Worldwide R&D Incentives Reference Guide

2025

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Preface

Jurisdictions continue to rely on R&D incentives for growth

As countries devised plans to reinvigorate their economies in the wake of the COVID-19 pandemic, many renewed, expanded or refocused research and development (R&D) incentive programs. These programs have long been popular with governments as they vie to attract and sustain economic activity in their jurisdiction. However, they also offer governments the opportunity to align growth with other policy goals, such as environmental sustainability, digital transformation or social equality.

The facts at your fingertips

The *EY Worldwide R&D Incentives Reference Guide* (current as of date) offers taxpayers the information necessary to identify and leverage opportunities to benefit from available incentives, which are especially relevant if they are contemplating new or expanded investments in R&D, innovation and sustainability.

The content of our guide remains structured in a straightforward manner, consistent with prior years, and chapter by chapter we summarize the key incentives in 51 jurisdictions.

Most chapters begin with contact information for key EY R&D incentive professionals, before laying out a short overview of that country's approach to incentivizing R&D, innovation and/or sustainability-related activity, and providing a checklist showing which types of incentives are available. Where an incentive is most commonly referred to in local language, we have provided a translation.

In some instances, our professionals note which incentive some clients say is most beneficial to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.

For each incentive, we list the following information:

- A description of the benefits delivered
- Guidelines around incentive applications
- Eligibility requirements
- Intellectual property and jurisdictional requirements
- Role of governmental bodies in administering the incentive
- Administrative requirements
- Any statutory references

The *EY Worldwide R&D Incentives Reference Guide* is published alongside three companion guides on broad-based taxes: the *Worldwide Corporate Tax Guide*; the *Worldwide Personal Tax and Immigration Guide*; and the *Worldwide VAT, GST and Sales Tax Guide*. In recent years, those three guides have been joined by additional tax guides on more specialized topics, including the *Worldwide Estate and Inheritance Tax Guide*, the *Worldwide Transfer Pricing Reference Guide*, and the *Worldwide Capital and Fixed Assets Guide*.

Each guide represents thousands of hours of tax research. The entire suite is available online without charge, along with timely Global Tax Alerts and other insightful publications on ey.com or in our EY Global Tax Guides app for iOS devices.

You can also keep up with the latest updates to all guides at ey.com/globaltaxguides, while ey.com/taxalerts provides access to daily EY Global Tax Alerts from around the world.

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Summary of available R&D incentives

Jurisdiction	Accelerated depreciation on R&D assets	Cash grants	Expedited government approval process	Financial support	Income tax withholding incentives	Infrastructure/land preferential price	Loans	Patent-related incentives	Reduced social security contributions	Reduced tax rates/ preferable tax rates	Tax allowance
Argentina	✓	✓							✓	✓	
Australia											
Austria		✓					✓				
Belgium	✓	✓			✓		✓	✓		✓	
Brazil	✓			✓	✓		✓	✓		✓	
Canada	✓	✓		✓			✓			✓	
Chile	✓	✓									
China Mainland										✓	
Colombia		✓	✓	✓							
Curaçao								✓		✓	
Cyprus								✓			
Czech Republic		✓									
Denmark	✓										✓
Finland		✓		✓			✓				
France	✓	✓					✓	✓	✓	✓	
Germany		✓					✓				
Greece	✓	✓		✓				✓		✓	
Hong Kong											
Hungary	✓	✓	✓	✓				✓	✓	✓	✓
India		✓		✓			✓	✓	✓	✓	
Indonesia	✓									✓	✓
Ireland	✓	✓		✓				✓		✓	
Israel		✓		✓	✓			✓		✓	
Italy								✓			
Japan											

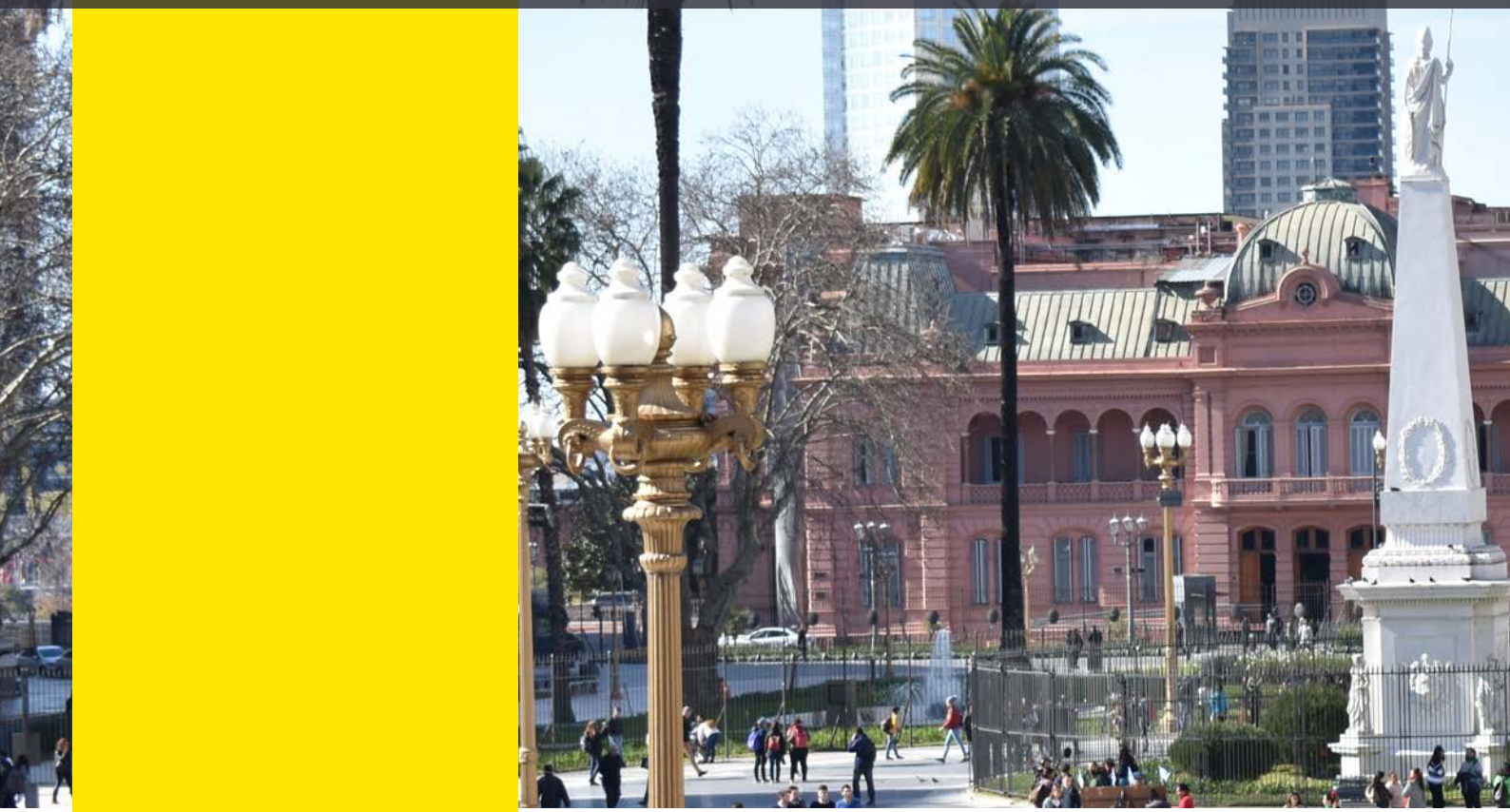
Tax credits	Tax deduction (including super deduction)	Tax exemptions	Tax holiday	VAT reimbursement	Other
✓		✓		✓	
✓					Digital Games Tax Offset is available from 1 July 2022
✓					Reduced income tax for highly qualified scientists moving to Austria from abroad
✓	✓	✓		✓	Qualifies for Horizon Europe funding
✓	✓	✓			
✓			✓		Tax holiday for large investment projects
✓	✓				
	✓	✓	✓		
✓				✓	Tax discount
			✓		
	✓	✓			Personal income tax exemptions
	✓	✓	✓		
✓	✓				
✓	✓				Qualifies for Horizon Europe funding
✓			✓		
✓					
	✓	✓			
	✓				
✓	✓	✓	✓		Qualifies for Horizon Europefunding
	✓	✓	✓	✓	Tax paid on R&D expenses is available as an input tax credit and can be used against tax payment
	✓				
✓	✓				R&D tax credit on R&D buildings
	✓				
✓	✓				
✓					

Jurisdiction	Accelerated depreciation on R&D assets	Cash grants	Expedited government approval process	Financial support	Income tax withholding incentives	Infrastructure/land preferential price	Loans	Patent-related incentives	Reduced social security contributions	Reduced tax rates/ preferable tax rates	Tax allowance
Lithuania	✓							✓		✓	
Luxembourg	✓	✓		✓			✓	✓		✓	
Malaysia		✓		✓				✓			✓
Netherlands	✓	✓		✓	✓		✓	✓	✓	✓	
New Zealand		✓									
Norway		✓		✓			✓		✓		
Peru											
Philippines										✓	
Poland		✓					✓	✓		✓	✓
Portugal		✓					✓	✓			
Romania	✓										
Singapore		✓			✓			✓		✓	
Slovak Republic		✓				✓		✓			
Slovenia		✓		✓		✓	✓				
South Africa	✓	✓									
South Korea											
Spain	✓	✓					✓	✓	✓		
Sweden									✓		
Switzerland	✓	✓		✓			✓	✓		✓	
Thailand	✓										
Tunisia		✓		✓							✓
Türkiye	✓	✓			✓			✓	✓		
United Arab Emirates										✓	
United Kingdom	✓	✓					✓	✓		✓	
United States	✓										
Vietnam	✓	✓		✓		✓	✓			✓	

Tax credits	Tax deduction (including super deduction)	Tax exemptions	Tax holiday	VAT reimbursement	Other
	✓				
✓		✓			
	✓	✓	✓		
✓	✓				
✓					
✓					
	✓				
	✓	✓	✓		Custom duty incentives VAT exemption on importation VAT zero-rating for local purchase of goods and services Maximum of 2% RBELT lieu of all local taxes and local fees and charges imposed under LGC
✓	✓	✓			
✓	✓				
	✓	✓			
✓	✓				
✓	✓				Super tax deduction for Industry 4.0 capex
	✓				Qualifies for Horizon Europe funding
	✓				
✓					Tax credit for R&D expenditure Tax credit for investment in R&D facilities and assets
✓		✓			
		✓			
	✓		✓		
	✓		✓		
	✓		✓		VAT reduced to 7% and 50% reduction in road tax and first registration tax for electric cars
	✓	✓			VAT exemption Qualifies for Horizon Europe
					Additional discretionary incentives could be obtained from Emirate-level governments (including for activities related to R&D)
✓	✓				
✓					Required amortization of research and experimental (R&E) expenditures (over five years for US-based research, over 15 years for non-US-based research) incurred in tax years beginning after 31 December 2021; immediate deduction of R&E expenditures for tax years beginning before 1 January 2022
✓		✓	✓		Free training

Argentina

This chapter is based on information as of February 2025.



The main development regarding the R&D regimes was the enactment of Law 27,570, which amends the promotional regime for the knowledge-based economy that had been suspended since January 2020.

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1. Overview

Tax policy in Argentina in relation to research and development incentives is not very extensive.

The main incentives are those found in the promotional regime for the knowledge-based economy, the biotechnology promotional regime, the R&D regime and the training courses regime. In general, they provide for tax reductions, value-added tax (VAT) reimbursements, accelerated depreciation for income tax purposes, and certain exemptions and tax credits. Though most of the regimes have existed for several years, their use is not fully leveraged by taxpayers. Furthermore, some regimes are subject to a cap established by the national government, according to its annual budget as well as other related regulations.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☑
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Promotional regime for the knowledge-based economy	R&D promotional regime	Biotechnology promotional regime	Training courses regime
Types of incentives	■ Reduced income tax rates ■ Reduction in labor costs (social security payments)	■ Tax credits	■ VAT reimbursement ■ Accelerated depreciation and certain exemptions	■ Tax credits

Promotional regime for the knowledge-based economy

Description of benefits

In June 2019, Argentina enacted Law 27,506 establishing a promotional regime for the knowledge-based economy. The promotional regime was expected to be in force from January 2020 through December 2029. This regime was later suspended by the government with the intention of introducing changes regarding the benefits and requirements. In October 2020, the Legislative Power enacted Law 27,570, through which this promotional regime was reintroduced with certain amendments. Decree 1034/2020, issued in December 2020, provides for additional aspects for the implementation of the tax promotional system. This current regime is expected to be in force until 31 December 2029.

The objective is to promote knowledge-based and digital activities that result in the manufacturing of goods, the provision of services or the improvement of processes. The following activities are included in the promotional regime: software development and related activities (e.g., cloud computing, software as a service, help desk services exported to foreign markets), audiovisual productions, biotechnology, geologic services, professional services qualifying as exports, nanotechnology, satellite and aerospace industries, artificial intelligence, robotics, internet of things (i.e., extension of internet connectivity to physical devices), medicine and agriculture-related investigations, and experimental developments.

Under the amended regime, professional services qualifying as exports include legal, accounting, management, public relations, audit, tax and legal advisory, translation and interpretation services, human resources, advertising, design, engineering and architectural services.

Eligible companies will receive the following benefits:

- A 60% reduction in the income tax liability for micro and small enterprises, a 40% reduction for medium-sized enterprises and a 20% reduction for big enterprises, applicable on the income originated in the promoted activities
- Stability for the taxpayer's tax liability derived from the regime's provisions
- A tax credit bond that equals 70% of the amount payable as Social Security contributions on employees working in the promoted activities (80% if those employees are women, postgraduates, disabled and/or other specific groups); the bonds expire within 24 months of their issuance, and may be used to offset federal taxes, except income tax (only exporters of services or goods originated in the promoted activities will be allowed to offset income tax with this bond under certain requirements)

Additionally, the income derived from the tax credit bond will not be subject to income tax. The total amount of the bonds issued will be subject to a certain quota per year established by the government.

Eligible companies also may be able to deduct the foreign income taxes imposed on Argentine-sourced income (the previous regime allowed eligible companies to credit those taxes against local income taxes on Argentine-sourced income). Exporters of the promoted activities also will be exempt from value-added tax withholdings and reverse withholdings.

Finally, Decree 1034 establishes that exports of services from companies participating in this regime will not be subject to export duties.

Guidelines around incentive applications

The incentives are applicable for current and future investments.

The knowledge-based economy promotional regime created the National Registry of Beneficiaries of the Regime for the Promotion of the Knowledge-based Economy (the registry). Companies that comply with all of the regime's requirements must be registered with the registry to receive the benefits.

R&D promotional regime

Description of benefits

Law No. 23,877 provides for the granting of tax credits on investments in R&D. The regime is subject to an annual cap, is competition-based and tends to be small. The benefited entities would be granted a tax credit certificate of 10% or approximately USD5,000 (whichever is lower) of R&D payments to be utilized against national taxes.

The regime provides benefits such as the granting of tax credits, subsidies and other promotional benefits for (i) business plan development projects carried out from R&D work performed by the company; (ii) projects for training of human resources in new production and management technologies; and (iii) the development of R&D projects, technology transfer or technical assistance.

Guidelines around incentive applications

The incentives are applicable for current and future investments. The National Agency for Scientific and Technological Promotion holds an annual public submissions process under which it details projects that are eligible for tax credits. The applicant's submission must provide information on the project, budget, innovation activities and the company applying.

Biotechnology promotional regime

Description of benefits

Law No. 26,270 established the biotechnology promotional regime that grants early VAT reimbursement and accelerated depreciation for goods acquired for the promoted project. Also, a tax credit of 50% is available on expenses related to R&D services provided by national scientific institutions.

Guidelines around incentive applications

The incentives are applicable for current and future investments. Those entities whose activities qualify as development and production of "modern biotechnology" (e.g., biology, biochemistry, microbiology and bioinformatics) must submit an application to the relevant authorities. The characteristics of each project should be analyzed on a case-by-case basis.

Training courses regime

Description of benefits

Law No. 22,317 provides for the granting of tax credits on investments in training courses. The regime is subject to an annual cap, is competition-based and tends to be small. The tax credit certificate obtained by the companies may be used to pay national taxes. Tax credits amount to 0.8% of qualifying expenses (salaries) related to training courses.

The promotional regime allows companies to obtain refunds over the investment they make in the training of their human resources, either in open activities (taught in public or private institutions) or closed activities (courses according to the activity of the company).

Professional training courses can be taught either by (i) individuals or legal entities that usually provide such training or (ii) employees of the company who are suitable to carry out the training. Suitable persons are those who can prove experience in the work role of the training planned.

Guidelines around incentive applications

The incentives are applicable to current and future investments. Eligible entities must file their applications within a certain date range each year. The project to be presented must contain one of the following lines of action: professional training; strengthening of the infrastructure and/or certification of the quality of management of professional training institutions; training for work; certification of labor competencies; certification of quality management systems of processes and products. The exact deadline is announced each year. Applications must be filed with the INET (*Instituto Nacional de Educación Tecnológica*), the entity in charge of approvals and rejections.

3. Eligibility requirements

Promotional regime for the knowledge-based economy

Law No. 27,570 establishes that to participate in the regime, resident companies must (i) derive at least 70% of their revenues in the previous year from the promoted activities, (ii) enroll in a registry, and (iii) comply with at least two of the following requirements (except for exporters of services, which must comply with requirements 1 and 2 below):

1. Obtain a certification of continuous improvement on products, services or processes, according to recognized quality standards.
2. Invest a minimum percentage per year of total salaries in training for their workforce (1% in the case of micro enterprises, 2% in small and medium-sized enterprises or 5% for big enterprises) or invest a minimum percentage per year of total sales in R&D (1% in the case of micro enterprises, 2% in small and medium-sized enterprises or 3% for big enterprises).
3. Derive a minimum percentage of their total revenues from the export of goods or services originated in the promoted activities (4% in the case of micro enterprises, 10% for small and medium-sized enterprises or 13% for big enterprises).

R&D promotional regime

Qualifying expenses are those investments channeled through structures approved by the application authorities, such as collaboration associations. To be eligible, a project must entail investigation and development (i.e., it must deepen the knowledge of a certain scientific area or comprise the modernization of technologies in Argentina).

Biotechnology promotional regime

Eligible biotechnological projects will consist of (1) R&D based on the application of biotechnology or (2) application or execution of modern biotechnology for the production of goods or services or for the improvement of processes. Such projects must be approved by the application authorities.

For the purposes of the law, "modern biotechnology" consists of any technological application that is based on scientific principles and knowledge in the fields of biology, biochemistry, microbiology, molecular biology and genetic engineering, among others, and uses live organisms or their parts to obtain goods and services, or to improve "substantially" productive processes and/or products. "Substantially" is understood as producing innovation with industrial application, economic or social impact, cost reductions, an increase in productivity, or other similar effects accepted by the authorities. The law includes tax benefits and other provisions regulating eligibility requirements.

Training courses regime

Training activities must be duly approved by the application authority from the educational field. Once the project has been approved and fully executed, a report on its expenditure must be made. Afterward, the Tax Credit Certificate will be issued for tax deductions before the Argentinian Tax Authorities (AFIP). The certificate is transferable only once.

4. IP and jurisdictional requirements

There are no specific jurisdictional requirements related to intellectual property (IP).

5. Technology or innovation zones

A Buenos Aires Technology District exists in the southern part of the City of Buenos Aires. The Technology District has been designed to help technology companies and universities form a center for innovation for software development and the provision of IT services. Companies established in such a district can benefit from exemptions applicable to some local taxes of the City of Buenos Aires, including turnover tax and stamp tax.

Other provinces, such as the Province of Buenos Aires, the Province of Cordoba or the Province of Santa Fe, have also established similar rules aimed at promoting the development of technology and software activities within their jurisdictions.

6. Role of governmental bodies in administering incentives

Promotional regime for the knowledge-based economy

The Enforcement Authority shall be the Secretariat for the small and medium- sized enterprises, entrepreneurs and the knowledge economy of the Ministry of Economy.

R&D promotional regime

Once it has been determined that an application complies with the needed requirements, the Ministry of Production, Ministry of Science, Technology, and Productive Innovation, and the Ministry of Agroindustry will consider the project eligible and issue the corresponding certificate of tax credit.

Biotechnology promotional regime

Once an entity applies for the benefits of the biotechnology promotional regime, the authorities will decide whether a project is eligible. If the application is accepted, the project will be subscribed to the Ministry of Economy (*Registro Nacional para la Promoción de la Biotecnología Moderna*), and the authorities will issue the corresponding certificate.

Training courses regime

The INET administers evaluations and subsequent approvals and rejections of projects.

7. Administrative requirements

Application to each regime has its own requirements. Description of the corresponding projects and presentation business plans may be required. Certifications may be required in certain cases (e.g., knowledge-based economy promotional regime). In addition, obtaining tax credits and using them to pay tax obligations requires compliance with certain steps set out by the tax authorities.

8. Statutory reference

- Promotional regime for knowledge-based economy (Law No. 27,570 – 2020)
- R&D promotional regime (Law No. 23,877 – 1990)
- Biotechnology promotional regime (Law No. 26,270 – 2007)
- Training courses regime (Law No. 22,317 – 1980)

Australia

This chapter is based on information as of February 2025.

Australia has two rates of R&D tax offset under the R&D Tax Incentive regime. The rate is determined by the quantum of aggregated turnover of the company (including turnover of any connected or affiliated entities) and the entity's R&D intensity. For Australian companies that have aggregated turnover of less than AUD20 million, the R&D tax offset is refundable and the rate is a company's corporate tax rate plus an 18.5% premium. For Australian companies with aggregated turnover of greater than AUD20 million, the R&D tax offset is nonrefundable and determined based on an R&D intensity test equal to a company's corporate tax rate plus a premium ranging from 8.5% to 16.5% for high R&D intensity companies. The cap on claiming R&D expenditure is AUD150 million per year of income.

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1. Overview

The government introduced R&D incentives programs to encourage Australian industries to undertake R&D activities, putting in place an overall environment that supports the increased commercialization of new process and product technologies developed by eligible companies. The current R&D Tax Incentive regime has been in operation since 2011, superseding the previous R&D Tax Concession regime introduced in 1986.

All large companies (global aggregated turnover greater than AUD20 million per year) accessing the nonrefundable R&D tax offset will receive an R&D premium between 8.5% and 16.5% above the corporate tax rate, and all companies under the refundable R&D tax offset (global aggregated turnover less than AUD20 million per year) will receive a benefit of 18.5% above the corporate tax rate. Where companies are eligible for the refundable R&D tax offset and have sufficient tax losses, the full value of the refundable R&D tax offset can be received as a tax refund.

Types of incentives	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D Tax Incentive	Digital Games Tax Offset
Type of incentive	■ A refundable or nonrefundable tax offset applied to tax payable/loss	■ A refundable tax offset

R&D Tax Incentive

Description of benefits

For years of income commencing from 1 July 2021

The R&D tax offset rates are summarized in the tables below. Aggregated turnover includes the ordinary income of the R&D entity and all entities connected with (40% or more control, including direct and indirect control) or affiliated with the R&D entity in the year of income but excludes dealings between the entities.

Businesses – turnover below AUD20 million (refundable tax offset)

Aggregated turnover	Refundable R&D tax offset rate
Below AUD20 million	18.5% (+25% corporate tax rate) = 43.5%

Businesses – turnover above AUD20 million (nonrefundable tax offset)

The R&D intensity test is the ratio of R&D expenditure to total expenses as reported in a company's tax return.

Aggregated turnover	R&D intensity	Nonrefundable tax offset rate
Between AUD20 million and AUD50 million	0%–2%	8.5% (+25% corporate tax rate) = 33.5%
	Above 2%	16.5% (+25% corporate tax rate) = 41.5% (only applies to R&D expenditure increment above 2% R&D intensity)

Aggregated turnover	R&D intensity	Nonrefundable tax offset rate
Above AUD50 million	0%–2%	8.5% (+30% corporate tax rate) = 38.5%
	Above 2%	16.5% (+30% corporate tax rate) = 46.5% (only applies to R&D expenditure increment above 2% R&D intensity)

The cap for eligible R&D expenditure is AUD150 million per year.

Foreign-owned R&D can qualify for the refundable or nonrefundable R&D tax offset depending on its aggregated turnover.

Unused R&D tax offsets may be carried forward indefinitely as long as the continuity of ownership or similar business tests in respect of losses can be satisfied.

Guidelines around incentive applications

The R&D Tax Incentive program is applicable to current investments. Claiming the benefit is a two-part process:

- The R&D activities are registered by lodging an application with AusIndustry.
- The R&D Tax Incentive Schedule is lodged in the company tax return using a unique registration number from AusIndustry.

Companies are required to register eligible R&D activities within 10 months of the end of the income year in which the activities were conducted. Companies will need to register before their income tax returns are due for lodgement with the Australian Taxation Office (ATO). The R&D tax offsets cannot be claimed in the income tax return unless the company is registered in the year of income in which it is claiming the R&D tax offset.

Digital Games Tax Offset

A 30% refundable Digital Games Tax Offset (DGTO) can be claimed by eligible companies that spend a minimum of AUD500,000 on qualifying Australian development expenditure (QADE) incurred from 1 July 2022. The offset is capped at AUD20 million per company, per year. The DGTO is expected to support the international competitiveness of the Australian digital games production industry and create an incentive for international developers to invest in Australia.

The DGTO includes various detailed and extensive requirements, including particular inclusions, exclusions and integrity rules, all of which will require careful application and detailed record-keeping. To access the DGTO, a company must obtain a certificate from the Minister for the Arts (the Minister) or their delegate. There are three types of certificates that can be applied for including ongoing development, porting and completion certificates. The DGTO is then claimed by the company in its Income Tax Return once the relevant certificates are issued.

