organizations or the research organization with third parties, entering into contracts regarding certain services in an open procedure
  - Any profit from such activity is reinvested in operating activities of non-economic nature of the research organization
  - The project includes research and transfer of the research results in the form of knowledge and technology transfer and, if the research organizations enter into intellectual property alienation contracts with the licensee, at least one of the following conditions must be conformed to the intellectual property licence contract is entered into with the licensee and the sum of remuneration is specified in an open, transparent, and non-discriminating competition-based tender procedure, thus excluding the possibility of entering into an exclusive licence contract with the co-operation partner; as well as the beneficiary receives a remuneration for all economic advantages transferred to the licensee which is equivalent to the market price for intellectual property rights arising from the activity performed within the scope of the project of the research organization. If it is not possible to determine a market price, a proof of the market price is a public auction of the intellectual property in accordance with the laws and regulations regarding organization of auctions or documented negotiated procedure between the research organization-licensor and the licensee as a result of which the licensor has acquired the maximum price for their intellectual property rights
- Efficient co-operation – co-operation conforming to the definition provided in Article 2(90) of the Commission Regulation (EU) No 651/2014 of 17 June 2014 (Official Journal of the European Union, 26.06.2014, L 187/1) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter – Commission Regulation No 651/2014).

In addition to state research programs, there are several other R&D programs listed by the Investment and Development Agency of Latvia, such as Horizon 2020 and the EUROSTARS Program (both founded by the European Commission), as well as Business incubators in various Latvian regions and the Seed Forum Latvia. Each of these programs has different eligibility requirements.

03 — What type of spendings/costs can qualify?

- Remuneration of the staff involved in the project implementation and the costs related thereto which do not exceed the remuneration rates of the submitter of the project application according to the work remuneration policy specified by the institution
- Mandatory social insurance contributions of the employer for the staff of the project implementation
- Travel expenses of local and foreign missions and work (service)
- Acquisition costs (applicable to the fixed assets purchased within the scope of the project and at the disposal of the submitter of the project application and the co-operation partner which are used for research, and purchase costs of technical knowledge, patents, and other intellectual property right licences
- Purchase costs and supply costs of the inventory, instruments, and materials necessary for the project implementation (for example, physical, biological, chemical, and other materials, test animals, reagents, chemicals, laboratory vessels, medicinal products, cooling agents, heat carriers, carrier gases, oils, energy materials, and electricity, insofar as it is used for research) which have been accounted in accordance with the laws and regulations governing accounting
- Costs of external services (including work according to contracts for work performance), costs of ensuring research services (for example, inspection, testing, certification, and other costs in order to ensure such research data which are comparable to the research carried out in other states), costs of technology right protection, translation
- Costs of information and publicity measures (including costs of publishing scientific studies)
- Costs of financial services which include costs of bank services for payments carried out within the scope of the project and one-time payment for allocating a credit guarantee – in the amount of not more than two per cent from the sum to be guaranteed (if applicable)

04 — What is the maximum of the R&D tax benefit?

The donations to certain state-funded institutions allow Latvian businesses to reduce their corporate income tax by up to 85% of the sum donated. Furthermore, if a business invests more than EUR 10 million in certain industries, it has the right to apply for a corporate income tax relief. There are two relief brackets for large investments: over EUR 10 million – 25% of corporate income tax relief and over EUR 50 million – 15% of corporate income tax relief.

Maximum R&D tax benefit for companies operating in Free ports and Special Economic Zones are:
- Up to 100% of real estate tax reduction (from the initial 1.5%)
- Up to 80% of corporate income tax reduction (from the initial 15%)
- Up to 80% reduction on withholding tax for dividends, managements fees and fees for using IP (intellectual property)

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Tax relief for taxable persons carrying out agricultural activity – the taxable person is entitled to reduce the taxable base of the accounting year in

the amount corresponding to 50 per cent of the amount received as State aid for agriculture or European Union aid for agriculture and rural development, but not more than the total amount of the taxable objects included in the taxable base in the taxation period.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

One of the goals of the Latvian economic policy is to modernize industrial production and keep it efficient, which is why Latvian businesses have the right to defer tax payments for profits arising from the replacement of machinery. If a business buys a new piece of machinery instead of an old one (both should be functionally similar for the operation to be considered a replacement) and sells the old one in the span of 12 months before or after the replacement, the profit from such transaction is not taxed in the given tax period. The tax payment is deferred until this new machinery is sold, or, alternatively, the payment is further deferred if the new asset is also replaced.

07 — Does Your country apply a patent box regime?

Latvia does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Currently there is too little known and too much unknown. Time will tell, but corporate income tax rates and conditions of application are still within the competence of EU member states. This innovation should not, at least initially, affect companies operating in the classical economy, but the same conditions can be gradually extended to players and segments of a different caliber, thus fundamentally changing the current tax system.

Also, it depends heavily on the R&D programs proposed by the European Commission, as the only programs listed on the website of the Investment and Innovation Agency of Latvia for R&D were those of the European Commission, for example, Horizon 2020 program, The EUROSTARS Program, 8 Contact Points for Technology Transfer. In Latvia LIAA has established business incubators in many municipalities, providing start-up support available to microenterprises, small and medium-sized companies, and private individuals. There is a possibility these programs will change upon the impact of Global Minimum Tax.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Increasing resources for national research and innovation quality of the system
- Far-reaching reforms to increase efficiency and quality
- Focus should be on increasing the efficiency of investments

Lithuania

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
R&D: Scientific research and experimental development

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive		
Reduced tax rates	✓	CIT
Reimbursement		
Tax base deduction	✓	CIT
Tax credit		
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

According to the CIT Law, when calculating CIT, three times the costs of R&D, except for depreciation or amortization costs of fixed assets, shall be deducted from the income of the taxable period during which they are incurred where R&D works carried out are related to the usual or intended activities of the entity generating or willing to generate income or economic benefit.

Where R&D works are acquired from another entity or a natural person, the costs incurred due to such acquisition shall be deducted from the income only if the R&D works have been carried out in a state of the European Economic Area (EEA) or a state outside EEA which has concluded and brought into effect a treaty for the avoidance of double taxation with Lithuania.

The main criterion for distinguishing R&D activities from related activities is that R&D shall contain a tangible element of novelty and a solution to scientific and/or technological uncertainty, i.e. when for a person who is well acquainted with the basic knowledge available to everyone in a particular field (expert) solution is not easily visible. The R&D project must aim for scientific or technological progress, and the result of the project is significant not only for the person (unit) who initiated and carried it out.

Depreciation or amortization costs of fixed assets (some of them) used to carry out R&D shall be deducted from the income in shorter terms than regular.

Thus, besides the reduced tax rate (patent box regime, see below), the Lithuanian CIT also allows taxpayers a triple deduction (300%) of eligible R&D expenditures. Taxpayers can benefit from both the deduction (front-end regime) and the lower tax rate (back-end regime).

03 — What type of spendings/costs can qualify?

The following R&D costs are tax deductible:

- Employees' payroll directly involved in R&D's work and the cost of compulsory health insurance contributions and state social security contributions calculated from it
- Business trips expenses directly related to R&D works and necessary for the execution of R&D works
- The cost of raw materials and / or materials consumed in R&D works, other current assets
- Costs incurred in purchasing services (consultancy services of a scientific nature, rental of premises and / or equipment, utilities, repairs, storage, telecommunications and other services) directly related to R&D works and necessary to the performance of R&D works
- Costs incurred in acquiring the constituent works of R&D from another taxable entity or natural person, if such acquired works are performed in EEA or in a state that does not belong to EEA, but with which Lithuania has concluded a double taxation convention
- The amount of input (import) VAT calculated on the above costs, which are not deductible in accordance with the provisions of the Law on VAT

04 — What is the maximum of the R&D tax benefit?