Eligible businesses must be either an Australian resident company or a foreign resident company with a permanent establishment in Australia. Games with gambling elements or that cannot obtain a classification rating will not be eligible. The digital game must be primarily developed to be made available to the general public for educational or entertainment purposes and must be made available for use over the internet, primarily played through the internet or only operate when a player is connected to the internet. The DGTO is subject to various integrity measures and specified inclusions and exclusions, all of which will require careful consideration and substantiation requirements. Companies accessing the R&D Tax Incentive will not be able to claim expenditure under the DGTO that has been claimed for R&D purposes.

3. Eligibility requirements

Eligible R&D activities are categorized as either "core" or "supporting" R&D activities. Generally, only R&D activities undertaken in Australia qualify for the R&D Tax Incentive program. Core R&D activities are broadly defined as experimental activities whose outcome cannot be known and that are conducted for the purpose of acquiring new knowledge. Supporting activities may also qualify if they are undertaken to directly support the core R&D activities. Exceptions that are required to pass a higher dominant purpose test are supporting R&D production trials and other "excluded" activities as defined. Software-related projects may also be core or supporting R&D activities unless their dominant purpose is one of internal administration, in which case they will be classified as excluded activities.

Eligible expenditure is defined as an expenditure incurred by an eligible company during an income year, including contracted expenditure, salary expenditure and other expenditure directly related to R&D. R&D expenditures such as feedstock input costs, tax depreciation for assets used in R&D activities and an expenditure that is included in the cost base of an intangible depreciating asset for income tax purposes can be claimed. Core technology, interest expenses, some plant and equipment costs, and costs that form part of a tangible depreciating asset for income tax purposes are not eligible.

Eligible companies are those incorporated in Australia or foreign companies resident in a country that has a double taxation treaty with Australia carrying on business through a permanent establishment in Australia. An entity whose entire income is exempt from income tax is not eligible. No industry sectors are specifically excluded.

4. Intellectual property (IP) and jurisdictional requirements

For an R&D entity to claim the R&D Tax Incentive, it must demonstrate that R&D activities are undertaken to a significant extent for the R&D entity. This requires that the R&D entity bear the financial risk of the R&D activities, control the R&D activities and have effective ownership of the results of the R&D activities.

R&D activities conducted by the R&D entity for one or more foreign corporations that are related to the R&D entity (called foreign-owned R&D) may qualify for the R&D Tax Incentive, provided the R&D contract arrangement is undertaken with a company resident in a country with which Australia has a double taxation agreement and in accordance with a written agreement between the Australian R&D entity and the foreign-related company. Eligibility of work performed outside the country requires preapproval through an Overseas Finding Application; however, this is only available to Australian-owned R&D activities, not foreign-owned R&D activities. Foreign-owned R&D activities must be undertaken in Australia and cannot be undertaken overseas. An overseas finding cannot be applied for in respect of foreign-owned R&D activities.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Australia.

6. Role of governmental bodies in administering incentives

The R&D Tax Incentive operates on a self-assessment basis and is jointly administered by the ATO and AusIndustry. AusIndustry regulates and monitors compliance activities in the assessment of the technical eligibility of activities, while the ATO regulates and undertakes compliance activities in relation to notional deductions and correlated tax offsets.

7. Administrative requirements

Companies must register annually with AusIndustry within 10 months of the relevant corporate financial year-end. An advance finding ruling process is available, which enables companies to seek certainty on a project. An advance ruling provides companies with eligibility certainty for a period of up to three years.

Companies must maintain contemporaneous records to substantiate their R&D Tax Incentive claim. The company's records must be sufficient to show that the claimed activities took place and that they meet all aspects of the definition for either core or supporting R&D activities.

8. Statutory reference

- Statutory reference – Division 355 of ITAA 1997
- Year of statutory regime – R&D Tax Incentive – 1 July 2011

Austria

This chapter is based on information as of February 2025.

1. Overview

The Austrian government maintains a positive attitude toward the R&D incentives regime, and the policy of tax-based research subsidies in Austria has been in a state of flux for several years.

Austria promotes R&D activities with relatively generous tax incentives. In general, Austria spends about 3.34% of its GDP on R&D investment, higher than the average R&D investments in the 28 European Union (EU) Member States.[1] As of 2024, an estimated EUR5.6 billion in research subsidies was paid out to businesses.[2]

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1 *Statistics Austria*, March 2025.
2 Ibid.

The Austrian tax authorities offer a 14% subsidy, or premium (known as *Forschungsprämie*), for qualifying R&D expenses.

For scientists moving to Austria from abroad and becoming tax residents in Austria, Austrian tax authorities offer a reduction of 30% of their individual tax base for a period of five years.

The Austrian Research Promotion Agency offers R&D incentives for qualifying R&D expenses in the forms of cash, loans and guarantees. The percentage of the R&D premium varies depending on the types of R&D activities, and it may increase to 20% or higher for small and medium-sized enterprises (SMEs) and highly innovative projects or projects in which several companies collaborate with R&D institutions. For a basic research project, the R&D premium may cover up to 100% of expenses. R&D premiums are also available through the nine federal states in Austria. In addition, the European Commission's Horizon Europe program is available in Austria.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☑

2. Incentives available

Name of incentive	R&D premium*	Grants by the Austrian Research Promotion Agency	Grants by Austria's nine federal states
Type of incentive	■ Tax credits	■ Cash grants ■ Loans ■ Guarantees	■ Cash grants ■ Loans ■ Guarantees

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D premium

Description of benefits

The subsidy of 14% is granted for qualifying R&D expenses incurred by SMEs and large businesses. Companies are entitled to the subsidy whether they are in a tax loss or profit position. The subsidy is paid in cash, via a credit to the company's tax account, by the Austrian tax authorities immediately after approval has been given by the Austrian Research Promotion Agency (*Forschungsförderungsgesellschaft*, or FFG), the national funding body for R&D in Austria. The tax credit is transferable to any bank account.

Companies are eligible for two types of subsidies:
- In-house research subsidies
- Subsidies for outsourced (external or subcontracted) research, with the sponsor receiving a subsidy for ordering R&D activities

In-house research subsidies

In-house research subsidies are available to domestic companies conducting research activities internally. The amount of subsidies for in-house research is not capped, and companies are eligible for subsidies of 14% (previously 12%) of the qualifying R&D expenses. The incentive is provided in three stages:

Stage one: meeting the minimum requirement

Companies claiming in-house research subsidies must first obtain the FFG's approval that the R&D activities meet the required criteria. Companies must apply to the FFG at the end of the fiscal year providing details on the research project, including the project name, objective, methodology, share of total expenses, and starting and ending dates. The FFG then sends a report to the tax office indicating whether the requirements have been met. The tax office reviews the report and determines whether the subsidy should be granted. At this stage, companies are not provided with any legal certainty on the amount of their assessment base for the tax credit, only on whether the R&D activities meet the required criteria.

Stage two: obtaining legal certainty

If companies want to increase their legal certainty at an earlier stage, they can request a confirmation of research from the tax office certifying that the required criteria have been met. The fee for applying for a confirmation of research is EUR1,000.

Stage three: receiving greatest possible legal certainty

The confirmation of research does not contain a ruling on the amount of the assessment base. Questions regarding the amounts of the assessment base are more often picked up within the scope of tax field audits. To clarify the base for an R&D incentive, companies may apply for a notice of determination from the Austrian tax office certifying the amount of the tax base for the research credit. Companies applying for a notice of determination must also submit a certification from an auditor on the correct calculation of the assessment base.

Subsidies for outsourced research

If a company does not conduct research itself but instead outsources the R&D activity to a third party (e.g., a company or university), the company is eligible for subsidies for outsourced research amounting to 14% of the expenses, up to a total payment of EUR140,000 (for a base amount of EUR1 million). For outsourced research, the R&D activities may be performed outside Austria, but they must be performed within the EU or European Economic Area (EEA). Therefore, companies may engage a foreign company to conduct R&D activities, but only if the company is domiciled in the EU/EEA. A further prerequisite is that the contractor may not be controlled by the hiring company or be a member of the same tax group, as set out by Section 9 of the Austrian Corporate Income Tax Act.

This incentive benefits SMEs that do not conduct their research inhouse. Companies do not need to apply for FFG approval when claiming subsidies for outsourced research.

Guidelines around incentive applications

The R&D premium is applicable to retroactive, current and future investments. As of 2022, claims must be filed within four years after the financial year-end (e.g., FY24 claims can be filed until the end of FY28). Companies claiming in-house research subsidies may apply in advance for a confirmation of research that all requirements for obtaining the subsidy have been met. Particularly in the case of projects spanning several years, it is recommended that companies apply for a confirmation of research. The prerequisite for applying is an ex-ante approval by the FFG.

Grants by the Austrian Research Promotion Agency

Description of benefits

This governmental agency provides cash grants, guarantees, loans and advisory services. The amount granted varies, depending on the development phase and type of project, business and subject area. The grants must comply with EU guidelines on state aid.

Guidelines around incentive applications

The incentive is applicable to future investments. The application must be submitted to the FFG prior to the start of the project. Depending on the type of incentive, there may be specific application deadlines.

Grants by Austria's nine federal states

Description of benefits

The nine federal states in Austria provide cash grants. The amount granted varies, depending on the development phase and type of project, business and subject area. The grants must comply with EU guidelines on state aid.

Guidelines around incentive applications

The incentive is applicable to future investments. The application must be submitted to the relevant state agency prior to the start of the project. Depending on the type of incentive, there may be specific application deadlines.

3. Eligibility requirements

Expenses must be incurred for research and experimental development activities that are performed on a systematic basis and apply scientific methods. This criterion is based on the definition of research contained in the Frascati Manual, which was published by the Organisation for Economic Co-operation and Development.

The FFG acts as an appraiser in the subsidies-awarding process. It reviews whether the research activities meet the Frascati Manual criteria. The FFG does not, however, review the correctness of the assessment base. The FFG's appraisal is not binding on the tax office. According to the tax authorities, the FFG's involvement does not create any costs on the part of taxpayers.

The following expenses are part of the taxable base, provided they are related to R&D:

- Salary and wages (including fictitious entrepreneurial salary)
- Direct expenses
- Financial expenditures
- Overhead costs

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to intellectual property (IP).

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Austria.

6. Role of governmental bodies in administering incentives

The European Commission's Europe 2030 strategy sets targets for cutting greenhouse gas emissions and increasing the share of renewable energy and energy efficiency. Furthermore, the EU is working to integrate Europe's energy markets, ensure energy security, improve energy efficiency and decarbonize the economy. To achieve this goal, the domestic federal and state institutions work closely together to ensure that tax revenue is invested carefully.

Regarding the R&D premium, the FFG evaluates and provides approval that the R&D activities meet the required criteria. The Austrian tax authorities then pay the tax credit in cash if they determine, after reviewing the FFG's opinion that the requirements have been met, that the subsidy should be granted. The FFG is in effect acting as a consultant with the required technical skills for the tax authorities. The FFG is 100% owned by the Austrian state and is responsible for managing and financing R&D projects. However, Austria's nine federal states, not the FFG, manage their own grants.

7. Administrative requirements

The prerequisite for obtaining the statutory tax credit is the FFG's approval that all qualitative prerequisites set out by Section 108c paragraphs 7 and 8 of the Income Tax Act have been fulfilled. The approval may be requested for free via FinanzOnline, the official website of the federal Ministry of Finance. Companies applying must provide details on all expenses claimed for the fiscal year.

If the company has already received a confirmation of research from the tax office, it is not required to request another approval from the FFG for the same project, so long as it conducts R&D in the same manner.

8. Statutory reference

Cash grant: Section 108c of the Income Tax Act

(Advanced) Confirmation of research: Section 118a BAO (federal tax regulations)

Belgium

This chapter is based on information as of February 2025.

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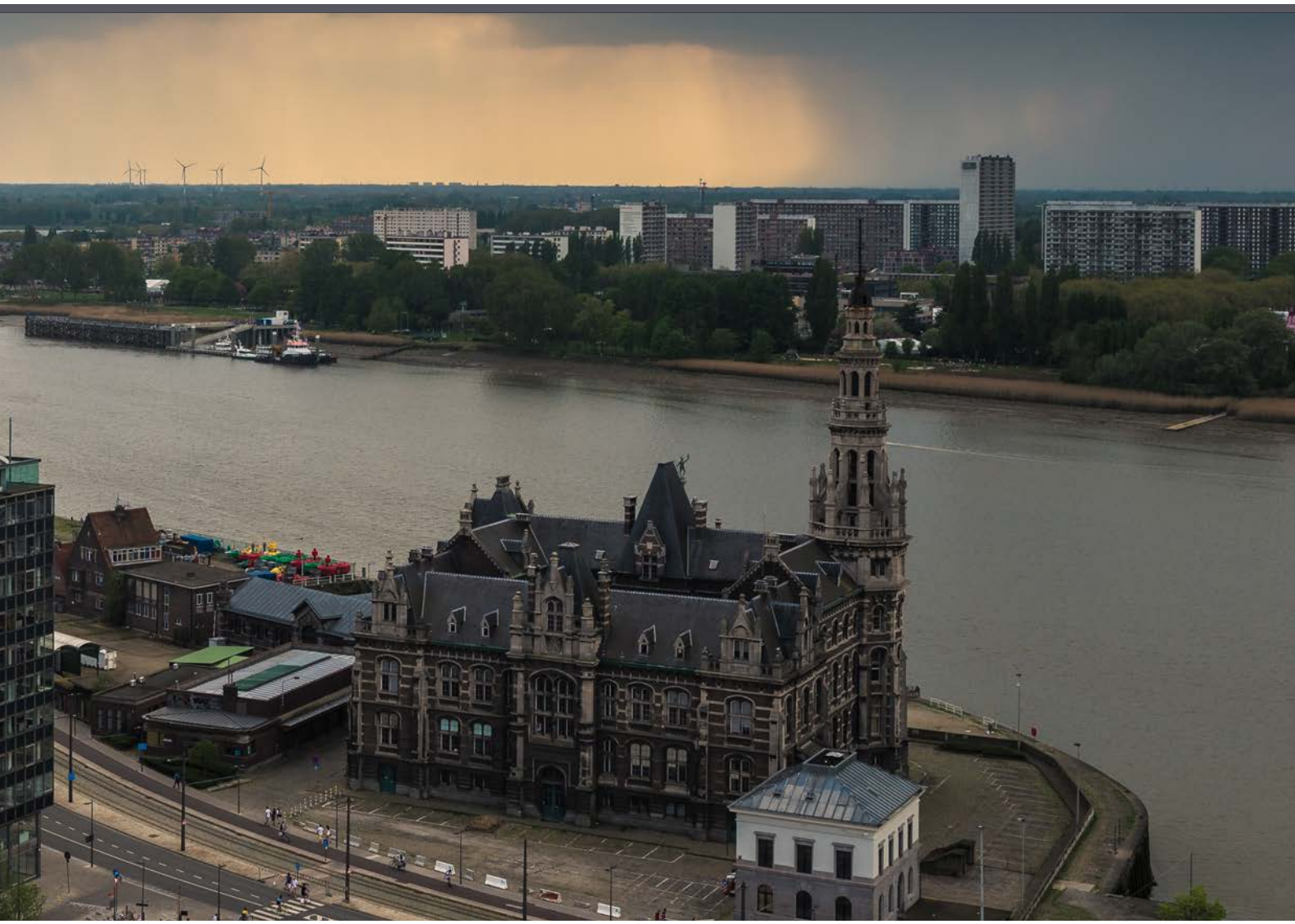
1. Overview

The Belgian government remains a strong supporter of R&D and innovation at both the federal and regional levels, using R&D tax incentives and direct R&D grants to support these activities. In particular, Belgium offers investors a very attractive and comprehensive regime for R&D activities and the management of intellectual property (IP). The incentives are:

- An innovation deduction regime that is compliant with the Organisation for Economic Co-operation and Development (OECD) and with the Base Erosion and Profit Shifting (BEPS) project
- The technology deduction and the equivalent R&D tax credit, for qualifying investments in R&D and patents
- The partial withholding tax exemption of 80% for scientific researchers, engineers or other innovative personnel
- Incentives to employ highly qualified foreign employees
- Direct cash grants and subsidies for R&D projects
- Beneficial tax regime for income received for the transfer of IP rights from employees to their employers



These incentives have been in place for a significant period of time.

It is the ambition of the new Belgian federal government to make the Belgian economy resilient and even more innovative and sustainable. To achieve this objective, the government will take measures aimed at reducing costs for companies and further stimulating innovation and circularity. In this context, R&D incentives are expected to increase. The agreement sets 2026 as the target for implementing the announced measures in legislation, but the exact implementation date and possible transitional measures are still uncertain. Closely monitoring the legislative process will thus be very important to assess the practical impact of the new R&D measures.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☑
Qualifies for Horizon Europe funding	☑
Other box	☐

2. Incentives available

Name of incentive	Cash grants	Loans	Technology deduction	Tax credit for R&D and patents*	Innovation deduction	Foreign tax credit (FTC) for withholding tax on royalties received	Partial exemption of professional withholding tax*	Expat tax regime – tax-free allowances for foreign executives and researchers	IP income – beneficial tax regime
Type of incentive	■ Cash grants	■ Loans	■ Tax deduction	■ Tax credit	■ Tax deduction	■ Tax credit	■ Income tax withholding incentive	■ Tax exemption	■ Reduced tax rates/ preferable tax rates

**Although not based upon scientific analysis, EY clients report that these incentives deliver the most beneficial results to investors.*

Cash grants

Description of benefits

Cash grants for R&D and innovation are provided and managed by the different regions (e.g. the Flemish, Walloon and the Brussels-Capital Regions). Depending on the region and on the amount of research (as opposed to development) in the R&D activities, the cash grants regime supports between 25% and 70% of the eligible R&D costs and may take the form of a subsidy or recoverable advance. Partnerships, especially those where one of the partners is a small or medium-sized enterprise (SME), are eligible for an additional 10%–15% funding, as long as the total grant percentage does not exceed the maximum set by the region. These grants may be provided in addition to tax incentives, and taxpayers may claim tax incentives and cash grants simultaneously. Although such grants are included in a company's taxable basis, they are exempt from corporate income tax. Taxpayers are required to obtain a preapproval (via an application for a specific project) to receive cash grants.

Guidelines around incentive applications

Cash grants are applicable to current and future investments or activities. An application for the grant should be submitted to the responsible government agency (VLAIO for the Flemish Region, SPW EER for the Walloon Region and Innoviris for the Brussels-Capital Region). The grant application is required to be submitted before the start of the R&D project(s). Costs are eligible for funding only after the application has been submitted.

Loans

Description of benefits

In the Flemish Region, PMV is an independent investment company in Flanders that offers financing solutions to all companies that operate in Flanders. It covers a company's entire development cycle, from its earliest inception to its growth and internationalization. Depending on the situation or the purpose of the SME or large company in question, PMV offers risk capital, investments via external funds, guarantees for capital loans or advantageous loans. For loans up to EUR700,000, standardized application procedures are available. For larger amounts, PMV offers tailor-made financing solutions.

Whereas no maximum amount has been defined in theory, loans exceeding EUR20,000,000 are exceptional. Loans offered by PMV can extend over a long period, ranging from three to 10 years. Loans can either be subordinated or non-subordinated with an interest rate of 3.5% or higher.

For companies based in the Limburg province, LRM offers risk capital (for which startups and scale-ups, SMEs and large companies are eligible) and four types of loans:

- The KlimOp loan (for small businesses with a promising project), ranging from EUR50,000 to EUR250,000 at an interest rate of 4.5% (or up to 3.5% when creating five new jobs), extending over seven years
- The Plus loan (subordinated loan without guarantees for SMEs), ranging from EUR250,000 to EUR600,000 at an interest rate of 6.5%, extending over seven years
- The Doorbraaklening (for SMEs that are innovative in terms of internationalization, digitization or sustainability), ranging from EUR50,000 to EUR250,000 at an interest rate of 4.5% over two to eight years and in combination with grants of Vlaio
- The Maatwerklening (for growth companies, with a focus on family businesses), ranging from EUR500,000 to EUR2,500,000, at an interest rate that depends on the file over two to eight years

Loans are intended to finance tangible, intangible and financial investments; operating capital needs linked to the development of the business; the purchase of shares in an existing company or the acquisition of (part of) the goodwill in the company; or to refinance existing debts over a longer period so that sufficient working capital can be retained to safeguard continuity and/or growth.

In the Walloon and Brussels-Capital regions, WE (Wallonie Entreprendre) and finance and invest brussels provide access to financing for all companies active in these regions. Both institutes offer risk capital, guarantees for capital loans and advantageous loans. Loans are granted to startups and SMEs for both small and large investments. In general, they cover up to 100% of the requested capital with a maximum of EUR1,000,000 in Wallonia. On the other hand, guarantees for capital loans amount up to 75% of the corresponding capital loan (with a maximum of EUR75,000 or EUR5,000,000). Additionally, both SMEs and large companies based in the Walloon region can request a guarantee from WE International to fund their internationalization efforts. The WE International guarantee covers 100% of the requested bank loan with a maximum of EUR5,000,000.

Guidelines around incentive applications

The subordinated loans and recoverable advances are applicable to current and future investments or activities. An application for the loan should be submitted to the responsible government agency. For future projects, the application must be submitted before the start of the R&D project(s). Costs are eligible for the loans only after the application has been submitted.

Technology deduction

Description of benefits

Until 31 December 2024, a Belgian company or a Belgian branch of a foreign company was entitled to apply an investment deduction for eligible R&D activities and patents, in addition to the annual depreciation expense of qualifying tangible and intangible assets. Depending on the type of asset, the investment deduction could be calculated either as a percentage on the acquisition value of the qualifying asset ("increased one-shot" deduction) or as a percentage on the annual depreciation amount, in which case the investment deduction was spread over the depreciation period ("spread" deduction).

The increased one-shot deduction for tax year 2025[1] is 15.5% of the acquisition value of the asset (3.875% tax benefit based on a corporate tax rate of 25%). The spread deduction for tax year 2025 is 22.5% of the depreciation amount (5.625% tax benefit based on a corporate tax rate of 25%).

If the increased investment deduction exceeds the taxable basis, the excess balance may be carried forward without any time restrictions and can be offset against any future taxable income within certain annually applicable thresholds.

The investment deduction applies to tangible and intangible fixed assets used for R&D of new products and technologies that do not have a negative impact on the environment, including capitalized R&D expenses, and to patents for which only a one-shot deduction applies.

The above rules apply to fixed assets acquired or realized until 31 December 2024, as a new regime came into force as of 1 January 2025. This means that a transitional regime applies for "ongoing investments" and that the "spread" investment deduction can still be applied to investments made before 1 January 2025, with depreciation periods extending beyond that date.

Reform as from 1 January 2025

For qualifying investments acquired or established as of 1 January 2025, a new modernized investment deduction regime entered into force, streamlining and simplifying current procedures and supporting companies in their digital and sustainable transformation. This is done by introducing three categories or "tracks," each track with a fixed rate, set by law:

1. Basic deduction

The basic deduction is the most accessible category, only available for individuals and small companies to support qualifying investments that are used in a sustainable manner. Investments made in assets or technologies using environmentally and/or climate-harmful substances are excluded, except for those assets for which there is no economically comparable carbon-zero-emission alternative available. Due to its easy access and broad scope, the deduction is 10%. An increased 20% is available for investments made in digital assets such as software to support digital payments and invoicing systems, digital accounting systems, digital CRM systems, digital e-commerce platforms, and digital systems to secure information and communication technology.

2. Thematic deduction

The thematic deduction is available for individuals and companies and specifically intends to support:

- Investments relating to efficient energy consumption and renewable energy
- Investments in zero-emission transport
- Environmentally friendly investments
- Digital investments related to the three previous types of investments

[1] Financial years ending 31 December 2024 or 30 December 2025 at the latest.

For each type of investment (with the exception of digital investments), there are separate lists of qualifying investments, published by Royal Decree and to be updated regularly.

The applicable deduction is 40% for individuals and small companies and 30% for other companies.

To claim this deduction, a specific and motivated certificate will need to be obtained from the competent authorities, confirming that the investment made is a qualifying investment.

3. Technology deduction

The new technology deduction corresponds to and replaces the old investment deduction for environmentally friendly investments in R&D and patents.

The technology deduction applies to qualifying investments in patents and fixed assets, which are used to support R&D of new products and future-oriented technologies that have no impact on the environment or that aim to minimize the negative impact on the environment of existing products and technologies.

The deduction is 13.5% for patents and for the one-off deduction for investments in R&D and 20.5% for the spread deduction for investments in R&D (including capitalized personnel expenses).

Application of the technology deduction requires obtaining a certificate from the regional competent authorities confirming the environmentally friendly nature of the investment and patent.

Taxpayers can still opt to apply a tax credit for this category of investments.

Only one deduction can be applied for an investment (non cumulative).

The availability to carry forward any excess generally remains unchanged.

Under the new rules, the calculation base for the investment deduction should be limited for investments acquired or established as of 1 January 2025. When wages that benefit from the (partial) wage withholding tax exemption are included in the acquisition value of assets, the (partial) payroll withholding tax exemption is not included in the calculation base of the investment deduction.

Guidelines around incentive applications

The technology deduction must be claimed in the corporate income tax return. Form 275U must be enclosed with the corporate income tax return, as well as a specific, reasoned certificate from the competent authorities, confirming the environmentally friendly nature of the investment in R&D and patent (under the old regime, this certificate only had to be made available to the tax authorities).

R&D tax credit

Description of benefits

As an alternative to the investment deduction, companies may instead opt for a tax credit that can be offset against the corporate income tax due.

The tax credit applies to tangible and intangible fixed assets used for R&D of new products and technologies that do not have a negative impact on the environment, including capitalized R&D expenses, and to patents for which only a one-shot credit applies.

The tax credit is equal to the investment deduction multiplied by the standard corporate tax rate of 25% and may also be calculated either as a one-shot credit or spread over the depreciation period.

The calculation basis of the R&D tax credit should be limited. The limitation rule will apply to the extent that the R&D tax credit covers capitalized salary expenses, for which the R&D payroll withholding tax exemption has been claimed. The exempted payroll withholding tax will then need to be eliminated from the calculation base of the R&D tax credit.

Excess tax credits are carried forward and can be used, with certain limitations. The balance remaining after five years is refunded, which may result in a cash benefit. As of tax year 2025, the repayment period of the R&D tax credit is shortened from five to four years to meet the definition of a "Qualified Refundable Tax Credit." This is particularly relevant for Belgian taxpayers in scope of Pillar Two. Taxpayers also have the option to either offset or transfer the R&D tax credit (instead of an automatic offsetting mechanism), so the benefit of the R&D tax credit would not be neutralized or mitigated through interaction with foreign tax systems (e.g., US GILTI for a Belgian CFC).

Reform as from 1 January 2025

For qualifying investments acquired or established as from 1 January 2025, the new rates related to the technology deduction will also apply for the alternative tax credit for patents and investments in R&D.

Guidelines around incentive applications

The tax credit must be claimed in the corporate income tax return. Form 275W must be enclosed with the corporate income tax return together with a specific, reasoned certificate from the competent authorities.

Innovation deduction (ID)

Description of benefits

The ID is a tax incentive that provides for a deduction of 85% of the qualifying net IP income, effectively reducing the related maximum effective corporate tax rate to 3.8%. The ID applies to self-developed IP rights as well as IP rights acquired or licensed from related or unrelated third parties. The development or improvement of the IP assets in a qualifying R&D center is not required. However, the nexus ratio will limit the right of the taxpayer to apply the innovation deduction (see below).

For IP rights that require a request procedure (not applicable to copyright-protected software), taxpayers will be entitled to a conditional exemption equivalent to the ID pending the request. The amount of the exemption should be recorded on an unavailable reserve account. The exemption will become final provided that the request is granted.

Ernst & Young Tax Consultants BV has an informal alliance with an external IP advisor in assisting with the request procedure.

The ID can be applied regardless of the country in which the qualifying IP, good or service is protected. The globally earned qualifying income can be taken into account, provided that it is included in the taxable base of the Belgian company or permanent establishment (PE).

The ID applies to net income, i.e., gross IP income after deduction of current-year expenditures for the development of the IP asset, including expenditures for the acquisition of IP rights, expenditures in relation to the R&D conducted by the company, as well as R&D outsourced to related or unrelated parties. Prior-year expenditures should also be deducted. However, taxpayers may choose to spread the recapture of prior-year expenses over a period of seven years maximum.

The extent to which the ID can be applied depends on the nexus ratio (i.e., a BEPS Action 5-compliant formula with a 30% uplift to the qualifying expenditures). The purpose of this nexus ratio is to ensure that the ID is only available to the extent that qualifying expenditures were incurred by the taxpayer.

The nexus ratio serves only as a rebuttable presumption. Subject to conditions, taxpayers can prove that, due to exceptional circumstances, the nexus ratio does not correctly reflect the share of their own R&D activities in the overall R&D activities. To deviate from the nexus ratio, taxpayers will be required to obtain an advance tax ruling.

In principle, the calculation should be performed for each IP asset separately. Taxpayers should allocate expenditures and IP income to the various IP assets. An allocation by type of product or service, or by group of products or services, is allowed in case an allocation per IP asset is not feasible.

The amount of the current-year ID is not capped, and the unused ID can be carried forward indefinitely. As of assessment year 2025, the Belgian IP regime is amended, allowing taxpayers benefiting from said regime not to deduct part (or all) of the ID from their taxable basis, but to convert it into a new non-refundable tax credit available to be carried forward. This is particularly relevant for Belgian taxpayers in scope of Pillar Two benefiting from the ID, as this amendment allows them to voluntarily increase their net taxable basis, and hence increase their effective tax rate in a given year, while preserving the regime's effectiveness as the unused part can be carried forward as a non-refundable tax credit to be used in any future year (for example in a year where the Belgian taxpayer's effective tax rate would be above 15%).

When applying the innovation deduction, a taxpayer should keep specific supporting documentation available for the tax authorities.

Taxpayers may request tax rulings (recommended) to obtain legal certainty regarding the conditions and the calculation of the innovation deduction.

Guidelines around incentive applications

Form 275 INNO needs to be enclosed with the corporate income tax return. When applying the innovation deduction, a taxpayer should keep specific supporting documentation available for the tax authorities.

Foreign tax credit (FTC) for withholding tax on royalties received

Description of benefits

A Belgian company that receives foreign-source royalties subject to a foreign withholding tax can claim a foreign tax credit in Belgium under specific conditions.

Guidelines around incentive applications

The FTC is claimed in the corporate income tax return. No specific form needs to be enclosed.

Partial exemption of professional withholding tax

Description of benefits

An 80% exemption of professional withholding taxes on wages paid to specific personnel with a PhD or master's degree in the scientific or engineering domain (e.g., sciences, applied sciences, exact sciences, medicine, pharmaceutical sciences, engineering, IT, architecture, product development) performing R&D activities can be applied.

An 80% exemption of professional withholding taxes on wages paid to specific personnel with a bachelor's degree in the scientific or engineering domain (e.g., biotechnics, health care, industrial sciences and technology, nautical sciences, science in business administration and business administration, with a focus on IT and innovation for the Flemish community and in paramedical and technical domains for the French community) performing R&D activities can also be applied. The total withholding tax exemption for bachelor's degrees is capped at 25% of the total withholding exemption applied for master's and doctoral degrees. This threshold is increased to 50% for companies that are qualified as small companies according to the Belgian Code of Company Law.

Guidelines around incentive applications

The exemption may be claimed directly through monthly withholding tax returns. New R&D projects and programs should be registered (notification procedure) upfront with the Federal Science Department.

Expat tax regime – tax-free allowances for foreign executives and researchers

Description of benefits

Companies employing foreign executives and researchers who temporarily work in Belgium may benefit from a special tax regime.

As of 1 January 2022, an updated tax regime for inbound taxpayers and researchers has entered in force. A more simplified and transparent new system should provide more legal certainty to employers and qualifying employees and directors.

Expatriates who have their main residency or center of economic interests in Belgium will be considered Belgian tax residents and will be taxable in Belgium on their worldwide income. The rules are applicable conditionally. The qualifying employee or director:

- May not have been taxed as a resident in Belgium, lived closer than 150 km from the Belgium geographical border or been taxed as a nonresident of Belgium on professional income in the 60 months prior to the employment.
- Should earn a minimum annual gross remuneration of EUR75,000 that is taxable in Belgium (regular gross salary and variable (cash) remuneration and benefits in kind may be considered to determine whether the EUR75,000 threshold is met). The remuneration threshold will not apply to researchers if they have a master's degree in specified expertise areas (natural sciences, applied sciences, medical sciences, agricultural sciences and engineering) or prove at least 10 years of relevant experience in these fields. This exemption is only available to taxpayers working under an employment relationship, not to directors, and only to the extent that the eligible degree effectively forms the base of the individual's employment in Belgium. Furthermore, at least 80% of the total professional time should be directly related to these R&D activities.

An employer can reimburse or compensate the employee for recurring additional "costs proper to the employer" (e.g., cost of living and housing, home leave) resulting from the assignment or recruitment from abroad. The reimbursement is tax-free for up to 30% of the employee's gross remuneration (excluding the cost reimbursements itself), limited to a maximum amount of EUR90,000 per year. Additionally, some costs can still be reimbursed tax-free by the employer (without any specific cap) (e.g., moving and relocation costs, costs for furnishing the accommodation in Belgium (up to one month of rent) and certain (international) school fees (from the age of five)).

The new regime and its benefits will be available for five years starting from the first working day in Belgium. There is an option to apply for a three-year extension by filing a new request, which should be done within three months of the end of the five-year period.

Guidelines around incentive applications

Reporting requirements for the employer through the annual salary forms 281.10 and 281.20.

IP income – beneficial tax regime

Description of benefits

Under this regime, income related to the cession and concession of IP income and related rights can principally be considered as movable income (up to EUR75,360 for income year 2025) and will be subject to tax differently from regular professional income. The income from IP will be taxable at a rate of 15% with a 50% lump-sum cost deduction up to EUR20,100, and a lump-sum cost deduction of 25% for IP income from EUR20,100 to EUR40,190. No lump-sum cost deduction can be applied for IP income from EUR40,190 to EUR75,360. After EUR75,360, the normal taxation rules apply depending on the qualification of the income (30% tax rate if it can still be considered as movable income; progressive tax rates if it should be considered as professional income).

Applicable conditions

A taxpayer's income can only be considered movable income if the taxpayer is holding a "work of art certificate" or if the taxpayer is assigning their work to a third party to communicate it to the public, to use it for public performance or to use it for reproduction. Several other conditions have been put forth as well. If these conditions are fulfilled, the revenue from the transfer of the copyrights is to be considered movable income unless and to the extent that:

- The ratio between the compensation for the transfer of copyrights and the total fee (including the transfer of the copyrights as well as compensation for the work delivered) exceeds 30%. This only applies if the total fee includes compensation for the work delivered (i.e., not if the fee only includes the transfer of copyrights).
- The revenue from the transfer of copyrights exceeds EUR75,360 (for income year 2025).
- The average income from the previous four taxable periods exceeds the maximum of EUR75,360 (for income year 2025).

Guidelines around incentive applications

The incentive is applicable to current and future activities.

Obtaining a tax ruling for this incentive is strongly recommended. Furthermore, the transfer of IP rights also needs to be contractually stipulated.

3. Eligibility requirements

Cash grants

Eligible entities

- All Belgian resident entities that are subject to Belgian corporate income tax
- Belgian branches of nonresident entities that are subject to nonresident Belgian corporate income tax
- Any enterprise, from an SME to the Belgian branch of a multinational company, may request funding under the condition that the enterprise has a legal personality upon signing the agreement. Furthermore, the enterprise should have the capacity to exploit the result to a sufficient extent in the region providing the grant and hence create enough economic impact in the form of employment and investments. However, this does not exclude the possible partial application of the project results abroad.

Eligible R&D expenses

- Payroll costs of the employer
- Direct and indirect costs relating to the R&D project
- Large (depreciation) costs for equipment and other items specifically required for the R&D project
- Large subcontracting costs

Loans

Eligible entities

- All Belgian resident entities that are subject to Belgian corporate income tax
- Belgian branches of nonresident entities that are subject to nonresident Belgian corporate income tax
- Loans can finance new tangible, intangible and financial investments, fund operating capital needs, linked to the development of the business, fund the purchase of shares in an existing company or the acquisition of part of the goodwill in the company and/or refinance existing debts over a longer period

Technology deduction (or R&D tax credit)

Eligible entities

- All Belgian-resident entities that are subject to Belgian corporate income tax
- Belgian branches of nonresident entities that are subject to nonresident Belgian corporate income tax

Eligible investments

- Tangible and intangible assets used for R&D of new products and future-proof technologies that do not have a negative impact on the environment
- Patents

Conditions to be met

- The investment should relate to new assets, which may be either acquired or self-developed.
- The investment should be used solely for professional business purposes.
- The investment must be capitalized under Belgian generally accepted accounting principles (BEGAAP) and should be depreciated (for tax purposes) over at least three years. Specific rules exist for research expenses because they can no longer be capitalized under BEGAAP.

- The right to use the asset may, in principle, not be transferred to another party.
- An R&D center must exist for certain qualifying investments.

Other specific conditions exist depending on the type of qualifying asset.

ID

Eligible entities
- All Belgian-resident entities subject to Belgian corporate income tax
- Belgian branches of nonresident entities subject to nonresident Belgian corporate income tax

Eligible IP
- The ID applies to self-developed IP rights as well as IP rights (see below) acquired from or licensed from related or unrelated third parties
- Patents and supplementary protection certificates not commercialized before 1 January 2007
- Plant variety rights requested/acquired as of 1 July 2016
- Orphan drugs requested/acquired as of 1 July 2016 (limited to the first 10 years)
- Data/market exclusivity rights for medicinal products granted after 30 June 2016 (limited to the first 11 years)
- Copyright-protected software (including adaptations of existing software) resulting from an R&D project within the meaning of the R&D payroll tax exemption that did not generate income prior to 1 July 2016; the copyright-protected software must be self-developed by the Belgian taxpayer

Eligible income
- License income
- Embedded royalties included in the sales price of goods/services
- Embedded royalties related to the production process
- Indemnities for infringements (subject to conditions)
- Capital gains (subject to conditions)

FTC for withholding tax on royalties received

Eligible entities
- All entities in Belgium

Eligible activities/expenses
- The FTC applies to foreign withholding tax on royalties.

Partial exemption of professional withholding tax

Eligible entities
- All entities in Belgium with a payroll structure

Eligible expenses
- Professional withholding tax paid via Belgian payroll

Eligible activities
- All activities in scope of the OECD's Frascati Manual description of research and development, along with outsourcing activities
- As from 2014, all activities in scope of the Commission Regulation 5EC, No 800/2008, under the description of "fundamental research," "technical research" and "experimental development" (issued on 6 August 2008)[2]

Expat tax regime

Eligible entities
- A qualifying employer is either a subsidiary, a branch or a PE of an international group of companies.

Eligible activities
- These concessions are available to foreign highly skilled employees and researchers who work temporarily in Belgium for a Belgian entity that is part of an international group of companies.

[2] Official Journal of the European Union, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008R0800&qid=1618445834583&from=EN.

Eligible expenses

The expatriate tax regime provides for the following reimbursements to qualify as nontaxable:

- Recurring expenses, limited to 30% of the employee's gross remuneration (excluding the cost reimbursements), with a maximum of EUR90,000 per year:
  - Cost of living and housing
  - Home leave
- Nonrecurring unlimited expenses:
  - Moving and relocation costs
  - Costs for furnishing the accommodation in Belgium (up to one month of rent)
- Recurring unlimited expenses, justified by actual expenses:
  - Certain school fees (from the age of five)

IP income

Eligible entities

- All entities in Belgium

Eligible expenses

- Compensation that is paid by the employer/third party for the transfer of IP rights from the employee/contractor to the employer is eligible.

Eligible activities

- This measure can only be applied insofar as the employees create IP rights (e.g., copyrights) during their employment/contractual agreement.

4. IP and jurisdictional requirements

ID

May work be performed outside the country?

- Yes, the R&D activities can be performed by the Belgian taxpayer in Belgium or abroad or outsourced to related or unrelated foreign parties.

Must the IP be registered/owned locally?

- IP rights held as owner, co-owner, usufruct, licensee or rights holder (economic ownership) qualify for the ID, irrespective of the jurisdiction where the IP right is obtained.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Belgium.

6. Role of governmental bodies in administering incentives

Cash grants

Each region has its own cash grant program, of which the responsible government agencies are:

- Flemish region: Flanders Innovation & Entrepreneurship, VLAIO – www.vlaio.be
- Walloon region: Walloon Public Service, Operational DG for Economy, Employment & Research (SPW EER), DGO 6 – https://recherche.wallonie.be/ or https://www.wallonie.be/en/demarches/receiving-financial-support-technological-research-and-innovation
- Brussels-Capital region: Brussels Institute for Research and Innovation, Innoviris – www.innoviris.brussels

Loans

An application should be submitted to the competent agency:

- Flemish region: Participatie Maatschappij Vlaanderen/ Limburgse Reconversie Maatschappij – www.pmv.eu and www.lrm.be
- Walloon region: Wallonie Entreprendre – www.wallonie-entreprendre.be
- Brussels-Capital region: finance&invest.brussels – www.finance.brussels

Technology deduction (or R&D tax credit)

To apply the technology deduction (or equivalent R&D tax credit) companies should obtain a certificate confirming that the investments do not have a negative impact on the environment. These certificates are issued by one of the competent authorities (depending on where in Belgium the company is located):

- Flemish region: omgeving.vlaanderen.be/verhoogde-investeringsaftrek-of-belastingkrediet-voor-onderzoek-en-ontwikkeling
- Walloon region: energie.wallonie.be or environnement.wallonie.be
- Brussels-Capital region: www.leefmilieu.brussels

ID

The patent application should be submitted to the competent agency:

- Belgian patent — the Belgian Office for Intellectual Property: economie.fgov.be/en/themes/intellectual-property/institutions-and-actors/belgian-office-intellectual

Specific applications should be submitted to the competent agency for plant variety rights, orphan drugs and data/market exclusivity rights.

No specific application needs to be submitted for copyright-protected software. Specific attestation of innovative character by the Belgian Science Agency is recommended in the context of the ID.

FTC for withholding tax on royalties received

Not applicable

Partial exemption of professional withholding tax

Not applicable

Expat tax regime

To benefit from the tax regime, the employee/director and employer must file a joint application within three months after the start of the Belgian employment, sending the application to impatriates@minfin.fed.be or via myminfin.be.

The authorities have three months to rule on the electronic application.

IP income

Not applicable

General

Various organizations provide advice and guidance to those wishing to start or expand their activities in Belgium. Foreign companies may contact the Service for Direct Investments:

- Invest in Belgium: https://business.belgium.be/en/investing_in_belgium/three_attractive_regions
- Flemish region: investinflanders.be
- Walloon region: investinwallonia.be or awex.be
- Brussels-Capital region: why.brussels

7. Administrative requirements

Cash grants and loans

- Applications for cash grants are required to be filed in advance of the R&D project commencing. Taxpayers may claim tax incentives and cash grants; however, applications for each project are required to be filed separately. The different grants offered by the regions in Belgium to support and stimulate R&D projects may take the form of direct cash grants, recoverable advances or interest rebates. Although such grants are included in a company's taxable basis, they are exempt from corporate income tax.

Technology deduction (or R&D tax credit)

- Via the corporate income tax return (an advance tax ruling is possible)
- Certificate from regional authorities regarding environmental impact, to be added to the tax return (see *Role of government bodies in administrating incentives* above)

ID

- Via the corporate income tax return (an advance tax ruling is recommended)
- The taxpayer should keep specific supporting documentation available for the tax authorities.

FTC for withholding tax on royalties received

- Via the corporate income tax return

Partial exemption of professional withholding tax

- Upfront registration of R&D programs and projects

Expat tax regime

- The expatriate tax regime in Belgium is not granted automatically but must be requested jointly by the employer and the employee, within three months following the start of the assignment in Belgium

IP income

- Obtaining a tax ruling is strongly recommended.

8. Statutory reference

Investment deduction (or tax credit) for R&D and patents

- Investment deduction: Article 68 of the Belgian Income Tax Code (ITC) and following
- Tax credit: Article 289 quarter ITC and following

ID

- Article 194 quinquies ITC (conditional exemption)
- Article 205/1 – 205/4 ITC (final deduction)

FTC for withholding tax on royalties received

- Article 285 ITC and following

Partial exemption of professional withholding tax

- Article 275/3 ITC

Expat tax regime

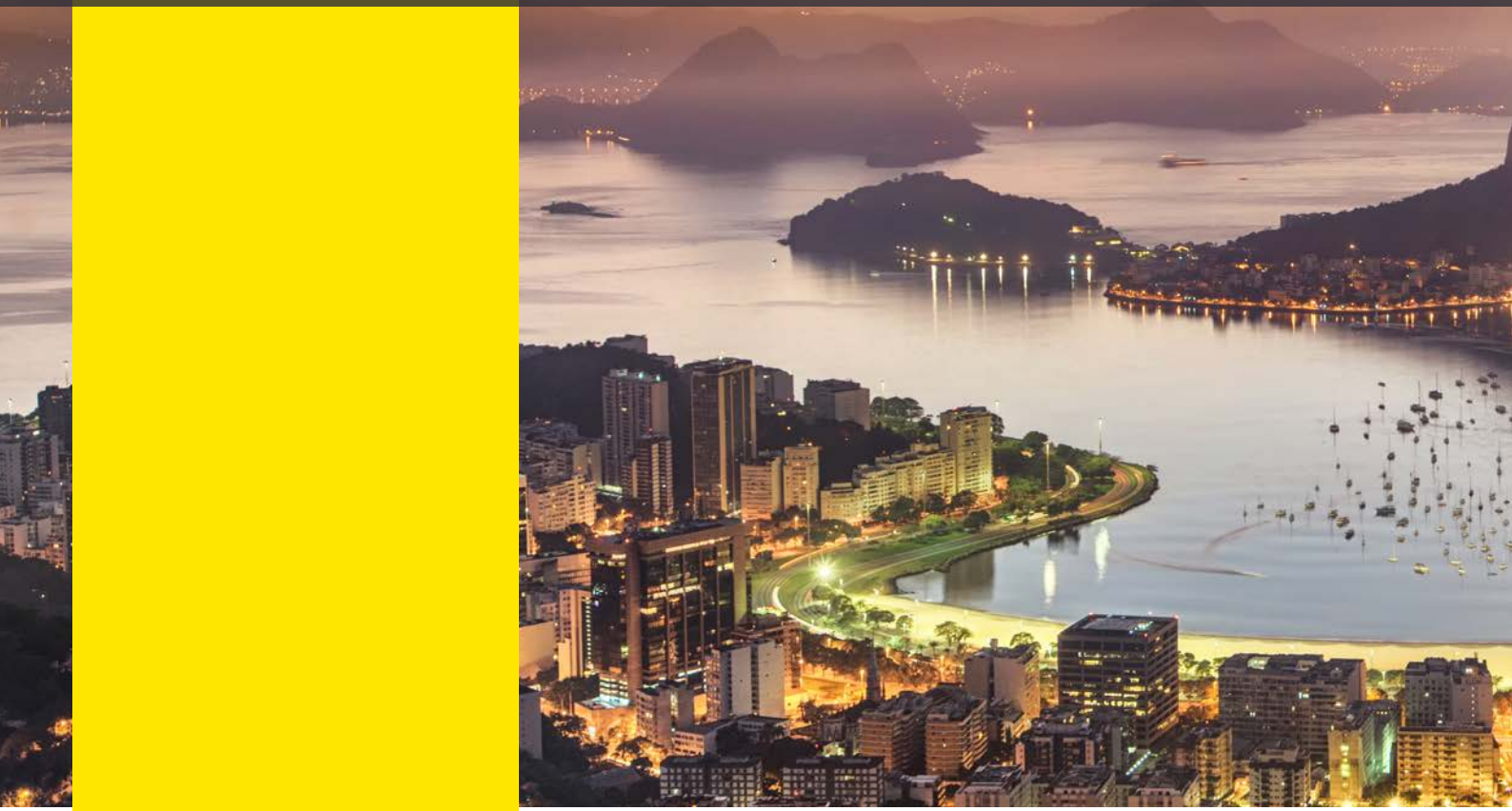
- Article 32/1 and 32/2 ITC

IP income

- Article 17 § 1, 5° ITC

Brazil

This chapter is based on information as of February 2025.



The Brazilian government maintains its support of R&D activities through relevant tax incentives to companies that invest in R&D of innovative and technological initiatives.

Highlights

- MOVER – Green Mobility and Innovation Program (Automotive R&D Incentive) – Law 14.902/24
- IT Law – Companies that benefit from this incentive must undergo a reasonable assurance process annually.

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1. Overview

The Brazilian government has been a strong supporter of R&D activities in various segments in Brazil. At the end of 2005, the government created a tax incentive for R&D, which commenced in 2006. Currently, the government offers super deductions of 160% to 200% to taxpayers with eligible R&D expenses, financial support to new R&D investments and accelerated depreciation on qualifying R&D assets. The government aims to achieve technological innovation, product innovation and enhanced R&D activities through the R&D incentive.

"Technological innovation" refers to the design of a new product or manufacturing process and addition of new functionalities or characteristics to the product or process that leads to incremental improvements and an effective quality or productivity gain. "Product innovation" refers to the improvement of new and/or existing products in the domestic or international markets. "Enhanced R&D activities" refers to basic research, applied research, experimental development, basic industry technology and technical support services.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D Incentive*	IT Law	Automotive R&D Incentive	Funding Authority for Studies and Projects
Types of incentives	■ Super deduction ■ Accelerated depreciation on qualifying R&D assets ■ Exemption of patent withholding tax	■ Tax credit for corporate income tax that eventually can be used to offset other federal taxes ■ Federal excise tax (IPI) exemption for R&D assets	■ Reduced IPI tax rate ■ Reduced import tax rate ■ Tax credits that, eventually, can be used to offset other federal taxes	■ Financial support ■ Loans ■ Grants

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentive depends on the taxpayers' facts and circumstances.*

R&D deduction – Law 11.196/05

Description of benefits

A super deduction of 160% to 200% is available to taxpayers with eligible expenses. The "standard" super deduction is 160% of eligible R&D expenses. If a company increases its number of contracted researchers during a calendar year when compared with the average number of contracted researchers in the prior calendar year, the amount of the super deduction increases. If the number of contracted researchers increased up to 5%, an extra deduction of 10% is available (resulting in a total super deduction of 170%); if the number of contracted researchers increased by more than 5%, an extra deduction of 20% is available (resulting in a total super deduction of 180%). In addition, if a company registers intellectual property (IP) in Brazil, an extra 20% deduction is available.

The R&D deduction is applicable to expenses incurred by Brazilian entities, and contract research or greenfield investments are not normally eligible. Unused R&D deductions cannot be carried forward or carried back. To receive the R&D deduction, taxpayers are required to present tax clearance certificates to the tax authorities; however, no preapproval process is required to obtain the R&D deduction.

Taxpayers can also receive a reduction on federal excise tax (IPI) for eligible R&D activities. Under the IPI reduction, a 50% reduction is available on the IPI levied on instruments, equipment, machinery, apparatus and tools imported by Brazilian companies or dedicated to R&D activities performed in Brazil. To receive the IPI reduction, taxpayers are required to claim the incentive upon acquisition.

Legislation also provides for a super deduction of up to 250% of eligible expenses made available for innovation projects executed by Scientific and Technological Institutions (ICT), which was further explored through the enactment of Decree No. 9.283 in February 2018.