Having tripled expenses in mind and accelerated depreciation, tax saving effect may be in the range of 10-50% excluding the patent box regime (see below).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Legal entities where the average number of employees does not exceed 10 people and the income for the tax period does not exceed EUR 300 thousand, the taxable profit of the first tax period is taxed at a rate of 0%, taxable profit for other tax periods - at a tax rate of 5%.

The entities registered in the Free Economic Zones meeting certain investment criteria may enjoy CIT holidays for 10 years.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Incentives can be claimed for past and ongoing projects (within the statute of limitation period of 3 years) based on actually incurred qualifying R&D costs.

07 — Does Your country apply a patent box regime?

Yes. Reduced CIT tax rate of 5% (instead of 15%) applies for taxable profits earned from IP developed through R&D activities.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We do not expect changes.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Assistance in the preparation and submission of ruling requests for preliminary/subsequent R&D qualification
- Preparation of guideline and ruling requests to be submitted to the Tax Authority or other authorities
- Patent box planning, royalty qualification assistance
- Assistance in grant applications and disbursement of the grant
- Advice and on-call assistance

Malta

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan	✓	No tax-related
Patent-related incentive	✓	CIT
Payroll-related incentive	✓	CIT
Reduced tax rates		
Reimbursement	✓	
Tax base deduction		
Tax credit	✓	CIT
Tax exemption		
Tax holiday		
Other	✓	See below

Malta also offers several non-tax related business incentives that include:

- Access to Finance (Soft Loan)
- Allocation of industrial premises
- Cash grants

Capital allowance deductions are allowed on industrial buildings or structures used in the production of income.

02 — What are the typical eligibility requirements for R&D incentives?

R&D incentives are not limited to “laboratory conditions” but might also consist of activities that a company carries out in its day-to-day operations, such as developing a new product, process or service or changing/modifying an existing product, process or service. In general, qualifying R&D activities must seek to achieve scientific or technological advancement and involve the resolution of scientific or technological uncertainty.

A business study is expected to be presented and assessment criteria will depend upon the objective of the incentive program. Examples include:

- Value Added to the Maltese economy
- Feasibility
- Track Record of applicant/investor
- Technology
- Employment opportunities to be generated
- Impact on existing value chains or positive impact through networking and clustering opportunities
- Sustainability

Incentive schemes are also applicable for micro enterprises, whereby a tax credit is granted as a percentage of the investment undertaken by the undertaking. The tax credit is capped at a maximum of 65% of the total expenditure up to a maximum of EUR 70 thousand and can be carried forward over a number of years. Capital allowances are also deductible from the chargeable income, on which the tax credit was calculated.

03 — What type of spendings/costs can qualify?

Summary of expenses qualifying for tax credits (CIT) / business incentives under different schemes:

- Relocation Costs of Key Personnel
- Payroll costs
- Lease/Rental of Real estate
- Support and Advisory Services
- Rights, Licenses and certifications
- Relocation of Tangible Assets
- Procurement of Tangible Assets
- Construction and development of facilities for manufacturing activities

Timing is critical: It is important to note that while some incentives may be applied for after the expense has been incurred, others may require approval prior to any expense being made.

04 — What is the maximum of the R&D tax benefit?

The maximum R&D tax benefit is capped at different amounts depending on the particular incentive program. The de minimis state aid rules permit funding to one enterprise of up to a maximum of EUR 200 thousand in every 3-year period. The more recent General Block Exemption Regulation (GBER) mechanism was introduced primarily to support innovative, environmentally sustainable and small-to-medium-sized businesses. The GBER has no absolute funding cap, but typically funds a lower percentage of the total project cost.

The funding amount or percentage varies depending upon the size of the enterprise – the smaller the company, the greater the fund allocation tends to be.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Various schemes are tailored for entities operating in various sectors. The schemes are applicable to micro as well as larger entities. Micro-invest scheme is applicable to entities which employ 50 employees or less and whereby turnover does not exceed EUR 10 million. Schemes tailored for large entities are typically not subject to size or legal status.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Aid awarded in the form of Tax Credits may be utilized as from the Year of Assessment following the year in which the tax credit certificate is issued. Any amount not absorbed by the tax payable for that year of assessment may be carried forward to be allowed as a tax credit for the subsequent years of assessment, subject to a capping with regards to the number of years over which the credit can be carried forward.

07 — Does Your country apply a patent box regime?

Qualification for the Malta Patent Box deduction entitles the taxpayer to deduct a percentage of its income from taxable income. This deduction will amount to the percentage resulting from dividing the qualifying IP expenditure by the total expenditure related to the particular IP. Qualifying IP expenditure refers to those expenses directly incurred in developing or acquiring the IP, whilst total IP expenditure also includes any qualifying expenditure subcontracted to or acquired from a related company and the acquisition costs of IP assets acquired from third parties required to develop the qualifying IP asset.

In addition, in view of the application of the full imputation system within the local tax system, shareholders may avail themselves of tax refunds equivalent to 6/7ths or 5/7ths of the corporate tax paid on profits distributed by way of dividends. The tax refunds are applicable to distributions of profits made by companies from the Malta Tax Account and the Foreign Income Account.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

The Global Minimum Tax as we understand it to be proposed should not impact the current R&D incentives, however one would naturally need to wait for the measure to be implemented locally to assess this with full certainty.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Business plan drafting/review
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Corporate structure review, analysis of asset protection & segregation
- Assistance in the preparation and submission of ruling requests for R&D qualification
- Preparation of guideline and ruling requests to be submitted to Malta Enterprise, the Commissioner for Revenue, the Ministry of Finance or other governing bodies
- Patent box planning, royalty qualification assistance with the Industrial Property Registrations Directorate (IPRD)
- Advice & Support in application of state aid rules to apply complementary incentives
- Assistance in grant applications and disbursement of the grant
- Company formation & domiciliation
- Advice & support on application for tax residency programs for key personnel relocated to Malta

Netherlands

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
WT: Wage tax
PIT: Personal income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT, PIT
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive	✓	WT
Reduced tax rates	✓	CIT
Reimbursement		
Tax base deduction	✓	PIT
Tax credit		
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

The Netherlands has a special regime for innovative activities. The benefits of this R&D regime are:

- An effective CIT-rate of (currently) 9% (CIT only)
- A wage tax facility (part of the wage tax withheld does not have to be transferred to the Dutch tax authorities and can remain with the withholding agent)
- An extra deduction for research and development activities (PIT only)

The main requirement for all three of the abovementioned benefits of the R&D regime is that the tax payer has obtained an R&D declaration from the competent authority in the Netherlands. In order to obtain this certificate a tax payer is required to, in short, carry on "technical scientific research" or "development activities" for new products, production processes, or IT.

In addition to the abovementioned R&D benefits there is a general facility for both CIT and PIT tax payers, based on which costs incurred for the development of intangible assets can be deducted at once, rather than capitalized and depreciated during the intangible asset's lifespan. This facility is not subject to the tax payer having obtained an R&D certificate, or any other specific requirements.

9% effective tax rate:
In order to qualify for the 9% effective tax rate, it is required that the R&D activities have resulted in an intangible asset developed by the tax payer. A qualifying tax payer is allowed to include only part of the profits generated with the developed intangible asset in his taxable base. This part is calculated in such a way that the effective rate of tax on the R&D profits equals 9% (rate applicable in 2022). If any costs related to the development of the intangible asset have been deducted in the past then the 9% effective tax rate only applies (in short) to profits to the extent that they exceed the costs deducted in the past. In addition, the application of the 9% effective tax rate requires a minimum level of R&D activity: The amount of profits qualifying for the 9% rate is contingent on the R&D costs incurred in the year (i.e., no R&D costs means no profits qualifying for the 9% rate). Alternatively, taxpayers can choose to apply a simplified approach and calculate the amount of profits qualifying for the 9% rate as 25% of total profit with a maximum amount of profit of EUR 100 thousand (i.e., EUR 25 thousand of qualifying profits).

Wage tax facility:
The benefit of the wage tax facility can be calculated as 32% of the expected R&D related wage costs for wages up to EUR 350 thousand, and 16% for R&D related wages in excess of that amount. The percentage of 32 is increased to 40% if a taxpayer qualifies as a starting R&D entrepreneur.

R&D deduction (PIT):
In addition to having obtained an R&D declaration, in order to qualify for the R&D deduction, a PIT subject should meet the following conditions:
- Being an entrepreneur for PIT purposes
- Having spent a minimum of 1,225 hours on business activities
- Having spent a minimum of 500 hours on R&D activities

The R&D deduction is a fixed amount of EUR 13,360 (amount in 2022). An additional amount of EUR 6,684 can be deducted if the taxpayer qualifies as a starting R&D entrepreneur.

03 — What type of spendings/costs can qualify?

As pointed out in the above, in order to qualify for an R&D declaration, a tax payer is required to, in short, carry on "technical scientific research" or "development activities" for new products, production processes, or IT. Any costs related to those activities, such as **wages and costs of materials** qualify.

04 — What is the maximum of the R&D tax benefit?

- **9% effective tax rate**: Maximum amount of EUR 25 thousand if the simplified approach is applied. Otherwise, the maximum depends on the amount of R&D costs incurred, but there is no fixed maximum amount.
- **Wage tax facility**: No fixed maximum amount. Maximum depends on the amount of qualifying R&D wage costs.
- **R&D deduction**: This is a fixed amount.
- **R&D costs depreciation**: Contingent only on the costs incurred (no fixed maximum amount).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

For small businesses an R&D declaration is sufficient for the 9% effective CIT rate to apply. An additional requirement should be met if a business does not qualify as small (average annual profits derived from the intangible assets of EUR 7.5 million and average annual net turnover of EUR 50 million). Such businesses only qualify if they have obtained certain intellectual rights, such as a patent with respect to the developed intangible asset.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

An R&D declaration for the R&D benefits can be obtained for future projects. Existing intangible assets can only qualify if they are further developed (subject to certain conditions).

07 — Does Your country apply a patent box regime?

Reference is made to the above description of the Dutch R&D regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

In the most recent communications from the Dutch Ministry of Finance it has been indicated that Pillar 2 was going to be implemented in such a way that if as a result of the patent box, the effective CIT rate is below 15%, additional Dutch CIT will be levied. This will only have an impact on groups falling within the scope of Pillar 2 (i.e., with a consolidated turnover in excess of EUR 750 million).

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Assist with obtaining an R&D certificate
- Prepare the tax return of companies with an R&D certificate

Poland

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
PIT: Personal income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	CIT, PIT
Payroll-related incentive	✓	CIT, PIT
Reduced tax rates	✓	CIT, PIT
Reimbursement		
Tax base deduction	✓	CIT, PIT
Tax credit	✓	CIT, PIT
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

In Poland, in addition to the R&D relief, the legislator has introduced a package of innovation-related incentives. These mainly target at the type of business carried out by the taxpayer and the type of expenses related to the taxpayer's innovation activities.

Key eligibility criteria by incentive type:

- **R&D relief**: This relief implies additional deduction from the tax base of the so-called "qualified expenses", i.e. deductible expenses incurred for R&D activity. The definition of R&D activity is provided in the Polish CIT and PIT Acts. In addition, taxpayers may request a tax ruling from the competent authority - the Director of National Tax Information - in which they can be informed whether they meet the conditions for qualifying their activities as research and development. The amount of the deduction may not exceed the amount of income earned by the taxpayer from revenues other than capital gains in a given tax year.
- **Relief for innovative employees**: This relief is complementary to the R&D relief (it is addressed to those entities that, having obtained the right to the R&D relief, cannot practically take advantage of it due to a tax loss/income lower than the amount of eligible R&D costs deductible). It presupposes a reduction in the advance income tax that is withheld from employment or civil-law contracts incomes earned by innovative employees. Employees may qualify for the credit if at least 50% of their total working time in a month is spent on R&D activities.
- **Prototype relief**: This relief provides for an additional 30% deduction of expenses incurred in connection with the trial production and the launch of a new product (e.g. certificates and approvals) from the tax base. The amount of the deduction cannot exceed 10% of income.
- **Relief for automation and robotization of production**: This relief provides for a deduction of additional 50% of expenses incurred for robotization in the tax years 2022 - 2026. The amount of the deduction may not exceed the amount of income earned by the taxpayer from revenues other than capital gains in the tax year.
- **Expansion relief**: This relief provides for a deduction of expenses incurred to increase revenue from the sale of products, such as participation in trade fairs, promotional activities, preparation of the necessary documentation. The amount of the deduction is up to the amount of income earned by the taxpayer from revenues other than capital gains, but not more than PLN 1,000,000.

03 — What type of spendings/costs can qualify?

- **R&D relief**: Employees' wages and social contributions, purchase of commodities and raw materials, expertise, research and opinions from scientific units, payments for use of research equipment, amortization of intangible assets and fixed assets, excluding passenger cars, buildings, and structures, costs of obtaining IP protection.
- **Prototype relief**: The purchase price or production cost of new fixed assets necessary to start trial production of a new product, purchase costs of materials and raw materials purchased solely for the purpose of trial production of a new product, costs of improvement incurred to adapt a fixed asset to launch trial production of a new product, research, expertise and certification costs, product lifecycle studies, environmental technology verification system.
- **Relief for automation and robotization of production**: Costs incurred for investments in robotization in particular for purchase or financial lease of new robots and cobots, purchase of software necessary for proper startup of new fixed assets in the field of robotization, purchase of accessories (e.g. tracks, turntables, controllers, motion sensors, end effects), purchase of occupational health and safety (OHS) devices, training costs for employees operating the new equipment.
- **Expansion relief**: Participation in fairs (e.g. organization, accommodation), promotional activities, adaptation of packaging to the contractor's requirements, preparation of documentation for the sale of products (e.g. certification of goods and registration of trademarks), cost of tender documentation.

04 — What is the maximum of the R&D tax benefit?