Scientific and Technological Institutions are entities of the direct or indirect public administration, or private nonprofit legal entities legally constituted under Brazilian laws, aiming to use the basic or applied scientific or technological research for the development of new products, services and processes. Innovation projects must be previously authorized by a permanent committee formed by members of the Ministry of Science, Technology and Innovations; Ministry of Development, Industry, Global Trade and Services; and the Ministry of Education. This tax incentive cannot be cumulated with the "standard" super deduction of 160% to 180% mentioned above.

According to Decree No. 9.283, public administration may now stimulate the development of cooperation projects among companies, ICTs and private nonprofit entities with a focus on generating innovative products, processes and services, as well as the transfer and diffusion of technology. This legislation extensively regulates the modus operandi of such partnerships, including the grant of economic subventions and mechanisms to promote innovation environments.

Guidelines around incentive applications

The R&D deduction is applicable for current-year investments. If a company incurs R&D expenses in 2023, it may apply for the incentive considering expenses incurred from January to December of 2023. The R&D deduction is claimed through the income tax return filed in July of the subsequent year.

Accelerated depreciation – Law 11.196/05

Description of benefits

R&D legislation allows companies to accelerate the depreciation, for tax purposes only, on R&D assets. Depreciation of 100% is available on eligible R&D assets upon the same year of acquisition.

Guidelines around incentive applications

Accelerated depreciation is applicable to current investments. The R&D deduction is claimed through the income tax return filed in July of the subsequent year.

IT Law – Law 8.248/1991

Description of benefits

Legal entities that manufacture information and communication technology goods, invest in R&D activities and comply with the basic production process are qualified under the terms of Law No. 8.248/1991 and can claim a tax credit up to 13.65% of the billing of incentive products.

The qualifying companies can also benefit from an IPI tax exemption on purchases of machinery, equipment, devices and instruments produced in the country, as well as their parts and spare parts, accessories, and raw materials that will be used exclusively on R&D projects.

Guidelines around incentive applications

Companies are required to invest 4% of the billing associated with incentive products in R&D projects to claim the tax credit. Technical and financial information associated with this credit must be reported annually to the Ministry of Science, Technology, and Innovations.

Law 13.969/19 amended Law 8.248/91 and established a new process in which companies that benefit from this tax incentive must annually conduct a reasonable assurance report with an auditing company registered with the Ministry of Science, Technology and Innovation.

Automotive R&D Incentive (MOVER – Green Mobility and Innovation Program) – Law 14.902/24 – pending conversion in Law

Description of benefits

Law 14.902/24 established several tax incentives for companies that produce or sell vehicles, auto parts and solutions for mobility and logistics. It allows up to an 8% reduction of IPI on vehicles that meet the requirements mentioned in the legislation, and a reduction of import tax on products not available via national production. In addition, a company that makes the minimum required investment in R&D can claim a tax credit of 50% to 320%, depending on its investment in R&D projects. The company may also receive reduced import tax and corporate income tax rates for factory installation or expansion projects in Brazil.

Guidelines around incentive applications

The eligible companies must request to participate in the MOVER program and commit to certain requirements to obtain the following benefits:

Reduction of up to 8% of IPI tax rate

Vehicles must meet at least one of the following requirements to have differentiated IPI rates (reduction of 1% to 8%): (1) energy efficiency, (2) materials recyclability, (3) structural performance, (4) assistive driving technologies and/or (5) hybrid vehicles equipped with an engine that uses ethanol.

Reduction of import tax rate

Companies that import automotive parts and components without a national similar product may reduce their import tax rate if they invest at least 2% of the customs value on R&D projects or priority projects that are defined by the government to support industrial and technological development for the automotive sector.

Tax credit of 50% to 320% on investments made in R&D projects

Companies that commit to invest in R&D activities that meet the minimum percentage of 0.3% (for heavy vehicles, auto parts and automotive systems) or 0.6% (for cars and light commercial vehicles) of their gross revenue may claim a tax credit of 50% to 320% on the investment, as follows:

- Minimum R&D investment = 50%
- Carry out manufacturing and engineering infrastructure activities in Brazil = +10% (optional)
- Diversify markets for products and services developed or produced in Brazil with integration into the global value chain = +10% (optional)
- Produce in Brazil advanced and sustainable propulsion technologies, vehicles with advanced and sustainable propulsion technologies or equipment for refueling or recharging these technologies, or electronic systems embedded in vehicles that enable complex decisions to be made independently of human action = +250% (optional)

Tax credits on the export of industrialized automotive products and the import of industrial units

Companies that commit to invest in R&D activities that meet the minimum percentage of 0.3% (for heavy vehicles, auto parts and automotive systems) or 0.6% (for cars and light commercial vehicles) of their gross revenue and have previous government approval to develop a project to relocate industrial units to produce automotive products in Brazil may claim corporate income tax credit for the export of their industrialized automotive products and import tax credit on the import of industrial units.

Funding authority for studies and projects

Description of benefits

Financial support with reduced interest rates is available to new R&D investments of Brazilian companies. The fund provided by the government can provide such funding for up to 90% of the total project costs. The incentive requires a preapproval process to be followed.

Guidelines around incentive applications

Financial support is applicable to current and future investments. To claim the incentive for future investments, taxpayers are required to follow procedures set out by the government. In addition, taxpayers are also required to meet with specific requirements set by FINEP.

3. Eligibility requirements

R&D deduction

Eligibility is not limited to a specific industry. Under Law No. 11.196/2005, technological innovation is defined as "the conception of a new product or production process, as well as the inclusion of new functionalities or characteristics in the product or process resulting in additional improvements, effective quality or productivity increase, as well as competitiveness increase in the market."

In general, innovation activities eligible for tax benefits are related to scientific and technological stages adopted by taxpayers in the development and implementation of products and/or processes, resulting in productivity gain and incremental improvements. Qualifying expenses include payroll costs, materials, machines, equipment, raw materials for tests and some local expenses directly related to the R&D in Brazil. Third-party costs can also be considered; however, there are specific rules to follow to obtain the incentive.

Automotive R&D Incentive (MOVER — Green Mobility and Innovation Program)

Eligibility is limited to the following types of companies:
1. Automakers and auto parts manufacturers
2. Companies that have a development or technological production project of vehicles and auto parts, including the relocation of industrial units and production lines to Brazil
3. Companies that have plans to set up units for recycling or circular economy in the automotive chain
4. Companies that develop research, development, innovation and engineering services for the automotive chain

Qualifying projects include the development and improvement of a company's products, evaluated according to the Frascati Manual, an international R&D guide, under the concepts of basic research, applied research and experimental development.

Qualifying expenses include payroll costs, materials, machines, equipment, raw materials and laboratory facilities directly related to the R&D in Brazil. Third-party costs can also be considered.

IT Law

Goods and services developed for information and communication technologies are eligible and are evaluated according to four main pillars:
1. Existence of a technical-scientific problem
2. Systematic execution
3. Existence of investigative activities
4. Existence of an element of technological novelty

Projects with the objective of training people inside or outside the company are also allowed.

Qualifying expenses include payroll costs, materials, machines, equipment, raw materials and laboratory facilities directly related to the R&D in Brazil. Third-party costs can also be considered.

4. IP and jurisdictional requirements

R&D deduction

The IP must be registered and owned locally to obtain the increased R&D tax incentive of 20%. However, the company can apply for the R&D tax incentive locally without registering IP in Brazil.

Furthermore, an exemption of the withholding income tax is available upon the remittance of the consideration destined to the registration and maintenance of intellectual property abroad.

Automotive R&D Incentive (MOVER – Green Mobility and Innovation Program)

Companies that invest in R&D activities can apply for a minimum tax credit of 50% of the amount invested, with some specific limitations, that can be used to offset Brazilian federal taxes.

This tax credit can be increased by the following percentages up to 320%, depending on specific prerequisites:

- An additional 20% if the company carries out manufacturing and engineering infrastructure activities in Brazil and diversifies the markets for the products and services it develops or integrates into global value chains
- An additional 250% if the company produces in Brazil advanced and sustainable propulsion technologies, vehicles with advanced and sustainable propulsion technologies or equipment for refueling or recharging these technologies, or electronic systems embedded in vehicles that enable complex decisions to be made independently of human action

Information Technology Law

There are no additional benefits for IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Brazil.

6. Role of governmental bodies in administering incentives

The Ministry of Science, Technology and Innovations (MCTI) fulfills an important role in administering R&D incentives because it must approve and control the application of tax benefits by qualifying the applicable projects. According to Ministerial Order No. 2.794 from 2020, MCTI is also responsible for issuing an opinion report on whether innovation projects and expenditures comply with the R&D laws. Only MCTI has the appropriate skills to analyze the projects presented by companies. The Brazilian IRS maintains its audit role in relation to incentives with tax impact and may (or may not) investigate some accounting and fiscal aspects focused on R&D incentives.

7. Administrative requirements

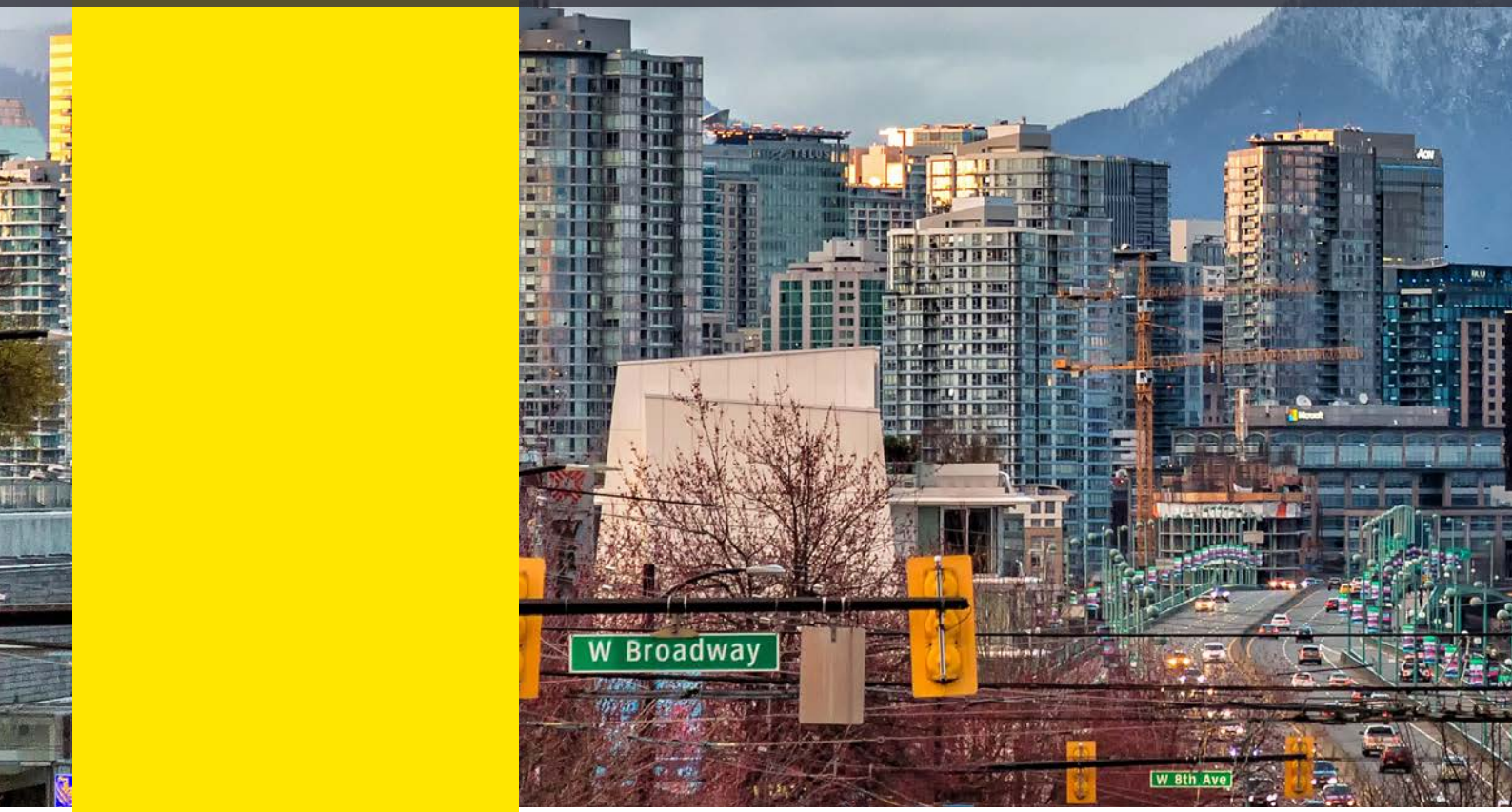
Only companies that adopt the methodology of Actual Profit (*Lucro Real*) quarterly or annually may apply for the R&D tax incentives. Companies must fill out the income tax return annually to maintain compliance. In addition, companies that apply for these incentives should have tax clearance certificates that are valid for the full period (January to December of the respective year). In addition, companies must complete a specific R&D form and submit it electronically on an annual basis to MCTI.

8. Statutory reference

- Federal Law No. 10.973 of 2004
- Federal Law No. 11.196 of 2005 (the Good Law)
- Decree No. 5.798 of 2006
- Decree No. 9.283 of 2018
- Normative Instruction No. 1.187 of 2011
- Ministerial Order No. 2.794 of 2020
- Federal Law No. 9.248 of 1991 and Federal Law 13.674 of 2018 (IT Law)
- Federal Law 14.902/24

Canada

This chapter is based on information as of February 2025.



Innovative companies play an increasingly important role in driving Canada's economy by seizing global market opportunities. This has led to the creation of a wide variety of new grant programs and tax incentives in recent years. At the same time, however, some of the long-standing innovation incentives, such as the Scientific Research and Experimental Development (SR&ED) tax credits, have experienced stricter eligibility and documentation requirements. It is important for businesses to understand both the relevant incentives available to them and how to optimize their entitlement.

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1. Overview

The federal SR&ED program is a tax incentive program designed to encourage economic development and job creation in Canada. The program is the largest source of federal funding for industrial R&D performed in Canada and is well-regarded by business. This tax incentive program (as opposed to a grant program) is demand-driven. There is no ceiling on how much the government may pay out to claimants in any particular year.

Legislation governing the program is contained in the federal Income Tax Act and Income Tax Regulations and is, therefore, the responsibility of the Department of Finance. However, the Canada Revenue Agency (CRA) is responsible for the program's administration. In recent years, the CRA has been working on administrative improvements directed at simplifying the claims process, increasing the scientific capacity of the program and improving consistency with respect to processing SR&ED claims across the country and across various industries.

The federal government has provided tax assistance for R&D since 1944. Although investment tax credits (ITCs) were introduced for SR&ED expenditures in 1977, the program as it exists today was developed in the 1980s.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Scientific Research and Experimental Development (SR&ED) tax credit*	Accelerated capital cost allowance (CCA) rate, Manufacturing and Processing (M&P) and Clean Economy tax credits	Strategic Innovation Fund	Tax Holiday for Large Investment Projects
Type of incentive	■ Tax credit	■ Accelerated depreciation and tax credits on the R&D, M&P and Clean Economy assets	■ Primarily loans but cash grants awarded under exceptional circumstances	■ Provincial income tax holiday on income from certain large investment projects

**Although not based upon scientific analysis, EY clients report that this incentive delivers more beneficial results to investors.*

SR&ED tax credit

Description of benefits

A 15% federal tax credit is available on eligible activities and expenditures. An enhanced credit rate of 35% is available for small Canadian-controlled private corporations (CCPCs) on the first CAD3 million of expenditures per year. CCPCs in general must be private corporations, resident in Canada, and not controlled directly or indirectly by one or more nonresident persons or public corporations. The 35% credit is 100% refundable.

For fiscal periods ending before 19 March 2019, the CAD3 million expenditure limit is reduced if the preceding year's taxable income for the corporation and associated corporations exceeds a threshold linked to the maximum small-business deduction limit for the year and if the taxable capital of the corporation (or associated group) for the preceding year exceeds CAD10 million. In addition, the annual expenditure limit must be shared among associated corporations. For fiscal years ending on or after 19 March 2019, the taxable income in the prior year is no longer a factor in determining the expenditure limit; only taxable capital, which now has a limit of CAD50 million. Unused R&D tax credits may be carried forward 20 years and carried back for three years.

Most provinces and territories offer R&D tax credits ranging from 3.5% to 30%, and several offer refundable credits.

Guidelines around incentive applications

SR&ED is applicable to retroactive and current investments provided they are claimed within 18 months of the fiscal year-end. To benefit from the SR&ED tax incentives, a claimant generally must carry on business in Canada in the year in which eligible activities and expenditures are claimed; perform eligible SR&ED work that is related to the business of the claimant; and complete and file Form T661, Scientific Research and Experimental Development Expenditures Claim, as well as Form T2SCH31 (Schedule 31), Investment Tax Credit – Corporations, or Form T2038 (IND), Investment Tax Credit (Individuals), as applicable. The reporting deadline is 12 months after the filing due date of the return for the fiscal period in which the expenditures were incurred.

Accelerated CCA rate, M&P and Clean Economy tax credits

Description of benefits

To the extent that certain R&D assets are used in connection with a taxpayer's eligible manufacturing and processing activities, these assets may qualify for Class 53 (Class 29 before 2016) property classification. Class 53 assets may be depreciated over approximately four years; Class 29 over a three-year period. The same assets may also qualify for federal and/or provincial manufacturing or processing investment tax credits ranging from 4% to 25% (or more) of the qualifying expenditures. The 2018 Federal Economic Statement Update (FES) under the Accelerated Investment Incentive (AII) rules temporarily allows for the immediate expensing of Class 53 property acquired after 20 November 2018 and before 2024 that becomes available for use before 2028. Certain R&D assets may be eligible for other accelerated depreciation property classes, such as Class 50 computer hardware, which has a 55% capital cost allowance/depreciation rate. The rules significantly increase the first-year CCA/depreciation deduction for Class 50 property from 27.5% up to 82.5% of the cost of eligible property acquired after 20 November 2018 and before 2024 that becomes available for use before 2028.

The federal government recently announced a series of investment tax credits ranging from 15% to 60% aimed at helping Canada transition to a clean economy. The proposed Clean Economy Investment Tax Credits include the Clean Technology; Clean Technology Manufacturing; Clean Electricity; Clean Hydrogen; Electric Vehicle Supply Chain; and Carbon Capture, Utilization and Storage Investment Tax Credits. For details of the proposed investment tax credits, see the Summary Matrix in the back of this guide.

For certain property eligible for the investment tax credits, certain labor requirements, including prevailing wage and apprenticeship requirements, need to be met or the tax credit is reduced by 10%. These labor conditions will be applicable to the Clean Technology; Clean Hydrogen; Clean Technology Manufacturing; and Carbon Capture, Utilization and Storage Investment Tax Credits.

Guidelines around incentive applications

The opportunity for capital assets used in SR&ED activities to qualify for accelerated depreciation property classes (e.g., Class 53, 29 and 50) is applicable to projects in current, prior and future years. A taxpayer may amend prior-year corporate tax filings (i.e., revise capital asset classifications) to access classification opportunities to the extent that the years are not statute-barred. Alternatively, the undepreciated balance of the existing asset class can be reclassified to the accelerated class in the current year. With respect to property that is eligible for M&P tax credits, the credits must be claimed by taxpayers on their corporate tax returns (federal or provincial) within 18 months of the year the property was acquired.

Strategic Innovation Fund

Description of benefits

The objective of the Strategic Innovation Fund (SIF) is to accelerate economic growth, strengthen the role of Canadian businesses in regional and global supply chains, and attract investment that creates significant employment benefits for Canadians. Specifically, it accelerates technology transfer and commercialization of innovative products, processes and services; facilitates the growth and expansion of firms in Canada; attracts and retains large-scale investments to Canada; and advances industrial R&D through collaboration among academia, nonprofits and the private sector. The program is available to organizations of all sizes across all of Canada's industrial and technology sectors that are requesting more than CAD10 million in project funding. SIF primarily provides support in the form of favorable loans of up to 50% of eligible project costs (cash grants can be awarded under exceptional circumstances). The fund provides contributions to support distinct activity streams with specific objectives:

- Stream 1: Encourage R&D necessary to accelerate technology transfer and commercialization of innovative products, processes and services.
- Stream 2: Facilitate the growth and expansion of firms in Canada.
- Stream 3: Attract and retain large-scale investments in Canada.
- Stream 4: Advance industrial research, development and technology demonstration through collaboration among academia, nonprofit organizations and the private sector.
- Stream 5: Support large-scale, national innovation ecosystems through high-impact collaborations across Canada.
- Net Zero Accelerator initiative: Support projects that focus on:
  - Decarbonization of large emitters
  - Clean technology and industrial transformation
  - Development of a Canadian batteries ecosystem

Guidelines around incentive applications

The incentive is fully discretionary and is applicable to future investments that have not yet been incurred. There is no defined application period for the SIF, and the application process follows a two-stage process: Statement of Interest (SOI) and a Detailed Application. This process applies to all streams as well as the Net Zero Accelerator initiative. The SOI is a high-level overview of the project and includes a project description that includes details on how it meets the fund's objectives. Applicants must demonstrate their basic corporate capability to complete the project. Applicants will receive feedback on whether the SOI indicates potential for funding and if they should advance to the Detailed Application stage. Applicants will need to clearly demonstrate the benefits of their project in relation to key government priorities. Applications will be assessed based on the project's anticipated benefits, including innovation, economic and public benefits. Applicants will be subject to a comprehensive due diligence process.

Successful applicants will be required to sign a Contribution Agreement. Recipients will be required to submit periodic reports, annual consolidated financial statements, repayment forecasts (if applicable), project status updates and reports of project benefits.

Tax Holiday for Large Investment Projects in Québec

Description of benefits

The objective of the tax holiday is to attract large investment projects to the province of Québec. It is available to corporations or partnerships that carry out certain large investment projects in Québec. The benefits include:

- A tax holiday on the income
- A holiday from employer contributions to the Health Services Fund (HSF)
- The tax holiday lasts 10 years

Guidelines around qualifying for the tax holiday

The main parameters of the tax holiday for large investment projects are:

- The minimum investment is set at CAD100 million, and must be reached no later than the end of the 48-month period after the date of issue of the initial certificate. A corporation or partnership may choose the date on which the 48-month investment period applicable to its investment project begins. This date must be within 12 months of the filing of the application for the initial qualification certificate.
- The application for an initial qualification certificate must be submitted before any significant capital expenditures (more than CAD1 million) for the completion of the investment project have been incurred. The limit on eligible expenditures is CAD1 billion per project.
- The application for an initial qualification certificate must be submitted to the Minister of Finance no later than 31 December 2029.
- The tax holiday that the corporation or partnership can benefit from can be up to 15%, 20% or 25% of the total eligible investment expenditures related to the carrying out of its large investment project, the rate being determined according to the territory where the project is carried out.

3. Eligibility requirements

Scientific Research & Experimental Development

SR&ED is defined as a systematic investigation or search that is carried out in a field of science or technology by means of experiment or analysis that involves basic research, applied research or experimental development and includes work undertaken by or on behalf of the taxpayer with respect to engineering, design, operations research, mathematical analysis, computer programming, data collection, testing or psychological research where the work is commensurate with the needs and directly in support of the basic research, applied research or experimental development.

The work must be undertaken in Canada. Qualifying SR&ED expenditures may include labor, materials consumed or transformed, subcontracts (SR&ED performed on taxpayers' behalf), other expenses directly related and incremental to the SR&ED, and third-party payments. Only 80% of subcontractor and third-party costs is eligible. The SR&ED incentive is not limited to particular industries.

Strategic Innovation Fund

For streams 1, 2 and 3, the applicant must be a for-profit corporation incorporated under the laws of Canada and proposing to carry on business in Canada. Stream 4 is geared toward consortia that include academic institutions (e.g., Canadian universities, colleges, research institutes, not-for-profit entities). However, the stream 4 lead applicant must be an entity that is incorporated in Canada, carries on business in Canada, and is proposing to conduct industrial research and technology demonstration activities. For stream 5, the lead applicant must be either a not-for-profit organization incorporated in Canada or a for-profit corporation incorporated in Canada, in collaboration with Canadian universities, colleges, research institutes, for-profit corporations (including SMEs) and/or not-for-profit entities. Net Zero Accelerator projects can qualify under all streams. As such, the requirements will depend on which stream best reflects the nature of the project and the applicant.

Each stream of the program, as well as the Net Zero Accelerator initiative, has its own project eligibility criteria. As part of the evaluation process, the government uses a Technology Readiness Level (TRL) scale to assess the maturity level of a particular technology.

For all streams, including the Net Zero Accelerator, eligible costs are those nonrecurring costs related to the particular project, including:

- Direct labor
- Overhead (limits apply)
- Subcontracts and consultants
- Direct materials and equipment
- Land and buildings
- Other direct costs

Tax holiday for large investment projects in québec

The project must involve activities that are not activities carried out in one or several excluded activity sectors. The following sectors (listed with the applicable North American Industry Classification System (NAICS) code) will constitute excluded activity sectors for the application of the new tax holiday:

- 21 Mining, quarrying, and oil and gas extraction, except for critical and strategic minerals
- 22 Utilities
- 23 Construction
- 3122 Tobacco manufacturing
- 3241 Petroleum and coal product manufacturing
- 3313 Alumina and aluminum production and processing (3)
- 4133 Cigarette and tobacco product merchant wholesalers
- 457 Gasoline stations and fuel vendors
- 486 Pipeline transportation
- 5121 Motion picture and video industries
- 516 Broadcasting and content providers
- 518 Computing infrastructure providers, data processing, web hosting, and related services
- 52 Finance and insurance
- 53 Real estate and rental and leasing
- 5418 Advertising, public relations, and related services
- 551113 Holding companies
- 61 Educational services
- 62 Health care and social assistance
- 71121 Spectator sports
- 7132 Gambling industries
- 72 Accommodation and food services
- 813 Religious, grant-making, civic, and professional and similar organizations
- 91 Public administration

4. IP and jurisdictional requirements

SR&ED-related activities must be carried on by the taxpayer in Canada. The SR&ED program does not require the claimant to own the intellectual property (IP).