- **Prototype relief**: The amount of the deduction cannot exceed 10% of income.
- **Expansion relief**: The amount of the deduction is up to the amount of income earned by the taxpayer from revenues other than capital gains, but not more than PLN 1,000,000.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In R&D relief, the catalogue of expenses and the amount of deduction varies depending on the status of the taxpayer:

- Taxpayers with the status of a research and development centre (granted by the Minister of Economy) can additionally deduct the following expenses (i.e. recognize them as "qualified expenses"):
  - Depreciation allowances made in a given tax year, included in deductible expenses, on structures, buildings and premises under separate ownership used in research and development activities
  - Costs of expertise, research and opinions

bought from entities other than scientific units
- Amount of possible deduction:
  - If a taxpayer has the status of a research and development centre and at the same time is a micro-, small or medium-sized entrepreneur, 200% of eligible costs can be deducted
  - Other taxpayers with the R&D centre status can deduct 200% of eligible costs (except for costs of obtaining IP protection, from which they can deduct 100% of eligible costs)
  - Other taxpayers can deduct 100% of eligible costs (except for employees' wages and social contributions, from which they can deduct 200% of eligible costs)

06 — Is there a limitation of the utilization period? If yes, please specify the period.

- **R&D relief**: It is possible to apply the relief to projects already in progress, including those started in previous years, where expenses are incurred on an ongoing basis.
- **Relief for automation and robotization of production**: A deduction can be made for costs incurred for robotization in the years 2022 to 2026.
- **Prototype relief**: A deduction can be made for expenses incurred during the tax year.
- **Expansion relief**: A deduction can be made for expenses incurred during the tax year.

07 — Does Your country apply a patent box regime?

Poland has an IP Box relief that can be used by taxpayers engaged in R&D activities. The relief consists of preferential taxation of income from intellectual property rights that are subject to legal protection (e.g. patents, copyright in a computer program) and have been created, developed or improved as part of the taxpayer's R&D activities. If a company in Poland produces, develops or improves its IP (intellectual property) right, the profits from it are taxed at a rate of 5%.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

The Global Minimum Tax may affect the scope / application of the R&D incentives, but the actual rules have not been published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Conducting an analysis of the possibility of applying reliefs by clients
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentation with a view to mitigating tax risks
- Preparation of requests for tax rulings to be issued by the Director of National Tax Information, so that clients can find out whether they meet the conditions for qualifying their activities as research and development

Portugal

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01 — What type of incentives are available in Your country?

*Abbreviations:
SIFIDE: Corporate R&D Tax Incentive System

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction		
Tax credit	✓	SIFIDE
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

Taxable persons subject to Corporate Income Tax (IRC) residing in Portugal, who perform, as their main activity or not, an agricultural, industrial, commercial or services activity, and non-residents with a stable establishment in the country having research and development (R&D) costs.

Within this incentive, the following is considered:
- Research expenses - expenses incurred to the IRC taxpayer aiming at the acquisition of new scientific or technical knowledge;
- Development expenses - expenses incurred to the IRC taxpayer while exploiting the results of research or other scientific or technical knowledge in order to discover or to obtain a substantial improvement of raw materials, products, services or manufacturing processes.

03 — What type of spendings/costs can qualify?

- Acquisitions of tangible fixed assets, with the exception of buildings and land, provided that they are created or acquired new and are proportionally linked to R&D activities
- Expenses on staff directly involved in R&D duties, with a minimum qualification level of 4, considering the National Qualification Framework
- Expenses related to executive and technical staff within the R&D institutions' management structures
- Operating costs, up to a maximum of 55% of expenses on staff directly involved in R&D duties, with a minimum qualification level of 4 from the National Qualification Framework, through pay, wages or salaries relating to that tax year
- Expenses from tendering R&D activities with public bodies or beneficiaries of public utility status or entities whose expertise in the research and development field is recognized by joint order of the Minister of the Economy and the Minister for Innovation and the Minister for Science, Technology and Higher Education
- Stakes in the share capital of R&D institutions and contributions to public or private investment funds to carry out equity and quasi-equity investments in companies dedicated mainly to R&D, including the financing of the enhancement of their results, whose suitability in terms of R&D is recognized by the National Innovation Agency
- Costs related to registering and maintaining patents
- Expenses related to the acquisition of patents predominantly for R&D activities (only SMEs)
- Expenditure on R&D audits
- Expenses related to demonstration actions deriving from R&D supported projects
- R&D expenses related to eco-friendly product development are accounted at 110% of the total amount
- Expenses on staff, with a minimum qualification level of 8 from the National Qualification Framework, are considered at 120% of their amount

04 — What is the maximum of the R&D tax benefit?

This tax benefit allows to recover up to 82.5% of investment in R&D activities conducted in the tax periods of 1 January 2013 to 31 December 2020, particularly in case of the portion that has not benefited from any straight financial contribution by the State.

- Basic rate: 32.5% of costs incurred during the relevant period
- Increased rate: 50% on increased expenditure related to the simple mathematical average of the previous two tax years (up to a deduction limit of EUR 1.5 million)

SMEs not yet having completed two years trading and not having had the benefit of the increased rate may apply a 15% increase to the basic rate (47.5%).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Please see answer 3.
The applications should be submitted by 31 May 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.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Expenses that - due to insufficient tax liability - cannot be deducted in the tax year they were incurred, can be carried forward for 8 years.

07 — Does Your country apply a patent box regime?

Portugal has a R&D tax incentive (SIFIDE - SISTEMA DE INCENTIVOS FISCAIS À I&D EMPRESARIAL) and also a patent box regime.

The patent box regime is applicable to certain copyright and industrial property rights in line with BEPS Action 5 (Authorised Nexus Approach). The regime foresees a 50% tax exemption on income derived from the use or exploitation of copyright from computer programs as well as registered patents, designs, and industrial models. There is a limitation provided by the ratio between the eligible expenses and the total expenses incurred in developing or using the intellectual property (IP)-protected assets. The regime also foresees a 30% mark-up of the eligible expenses incurred with the development of the assets with IP protection, capped at the amount of the total expenses incurred with the development of those assets. The regime applies to income derived from industrial property rights derived from R&D developed internally. Transactions with associated enterprises, including entities resident in black-listed jurisdictions, are excluded.

Costs/expenses not directly connected with the activities of R&D are excluded from the computation, such as interest or real estate depreciation.

The applicability of this regime requires a clear distinction in the accounting records in respect of profits, as well as expenses, associated with the IP in order to be able to distinguish them from other source profits and expenses.

This regime applies to patents and other industrial models or drawings registered on or after 1 July 2016.