The M&P activities related to Class 53/29 assets must be carried on in Canada.

Eligible SIF projects must also be based in Canada. The SIF program, however, requires recipients to own the background intellectual property or hold sufficient background IP rights to allow their project's activities to be carried out. In addition, they must hold sufficient rights to exploit the IP resulting from their project's activities. Recipients may be required to provide the government with information regarding their IP strategy as it relates to protecting the IP resulting from their project's activities.

Qualifying projects for the Tax Holiday for Large Investment Projects must be carried out in the province of Québec.

5. Technology or innovation zones

There are no defined technology or innovation zones providing R&D incentives in Canada. However, the provinces of Saskatchewan and Quebec have introduced commercial innovation incentives, better known as "patent box" incentives. These patent box incentives are intended to encourage corporations to commercialize patents and other innovations in their respective provinces by reducing the province's tax on income earned from these innovations. More specifically, the patent box incentive will reduce the general provincial corporate income tax rates for an extended period (i.e., up to 10 years) applicable to an eligible corporation's taxable income earned from the commercialization of qualifying IP in Saskatchewan, such as patents, plant breeders' rights, trade secrets and copyright (computer programs and algorithms).

6. Role of governmental bodies in administering incentives

The legislation governing the SR&ED program is contained in the federal Income Tax Act and Income Tax Regulations, which are the responsibility of the Department of Finance.

CCA rates and the Clean Economy and M&P tax credits are the responsibility of the Department of Finance (federal or provincial). The CRA is responsible for their administration, including review and assessment.

The Strategic Innovation Fund program is funded and managed by the federal department of Innovation, Science and Economic Development Canada.

The Tax Holiday for Large Investment Projects in Québec is administered by Investissement Québec and the Minister of Finance.

7. Administrative requirements

To claim federal M&P and Clean Economy credits, a claimant must complete and file Form T2SCH31 (Schedule 31), Investment Tax Credit – Corporations, or Form T2038 (IND), Investment Tax Credit (Individuals), as applicable. For provincial credits, each province has its own form that must be completed and filed with the taxpayer's return for the applicable year.

The SIF program requires completion of a Statement of Interest form and a full detailed application.

The Tax Holiday for Large Investment Projects in Québec requires an initial certificate as well as annual certificates issued by the Minister of Finance.

8. Statutory reference

- SR&ED: Canadian Income Tax Act – Section 37, 127, Regulation 2900
- CCA rate and M&P tax credit: Canadian Income Tax Act – Sections 20(1)(a), 127(9), Regulations 1100(2), 1104(4), 4600, 5202, Schedule II of Regulations – Class 53, 50, 29
  - Tax Holiday for Large Investment Projects in Québec – Article 737.18.17.1 - 737.18.17.13

Chile

This chapter is based on information as of February 2025.

To encourage R&D investments by corporate taxpayers, the Chilean government provides a tax credit of 35% on pre-certified R&D cash expenditures, excluding cash flows sponsored with public funds; the remaining portion of the expenditure may be deducted as an expense. The government also provides a relatively generous cash grants scheme to promote technological innovation.

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1. Overview

The Ministry of Economy has defined as part of its strategy for Chile's development the goal of converting Chile into a hub of innovation and entrepreneurship in the Latin American region. For this purpose, it has implemented a number of Chilean Economic Development Agency CORFO – *Corporación de Fomento a la Producción* programs designed to attract entrepreneurs and R&D investment to Chile and to connect Chile to the world's main technology markets.

Currently, corporate taxpayers are entitled to a 35% tax credit against their corporate tax liability, subject to a yearly cap of UTM15,000 (monthly tax unit, which is approximately USD1.1 million),[1] where the base is calculated by using the total amount disbursed in an R&D contract with a registered research center excluding cash flows sponsored with public funds.

If taxpayers use in-house R&D resources, the base would be calculated using the amounts disbursed within the R&D certified project for current expenses (or expenses associated with an extraordinary pre-certification process) and an annual quota of fixed asset depreciation for assets acquired and destined to R&D activities. Disbursements incurred over and above the aforementioned limit may be deducted as expenses. These expenses may be deducted by taxpayers for a period of up to 10 consecutive commercial years, starting in the year in which the R&D contract or project is certified and the payment has been effectively made.

[1] Subject to UTM value increase and the USD exchange rate.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

Although the Chilean Income Tax Law expressly regulated disbursements made in relation to R&D activities under the concept of allowable tax expenses, it was not until the enactment of Law No. 20.241 in January 2008 that the government clearly showed its attitude toward granting a tax benefit in relation to these activities. However, because of the law's restrictions, e.g., the limits for the total amount of credit available and the deductibility of the expense, and in particular, the requirement to only contract with an R&D registered center (which left companies unable to claim tax relief for in-house R&D projects), there was not much uptake, as the benefits did not justify the costs. Because the number of investors applying for these tax benefits was lower than expected, the government modified Law No. 20.241 (via Law No. 20.570) to expand the tax credit available and introduce more flexibility to the R&D tax incentive regime, allowing, for instance, taxpayers to carry out R&D on an in-house basis. The modified law, which has been in force since March 2012, has led to more tax benefits being awarded, allowing a higher number of investors to make use of these new benefits.

2. Incentives available

Name of incentive	Tax incentive to private investment in R&D (Law No. 20.241, as modified by Law No. 20.570)*	CORFO grants and lines of credit
Types of incentives	■ Tax credits ■ Tax deductions	■ Cash grants

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Tax incentive to private investment in R&D

Description of benefits

To boost R&D in Chile, the Chilean Congress in March 2012 approved a new regulation, Law No. 20.570, which modified the R&D tax incentive regime enacted in 2008 (Law No. 20.241) by expanding the tax credit available and introducing more flexibility to the R&D tax incentive regime. The incentives are summarized below.

R&D certified contract with a registered research center

- The tax credit against the taxpayer's corporate tax is equivalent to 35% of payments associated with R&D certified contracts entered with a registered research center, with an annual cap of UTM15,000 (approximately USD1.1 million).[2]
- Taxpayers will be allowed to deduct as an expense any amounts paid (not deducted as a credit) and associated with R&D certified contracts entered with a registered research center. In this case, 35% is taken as a tax credit and the remaining 65% is taken as a deduction. For these purposes, disbursements incurred in R&D contracts are considered to be necessary, even though they may not be related to the taxpayer's main line of business.
- If taxpayers enter an uncertified contract, they will only be entitled to deduct 65% of the disbursements made in connection with the R&D contract as expenses and will not be entitled to the 35% tax credit. However, certification later, in accordance with the procedures set forth in the law, will enable the taxpayer to access the tax credit benefit.
- ▸ This benefit would apply to disbursements incurred with the company's own expenses and excluding cash flows financed with public funds. According to the IRS' interpretations (Ruling No. 497/2020), this benefit also applies if the Chilean company receives funds from its parent company from abroad or from any other entity or third parties.
- Any remaining tax credit against corporate tax may be carried forward until extinction, by including the remaining tax credit in Form 22 of each year.
- A preapproval process is required to obtain the incentive.

R&D project (based on in-house R&D activities)

- The tax credit against the taxpayer's corporate tax is equivalent to 35% of the base composed of total payments made concerning current expenses in tandem with the annual quota of depreciation of fixed tangible property acquired within the scope of the R&D project, with an annual cap of UTM15,000 (approximately USD1.1 million).
- Taxpayers will be allowed to deduct as an expense any amounts paid, not deducted as a credit, in connection with an R&D certified project. In this case, 35% is taken as a tax credit, and the remaining 65% is taken as a deduction for CIT determinations. For these purposes, disbursements incurred in R&D projects are considered necessary, even though they may not be related to the taxpayer's main line of business.
- It should be noted that R&D projects may be carried out by taxpayers with their internal capacities or from third parties being able to associate for the presentation of such projects.
- Additionally, payments for contracts with legal entities for the rendering of services directly related to project activities may be deducted as an expense. According to the law, the only restriction is that at least 50% of these expenses must correspond to activities carried out within the national territory.
- If taxpayers begin making disbursements for an uncertified project (pending its approval), they will only be entitled to deduct 65% of the amount disbursed as expenses. This means the 35% tax credit benefit will not be awarded. However, certification later will enable taxpayers to access the tax credit benefit.
- This benefit would apply to disbursements incurred with the company's own expenses and excluding cash flows financed with public funds. According to the IRS' interpretations (Ruling No. 497/2020), this benefit also applies if the Chilean company receives funds from its parent company from abroad or from any other entity or third parties.
- Any remaining tax credit against corporate tax may be carried forward until extinction, by including the remaining tax credit in the Form 22 of each year.
- A preapproval process is required to obtain the incentive. Only disbursements associated with a preapproved project would be counted within the incentives.
- It is relevant to consider that an exceptional pre-step approval process is recognized in the law through which taxpayers can filed an affidavit before CORFO "informing that they are keen to file a R&D project." According to this procedure, taxpayers would be able to prepare a project that must be filed within 18 months. As soon as certain formal and substantial requirements are met, all disbursements incurred from the date in which the affidavit was filed would be counted for the different incentives.

[2] Subject to UTM value increase and the USD exchange rate.

Guidelines around incentive applications

The incentive is applicable to current investments. As the benefits consist of a tax credit and the possibility to deduct the related disbursements as an expense, the tax benefit will be determined according to net taxable income. Tax benefits are claimed annually through the regular tax form used to report income, Form No. 22. This form has to be completed in April of the year following when the disbursement took place.

Government initiatives and legislative proposals

The government of President Gabriel Boric, through the Ministry of Finance and Ministry of Economy, is set to introduce a legislative proposal aimed at amending Law No. 20.241 before it expires on 31 December 2025.

This initiative is focused on prolonging the law's effectiveness (making it permanent in time) and improving the tax incentives associated with it, particularly to encourage private sector investment in R&D, by, among other actions, (1) increasing in three times the USD$1m credit cap, (2) increasing the 35% credit to 50% in certain cases, (3) allowing small and medium enterprises (SMEs) to receive cash advances for certified R&D projects developed by them and (4) eliminating application fees.

Tax reform related to income tax changes and other incentives to the economy has been announced to occur during the first half of 2025, fulfilling a commitment made by the executive and legislative branches as part of the discussions of the recently enacted Tax Compliance Law (Law No. 21.713). The Minister of Finance, Mario Marcel, has suggested that the forthcoming amendments will introduce new tax deductions aimed at incentivizing companies to allocate more resources to R&D initiatives.

By fostering a more supportive fiscal landscape, the government aims to enhance innovation and competitiveness, making sure that the advantages of the law contribute to sustained economic growth and job creation in the nation, and increase the percentage that R&D represents in the GDP of Chile, following the guidelines of the OECD.

CORFO grants and lines of credit

Description of benefits

CORFO offers more than 50 programs and financial instruments aimed at stimulating entrepreneurship, innovation and competitiveness in the Chilean economy. Among others, some of the most relevant R&D-related instruments are listed below.[3]

Innova High Technology Program

- The objective of this program is to power, validate and scale research, development and innovation projects with high technological risk to allow them to scale globally.
- The beneficiaries are legal entities incorporated in Chile who have initiated activities in a specific business that is subject to corporate income tax. The beneficiary must have at least three years of seniority and have made sales in the last three years (not necessarily in all).
- Funding consists of a maximum total grant of CLP1 billion (circa USD1 million) to support the R&D and innovation (R&D&I) projects with global scalability potential and high technological and commercial risk. Depending on the annual sales income of the beneficiary, CORFO co-finances up to 70% of the total project cost.
- The expected results of this program are new products, services and/or processes technically validated at industrial scale, results protection and commercialization strategy designed and developed, and R&D&I capabilities strengthened.

Technological Absorption Program for Innovation

- This program seeks to enhance the capabilities for systematic innovation in a set of companies, preferably small and medium businesses, by strengthening the capacities for technological absorption, co-financing the incorporation of new knowledge and implementing leading practices and/or technologies.
- The beneficiaries are legal entities incorporated in Chile, professional corporations and individuals. It is required to have at least 24 months from the date of commencement of activities in a first category business line, which must be in force. Sales income must be accredited within the 24 months prior to the application (not necessarily in all months).
- Innova Chile will co-finance up to 60% of the total cost of the project, according to the entry option to the program, for a maximum amount of CLP390,000,000 (circa USD410,000).

[3] CORFO develops new programs and instruments every year, and some of the programs are discontinued. The requirements to apply for each of the individual programs are detailed on CORFO's website.

- The expected results of this program are strengthened innovation capacities in companies and the implementation of leading practices, knowledge and technologies.

Other occasional incentives

Development and management of a national supercomputing infrastructure specialized in artificial intelligence

- This program seeks to increase artificial intelligence capabilities in Chile through the acquisition of equipment, infrastructure development, and the creation of a governance space aimed at fostering technological development and increasing productivity in key sectors of the economy.
- Entities engaged in research and technological development may apply as beneficiaries. Such entities are understood to be legal persons, either public or private, non-profit, that are established in Chile. Additionally, it is a requirement that representatives from universities and/or government agencies participate in or have influence over their administration. In addition, legal entities constituted in Chile or abroad, public or private, profit or nonprofit, may apply as transitory beneficiaries.
- CORFO co-finances up to 80% of the total project cost, with a ceiling of up to approximately USD7 million.
- The expected results of this program are to acquire equipment and develop infrastructure specialized in artificial intelligence with a collaborative management model, guarantee the operation and availability of such infrastructure, create a collaborative platform that facilitates interaction and knowledge exchange between academia, industry and government, and design a governance and financial sustainability model that achieves continuity and long-term growth.

Platform for prototyping direct lithium extraction technologies

- This program seeks to encourage the piloting of direct lithium extraction technologies in Chile. The objective is to generate a solid base to promote a more sustainable and efficient lithium industry.
- Entities engaged in research and technological development may apply as beneficiaries. Such entities are understood to be legal persons, either public or private, non-profit, that are established in Chile. Additionally, it is a requirement that representatives from universities and/or government agencies participate in or have influence over their administration. In addition, legal entities constituted in Chile or abroad, public or private, for profit or nonprofit, may apply as transitory beneficiaries.
- CORFO co-finances up to 90% of the total project costs, with a ceiling of up to approximately USD2 million.
- The expected results of this program are to perform a comprehensive analysis of hydrogeological data and brine composition of exploitable salt flats and lagoons in Chile, evaluate potential risks and develop mitigation strategies and mainly consolidate a technical report facilitating the transfer of information for its eventual implementation.

Value recovery through the development of clean processes for cobalt separation

- This program seeks to develop technologies that allow the transformation of mining waste into usable assets, recovering cobalt through sustainable processes, and thus contributing to a more profitable and sustainable mining industry in Chile.
- Entities engaged in research and technological development may apply as beneficiaries. Such entities are understood to be legal persons, either public or private, non-profit, that are established in Chile. Additionally, it is a requirement that representatives from universities and/or government agencies participate in or have influence over their administration. In addition, legal entities constituted in Chile or abroad, public or private, for profit or nonprofit, may apply as transitory beneficiaries.
- CORFO co-finances up to 80% of the total project cost, with a ceiling of up to approximately USD3 million.
- The main expected result of this program is the definition of the amount of cobalt that can be obtained from mining waste, for the determination of extraction procedures.

Guidelines around incentive applications

The incentives are applicable for future investments. Corporations, research centers, universities and other qualified persons must apply to CORFO in accordance with the specific requirements set out for each grant (which are available at the CORFO website).

Likewise, the National Research and Development Agency (ANID, for its acronym in Spanish) is the agency in charge of managing and executing the programs and instruments aimed at promoting, fostering and developing research in all areas of knowledge, technological development and scientific-technological innovation, in accordance with the policies defined by the Ministry of Science, Technology, Knowledge and Innovation.

Like CORFO, ANID offers a wide range of funding tenders during the year based on five central pillars: networks, strategy and knowledge; human capital; applied research; centers; and research projects.

3. Eligibility requirements

Taxpayers subject to the First Category of Income Tax (corporate tax) who declare their effective revenue based on full accountancy rules and who enter an R&D contract with a duly authorized research and development center, or those who develop an R&D project using their own resources or from third parties, both duly certified by CORFO, are eligible.

"Research activities" are understood as methodical searches aimed at generating new knowledge in a scientific or technological field that may be categorized as basic research or applied research. "Development" is understood as a systematic study that takes advantage of existing knowledge gained from previous research or experience and is aimed at producing new materials, products or devices to implement new processes, systems and services or to substantially improve existing ones. Software developments are considered a development activity as long as the software development gives rise to greater knowledge to solve a scientific or technological uncertainty in a systematic way or to generate a substantial improvement and innovation in a current process, product and/or service.

Qualifying expenses eligible for tax credits/tax incentives for private investment in R&D are listed below.

R&D certified contract with a registered research center

- All expenses related to R&D contract payment qualify. Rights and procedures related to registering any IP right, when related to the R&D activity, also qualify.

R&D project (based on in-house R&D activities)

All disbursements related to the R&D project must be duly presented to CORFO upon application for certification or through the exceptional procedure described before (through which taxpayers express their will to file an R&D project to CORFO within the upcoming 18 months). In particular, the law presents some guidance:

- Eligible expenses include current expenses such as salaries and fees; direct expenses such as materials, chemical reagents, IT services and data analysis; service contracts with third parties directly related to project development (at least 50% must correspond to expenses incurred within the country); leasing, or subleasing, real estate or buildings necessary to develop the activities; expenses related to IP registration rights; and utility expenses, such as water services and electricity, which must not be more than 5% of the total expenses (although CORFO may authorize more of these types of expenses depending on each particular case).
- Expenses related to immovable property that are related to the project are eligible.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to IP.

5. Technology or innovation zones

There are no technology or innovation zones that provide R&D incentives in Chile.

6. Role of governmental bodies in administering incentives

The R&D tax incentive operates on a self-assessment basis and is jointly administered by the Chilean Internal Revenue Service (IRS) and CORFO. Under the incentive framework, CORFO is in charge of keeping a registry where the research centers may apply. Additionally, CORFO is in charge of certifying the R&D contracts entered into between a taxpayer and a research center or the R&D project that a taxpayer develops individually.

7. Administrative requirements

Research center registration

- A research center must apply for registration with CORFO. To do this, the center must attach documentation and evidence required by law and regulations to its application, as well as proof of payment of registration fees. To be registered, the center must at a minimum prove that it:
  - Has the necessary organization and means, material, and personnel to develop the R&D activities
  - Has been operating and exercising R&D activities for at least six months prior to the application
  - Has mechanisms that faithfully and clearly reflect the income and expenses that will be undertaken as part of the project

- In addition, the legal representative must file an affidavit stating that the records provided are authentic, truthful and are fully valid as of the date of submission.
- Concerning annual compliance, each May, the legal representative must inform CORFO of any substantial modifications that concern changes on the conditions under which the center applied or those that have helped it maintain registration. If no modifications have taken place, the legal representative must file an affidavit stating so.

Certification of R&D contracts with a research center

- Taxpayers who wish to benefit from the tax benefits must enter a written R&D contract for an amount of more than UTM100 (approximately USD6,800).
- CORFO must certify the contract, a process in which an analysis will be conducted to verify that:
  - The contract's purpose is to develop R&D activities.
  - The activities to be developed are related to the center's resources, material and personnel to accomplish the objective.
  - The price of the contract is at market value.
- CORFO will be in charge of ensuring that the contract has been properly fulfilled. Tax benefits may be lost if CORFO determines that there has been a breach of contract.
- The IRS is empowered to review these contracts to verify whether the objectives are being executed in the terms agreed upon and that the projects being developed in relation to the organization and resources available to the respective research center are duly registered.

R&D project certification

- CORFO must certify the project for the taxpayer to access the benefit. Therefore, the taxpayer must complete an application with CORFO, in which the latter must verify that the taxpayer:
  - Has an R&D project that includes an R&D purpose, with a cost greater than UTM100, and has adequate capacity in material and personnel to develop the project
  - Has mechanisms that faithfully and clearly reflect the income and expenses that will be undertaken as part of the project
  - Has filed an affidavit stating that the records provided are authentic, truthful and fully valid as of the date of submission
  - Has verified that the costs correspond to the activities to be developed and reflect market values
- CORFO will be in charge of ensuring that the contract has been properly fulfilled throughout the duration of the project.
- Concerning annual compliance, the taxpayer must inform CORFO and the IRS regarding R&D projects that are ongoing or that have been executed in the past 12 months, identify the people to whom payments have been made under these projects and the amount of these payments, and give the total cost of each project certified by CORFO through an annual affidavit.

Sworn statements to be filed before the Chilean IRS

- According to the instructions provided by the Chilean IRS, the two sworn statements involved to use this benefit are the following:
  - **Sworn Statement No. 1841**
    This form must be filed by every taxpayer that uses the tax benefit established in Law No. 20.241, but only in case the payment of disbursements related to projects and/or respective research and development contracts have been sponsored partially with public resources, all in accordance with the provisions of the final paragraph of article 5 and article 21 of Law No. 20.241 amended by Law No. 20.560 of 2012.
    If the payment of a specific contract or project has been 100% sponsored with the taxpayer's own resources, said contract or project should not be informed in this sworn statement. Similarly, if all the research and development contracts signed by the taxpayer or all the projects developed by the taxpayer have been sponsored with their own resources, it is not obligated to present this sworn statement.
    Deadline: 29 March of the year following when the disbursements took place
  - **Sworn Statement No. 1840**
    This form must be filed by the research centers or, when appropriate, by the sponsoring legal entity that concludes research and development contracts of those referred to in Article 3 of Law No. 20.241, all in compliance with the provisions of subsection eight of article 5 of said law.
    Deadline: 29 March of the year following when the disbursements took place

8. Statutory reference

- Law No. 20.241
- Law No. 20.570 (amending Law No. 20.241)
- Decree No. 102, 2012 (regulations)

China Mainland

This chapter refers to the mainland China tax jurisdiction and is based on information as of February 2025.

A number of new tax regulations that significantly changed the landscape of R&D incentives in China have started to take effect since 2016. Although many preconditions have been relaxed to a certain extent, taxpayers are facing increased uncertainty in tax regulation interpretation and a more stringent ongoing monitoring and assessment process. In addition, new regulations have introduced updated application or filing procedures, which could take time for government authorities to digest and implement, especially when various authorities are involved in one application or filing step.

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1. Overview

Most of the R&D incentives have been available in China for many years, and overall, the regime is maturing with constantly issued laws and regulations. However, as some regulations are still not explicit, authorities in different locations may have different interpretations and treatments regarding R&D incentives.

The government encourages R&D activities, while taking a stringent position on the review and assessment of R&D incentives. Government preapproval or record filing is required to claim R&D tax benefits. Taxpayers are required to submit all relevant information to the government as early as possible (including the R&D project budget, descriptions of specific R&D projects, categories of R&D expenditures, and management or board meeting documents authorizing R&D project(s)) or retain such information in preparation for potential future tax assessment.

China offers incentives to taxpayers eligible for the Technologically Advanced Service Company (TASC) and the High and New Technology Enterprise (HNTE) status. TASC and HNTE refer to companies with advanced technologies and qualified personnel to produce products or provide services. It also provides pretax super deductions of 175% to 200% on qualifying R&D expenses actually incurred during the year. In addition, China provides a reduced tax rate for corporate income tax (CIT) exemption, value-added tax (VAT) exemption and reduction for the transfer of qualified technologies for TASC.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Incentives for TASC status*	Incentives for HNTE status	R&D expenses super deduction	Incentives for qualified technology transfer income
Types of incentives	■ Reduced tax rates	■ Reduced tax rates ■ Tax holiday	■ Super deduction	■ Tax exemption and reduction

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Incentives for TASC status

Description of benefits

The following tax benefits are available to companies qualifying as TASCs nationwide from the beginning of 2017:

- A reduced CIT rate of 15%
- A zero VAT rate treatment on qualified offshore outsourcing service income

A preapproval process is required to obtain the incentives.

Guidelines around incentive applications

The incentive is applicable for current investments. A company with TASC certifications may enjoy a 15% reduced CIT rate within the validation period of the certification. The application package should be submitted with the relevant forms in the CIT filing return and VAT filing return, which include Form "Breakdown for Declaration of Tax Exemption, Credit and Refund for Zero-rated VAT Taxable Services" and Form "Breakdown of Payments Made for Zero-rated VAT Taxable Services Provided" of the VAT return.

Incentives for HNTE status

Description of benefits

- A reduced CIT rate of 15% is available to HNTEs.
- For a qualified HNTE newly established in one of the five Special Economic Zones or the Shanghai Pudong New Area on or after 1 January 2008, the enterprise may be entitled to a tax holiday of "two years' exemption and three years' half deduction" from the first year in which it derives production or operating income.
- From 1 January 2018, tax losses may be carried forward by an HNTE up to 10 years (e.g., tax losses incurred in 2013 that have not yet been used by 2018 by an HNTE may be carried forward for another five years).
- For an enterprise with an HNTE qualification effective in 2022 Q4, the full amount of fixed assets other than houses and buildings newly purchased during the period from 1 October 2022 to 31 December 2022 may be deducted from the taxable income amount on a one-off basis in the current year and may conduct a 100% super deduction before tax.
- From 1 January 2023 to 31 December 2027, advanced manufacturing enterprises, which refer to high-tech enterprises (including their noncorporate branches) that are general taxpayers in the manufacturing industry, are allowed to deduct a weighted 5% of the current deductible input tax amount from the VAT payable.
- A preapproval process is required to obtain the incentive.

Guidelines around incentive applications

The incentive is applicable for current investments. A company with HNTE certifications may enjoy a 15% reduced CIT rate within the validation period of the certification. The relevant information or documents should be submitted for tax authority review each year that HNTE status is requested, which is due within five months after the end of the tax year (the statutory annual filing deadline). The relevant forms in the CIT filing return should be submitted, including Form A107041 of the return.

R&D expenses super deduction

Description of benefits

- According to CIT Law, from 1 January 2018 to 31 December 2023, resident enterprises are allowed to deduct 175% of qualified R&D expenses for CIT purposes, among which the super deduction of R&D expenses for manufacturing enterprises shall be further raised from 175% to 200% (with retroactive effect from 1 January 2021). Moreover, the super deduction rate for qualified R&D expenses incurred during the period from 1 October 2022 to 31 December 2022 increased from 175% to 200% for eligible enterprises other than manufacturers and high-tech small and micro enterprises (SMEs).
- An enterprise can first deduct the R&D expenses in the amount allowed under the regulations and then deduct an additional amount equaling 100% of the amount incurred before tax from 1 January 2023; if they are formed into intangible assets, pre-tax amortization based on 200% of the costs of the intangible assets are allowed as of 1 January 2023.
- If an enterprise can accurately collect and account its R&D expenses when it files its CIT returns in July for the second quarter (quarterly prepayment) or June (monthly prepayment), it may consider its actual production and operation conditions and independently opt to use the super deduction policy for R&D expenses for the first half year of the current year. Where an enterprise can accurately collect and account research and development expenses when it files prepayment of corporate income tax in October for the third quarter (quarterly prepayment) or September (monthly prepayment), it may, taking into account its actual production and operation conditions, opt to use the weighted deduction policy for research and development expenses for the first three quarters of the current year.
- Where an enterprise that does not opt to enjoy the incentives in the prepayment filing period in October is able to accurately collect and account its research and development expenses at the time of annual final settlement, it may, taking into account its actual production and operation conditions, opt to take the incentives on a unified basis when it makes annual final settlement.
- An integrated circuit enterprise or an industrial master machine enterprise can first deduct the R&D expenses in the amount allowed under the regulations and then deduct an additional amount equaling 120% of the amount incurred before tax during the period from 1 January 2023 to 31 December 2027 on the basis of actual deduction in accordance with the regulations; those formed into intangible assets shall be amortized before tax in accordance with 220% of the cost of the intangible assets in the aforesaid period.
- A documentation filing process is required to secure the incentive.

Guidelines around incentive applications

The incentive is applicable for current investments. The incentives related to the R&D expenses super deduction should be claimed during the annual CIT filing, which is due within five months after the end of the tax year (the statutory annual filing deadline). Companies can judge by themselves whether they are qualified for the incentive, and the related documents should be kept for record and potential assessment by the tax authority in the future. In the meantime, the super deduction amount should be reflected in Form A107012 of the annual CIT filing return.

Incentives for qualified technology transfer income

Description of benefits

- According to CIT Law, CIT can be exempted and reduced for qualified technology transfer income.
  - If the resident enterprise's income from its technology transfer does not exceed RMB5 million (about USD806,452), CIT may be exempted.[1]
  - For the part of the enterprise's income exceeding RMB5 million, 50% of the enterprise income may be exempted.
  - Furthermore, according to Caishui [2020] No. 61, for resident enterprises registered in the specific area of Zhongguancun Science Park, CIT may be exempted for qualified technology transfer income that does not exceed RMB20 million in a tax year and exempted 50% for the part exceeding RMB20 million.
- A documentation filing process is required in securing the incentive.

Guidelines around incentive applications

The incentive is applicable for current investments. The incentives related to qualified technology transfer income should be claimed after the end of each tax year, and the claim is due no later than five months after the end of the tax year (the statutory annual filing deadline). The relevant forms in the CIT filing return should be submitted, including the Basic Information Form on Taxpayers, Form A107020 of the annual CIT filing return.

[1] Assuming USD100=RMB620.

3. Eligibility requirements

Incentives related to HNTE status

Key considerations:
- The HNTE certificate must be obtained before applying for preferential tax treatment from the in-charge tax authority.
- The recognition of HNTE is jointly managed by the Ministry of Science and Technology (MOST), the Ministry of Finance (MOF) and the State Administration of Taxation (SAT), with MOST carrying out initial checks.
- HNTE status certificate is valid for three years from the date of issuance.

Major recognition criteria of HNTE:
- Core intellectual property (IP) rights ownership
- Products or services falling within the scope of the catalog of key high-technology and new-technological territories
- Headcount requirement for R&D personnel (no less than 10% of total headcount for R&D)
- Minimum R&D expenses requirement (3% to 5% of R&D expenses over turnover for the preceding three accounting periods)
- Minimum revenue requirement from high-technology and new-technology products or services (60% of total annual revenue)
- Four analyses required on the amount and quality of proprietary IP, capability for commercialization, ability of execution and management of R&D activities, and growth of revenue and net assets

Incentives related to TASC status

Major recognizing criteria of TASC:
- For the CIT incentive:
  - Engaging in one or more qualified technologically advanced outsourcing services (information technology outsourcing (ITO), business process outsourcing (BPO) and knowledge process outsourcing (KPO)), adopting advanced technologies or possessing strong research and development capacities
  - Minimum education level requirement for employees (50% graduates with an associate degree or above)
  - Minimum revenue requirement from qualified technologically advanced services (50% of annual total revenue)
  - Minimum revenue requirement from qualified offshore outsourcing services (35% of annual total revenue)
- For zero-VAT treatment on the qualified offshore outsourcing service income:
  - Providing qualified technologically advanced outsourcing services in ITO, BPO or KPO fields to overseas entities

R&D expenses super deduction

See the table below for the scope of qualified R&D expenses.

Qualifying expenditures	Detailed explanation
Labor cost	■ Expenditures for employees directly engaging in R&D activities: salaries, standard pensions funds, standard medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing funds, stock options ■ Service fee for external R&D personnel, including labor dispatching
Direct investment cost	■ Materials, fuel and power costs directly consumed for R&D activities ■ Development and manufacturing costs of equipment and molds used for testing and experiments; costs of samples and prototypes that do not constitute fixed assets and expenses for general testing solutions ■ Inspection fees for experimental products ■ Expenditures for maintenance, adjustment, testing and rental cost on devices and equipment for R&D
Depreciation expenses	■ Depreciation expenses for devices and equipment for R&D
Amortization expenses of intangible assets	■ Intangible assets used for R&D, including: ■ Software ■ Patents ■ Non-patented technologies (licensing, know-how, design and calculation method, etc.)
Designing fees for new products, etc.	■ Expenses incurred relevant to: ■ Design of new products ■ Formulation of procedures with new techniques ■ Clinical trial for new pharmaceuticals ■ On-site testing for exploration technology
Other costs directly related to R&D activities (capped at 10% of the total qualifying R&D expenditures)*	■ Expenditures for technical books and information ■ Translation fees ■ Expert consultation fees ■ Insurance premium for R&D of high and new technology ■ Expenditures for research, analysis, review, verification, identification, evaluation, assessment and inspection of R&D results ■ Application, registration and agency fees for IP ■ Travel and meeting expenses ■ Welfare expenses ■ Supplement pension funds ■ Supplement medical insurance

* According to SAT PN [2021] No. 28, where an enterprise engages in multiple R&D projects in a tax year, the "other relevant expenses" directly incurred in R&D activities that are eligible for super deduction are subject to a cap of 10% of total qualifying R&D expenses and should be calculated as follows:

Upper limit of other relevant expenses for all R&D projects = Eligible R&D expenses for all R&D projects, excluding other relevant expenses × 10% / (1 - 10%)

This formula replaces the previous stipulation in this regard as prescribed in SAT PN [2015] No. 97 (PN 97, i.e., PN regarding issues related to policies for the super deduction of R&D expenses for CIT purposes) where the upper limit of other relevant expenses eligible for super deduction is required to be calculated on a project-by-project basis.

The new formula may allow an enterprise engaging in multiple R&D projects in a year to come up with a higher amount of upper limit of other relevant expenses comparing to the previous formula.

* SAT PN [2021] No. 28 announced a simplified version of subsidiary ledgers (i.e., format and explanatories are set out in Attachments I and II of SAT PN [2021] No. 28) to record qualifying R&D expenses. The enterprises may choose to adopt the simplified ledgers, the original subsidiary ledgers announced in PN 97 or ledgers designed on their own (data and logical relationships displayed in the simplified version should be included in the ledgers designed by the enterprises). The ledgers should be retained for tax authorities' future verification.

Incentives related to the qualified technology transfer income

Criteria for CIT incentives:
- The technology transferor must be a tax resident company within China.
- The technology transferred shall fall into the scope specified by the MOF and the SAT.
- The technology transfer within China shall be recognized by the provincial-level science and technology authorities or above.
- The transfer of technology to overseas shall be recognized by the provincial-level commerce authorities or above.
- There may be other criteria specified by the relevant in-charge authorities.

Scope of qualified technology transfer:
- Transfer of patent technology
- Transfer of computer software copyright
- Transfer of right of integrated circuits layout designs
- Transfer of new species of plant
- Transfer of biopharmaceutical products
- Transfer of exclusive technology use right with a period of no less than five years
- Transfer of other technology authorized by the MOF and SAT

4. IP and jurisdictional requirements

The IP must be registered and owned locally. The company claiming the R&D incentive must have effective ownership of the IP, or benefit from non-IP R&D results.

5. Technology or innovation zones

There are many National Economic and Technological Development Zones (NETD Zones) in China, and various preferential treatments of financial subsidies are provided to companies established inside the NETD Zones. R&D incentives provided by each NETD Zone are diverse, according to the different development status and development policies of each NETD Zone. There are no specific uniform R&D incentives to these zones other than the incentives listed.

R&D incentives are mainly provided by local authorities of NETD Zones by way of rewards or subsidies. The types of R&D incentives include land/office price reduction, one-off subsidy and financial subsidies to attract the R&D headquarters/center or technological companies, technology innovation project/program financing, additional subsidies to the original R&D incentives, subsidies to the talents engaging in scientific and technological innovation, and rewards for the technology innovation honors.

6. Role of governmental bodies in administering incentives

Incentives related to HNTE status

- Involved government agencies:
  - MOST, MOF and SAT
- The MOST, MOF and SAT are responsible for the guidance, management and supervision of the HNTE recognition procedures nationwide. The actual processing of application for recognition as an HNTE and the subsequent monitoring will be carried out by the recognition institutes at the provincial level set up by local offices of the MOST, MOF and SAT. When the company is granted the HNTE status, it shall submit the relevant application documents to the in-charge tax bureau to claim the relevant tax incentive for HNTE.

Incentives related to TASC status
- Involved government agencies:
  - MOF, SAT, the Ministry of Commerce (MOC), MOST and the National Reform and Development Commission (NRDC)
- Eligible companies should submit the application documents to the local science and technology authority, which jointly manages the recognition of TASC with local authorities of commerce, finance, tax, and national reform and development. When the company is granted the TASC status, it shall submit the certificate and relevant application documents to the in-charge tax bureau to claim the tax incentive.

R&D expenses super deduction

- Involved government agencies:
  - SAT, tax authorities at local levels, and the science and technology authorities at city level or above
- There is no need for taxpayers to submit supporting documents to the in-charge tax bureau during the annual CIT filing to claim the super deduction for R&D expenses. However, it is required by China tax regulations that at least 20% of all taxpayers that applied for R&D expenses super deduction shall be assessed on an annual basis, during which supporting documentation may be required to be submitted for review purpose. The tax bureau may seek help from the science and technology authorities at the city level or above in the qualification assessment of R&D expenses.
- If the company and the tax authorities cannot agree on the allocation basis and amounts allocated for shared R&D expenses within a group, the involvement of the provincial-level tax authorities for a ruling may be required when the group has subsidiaries in different provinces, autonomous regions and cities.

Incentives related to the qualified technology transfer income

- Involved government agencies include tax authorities at local levels, science and technology authorities at provincial level or above and commerce authorities at provincial level or above.
- The company should submit the required documents to the in-charge tax authorities for a record to claim CIT exemption or reduction for qualified technology transfer income. The technology transfer within China shall be recognized by the provincial-level science and technology authorities or above, while the cross-border transfer of technology shall be recognized by the provincial-level commerce authorities or above.

7. Administrative requirements

Government preapproval or record filing is required to claim R&D tax benefits. Taxpayers are required to submit all relevant information to the government when necessary, including the R&D project budget, descriptions of specific R&D projects, categories of R&D expenditures, and management or board meeting documents authorizing R&D project(s), or retain such information to get ready for potential tax assessment in the future.

7.1 Annual compliance requirements

Incentives related to HNTE status

- In general, HNTE companies should submit a record filing form to the in-charge tax bureau before their annual CIT filing. Relevant documents, including the HNTE certificate and specified forms about R&D expenditure ratio and sales/service income analysis, etc., shall be retained for potential tax assessment in the future.

Incentives related to TASC status

- In general, TASC companies should submit relevant documents or information to the in-charge tax bureau during their annual CIT filing. For example, relevant documents include the total revenue on technologically advanced services and specified forms about the offshore outsourcing service revenue ratio.

R&D expenses super deduction

To enjoy the tax incentive, the following documents need to be retained for a potential tax assessment in the future:

- R&D super deduction form in the annual filing package
- Proposals and R&D expenses budgets
- Headcount and names of R&D professionals
- R&D expense super deduction form, which is used to record qualified R&D expenses, excluding those already booked as cost of intangible assets, actually incurred for a tax year
- Relevant board resolutions or resolutions of general manager meetings
- Contracts or agreements of relevant R&D projects
- R&D project progress explanatory reports and research results reports
- Other materials required by the in-charge tax bureau

The company may engage a qualified accounting firm or tax agent firm to issue special-purpose audit reports or verification reports to claim a super deduction.

Incentives related to the qualified technology transfer income

A company that makes a technology transfer transaction should submit relevant documents to the in-charge tax bureau for the record after the end of the tax year and before submitting CIT annual filing returns. Relevant documents include:

- Technology transfer agreement (copy)

- The registration certificate issued by the provincial level of science and technology department or above for transfer of technology within China or technology export registration certificate (or technology export permit) issued by the provincial level of commerce department or above for transfer of technology to overseas parties
- The information with regard to accumulation, allocation and calculation of technology transfer income
- Certificate for tax or fee actually paid
- Other information if required by in-charge tax authorities

7.2 The certification requirement

Incentives related to HNTE status

- The recognition of HNTE is carried out by the recognition institutes at the provincial level set up by local offices of the MOST, MOF and SAT. Typically, there are six steps in the HNTE recognition procedure:
  1. Online self-assessment
  2. Online registration
  3. Documents submission
  4. Assessment and HNTEs list confirmation by the MOST, MOF and SAT at the provincial level
  5. Public opinion solicitation
  6. Application for preferential tax treatments (if no objection is incurred in Step 5) and the HNTE certificate is issued
- An HNTE certificate is valid for three years from the date of issue and shall be reapplied for once it has expired.

Incentives related to TASC status

- A company qualified for TASC should apply to the local authority of MOST. The recognition of TASC is jointly managed by local authorities of MOF, SAT, MOC, MOST and NRDC. Typically, there are seven steps in the TASC recognition procedure, subject to different provincial rules and practices:
  1. Online registration
  2. Online declaration and submission of documents
  3. Preliminary examination and recommendation by the prefecture-level offices of MOF, SAT, MOC, MOST and NRDC
  4. Assessment and TASC list confirmation by the provincial-level offices of MOF, SAT, MOC, MOST and NRDC
  5. Public opinion solicitation
  6. Submission to the state-level offices of MOF, SAT, MOC, MOST and NRDC for the record
  7. Announcement and TASC certificate issuance
- A TASC certificate is valid for three years from the date of issue but is eligible for renewal through a reassessment procedure three months prior to its expiration.

Incentives related to the qualified technology transfer of income

- A registration certificate for the technology transfer contract is necessary when applying for tax incentives at the tax bureau. An agreement for technology transfer within China should be registered with the authorities of science and technology at the provincial level or above, while the cross-border technology transfer should be registered with commerce authorities at the provincial level or above.
- If the cross-border technology transfer agreement involves technology that was developed with government financial support, it should be subject to approval from departments of science and technology at the provincial level or above. The documents to be submitted mainly include the agreement, and scanned copies of the involved intellectual property certificates. The registration requirement may vary among authorities in different provinces.

8. Statutory reference

Regulations	Effective year
Incentives related to HNTE	
Article 28 of CIT Law	2007
Article 93 of Implementation Regulation of CIT Law	2007
Guo Fa [2007] No. 40	2007
Guoshuihan [2009] No. 203	2009
Caishui [2011] No. 47	2011
Guokefahuo [2016] No. 32	2016
Guokefahuo [2016] No. 195	2016
Announcement of the SAT [2017] No. 24	2017
Caishui [2018] No. 76	2018

Regulations	Effective year
MOF/SAT/MOST [2022] No. 28	2022
MOF/SAT [2023] No. 43	2023
MOF/SAT/MOST [2024] No. 248	2024
Incentives related to TASC	
Guobanhan [2009] No. 9	2009
Guo Ke Huo Zi [2009] No. 152	2009
Caishui [2014] No. 59	2014
Caishui [2017] No. 79	2017
Caishui [2018] No. 44	2018
R&D super deduction	
Article 30 of CIT Law	2007
Article 95 of Implementation Regulation of CIT Law	2007
Caishui [2015] No. 119	2015
Announcement of the SAT [2015] No. 97	2015
Caishui [2017] No. 34	2017
Announcement of the SAT [2017] No. 40	2017
Caishui [2018] No. 64	2018
Caishui [2018] No. 99	2018
Announcement of the SAT [2019] No. 41	2019
MOF/SAT [2021] No. 13	2021
SAT PN [2021] No. 28	2021
MOF/SAT/MOST [2022] No. 28	2022
MOF/SAT [2023] No. 7	2023
SAT/MOF [2023] No. 11	2023
MOF/SAT/NDRC/MIIT [2023] No. 44	2023
Incentives related to the qualified technology transfer income	
Article 27 of CIT Law	2007
Article 90 of Implementation Regulation of CIT Law	2007
Guoshuihan [2009] No. 212	2009
Caishui [2010] No. 111	2010
Announcement of the SAT [2013] No. 62	2013
Announcement of the SAT [2015] No. 82	2015
Caishui [2020] No. 61	2020

Colombia

This chapter is based on information as of February 2025.

In recent years, the call for tax benefits in Colombia for investments in R&D has attracted more public attention and resulted in a higher rate of projects submitted and approved. In 2013, 54 projects were submitted and 21 were approved; in 2023, 398 projects were submitted and 284 were approved. On 27 December 2016, Colombia approved a tax reform plan that came into effect in fiscal year 2017. One of the key areas of the plan was the promotion of investments

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in science, technology and innovation through tax benefits. Under the plan, the tax deduction of 175% for investments in scientific and technological projects was replaced by a 25% tax discount, a measure that has benefited companies and boosted the call for tax benefits. On 13 December 2022, Colombia approved a new tax reform plan that increased the tax discount from 25% to 30% and allowed large companies to apply for a tax credit of up to 50% of the investment made in R&D projects, provided they are executed in conjunction with a micro, small or medium-sized enterprise (MSME).

1. Overview

R&D plays a crucial role in the comprehensive development of a country, influencing key areas such as health, communications, transportation, infrastructure, environment, food, housing, education, culture and security. These fields are vital for creating effective solutions to address society's needs and contribute to overall wellbeing. Additionally, they foster international competition in emerging global markets.

In Colombia, the tax benefits instrument for investment, established by Law No. 6 of 1992 and continuously updated, aims to indirectly finance science, technological and innovation (STI) activities and serve as a link between the private and academic sectors of the country. This initiative is based on information and proposals from various national development plans, the National Council of Economic and Social Policy (CONPES), the Organisation for Economic Co-operation and Development (OECD) and the Colombian Mission of Wise Men – 2019.

The OECD 2022 report highlights the increasing use of tax incentives as a key tool to support business innovation in many countries, including Colombia. This approach has been essential in increasing investment in R&D in the country. Additionally, significant support for R&D activities is observed from economic property, especially in independent national companies and subsidiaries of OECD member countries.

Colombia has maintained a firm commitment to promoting and strengthening STI activities for over three decades, developing strategies and partnerships with both public and private entities, nationally and internationally. This effort aligns with the National Development Plan 2022–26, "Colombia: A global powerhouse for life," which prioritizes research and innovation as catalysts for reindustrialization and the transition to a knowledge-based economy.

In this context, the Ministry of Science, Technology, and Innovation (Ministry of Science) has promoted the Mission-Oriented Research and Innovation Policy (MO-RIP), prioritizing efforts and resources in strategic areas, such as bioeconomy, food security, sustainable energy, health and social wellbeing, as well as peace and citizenship. Stakeholders are encouraged to take advantage of available tax incentives and continue to drive investment in R&D to advance toward a productive and sustainable knowledge-based economy.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☐
Expedited government approval process	☑
VAT reimbursement	☑
Qualifies for Horizon Europe funding	☐
Other (tax discount)	☑

2. Incentives available

Name of incentive	Tax discount on income tax for investments in research, technological development and innovation*	Expedited government approval process	VAT exemption for imports in research, development and innovation	Tax exemption on new software with high scientific content	Exempt income for resources for science, technology and innovation, and payment of work performances related to these concepts	Financial support of strategic programs and/or projects of applied research, technological development and innovation
Type of incentive	■ Tax discount	■ Expedited government approval process	■ Tax exemptions	■ Tax exemptions	■ Tax exemptions	■ Financial support

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Tax discounts on income tax for investments in research, technological development and innovation

Description of benefits

A 30% tax discount is offered for investments in science, technology and innovation projects, aiming to solve commercial problems, generate new knowledge, take advantage of new market opportunities or solve internal processes problems. The Colombian tax authorities establish a yearly budget for each round. The authority that makes this definition is the National Commission of Tax Benefits.

Guidelines around incentive applications

The incentive is applicable for current and future investments. The Ministry of Science annually launches a call, which goes from July to September, for the allocation of quotas for the present fiscal year. The discount can be taken any year after qualification via a process through the Ministry of Science.

The Ministry of Science will not publish the call for Tax Discount/Tax Credit applications until it has received prior approval of the budget allocation from the Ministry of Finance.

Tax credit for offsetting national taxes for investments in R&D

Description of benefits

A tax credit of 50% of a company's R&D budget, as approved by the Ministry of Science, may be used for offsetting national taxes. The tax credits are valid for two years once the respective certificate is issued for offsetting national taxes. Tax credits exceeding 1,000 UVT (approximately COP47 million) may request Tax Refund Titles (TIDIS) for the value of the tax credit.

Guidelines around incentive applications

The incentive is applicable for current and future investments. The Ministry of Science annually launches a call for the allocation of quotas for the current fiscal year (between July and September). Any legally constituted company in Colombia that technically and financially co-executes the investment project with an MSME may apply.

The Ministry of Science will not publish the call for Tax Discount/Tax Credit applications until it has received prior approval of the budget allocation from the Ministry of Finance.

VAT exemption for imports in research, development and innovation

Description of benefits

A value-added tax (VAT) exemption applies to equipment imported by research or technological development centers and basic education institutions, including elementary, middle or high schools or higher education institutions that are dedicated to the development of projects rated as scientific, technological or innovative.

Guidelines around incentive applications

The incentive is applicable to current investments. The tax benefit must be claimed in the fiscal year in which it occurs. The exemption must be registered in the VAT Return, Form 300. Institutions, R&D centers and the projects must be preapproved as eligible by the Ministry of Science. Applications must be made electronically via the the Ministry of Science website, https://minciencias.gov.co/.

Revenue not taxed with income tax for natural persons, who work as employees, in the execution of research, technology and innovation projects

Description of benefits

Income derived from the development of scientific, technological and innovation projects, according to the criteria and conditions set by the Ministry of Science, may be exempt from tax. The same treatment is applied to the compensation of individuals for the direct execution of work of scientific, technological and innovation purposes, provided that such compensation is derived from the respective resources for the project. The projects must accomplish the criteria and requirements stated by the Ministry of Science.

Guidelines around incentive applications

The incentive is applicable to current investments. The tax benefit must be claimed in the taxable year corresponding to the investment. The exemption must be registered in the income tax return.

Financial support of strategic programs and/or projects of applied research, technological development and innovation

Description of benefits

The Ministry of Science promotes the availability of a range of strategic programs and projects of applied research, technological development and innovation in the form of co-financing and financing.

Guidelines around incentive applications

The incentive is applicable to current and future investments. The Ministry of Science chooses the programs and/or projects to which the tax benefit is available.

3. Eligibility requirements

To apply for the tax benefits, projects that are applicable for the R&D incentives must be preapproved by the Ministry of Science. Qualifying activities include:

- Projects for investment in science and technology
- Software development
- Patents
- Strategic programs and/or projects of research, technological development and innovation
- Business and external commerce development
- Importing equipment and tools under certain conditions, among other activities

4. IP and jurisdictional requirements

There are no specific jurisdictional requirements related to intellectual property (IP) to get the benefits.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Colombia. Nevertheless, the technology or innovation zones that are constituted as Free Zones will benefit from a special rental rate of 20%, in addition to VAT and tariff exemptions.

6. Role of governmental bodies in administering incentives

The Ministry of Science fulfills an important role in administering incentives, including approving, studying and controlling the application of the majority of the benefits by qualifying applicable projects and the benefited entities.

The Colombian Tax Authority (Dirección de Impuestos y Aduanas Nacionales, or DIAN) maintains its audit role on incentives with a tax impact.

The Department of Agriculture is required to recognize nonprofit entities that gain a tax benefit arising from donations in the agricultural industry.

The Department of National Education is required to recognize entities that gain an income tax deduction for investment in the education sector. To obtain the tax exemption on new software with high scientific content, the taxpayer must obtain a patent registration from the Superintendent of Industry and Trade.

7. Administrative requirements

The Ministry of Science administers the preapproval process mainly through its website. The information required to be submitted to the Ministry of Science depends on the type of incentive applied for and the fulfillment of the parameters and conditions established by CNBT.[1] In addition, the Ministry of Science, the Superintendent of Industry and Trade, the Department of Agriculture, the Department of National Education and ANLA manage processes related to certificates.