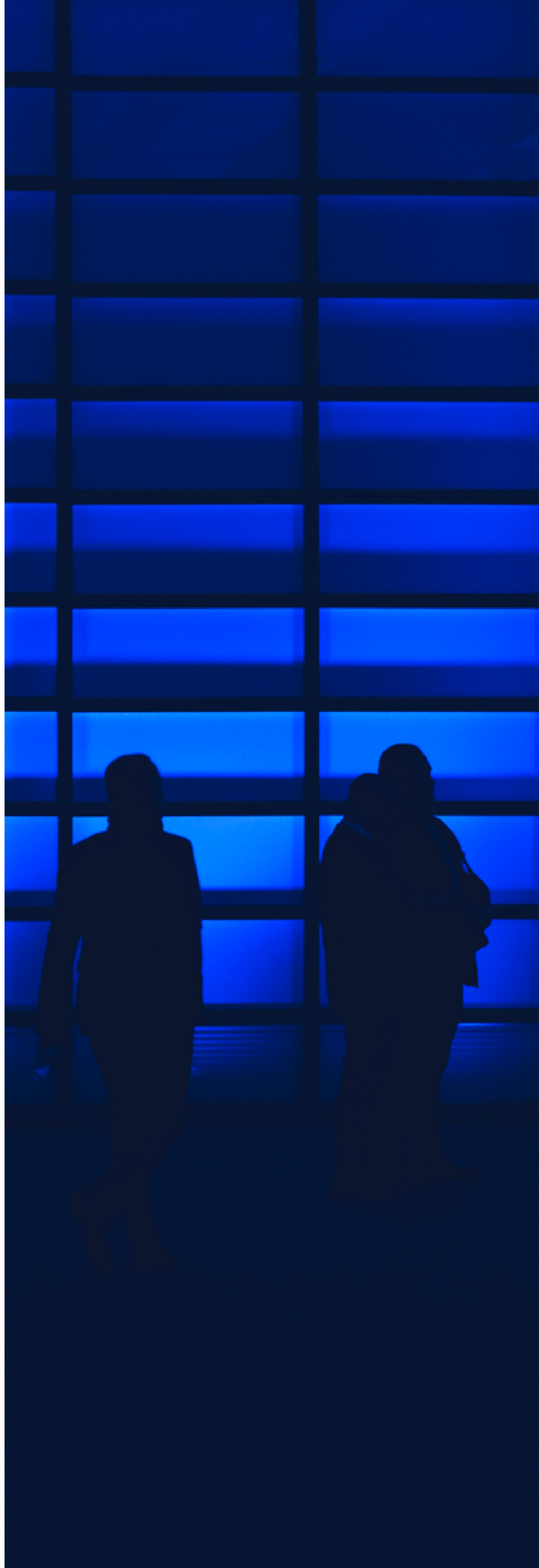
Industrial property rights registered up to 30 June 2016:
Income derived from the use or exploitation of registered patents, designs, and industrial models registered between 1 January 2014 and 30 June 2016 is also 50% tax-exempt. The former patent box regime applies not only to income derived from industrial property rights derived from R&D developed internally but also if contracted from third parties. Transactions with associated enterprises, including entities resident in black-listed jurisdictions, are excluded. This regime was applied until 30 June 2021.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

No definition exists yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

Preparation and submission of SIFIDE application.



Romania

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax
ST: Salary tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT
Tax credit		
Tax exemption	✓	CIT, ST
Tax holiday		
Other		

Accelerated depreciation on R&D assets: The accelerated depreciation method can be applied in case of equipment used for R&D activities.

Tax base deduction: In case of R&D activities, when computing the fiscal result, the law provides for additional deductions amounting 50% of the eligible expenses incurred for such activities.

Tax exemption: Companies developing R&D activities are exempt from the payment of CIT for the first 10 years of activity. Moreover, all employees involved in the team of a R&D project benefit from salary tax exemption.

02 — What are the typical eligibility requirements for R&D incentives?

The tax base deduction and the accelerated depreciation on R&D assets incentives are granted for R&D activities carried out for the purpose of obtaining research results, which can be used by the taxpayer (activities carried out both on the national territory and in the member states of the EU/EEA).

Moreover, the (i) R&D activities must be part of the categories of applied research and/or technological development activities and the (ii) expenses subject to the 50% additional deduction must be eligible for such incentive (such eligible expenses are regulated by Order no. 1056/4435/2016 for the approval of the Norms regarding deductions for R&D expenses when calculating the fiscal result). The tax base deduction incentive is granted separately for each R&D project, therefore another requirement is that the R&D activities must be part of a separate project having to contain certain elements, such as: the period of implementation, the field of research and development, the sources of financing, the category result (e.g. studies, schemes, networks), innovative character (i.e. new/updated product, new/updated technology).

The CIT incentive can be applied in compliance with state aid regulations by taxpayers exclusively carrying out innovation and R&D activities, defined accordingly by Government Ordinance no. 57/2002 on scientific research and technological development.

The ST incentive is applied to all employees part of an R&D project (as defined by the Government Ordinance no. 57/2002 on scientific research and technological development), such incentive being granted within the limits of the expenses on the personnel allocated to the R&D project. Also, the payroll for such employees must be held separately.

03 — What type of spendings/costs can qualify?

For the purpose of applying the tax base deduction, the following expenses are considered eligible:

- Expenses of depreciation or leasing of tangible and intangible assets
- Expenses on personnel participating in R&D activities
- Expenses for the maintenance and repairs of tangible and intangible assets
- Operational expenses (e.g. expenses of services performed by third parties, consumables, raw materials)
- Overheads (e.g. rent, utilities, office supplies) that can be directly/indirectly allocated to the R&D activities, by using an allocations key

04 — What is the maximum of the R&D tax benefit?

There is no maximum R&D tax benefit.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

N/A.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

The tax base deduction can be claimed for ongoing projects based on the actually incurred eligible R&D costs. The tax base deduction is calculated quarterly/annually; if a fiscal loss is incurred, it can be recovered from the taxable profits obtained in the following 7 consecutive years.

The CIT exemption can be applied in the first 10 years of activity.

The ST exemption can be applied for ongoing projects, based on actually incurred salary costs.

07 — Does Your country apply a patent box regime?

N/A.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

No rules have been published in this respect yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Preparation of guideline and ruling requests to be submitted to the Tax Authority, the Ministry of Finance or other authorities

Slovakia

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	CIT
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT
Tax credit		
Tax exemption	✓	CIT
Tax holiday		
Other		

Please note that the above table does not include specific regional investment incentives available for R&D projects in regions with higher unemployment rates.

02 — What are the typical eligibility requirements for R&D incentives?

In order to benefit from R&D superdeduction, it is crucial that the R&D project fulfils the definition of research and development as stipulated in the legislative framework.

03 — What type of spendings/costs can qualify?

Qualifying costs are the **costs directly related to the R&D project**, such as labour costs, energy, material consumption etc.

04 — What is the maximum of the R&D tax benefit?

10.5% for patent box related exempt income and 21% respectively for superdeduction (this may be increased by additional 100% of the positive difference between the average of the total expenses incurred in the tax period for R&D and the total costs spent in the immediately preceding tax period for R&D included in the deduction, and the two immediately preceding tax periods for R&D included in the deduction).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

N/A.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

If the superdeduction cannot be applied because the taxpayer reported a tax loss or the tax base after reduction by the tax loss deduction is lower than the eligible superdeduction, it is possible to deduct the R&D costs or their remaining part in the following (maximum five) consecutive tax periods.

07 — Does Your country apply a patent box regime?

In Slovakia, the patent box regime provides a tax exemption on:

- Income from considerations for granting a right to use, or for using protected patents, utility models, or software (intangible assets) resulting from the taxpayer's own development activities in Slovakia, up to 50% of such income. The tax exemption only applies to taxable periods in which the taxpayer amortizes capitalized costs for the development of these intangible assets.
- Income from the sale of products for the production of which a protected patent or a utility model created by the taxpayer in Slovakia (embedded intangible assets) has been used is available up to 50% of such income. The tax exemption only applies to taxable periods in which the taxpayer amortizes capitalized costs for the development of these intangible assets.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

No information available at present.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Assessment of costs eligible for superdeduction
- Assessment of income eligible for exemption
- Assistance with preparation of supporting documentation for tax purposes
- Calculation of potential tax savings

Slovenia

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive		
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT
Tax credit		
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

For an activity to qualify as an R&D activity, five basic criteria must be met. It must be novel, creative, uncertain, systematic and transferable and/or replicable.

The R&D activity must be clearly planned and defined in advance in a business plan or a specific development project or program. This plan, project or program must be drawn up in such a way as to allow subsequent verification of the consistency of the implementation with the original plan and must clearly show that the activity carried out has the characteristics of a research and development activity.