For any project presented in the Ministry of Science in search of tax benefits, the taxpayer must structure the investment technically and financially. Technically, the problem to be solved must be answered with the execution of the project, defining the methodology of execution of the project and the objectives to be achieved. Financially, all the items of which the expense is composed must be detailed. The taxpayer should look for an R&D group recognized by the Ministry of Science (in Colombia, there are approximately 4,000 groups) that will supervise the project to be presented.

The Ministry of Science takes six months to evaluate the projects, and during that time it can request clarification requirements from the taxpayer.

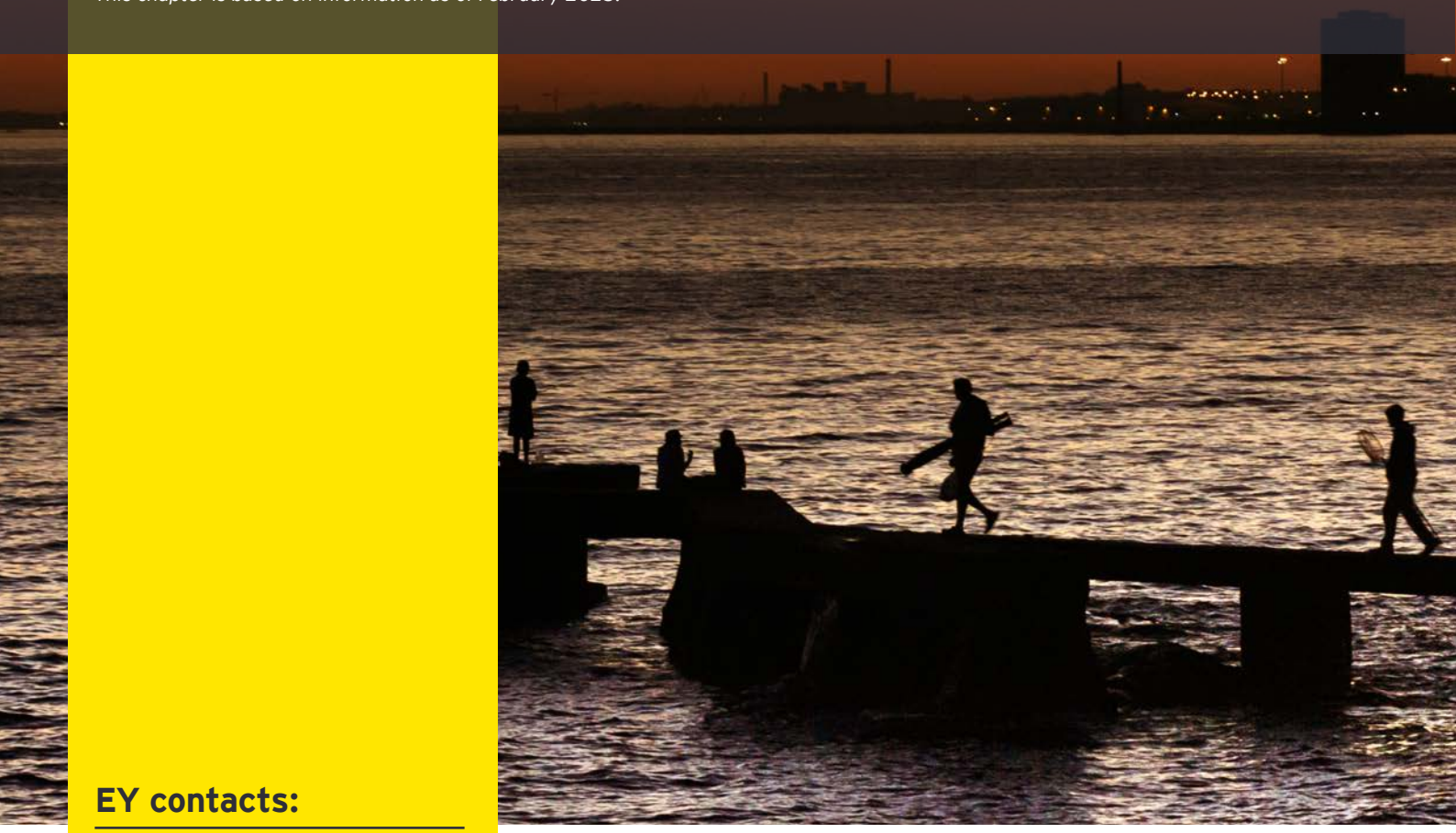
8. Statutory reference

- Articles 57-2, 256, 256-1 and 428-1 of the Colombian Tax Code
- Decree 2755 of 2003
- Resolution 1855, 2010
- Law 450 of 2011
- Law 1607 of 2012
- Agreements 3 and 4 of 2011; Agreements 5, 6 and 7 of 2012 (Administrative Department of Science, Technology and Innovation)
- Law 1819 of 2016
- Law 2277 of 2022

[1] CNBT stands for Consejo Nacional de Beneficios Tributarios en Ciencia, Tecnología e Innovación, which translates to National Counsel of Tax Benefits on Science, Technology and Innovation. The main function of the CNBT is to establish the criteria and conditions to qualify the projects for tax benefits on science, technology and innovation purposes.

Curaçao

This chapter is based on information as of February 2025.



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1. Overview

The Curaçao taxation system recognizes the importance of stimulating local R&D activities throughout the R&D life cycle, from development to the exploitation of successful R&D. The government of Curaçao emphasizes the importance of R&D and its willingness to stimulate these activities.

As such, Curaçao has incentives to lower the tax burden for income from R&D activities and related investments. This includes a reduced profit tax rate for income from certain qualifying intangible assets and a tax holiday for qualifying taxpayers who perform R&D activities in relation to product and process innovation.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Innovation box	Tax holiday
Type of incentive	■ Patent-related incentives that effectively lead to a reduced profit tax rate on qualifying income from qualifying intangible assets.	■ Temporarily reduced profit tax rate and exemptions for real estate tax, import duties and turnover tax, and personal income tax

Innovation box

Description of benefits

Income from intellectual property (IP) in Curaçao may be subject to a reduced profit tax rate to the extent that the income is realized from intangible assets for which R&D is performed in Curaçao or from intangible assets developed for the account and risk of Curaçao tax-resident entities by a foreign unaffiliated enterprise.

As a general rule, a taxpayer may apply for a reduced effective tax rate of 0% for qualifying income from qualifying intangible assets upon filing the profit tax return. Definitions of "qualifying income" and "qualifying intangible assets" are discussed below. Non-qualifying income from non-qualifying intangible assets will, in principle, be taxed at the general profit tax rate of 22% (15% for the first USD280,000 as of 2023).

Guidelines around incentive applications

Qualifying intangible assets

Qualifying intangible assets are intangible assets from R&D activities for which the taxpayer obtained an R&D certificate issued by the Bureau of Telecommunication and

Post of Curaçao (in Dutch: *"Bureau Telecommunicatie en Post,"* or BTP) and:[1]

1. In respect of which a patent or breeder's right has been granted to the taxpayer or in relation to which the application process for a patent or breeder's right is ongoing
2. Which has the form of copyrighted software
3. In respect of which a permit to place a medicinal product on the market has been granted
4. In respect of which the taxpayer obtained a supplementary protection certificate from a patent office or a similar body
5. In relation to which the taxpayer obtained a registered utility model for the protection of innovation

Or

6. Which is related to an intangible asset mentioned under points 1 to 5

The requirements mentioned under points 1 to 6 above will not apply to a taxpayer that can be regarded as a "small taxpayer" and has an R&D certificate from BTP for intangible assets with similar characteristics. A taxpayer will be regarded as a "small taxpayer" if:

- The amount of benefits received by the taxpayer in the course of the financial year and the four preceding financial years from intangible assets that have ensued from R&D activities for which the taxpayer obtained an R&D certificate issued by BTP (increased with the expenses to obtain mentioned benefits in those years) does not exceed ANG75 million.
- The total net turnover of the taxpayer (or of the group to which the taxpayer belongs) does not exceed ANG500 million according to the (consolidated) financial statements of the financial year and the four preceding financial years. For these purposes, net turnover means the proceeds from the supply of goods and services by the taxpayer (or the group to which the taxpayer belongs) after deduction of discounts and taxes levied on turnover.

The Curaçao Ministry of Finance released guidance on the innovation box regime in the form of a ministerial decree on 5 February 2022 (the Decree). The Decree, in general, provides BTP with guidelines on how to assess R&D certificate applications and under what circumstances an R&D certificate should be granted.

[1] The following categories of assets may also qualify as "qualifying intangible assets" for the application of the IP regime if all other requirements are met: (a) an exclusive license to use an intangible asset ensued from R&D activities, for which an R&D certificate issued by BTP was obtained, in a certain way, for a certain period of time, or in a specific geographical region, and (b) a new intangible asset ensued from R&D activities of the taxpayer in relation to an existing intangible asset that was not developed by the taxpayer itself. Brand names, logos and comparable intangible assets will in no circumstance qualify as "qualifying intangible assets" for the application of the IP regime.

Qualifying benefits

The qualifying benefits from qualifying intangible assets will be equal to the following formula: K/T of the actual benefits received by the taxpayer from the qualifying intangible asset, not to exceed the total benefits from such qualifying intangible asset reduced with the threshold, where:

- *K* stands for the direct qualifying expenses.[2] Direct qualifying expenses are all expenses incurred in relation to the R&D activities for the development of the qualifying intangible asset by the taxpayer and/or the outsourcing of the R&D activities to a non-affiliated entity for the development of the qualifying intangible asset by the taxpayer, multiplied by a factor of 1.3.
- *T* stands for all the direct expenses (including direct non-qualifying expenses) incurred by the taxpayer for R&D activities in relation to the development of the qualifying intangible asset.
- The *threshold* is equal to (a) the production and development costs of the qualifying intangible asset for which the taxpayer opted for the reduced effective profit tax rate of 0%, increased with (b) the production and development costs of the qualifying intangible asset that have been charged against the profits of preceding years, and reduced with (c) the production and development costs of the qualifying intangible asset that have been charged against the qualifying benefits of the qualifying intangible asset in previous years.

General examples

The following examples are used in the explanatory comments to the innovation box regime to illustrate the calculation of the qualifying benefits.

A taxpayer obtains benefits from a qualifying intangible asset as described above in the following scenarios.

Example 1 – no subsequent expenses in Year 2

	Year 1	Year 2
K – Direct qualifying expenses	100	0
Total non-qualifying direct expenses	25	0
Total benefits from qualifying intangible asset	200	200
T – Total direct expenses Year 1 and Year 2	125	125
Threshold	125	0 (125 - 125)

[2] Direct qualifying expenses do not include any expenses in relation to loans, accommodation or other expenses not directly related to the R&D activities that lead to the development of the qualifying intangible asset.

Formula:

$$\frac{\text{Direct qualifying expenses x 1.3 (maximum total direct expenses)}}{\text{total direct expenses}} \text{ X benefits (÷ threshold)}$$

Calculation of the benefit applying the formula for **Year 1**:

$$\frac{100 \text{ x } 1.3 \text{ (maximum } 125)}{125} \text{ X } (200 - 125) = 75$$

In Year 1, the qualifying benefit from the qualifying intangible asset, amounting to 75, will be subject to the profit tax rate of 0%. The remaining benefit of 125 will be taxed at the regular profit tax rate of 22% (15% for the first USD280,000 as of 2023).[3]

Calculation of the benefit applying the formula for **Year 2**:

$$\frac{100 \text{ x } 1.3 \text{ (maximum } 125)}{125} \text{ X } (200 - 0) = 200$$

In Year 2, the benefit of 200 from the qualifying intangible asset will therefore be entirely subject to the profit tax rate of 0%.

Example 2 – subsequent expenses in Year 2

	Year 1	Year 2
Direct qualifying expenses	100	25
Total non-qualifying direct expenses	25	0
Total benefits from qualifying intangible asset	200	200
Total direct expenses Year 1 and Year 2	125	150
Threshold	125	25 (150 - 125)

Calculation of the benefit applying the formula for **Year 1**:

$$\frac{100 \text{ x } 1.3 \text{ (maximum } 125)}{125} \text{ X } (200 - 125) = 75$$

In Year 1, the qualifying benefit from the qualifying intangible asset, amounting to 75, will be subject to the effective profit tax rate of 0%. The remaining benefit of 125 will be taxed at the regular profit tax rate of 22% (15% for the first USD280,000 as of 2023).

Calculation of the benefit applying the formula for **Year 2**:

$$\frac{125 \text{ x } 1.3 \text{ (maximum } 150)}{150} \text{ X } (200 - 25) = 175$$

In Year 2, the qualifying benefit from the qualifying intangible asset, amounting to 175, will be subject to the profit tax rate of 0%. The remaining benefit of 25 will be taxed at the regular profit tax rate of 22% (15% for the first USD280,000 as of 2023).

Tax holiday

Description of benefits

The following tax benefits apply upon receiving a tax holiday for product and process innovation and the exploitation of IP:

1. Exemption from real estate tax on real estate property used by the taxpayer for the permitted activities for a total period of five years, to the extent that the investment does not exceed ANG10 million[4] (10 years if the investment exceeds ANG10 million and at least ANG10 million has been invested within five years of receiving the tax holiday).
2. A reduced profit tax rate of 3% for a period of five years, to the extent that the investment does not exceed ANG10 million (10 years if the investment exceeds ANG10 million and at least ANG10 million has been invested within five years of receiving the tax holiday).
3. Exemption from import duties and turnover tax on materials that are imported in relation to product and process innovation for a total period of three years.

Exemption for income tax on profits distributed by the taxpayer to its (indirect) shareholders or to individuals who are otherwise entitled to a share in the profits of the taxpayer is granted for a total period of two years following the financial year in which the profits are realized by the taxpayer.

[3] Please note that the expenses amounting to 125 are, in principle, deductible from the profits.

[4] The Curaçao local currency, ANG, is pegged to the US dollar. In this respect, USD1 equals ANG1.78.

Guidelines around incentive applications

For a taxpayer to obtain a tax holiday in relation to the abovementioned activities, the following conditions should be met:

- The activities of the taxpayer should consist exclusively or almost exclusively of process and product innovation or the exploitation of IP.
- The incorporation of the taxpayer and its qualifying activities must require an investment of ANG5 million or more.
- Said minimum investment must be invested within three years following the initial date on which the tax holiday is applied.
- The investment must generate at least 10 permanent full-time jobs for Curaçao residents.

To obtain the tax holiday, a written request has to be filed with the Sector of Fiscal Affairs. The Sector of Fiscal Affairs should decide whether to grant the tax holiday within three months of receiving the request. However, failure by the Sector of Fiscal Affairs to issue a decision within this time frame does not result in an automatic, ipso jure granting of the tax holiday status.

Additionally, once the minimum investment amount has been invested within said time frame, the taxpayer should request that the Sector of Fiscal Affairs confirm that all the tax holiday requirements have been met by the taxpayer. In this respect, the taxpayer will also have to submit audited financial statements with its request and provide all necessary information to make verification by the Sector of Fiscal Affairs possible.

3. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Curaçao.

4. Role of governmental bodies in administering incentives

For purposes of the innovation box regime, qualifying intangible assets are intangible assets ensued from R&D activities for which the taxpayer obtained an R&D certificate issued by a government institution, the Bureau of Telecommunication and Post of Curaçao.

For the tax holiday regime, a taxpayer is required to formally apply for the benefits by filing a written request with the Sector of Fiscal Affairs.

5. Administrative requirements

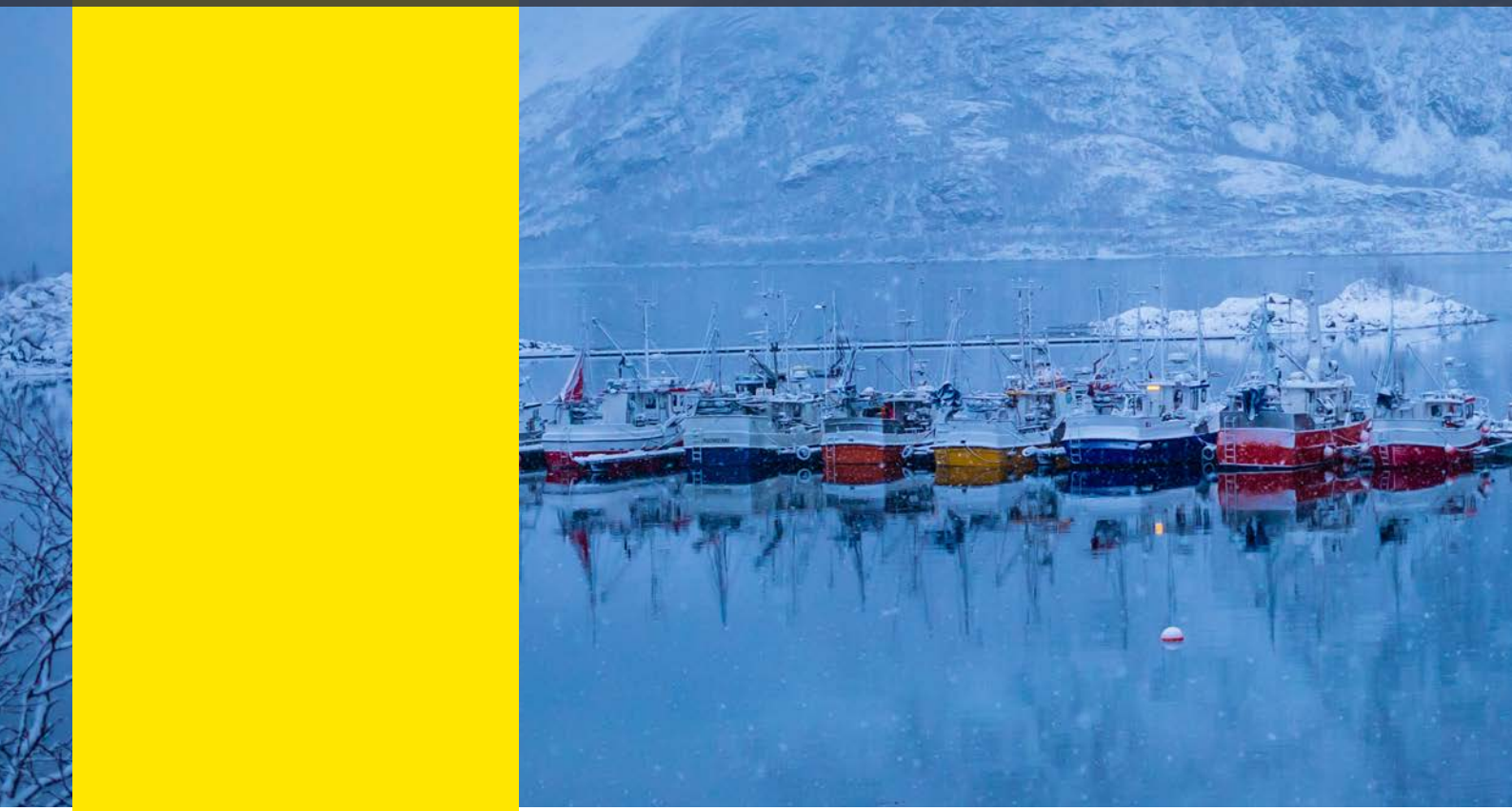
Taxpayers in Curaçao are required to maintain an administration from which their tax position, rights and obligations may be derived at all times, the organization of which allows the tax authorities to audit the information upon request. In this respect, the administration of a taxpayer should clearly and legibly contain, among others, all information relevant in relation to the application of the innovation box regime and the tax holiday regime. Reference is also made in Sections 2 and 4 to details on the administrative requirements to obtain the benefits of the innovation box regime and/or the tax holiday regime.

6. Statutory reference

- Profit Tax Ordinance 1940 (in Dutch: *"Landsverordening op de winstbelasting 1940"*)
- National Ordinance Investment Facilities (in Dutch: *"Landsverordening belastingfaciliteiten investeringen"*)

Cyprus

This chapter is based on information as of February 2025.



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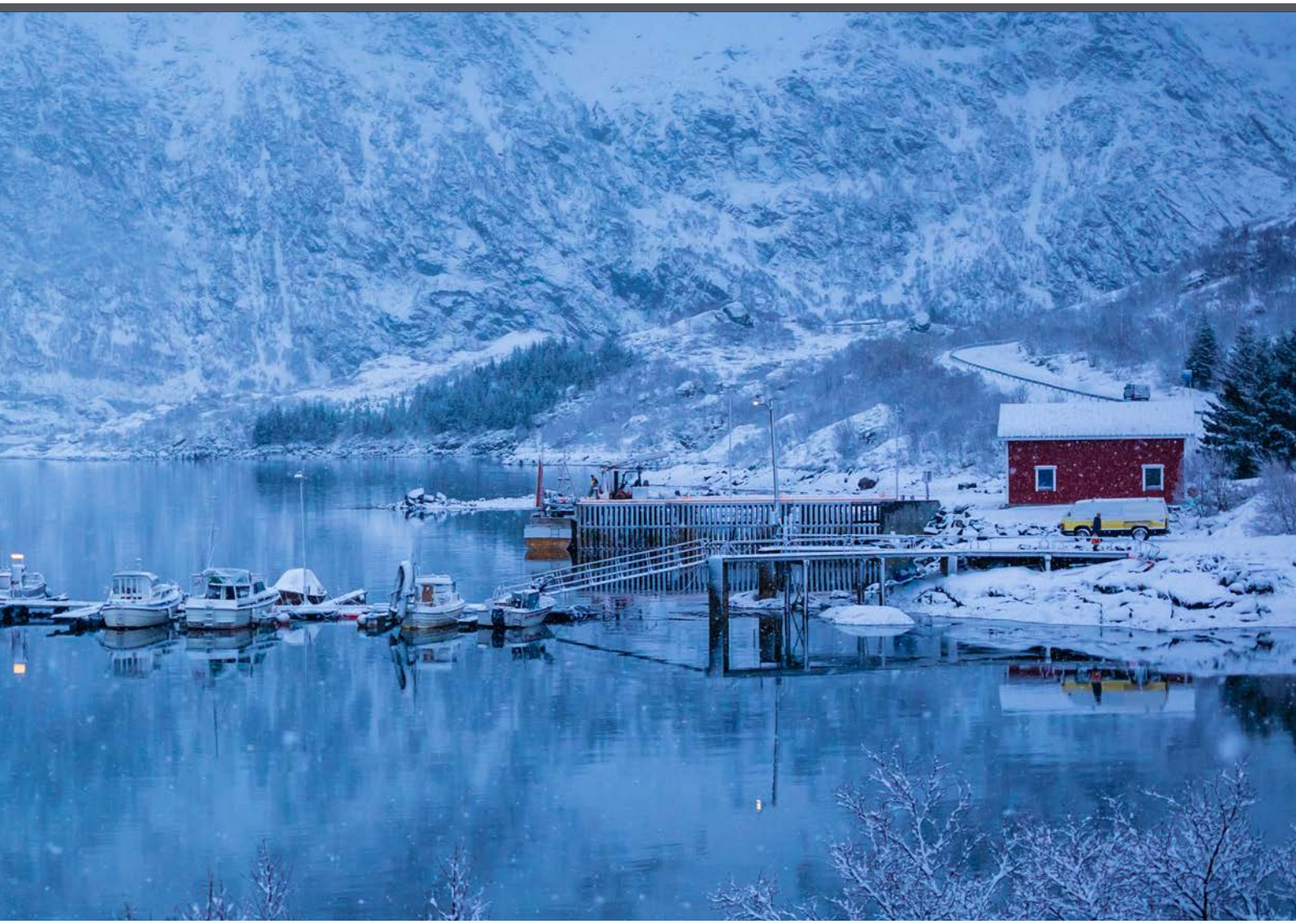
1. Overview

IP box regime

The Cypriot Income Tax Law (ITL) provides for an intellectual property (IP) box regime, which is effective as of 1 July 2016.

The regime links the tax benefits with R&D expenses incurred by the taxpayer. Qualifying taxpayers are eligible to claim a tax deduction (calculated based on a nexus ratio) equal to 80% of qualifying profits resulting from the business use of the qualifying asset. A taxpayer may elect not to claim the deduction or only claim part of it.



R&D super deduction

A super deduction of 20% on the actual amount of the relevant R&D expenses is available for R&D expenses incurred during tax years 2022, 2023 and 2024 (including expenses of a capital nature).

This deduction is not available to taxpayers that claim a deemed deduction under the provisions of the IP box regime.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☑

2. Incentives available

Name of incentive	IP box deduction	R&D super deduction	CIT exemptions	PIT exemptions	Notional Interest Deduction	Amortization of IP assets	Foreign tax credit
Type of incentive	■ Tax deduction	■ Tax deduction	■ Tax exemption	■ Tax exemption	■ Tax deduction	■ Amortization deductions	■ Tax credit

Description of benefits

The following tax incentives are offered under the ITL:

- **IP box deduction:** 80% of the qualifying profits arising from a qualifying asset (subject to conditions, as discussed below) pushing the effective tax rate to as low as 2.5%.
- **R&D super deduction:** All expenses for scientific research, and all R&D expenses, as recognized by international accounting standards, that have been incurred by a person who carries on a business and has the economic ownership of the relevant IP asset will be treated as tax deductible. An additional deduction equal to 20% of the actual amount of the relevant R&D expenses is available for R&D expenses incurred during the tax years 2022, 2023 and 2024 (including expenses of a capital nature) to taxpayers who do not claim a deemed deduction under the IP box regime.
- **Corporate income tax (CIT) exemptions:** Gains from the disposal of IP assets are not subject to CIT, provided they are transactions of a capital nature (recommended to be confirmed in a tax ruling).