The business plan or specific development project or program must include at least:

- The title of the R&D project or program
- A description of the content of the R&D project or program
- A list of the activities envisaged for the R&D project or program, with an estimate of the costs per activity and per period
- The planned milestones during the implementation of the R&D project or program
- The expected results of the R&D project or program

The project may be modified and amended during the implementation, but this must be transparent and traceable.

03 — What type of spendings/costs can qualify?

Generally, **all types of spendings/costs can qualify unless they are excluded by tax legislation**. For example, the taxable person cannot claim relief for investments to the extent that they are financed from the budget of the Republic of Slovenia or the EU budget, if these funds are grants. Similarly, for investments in equipment and intangible assets, the application of this relief is excluded from the application of the general investment tax allowance.

04 — What is the maximum of the R&D tax benefit?

Taxable persons may, in accordance with Article 55 of the Corporate Income Tax Act or Article 61 of the Income Tax Act, claim a reduction of the tax base equal to 100% of the amount representing the investment in research and development during the period, up to a maximum of the tax base. The reduction of the tax base (together with unused part of the tax allowance from the previous tax years) is recognized up to 63% of the tax base.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In general limitation should not apply based on size/industry.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

The taxable person may reduce the tax base by the unused portion of the R&D investment allowance over the following 5 tax periods after the investment period, up to a maximum of the tax base.

07 — Does Your country apply a patent box regime?

Slovenia does not apply a patent box regime.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Global Minimum Tax may affect the scope / application of the R&D incentives, but actual rules are not published yet.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied within the group

Spain

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01 — What type of incentives are available in Your country?

Abbreviations:
SOCIMI: Spanish Real Estate Investment Trusts

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	
Loan		
Patent-related incentive	✓	60%
Payroll-related incentive	✓	40%
Reduced tax rates	✓	SOCIMI and SICAV benefit from 0% and 1% tax rate under requirements
Reimbursement	✓	20%
Tax base deduction		
Tax credit	✓	25%/42%/8%/17% for R&D activities 12% for TI activities
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

R&D investments must be project focused and no industry sectors are specifically excluded. An official R&D qualification report must be obtained from the Spanish Tax Authorities.

- **R&D CIT tax credit**: Expenses related to scientific investigation, research for the manufacturing of new materials or products, technological improvement of existing methods, new software, etc. However, it does not apply to activities that do not entail significant scientific or technological novelty; neither to those related to industrial production and the provision of services or distribution of goods and services; or to activities related to exploration, drilling or prospecting for minerals, oil and/or gas.
- **TI activities CIT tax credit**: Expenses connected with technological diagnosis, industrial designs, acquisitions related to patents, know-how and designs, attainment of certificates and video games projects.

Other incentives may also be applied:

- **Social Security (SS) contributions**: Companies may reduce 40% of SS payments for employees dedicated full-time to R&D and TI activities, providing certain requirements are met.
- **Patent box regime**: Revenues from the assignment of the right to use or exploit certain intangible assets benefit from a reduction in the CIT taxable base up to 60%, linked to the so-called "qualifying costs", and multiplied by certain ratios.

03 — What type of spendings/costs can qualify?

The investments must take place in Spain or in a Member State of the EU or EEAA, by a Company/industry that is incorporated in Spain (or a PE).

Regarding the expenses, generally **all the expenses that are connected to the production of income generally qualify as R&D without restriction, except for investments made on land and property**. Such expenses, including the depreciation of assets used in R&D activities, shall be deemed to be R&D expenses if they are directly related to a specific project.

In order to determine which expenses are related to R&D, the expenditure must be individualized and assigned to a specific project.

The amount of R&D expenses will be reduced by the total amount of the subsidies received to encourage activities allocated to the tax period as income.

04 — What is the maximum of the R&D tax benefit?

For **R&D** expenditures and amounts invested in fixed and intangible assets (excluded real estate and land) a tax credit equal to 25% of the R&D expenses incurred in the tax year shall apply. If the expenses incurred exceed the average amount of those costs in the preceding two years, the rate of 25% applies to an amount equal to the average, while a rate of 42% applies to the excess. However, it should be stressed that the 42% rate always applies fully for the first year. Moreover, the rates are substantially increased should the R&D project be carried out in the Canary Islands, as the general rate is 45% (vs. 25%) and the increased rate reaches 75.6%

For investments made in **tangible and intangible fixed assets** (excluding buildings and land), as long as they are related to R&D activities, an additional tax credit is applicable equal to 8%, whereas in the Canary Islands said percentage would be 28%.

There is an additional 17% tax credit available against the gross tax due for the company's **staff expenses** related to skilled researchers exclusively assigned to R&D activities. A 37% tax credit would apply in the Canary Islands.

TI activities, the execution of such activities gives the right to apply a 12% tax credit on the expenses incurred in a tax period. A 45% tax credit would apply for this concept in the Canary Islands.

As for **Social Security contributions**, companies may reduce such liabilities by up to 40% for employees dedicated full-time to R&D and TI activities and the allowance can be applied automatically by simply informing the SS Treasury. However, if the company applies this incentive to 10 or more employees, they shall undergo a validation process with the National Accreditation Body (ENAC) and request a reasoned report from the Ministry of Science and Innovation to be submitted to the SS Treasury within 6 months after the FY in which the relief was applied.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Generally speaking, there is no limitation and/or additional intensity benefit based on the taxpayer's size or legal status. However:

- For small and medium-size enterprises (SMEs), there is an increased tax credit rate (50%) applicable for tax years beginning in 2020 and 2021 (therefore still applicable for 2022), to IT activities related to new or substantially improved production processes in the value chain of the automotive industry.
- For large companies, such tax credit rate amounts to 15%, provided that (i) they establish an effective collaboration with an SME and (ii) at least 30% of the project expenditure is borne by the latter (also related to automotive industry).

- In both cases, the application of this enhanced percentage requires companies to obtain a reasoned report issued by the Ministry of Science and Innovation.
- This increased tax credit is only applicable to the expenses incurred as of 25 June 2020 and has two caps: (i) an absolute cap of EUR 7.5 million per project and (ii) a relative cap, in combination with any additional subsidy awarded to the project, of 50% of the project expenditure for SMEs and 15% for large companies.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

When determining tax liability, these tax incentives apply after the deduction of international double taxation and other tax reliefs. Then, there are two limits: a quantitative one, and a temporal one.

Quantitative limit:
By default the general limitation is 25% of the gross tax due. However, should the amount of the R&D tax credits for the fiscal year exceed 10% of the tax due, the tax credits may offset up to 50%. The respective percentages in the Canary Islands would be 60% as general and 90% in the increased scenario.

If the taxpayer complies with certain specific requirements, they can apply the following option regarding the R&D tax credits generated (monetization procedure):
- The taxpayer may elect not to be subject to the annual limitation on tax credits (25%–50%) but apply the full tax credit with a 20% discount.
- Additionally, the non-applied tax credits (after the 20% discount and due to the lack of CIT due) can be claimed for reimbursement to the Spanish Tax Authorities. In such a case, interest for late payment will not apply.

The limit established for this option is EUR 1 million for TI activities and EUR 3 million for R&D activities plus TI activities, at the level of the group of entities in terms of Article 42 of the Spanish Commercial Code.

Temporal limit:
Unused credits due to insufficient quota may be carried forward for up to 18 years.

07 — Does Your country apply a patent box regime?

Revenues deriving from the assignment of the right to use or exploit certain intangible assets benefit from a reduction in the CIT taxable base up to 60%, linked to the so-called "qualifying costs", and multiplied by certain ratios, on a cumulative basis.

The qualifying intellectual property has to be a development (at least partially) of the licensor.
The taxpayer can request a valuation of the revenues and expenses related to the assignment as well as the income to be generated from a transfer from the Tax Authorities, before transactions are carried out. In addition, an agreement for the qualification of the assets under one of the qualifying categories can be requested.

There is no entitlement to the reduction of the aforementioned income when it derives from the transfer of the right to use or exploitation of trademarks, literary, artistic or scientific works, cinematographic films, personal rights that can be transferred, such as image rights, computer programs, industrial, commercial or scientific equipment.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

The 2022's Budget Bill introduced a minimum CIT rate (amounting to 15% of the taxable base) for tax periods starting on or after 1 January 2022, calculated over a base of the accounting profit plus/minus book-to-tax adjustments. It applies to:
- Companies with a turnover exceeding EUR 20 million
- Companies taxed as part of a tax unity (e.g., consolidated tax group), regardless of their revenue
- Foreign companies obtaining income through a Spanish permanent establishment and are subject to the NRIT

The minimum tax does not apply to taxpayers taxed at 10%, 1% or 0% rates nor to Spanish Real Estate Investment Trusts (SOCIMIs).

The way this minimum CIT rate operates is that companies may not use credits and incentives (e.g., R&D and TI tax credits) to reduce their income tax liability below the minimum tax threshold, except for foreign tax credits and certain tax incentives, which must be applied first.

In other words, the tax liability resulting from applying the general CIT rate to the taxable base and thereafter the application of certain tax credits may not go below this minimum CIT liability.

If after the application of all the tax benefits, the resulting net tax payable is less than 15% of the taxable income, this will exceptionally be the net tax payable by the taxpayer. If, on the other hand, it is higher than 15%, tax credits may apply (such as R&D and TI), but only as long as that 15% of the taxable base is reached.

In other words, the introduction of this measure is basically limiting the use of deductions for carrying out these types of investments, only in the case of "large taxpayers" (net turnover exceeding EUR 20 million) and tax consolidation groups.

Unutilized tax credits due to this new rule may be carried forward.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- Since an independent expert's report is required, we work together with an external team that is specialized in R&D, assisting in reviewing and preparing the R&D cost calculations and technical supporting documents
- Assistance in obtaining a reasoned report from the Tax Authorities in order to obtain the R&D qualification for tax purposes and hence mitigating tax risks
- Review of corporate governance systems (ERPs) to track R&D activities
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Patent box planning, royalty qualification assistance
- Tax filing with the applicable regime (R&D, IT, or patent box) taken into account

Sweden

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets		
Loan		
Patent-related incentive	✓	Employer taxes
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CIT
Tax credit		
Tax exemption		
Tax holiday		
Other	✓	

02 — What are the typical eligibility requirements for R&D incentives?

- **Payroll-related incentive – R&D deduction from employer contribution**: A company employing qualified research and development staff can apply for a deduction from employer contributions, provided that certain conditions are met regarding both the employees and the work they conduct. If the employer conducts research or development for commercial purposes they may make a deduction if the research involves systematic and qualified work to produce new knowledge, or if development means systematic and qualified work using the results of research to develop new goods, services or production processes or significantly improve existing ones.
- **Tax base deduction**: Generally, a company's expenses for research and development can be deducted if the expenses have, or can be assumed to have, significance for the company's main business activities or their activities in general, meaning that there must be a connection between the expenses and the company's business. The same applies to expenses for obtaining information about such research and development. A company can sufficiently justify why it - in the light of its business activities - has a reasonable interest in the research or development it pays for in order for a deduction to be allowed.
- **Depreciation on R&D assets**: Costs for the creation of intangible assets are generally deducted via depreciation, in accordance with generally accepted accounting principles.
- **Tax relief for experts**: Foreign citizens carrying out particularly qualified tasks may enjoy a tax relief on their Swedish earned income. This applies to, for example, employees conducting research and development tasks. The tax relief amounts to 25 per cent of the employees' income being exempt from taxation in Sweden and the employer's social security contributions being lowered accordingly.

03 — What type of spendings/costs can qualify?

Please see above regarding tax base deductions. Some common costs are development costs, personnel costs, and material costs

04 — What is the maximum of the R&D tax benefit?

Payroll-related incentive – R&D deduction from employer contribution: The deduction from the employer contributions for all persons working in R&D at the company group may not exceed SEK 600 thousand per calendar month.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Non-profit legal entities such as foundations are not entitled to the R&D deduction on employer contribution.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

Tax relief for experts applies for 5 years from the start of the employees' stay in Sweden (3 years if the stay began before 1 June 2020). The application must be submitted to the Taxation of Research Workers Board within 3 months after the employee starts working in Sweden.

07 — Does Your country apply a patent box regime?

N/A.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

We are not expecting any changes in the R&D regulation due to the global minimum tax.

09 — What services would You offer with respect to R&D incentives and royalty planning?

We can assist with the application for the R&D deduction on employer contributions as well as all services related to corporate taxation.

Switzerland

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01 — What type of incentives are available in Your country?

*Abbreviations:
CCIT: Cantonal corporate income tax
FCIT: Federal corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CCIT/FCIT
Loan		
Patent-related incentive	✓	CCIT
Payroll-related incentive		
Reduced tax rates		
Reimbursement		
Tax base deduction	✓	CCIT
Tax credit		
Tax exemption		
Tax holiday	✓	CCIT
Other	✓	CCIT

Introduction - Tax holiday and other incentives (*)
Swiss federalism also characterizes the country's tax system. A federal tax act applies at national level, and the 26 cantons have their own tax laws (CCIT). Although these 26 canton tax laws are harmonized, there are some differences, particularly in determining the tax rate.

There may also be important differences regarding incentives for new companies (start-ups). Each canton applies a different aid policy, which may cover administrative help, coaching, assistance in recruitment, subsidies and tax holiday (usually for a maximum period of 10 years). Upon taxpayer's request, special conditions (e.g. employment of local residents) apply to obtain subsidies and tax holiday. For this reason, a tailor-made advice is essential to determine the most suitable incentives for the company.

(*) Some cantons support new companies with non-repayable financial incentives regarding (1) consulting services related to innovation and business project development; (2) R&D costs, prototyping and validation of new products; and (3) financing personnel training and education costs.

02 — What are the typical eligibility requirements for R&D incentives?

Upon taxpayer's request, an additional deduction (30% - 50%) of R&D expenses justified by commercial use and incurred in Switzerland directly by the taxpayer or indirectly by third parties is allowed. R&D for the purposes of this law is considered to be science-based research and innovation according to the Federal Law on the Promotion of Research and Innovation.

03 — What type of spendings/costs can qualify?

- **Personnel expenses** directly attributable to R&D, plus an additional 35% of these expenses
- **80% of R&D expenses** billed by third parties

04 — What is the maximum of the R&D tax benefit?

The maximum advantage of the additional R&D deduction and the patent box deduction is about 10% - 70% of the taxable income (before deductible losses).

This limitation is indirectly due to the different CCIT of the Swiss Cantons. Cantons with a lower effective tax rate allow a reduced deduction (e.g. CCIT <13%-14% => maximum deduction 10% - 20%).

Cantons with a higher effective tax rate allow a higher deduction (e.g. CCIT 15%-21% => maximum deduction 40% - 70%).

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

In general limitation should not apply based on size/industry.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

No limitation for utilization period applies. The rule regarding the additional deduction for R&D is part of the Cantonal tax laws as an ordinarily taxation status.

07 — Does Your country apply a patent box regime?

Switzerland applies the modified nexus approach for the patent box regime upon request of the taxpayer. The proportion of income from patents and similar rights to the extent it is based on qualifying R&D expenses in Switzerland, is exempt from CCIT up to a maximum of 90% (depending on the cantonal implementation) capped with a maximum relief that is linked to overall relevant income of the company. To enter the patent box, previously incurred R&D expenses that enable to develop such patents, will have to be taxed. The extent of the patent box benefits depends on the Cantons of residence.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

Many Cantons are impacted by the Global Minimum Tax. The Federal Parliament is implementing a constitutional amendment that will be subject to public vote. A temporary ordinance shall ensure that the minimum tax rate can come into force on 1 January 2024.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D – patent box focused due diligence
- Review/preparation of R&D – patent box cost calculations
- Review/preparation of patent box entry cost calculation
- Review/preparation of supporting R&D – patent box documentations
- Assistance in the preparation and submission of ruling requests for preliminary/subsequent R&D – patent box qualification
- Preparation of ruling requests to be submitted to the Tax Authority
- R&D – patent box planning, legal qualification according to FCIT – CCIT
- Assistance on the application of state aid rules and various incentives

United Kingdom

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01 — What type of incentives are available in Your country?

*Abbreviations:
CIT: Corporate income tax

Types of incentives (✓ if applicable)		Relevant tax type*
Accelerated depreciation on R&D assets	✓	CIT
Loan	✓	
Patent-related incentive	✓	CIT
Payroll-related incentive		
Reduced tax rates	✓	CIT
Reimbursement		
Tax base deduction	✓	CIT
Tax credit	✓	CIT
Tax exemption		
Tax holiday		
Other		

02 — What are the typical eligibility requirements for R&D incentives?

For qualifying R&D to take place a company must be carrying on a project that seeks an advance in science or technology. It is necessary to be able to state what the intended advance is, and to show how, through the resolution of scientific or technological uncertainty, the project seeks to achieve this. A competent professional with the company determines its ability to make an R&D claim.
The activities that constitute R&D for tax purposes are those activities undertaken as part of the project which fall to be accounted for as R&D under generally accepted accounting practice and also fall within the special definitions set out in the UK Government Guidelines for activities to be treated either as 'directly contributing' to seeking the advance in science or technology, or to be treated as 'qualifying indirect activity'.

There are two Schemes depending on whether the R&D is carried out by a company that is an SME ("SME Scheme") or any company other than an SME - i.e., a large company ("RDEC Scheme"). In certain circumstances an SME may be able to make a claim under the RDEC Scheme where the conditions for the SME Scheme are not fulfilled.

03 — What type of spendings/costs can qualify?

- **Staff costs** - salaries, wages, Class 1 NIC and pension fund contributions for staff directly and actively engaged in the R&D project. If staff are partly involved, then an appropriate proportion of these expenses can be included in a claim.
- **Software and consumables** directly used in the R&D project.
- 65% of the payments made to an unconnected staff provider for staff who are directly and actively engaged in the R&D project (known as externally provided workers) - 100% of payments to connected providers may be included.
- 65% of payments to unconnected subcontractors - 100% of the payments to connected subcontractors (SME claims only).
- For claims made in relation to periods beginning on or after 1 April 2023, two new categories are introduced - data licences and cloud computing costs.

Expenditure incurred on payments made in relation to externally provided workers and subcontractors undertaken outside the UK may be limited to work undertaken in the UK for claims made in relation to the accounting period beginning on or after 1 April 2023. There are specific exemptions where geographical, environment, social conditions or legal and regulatory requirements mean that the work cannot be undertaken in the UK - eg. qualifying R&D costs related to deep ocean research.

Large companies can claim for payments made to fund independent research. Contributions must be made to a qualifying body e.g., a charity, higher education institute, scientific research organization or health service body, or to an individual or a partnership of individuals.

04 — What is the maximum of the R&D tax benefit?

For the SME Scheme, qualifying expenditure is enhanced by 230%. Profit making companies can use the additional deduction to mitigate profits which are subject to corporate income tax at a rate of 19%. Loss making companies claiming under the SME Scheme may surrender a tax loss for a cash credit of 14.5% - resulting in an effective rate of 33.35% of expenditure incurred.

The amount of payable credit under the SME Scheme may be capped where tax credit exceeds GBP 20,000 plus three times the company's payroll withholding tax for the period.

A taxable credit of 13% is available for qualifying expenditures under the RDEC Scheme. Based on a current rate of corporate income tax of 19%, the net credit is 10.53%. The RDEC may be paid to loss making companies - the 19% tax deduction still applies but is carried forward as a credit against future corporate income tax liabilities.

The initial RDEC is also subject to payroll withholding tax caps and, for profit making companies, offset against corporate income tax liabilities.

Please note that at the date of the drafting this country guide (18 November 2022) the incoming changes in the R&D rates above are subject to legislative enactment and so may change. Draft legislation has not yet been published. The increase in the rate of corporation tax from 1 April 2023 has been enacted in law.

05 — Is there a limitation or an additional intensity benefit based on size or legal status?

Only SMEs can use the SME Scheme. Large entities and SMEs that do not qualify for the SME Scheme can apply for the RDEC Scheme.

To qualify as an SME for a period, a company must have fewer than 500 employees and either gross annual turnover of less than EUR 100 million and/or gross assets of less than EUR 86 million. The relevant data for linked enterprises (being those with a 50% or greater relationship to the claimant company) is included in full and the relevant data for partner enterprises (being those with a 25% or greater to the claimant which are not linked enterprises) are included on a pro rata basis.

For claims arising in relation to accounting periods beginning on or after 1 April 2023, companies must notify HMRC of their intention to make an R&D claim in respect of qualifying expenditure incurred during the period within 6 months of the period end. Companies which have submitted R&D claims in any of the 3 preceding accounting periods are not required to submit a notification.

06 — Is there a limitation of the utilization period? If yes, please specify the period.

The parts of a project that require R&D activity to resolve scientific or technological uncertainties qualify for tax relief. The qualifying work starts when work to resolve the uncertainty starts.

The qualifying work ends when the new knowledge is codified in a usable form, or when work to resolve the uncertainty ceases.

Claims must typically be made within 2 years from the end of the period of account to which the claim relates.

07 — Does Your country apply a patent box regime?

The UK operates a patent box regime in line with the modified nexus approach as agreed by OECD members following Action 5 of the OECD's Base Erosion and Profit Shifting project.

The UK patent box operates by allowing a deduction such that relevant IP profits are taxed at an effective rate of 10%.

08 — How will Global Minimum Tax impact Your R&D regime? Are currently existing R&D incentives expected to be changed / reshaped?

The UK is due to introduce a multinational top-up tax from 1 January 2024. It is proposed that the UK's RDEC will be treated as an addition to income rather than a reduction in tax when calculating the effective tax rate.

09 — What services would You offer with respect to R&D incentives and royalty planning?

- R&D focused due diligence
- Review/preparation of R&D cost calculations
- Review/design/preparation of supporting R&D documentations with a view to mitigating tax risks
- Analysis of R&D related cost sharing agreements and methods applied within the group
- Submission of R&D claims to HMRC
- Assistance with tax authority enquiries into submitted R&D claims
- Patent box planning, royalty qualification assistance with IPO