- Gains from the sale of shares are unconditionally exempt from CIT in Cyprus. This exemption applies regardless of the holding period, number of shares held or trading nature of the gain.
- Dividend income is conditionally exempt from tax.
- Foreign exchange (FX) differences are tax neutral for CIT purposes in Cyprus. Any FX gains should not be taxable, and FX losses should not be deductible.
- **Personal income tax (PIT) exemptions:**
  - Lower of 20% or EUR8,550 exemption
  - An individual can claim the above exemption on the remuneration generated from first employment in Cyprus if all the below apply:
    - The individual was employed outside of Cyprus for an employer not resident in Cyprus for three consecutive years prior to the commencement of their employment in Cyprus.
    - The exemption can be claimed for a maximum of seven years following the year of employment.
    - The exemption applies to employment that commenced after 26 July 2022 and up until 2027 inclusive.
  - **50% exemption**
  - The 50% exemption is granted on the remuneration from employment in Cyprus that commenced after 1 January 2022, provided that during the first or second year of employment in Cyprus the said remuneration exceeded EUR55,000 annually.
  - The exemption is granted for 17 years, commencing as of the year of first employment in Cyprus.
  - The individual should have been resident outside of Cyprus for at least 15 consecutive years prior to the commencement of their employment in Cyprus.
- **Notional Interest Deduction (NID) on new equity capital:** This deduction applies to businesses that generate taxable income (income generated from IP activities should in general qualify). NID is restricted to 80% of the taxable income resulting from the use of the new capital before NID. NID does not apply in cases of tax loss or a break-even position. The effective tax rate under NID regime can be as low as 2,5%, whereas combining NID and IP box regime can potentially reduce the effective tax rate slightly below 2,5% at its best.
- **IP amortization period:** All intangible assets (excluding goodwill), regardless of whether they are qualifying assets, are eligible for amortization over their useful economic life for a maximum of 20 years (as determined by internationally acceptable standards the amortization period will be confirmed in a tax ruling).
- **Tax credits:** Foreign tax paid or withheld on profits and gains of a Cypriot tax resident company can be credited against any Cypriot tax payable, provided sufficient and appropriate evidence exists. Such tax relief cannot exceed the Cypriot tax payable on the same income or gain in the same income tax year. Any excess foreign tax credits that are not utilized cannot be set off against other sources of income and cannot be carried forward to future periods.

3. IP box eligibility requirements

Nexus formula

The qualifying profits per the IP box regime in Cyprus will be calculated using the following nexus ratio:

$$\text{Qualifying profits} = \frac{\text{Qualifying expenditure} + \text{Uplift expenditure}}{\text{Overall expenditure}} \times \text{Overall IP income}$$

Guidelines around the IP box regime

The nexus approach

On 14 October 2016, the Cyprus House of Representatives passed amendments to the Income Tax Law to align the current IP tax legislation with the provisions of Action 5 of the Base Erosion and Profit Shifting (BEPS) project from the Organisation for Economic Co-operation and Development (OECD).

The approach links the benefits of the regime with the R&D expenses incurred by the taxpayer.

Qualifying intangible asset (QA)

A QA is an asset acquired, developed or exploited by a person within the course of carrying out their business. QAs include patents, computer software and other IP assets that are legally protected and fall under one of the following de minimis criteria:

- Utility models, IP assets that provide protection to plants and genetic material, orphan drug designations and extensions of protection for patents
- Non-obvious, useful and novel assets, where the person using them for business purposes does not generate annual gross revenues exceeding EUR7,500,000 (in the case of a group of companies, not exceeding EUR50,000,000), which are certified as such by an appropriate authority in Cyprus or abroad

The following assets are specifically excluded from the IP box regime:

- Business names
- Brands
- Trademarks
- Image rights
- Other IP rights used for marketing of products and services

Qualifying expenditure (QE)

Qualifying expenditure includes:

- R&D expenditure incurred by the taxpayer (including R&D expense incurred by a foreign branch of the Cypriot IP holding company)
- Unrelated party R&D outsourcing expenditure
- Direct expenditure (salaries and other expenses relating to R&D)

Overall income (OI)

The overall income comprises the gross income earned from the qualifying asset during the tax year minus any direct cost incurred for generating the income.

It includes, but is not limited to:

- Royalties
- Licenses
- Compensation
- Income of disposal of a QA (excluding profit of a capital nature)

Uplifting expenditure (UE)

The UE is the lower of:

- 30% of the QE
- The total acquisition cost of the QA and any R&D costs outsourced to related parties

Overall expenditure (OE)

Overall expenditure means the total capital expenditure, either qualifying or not, relating to the creation of the qualifying IP (e.g., cost of acquisition of the qualifying asset plus the cost of outsourcing to related parties).

Where the calculation of qualifying profits results in a loss, only 20% of this loss may be carried forward and be eligible for group relief.

The taxpayer may forego the whole or part of the deduction in each year of assessment.

4. IP and jurisdictional requirements

"Qualifying intangible asset" means an asset acquired, developed or exploited by a person for business purposes and that is intellectual property (except for IP related to marketing) and that is the result of R&D activities. A qualifying intangible asset includes an intangible asset for which there is only economic ownership.

There is no requirement that the R&D be performed within Cyprus for the expenditure to be classified as a QE.

5. Technology or innovation zones

There are no technology or innovation zones in Cyprus.

6. Role of governmental bodies in administering incentives

The competent authority is the Cyprus Tax Department (CTD). The possibility to benefit from the IP box regime is not subject to a prior administrative approval; however, a confirmation via a tax ruling from the CTD is strongly recommended.

7. Administrative requirements

Companies claim the relevant IP box or R&D super deduction as part of their income tax return (Form TD4) filing, which is due within 15 months from the end of the year of assessment (e.g., the 2025 income tax return is due by 31 March 2027).

As of 1 January 2022, Cyprus introduced transfer pricing (TP) documentation requirements in accordance with the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. TP documentation includes local files, master files (to be prepared by the tax return (Form TD4) submission deadline and submitted within 60 days upon the request of the CTD), and the Summary Information Table (due by the tax return (Form TD4) submission deadline).

8. Statutory reference

- IP box regime provisions can be found under Section 9(1)(k) of the ITL and Income Tax (Intangible Assets) Regulations No. 336/2016.
- R&D super deduction provisions can be found under Section 9(1)(d) of the ITL.

Czech Republic

This chapter is based on information as of February 2025.

There were several amendments to the Investment Incentives Act and related regulations in the Czech Republic. One amendment eliminates the requirement to obtain approval from the government for the majority of investment incentives.

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1. Overview

Subsidies and R&D relief programs are relatively consistent in the Czech Republic due to the competitive nature of the region.

The Czech Republic offers benefits, including a special deductibility of certain R&D costs. Unlike any foreign programs, there is no requirement that the entity claiming the benefit must own the resulting R&D. Therefore, companies conducting contracted R&D activities for their customers may also apply this deduction. The deductible item for R&D may, to a certain extent, also be combined with other forms of support, such as investment incentives tax relief, making it an interesting tool in many respects. The impact of Pillar Two on individual incentives, provided in the form of a tax deduction, needs to be reviewed considering the nature and scope of the supported investment because the Czech tax incentives do not meet conditions for a refundable tax credit, which could prevent potential negative Pillar Two implications.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D deduction	Investment incentives for R&D centers	Investment incentives for projects in the area of sustainability	ESIF and national R&D funding programs
Type of incentive	■ Super deduction ■ Corporate income tax holiday	■ Corporate income tax holiday ■ Cash grant	■ Cash grant ■ Real estate tax exemption	■ Real estate tax exemption ■ Cash grants

R&D deduction

Description of benefits

Companies with R&D activities may apply a special deductible item with respect to R&D costs. Eligible costs are thus deducted twice – once as operating costs and, for the second time, as a special deduction. The R&D deduction could be increased to 110% for incremental eligible costs incurred in the tax period. There is no requirement that the entity claiming the benefit must own the resulting R&D. Therefore, companies conducting R&D activities on behalf of their customers who will become the intellectual property (IP) owners may also apply the deduction. Unused R&D tax credits may be carried forward for three years.

Guidelines around incentive applications

The R&D deduction is claimed via the standard corporate income tax return form assuming the R&D project documentation was approved within the statutory deadline for filing the corporate income tax return form (see Section 3). The form must be filed within the statutory deadline – i.e., six months after the end of the tax period if the company is subject to a statutory audit or is represented by a tax advisor based on a power of attorney; otherwise, four months following the end of the taxable period. Notification to the Tax Authority prior to commencement of the project is required; however, no advance approval is needed.

Investment incentives for R&D centers

Description of benefits

Investment incentives for R&D centers provide the following benefits:

- Corporate income tax holiday for 10 years
- Job creation grants of CZK200,000 (approximately USD8,200) per employee
- Training and retraining grants of up to 70% of eligible training costs
- Cash grants of up to 20% of capital expenditures (no more than CZK500 million/USD20 million) for R&D centers in the case of strategic investment
- Real estate tax exemption for five years in special industrial zones

Total benefits (excluding training grants) received by the investor must not exceed the benefits cap, which is set as a percentage of the total value of the actual eligible expenses. As of 2025, the level of support is 15%–40% of the qualifying investment value for large enterprises (depending on region). Training grants are provided on top of this cap. The caps are increased by 10% for medium-sized enterprises and 20% for small enterprises. No incentives are provided in the capital city of Prague.

Guidelines around incentive applications

The incentives are applicable for future investments. The company launching or expanding an R&D center must apply for investment incentives before work on the investment begins. The application is filed with the governmental agency CzechInvest.[1] The incentives shall be approved by the Ministry of Industry and Trade, which will decide based on the opinions of the ministries concerned. The investment project must pass a cost-benefit test (the benefit of the investment must exceed the value of the support provided by the state). After the specified requirements are fulfilled, the company can use the corporate income tax holiday in its standard corporate income tax return. The provision of the cash grant for strategic investment must be approved by the government.

Investment incentives for projects in the area of sustainability

Description of benefits

Investment incentives for the launch or expansion of the production of products designed to produce or store energy from renewable sources, to increase energy efficiency or to reduce the energy consumption of buildings provide the following benefits:

- Corporate income tax holiday for 10 years
- Cash grants of up to 20% of capital expenditures
- Real estate tax exemption for five years in special industrial zones

Total benefits received by the investor must not exceed the benefits cap, which is set as a percentage of the total value of the actual eligible expenses. As of 2025, the level of support is 15%–40% of the qualifying investment value for large enterprises (depending on region). The caps are increased by 10% for medium-sized enterprises and 20% for small enterprises. No incentives are provided in the capital city of Prague.

Guidelines around incentive applications

Similarly, as in the case of investment incentives for R&D centers, the incentives are applicable for future investments. The company must apply for investment incentives before work on the investment begins. The application is filed with the governmental agency CzechInvest. The incentives shall be approved by the Ministry of Industry and Trade, which will decide based on the opinions of the ministries concerned. The investment project must pass a cost-benefit test (the benefit of the investment must exceed the value of the support provided by the state). After the specified requirements are fulfilled, the company can use the corporate income tax holiday in its standard corporate income tax return. The provision of the cash grant for strategic investment must be approved by the government.

[1] CzechInvest collects, reviews and processes the investment incentives applications.

ESIF and national R&D funding programs

Description of benefits

European structural and investment funds (ESIF) and national R&D funding programs provide the following benefits:

- Diverse operational programs within ESIF and national funding programs (e.g., grants provided by the Technology Agency of the Czech Republic (TACR) and national ministries) offer cash grants related to R&D in almost all sectors.
- Cash grants, in some programs, are available not only to small and medium-sized enterprises (SMEs), but also to large enterprises.
- There is a high probability of acceptance of the submitted applications due to the high allocations in ESIF. In some of the programs provided by TACR, the probability is quite small.
- The opportunity exists for networking with academic and research organizations.

The rate of support available within ESIF operational programs and national funding programs always depends on the conditions defined in the calls for applications. The most decisive conditions for the final rate of support include the goal of the individual project, the location of the realization and the size of the applicant. For example, in the Operational Program Technologies and Application for Competitiveness (OP TAC), large enterprises can usually receive around 30% of the project's eligible expenses. For SMEs, the limit is usually established around 50%. For publicly owned research organizations and universities, the limit can be higher. In OP TAC, cash grants are not available in the capital city of Prague. The rate of support in programs provided by TACR is similar to OP TAC. In some programs, applicants from the capital city of Prague are eligible applicants.

First calls for applications from OP TAC were published in the second half 2022. The list of calls and their deadlines is available on the website;[2] however, the list and especially the deadlines are updated on an irregular basis. TACR's list of calls and their deadlines is also available on its website.[3]

In the OP TAC program, there are many challenges related to sustainability and contributing to the country's carbon neutrality. These challenges include supporting the implementation of renewable energy sources, such as wind turbines, photovoltaic power plants, biomass and others. As part of sustainable management, the OP TAC program regularly announces calls for applications from the private sector that focus on energy savings in buildings and production processes, water savings, and the circular economy.

The comprehensive call "RES" for the construction of photovoltaic power plants for both the private and public sectors exists within the Modernization Fund. This fund also supports large projects for the decarbonization of heating plants, significantly contributing to achieving carbon neutrality.

Another important program is the Operational Program Environment, which mainly targets the public sector and supports the construction of renewable energy sources. Calls for applications for sustainable waste management, providing sufficient recycling capacity and reducing energy consumption in public buildings, are also often announced.

Guidelines for cash grants applications

The guidelines for cash grants applications differ per individual operational programs and calls for application. The funding providers responsible for management of individual programs set guidelines for the application process and implementation of the projects. The guidelines are always available on the websites of the respective authorities.

3. Eligibility requirements

R&D deduction

Eligible costs include personnel costs for employees involved in project implementation (including health insurance and social security costs), travel costs associated with the project, depreciation of assets used in direct connection with the project, external services related to R&D provided by public R&D institutions (such as universities and public research institutes) and other directly related operating costs, such as the costs of materials, supplies, energy, heating, gas and telecommunications. The certification of R&D results may not be included in qualifying expenses.

The notification of a company's intention to claim an R&D deduction has to be filed with the Tax Authority before the work on the R&D project begins. As regards the R&D project documentation meeting all legal requirements (including a description of the objectives and process of the particular R&D activity), it is now sufficient for this to

[2] https://apiagentura.gov.cz/cs/radce/vsechny-vyzvy/.

[3] https://www.tacr.cz/programy-a-souteze/.

be prepared and approved within the statutory deadline for filing the corporate income tax return (before it was needed prior to the R&D activity beginning). Expenses incurred prior to the notification being filed do not qualify for an R&D deduction. If there is doubt regarding deductibility, the company may request a binding ruling from the tax authorities that the relevant costs can be claimed as part of the R&D deduction.

Investment incentives for R&D centers

The key qualification conditions for R&D centers include the following:

- Creation or expansion of an R&D center.
- Investment in long-term tangible and intangible assets must be at least CZK10 million (approximately USD407,000), of which at least CZK5 million (approximately USD204,000) must be invested in new machinery.
- At least 20 new jobs must be created.
- The above conditions should be met within three years of the date the investment incentives decision was issued.
- The investment activities cannot be started before the investor applies for investment incentives via CzechInvest.
- Acquired assets and created jobs should be maintained for the duration of the incentives use period (10 years) and for at least five years from the finish of the investment project or the creation of the first job.
- Investment incentives cannot be provided to a company that relocated the same or a similar activity in the European Economic Area in the two years preceding its application for investment incentives or that has concrete plans to relocate such an activity within a period of up to two years after the investment is finished.

Special qualification conditions for investment incentives for R&D centers in the form of a tax holiday

The key special conditions stipulated by the Income Taxes Act should be met and include the following:

- The maximum amounts of tax depreciation, tax provisions and carryforward tax losses should be applied.
- The incentives recipient should be the first owner of the acquired assets (except for real estate).
- The taxpayer shall not be dissolved, subject to bankruptcy proceedings or merged with another entity.
- The taxpayer will not increase its tax base through non-arm's-length transactions with related parties.

Special qualification conditions for cash grants for strategic investments in the area of R&D centers

The special conditions for R&D centers include the following:

- The minimum amount invested in long-term tangible and intangible assets is CZK200 million (approximately USD8.2 million), of which CZK100 million (approximately USD4.1 million) represents new machinery.
- At least 70 new jobs must be created.

Eligible expenses for the investment incentive can be one of the following:

- The value of tangible assets (machinery, building and land) and the value of intangible assets are eligible provided that machinery represents at least 50% of the total tangible and intangible assets' value. Intangible assets should be acquired from unrelated parties at an arm's-length price. The machinery has to be produced no more than two years prior to the acquisition, acquired at a fair market value and not have been subject to tax depreciation before.

Or

- The value of wages incurred over the 24-month period following the month when a job was created and filled is eligible. The new job will qualify if it is created in the period from the day of applying for the investment incentives to the end of the third year after the issuance of the decision to grant the investment incentives. The value of monthly wages, including health and social security insurance paid by employer per employee for the purposes of cap calculation, is limited to three times the average wage in the Czech Republic.

Investment incentives for projects in the area of sustainability

The key qualification conditions include the following:

- The launch or expansion of a production of products must be designed to produce or store energy from renewable sources, increase energy efficiency or reduce the energy consumption of buildings.
- The investment in long-term tangible and intangible assets must be at least CZK80 million/CZK40 million (approximately USD3.3 million/CZK1.6 million – depending on region), of which at least CZK40 million/CZK20 million (approximately USD1.6 million/CZK0.8 million – depending on region) must be invested in new machinery.
- The above conditions must be met within three years of the date the investment incentives decision was issued.

- The investment activities cannot be started before the investor applies for investment incentives via CzechInvest.
- Acquired assets must be maintained for the duration of the incentives use period (10 years) and for at least five years from the finish of the investment project.
- Investment incentives cannot be provided to a company that relocated the same or a similar activity in the European Economic Area in the two years preceding its application for investment incentives or that has concrete plans to relocate such an activity within a period of up to two years after the investment is finished.

Special qualification conditions for investment incentives in the form of a tax holiday

The key special conditions stipulated by the Income Taxes Act must be met and include the following:

- The maximum amounts of tax depreciation, tax provisions and carryforward tax losses must be applied.
- The incentives recipient must be the first owner of the acquired assets (except for real estate).
- The taxpayer shall not be dissolved, subject to bankruptcy proceedings or merged with another entity.
- The taxpayer will not increase its tax base through non-arm's-length transactions with related parties.

Eligible expenses are the value of tangible assets (machinery, building and land) and the value of intangible assets provided that machinery represents at least 50% of the total tangible and intangible assets' value. Intangible assets must be acquired from unrelated parties at an arm's-length price. The machinery must be produced no more than two years prior to the acquisition, acquired at a fair market value and not have been subject to tax depreciation before.

ESIF and national R&D funding programs

The applicants must meet the criteria defined in individual calls for applications. For R&D cash grants, the funding providers are open to supporting predominantly applied research and experimental development the results of which are great potential for rapid application in new products, production processes and services. All applications are subject to the evaluation process.

4. IP and jurisdictional requirements

There is no specific jurisdictional requirement on the location of IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in the Czech Republic.

6. Role of governmental bodies in administering incentives

Local tax authorities administer the R&D tax credit as part of their standard agenda. Advanced rulings and tax audits may be delegated to specialized offices with the tax administration network.

CzechInvest administers the investment incentives. The Czech Ministry of Industry and Trade and the tax authorities regularly review the fulfillment of investment incentive conditions. The investment incentives have to be approved by the Ministry of Industry and Trade, which will decide based on the opinions of the other ministries concerned. The governmental approval is required in the case of cash grants on capital expenditures for strategic investment.

Cash grants provided within ESIF are administered by designated Managing Authorities (usually the national ministries). The Agency for Entrepreneurship and Innovation (API), created by the Ministry of Industry and Trade, manages the most relevant program in terms of R&D – OP TAC. The Technology Agency of the Czech Republic is also an important player in the field of R&D cash grants funded by the national public funds.

7. Administrative requirements

R&D deduction

- Notification to the tax authorities prior to commencement of the project is required, while the full project including an annual update will only be required upon filing the tax return where the deduction is claimed.
- Documentation must be maintained to support claims (including time sheets and allocations of time spent on projects, regular project evaluation). A subsequent amendment of a corporate tax return to claim an R&D deduction retrospectively is generally not allowed.

- The Czech tax authorities may review fulfillment of the R&D deduction requirements during a tax audit.

Investment incentives for R&D centers

- Companies are required to apply for the investment incentives before the investment activities start. The application is filed with CzechInvest. Companies may claim a tax holiday or other forms of support (cash grant for asset acquisition, training/retraining grant, real estate tax exemption) if they have been approved for investment incentives from the Ministry of Industry and Trade and fulfilled the investment incentive conditions.
- The tax holiday is claimed on the standard corporate income tax return form. The tax authorities review fulfillment of investment incentive conditions during a tax audit. The investment incentive recipient should provide sufficient documentation proving all these conditions have been met in the event of an audit.

Investment incentives for projects in the area of sustainability

- Companies are required to apply for the investment incentives before the investment activities start. The application is filed with CzechInvest. The provision of the cash grant for strategic investment must be approved by the government. Other forms of support (tax holiday, real estate tax exemption) must be approved by the Ministry of Industry and Trade.
- The tax holiday is claimed on the standard corporate income tax return form. The tax authorities review whether the investment incentive conditions have been met during a tax audit. The investment incentive recipient should provide sufficient documentation proving all these conditions have been met in the event of an audit.

ESIF and national R&D funding programs

- Companies must submit applications for cash grants before they incur costs related to the proposed action. The applications are submitted electronically via dedicated portals for applicants according to the instructions defined in the applicable guidelines for applicants. After the application is approved, the beneficiaries of funding are required to submit monitoring reports with payment requests providing an overview of the costs incurred in relation to the project. The costs reported are then reviewed by the funding provider with only eligible costs reimbursed to the beneficiary.

8. Statutory reference

R&D deduction

- Statutory reference: Income Taxes Act (Act No. 586/1992 Coll.)

Investment incentives for R&D centers

- Statutory reference: Investment Incentives Act (Act No. 72/2000 Coll.)
- Statutory reference: Government Regulation (Regulation No. 221/2019 Coll.)
- Statutory reference: Government Regulation (Regulation No. 515/2004 Coll.)
- Statutory reference: Government Regulation (Regulation No. 428/2021 Coll.)
- Statutory reference: Income Taxes Act (Act No. 586/1992 Coll.)

ESIF and national R&D funding programs

- https://www.dotaceeu.cz/en/home-en
- https://apiagentura.gov.cz/en/
- https://tacr.gov.cz/en/

Denmark

This chapter is based on information as of February 2025.

In 2018 Denmark introduced an enhanced R&D tax deduction to stimulate and enhance commercial investment in research and development activities.

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1. Overview

The Danish government is generally accommodating regarding R&D incentives from a tax perspective, allowing costs related to R&D activities to be fully deductible for tax purposes or depreciated. Additionally, a tax credit regime is in place for R&D costs, enabling companies to obtain a refund of negative tax (loss) related to their R&D activities. Notably, deductions for R&D expenses can exceed actual costs, with super deductions allowing for a deduction growing gradually to 120% in 2028.

Types of incentives	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Tax allowance for experimental and research activities	Tax credit scheme
Type of incentive	■ Tax allowance	■ Tax credits

Tax allowances for experimental and research activities

Description of benefits

Costs incurred in research and development (R&D) activities related to the taxpayer's business are in general fully tax-deductible in the year in which the cost was incurred. Alternatively, the taxpayer may choose to deduct the cost over a five-year period, including the year the cost was incurred. The incentive is not applicable for certain business assets, such as automobiles, ships and certain leased equipment.

The extent of R&D activities eligible for increased deductibility is not elaborated on in the legislation; accordingly, case law is currently developing to provide insight. EY Denmark is analyzing and monitoring the development in the case law in practice to formulate an opinion of the current position.

A case-by-case analysis should be performed to determine whether the costs budgeted/incurred qualify as R&D expenses as per Danish case law.

Guidelines around incentive applications

To claim the incentive, taxpayers are required to file an annual corporate income tax return within six months following the end of the financial year (30 June if calendar year-end – special rules apply if year-end is in Q1).

It is possible to apply for a reopening of the previous three income years and claim tax credits and super deductions. The deadline for this is 1 May in the fourth income year after the income year the taxpayer wishes to reopen.

Tax credit scheme

Description of benefits

The tax credit for R&D activities enables companies to obtain a refund of negative tax (loss) relating to R&D activities. Hence, the tax value of a loss related to specific types of R&D costs can be refunded. The tax credit is 22% of up to DKK25 million of eligible R&D costs in the relevant income year – i.e., a cash refund of up to DKK5.5 million. Only actual incurred R&D costs qualify toward the tax credit, not the "super-deduction" element of deductions.

For entities jointly taxed according to the Danish mandatory joint taxation regime, the limitation of tax credits is calculated at the joint-taxation level.

With effect from 2027, the maximum cash payment will be increased to DKK7.7 million per year, i.e., 22% of DKK35 million.

Guidelines around incentive applications

The incentive is applicable for current, future and retroactive investments. The incentive must be claimed with the annual corporate income tax return. If the investment was made in a tax assessment year shorter than 12 months, there will be a proportional reduction.

Tax deduction (including super deduction)

Description of benefits

In 2018, the Danish government introduced an enhanced deduction of R&D expenses. The deduction is gradually increased from 100% to 108% as follows: income years 2018–19 = 101.5%; income year 2020 = 103%; income years 2021–22 = 105%; and income years 2023–25 = 108%.

However, as a COVID-19 stimulus measure, the Danish government introduced an enhanced deduction in 2020–22 of 130%. The R&D costs subject to this increased deduction are capped at DKK845 million in 2020 and DKK910 million in 2021 and 2022 on a consolidated basis. R&D expenses exceeding these amounts are subject to 103% in 2020 and 105% deductions in 2021 and 2022.

In 2025, the Danish government introduced another enhanced deduction of R&D expenses. The deduction is gradually increased from 108% to 120% as follows: income year 2026 = 114%; income year 2027 = 116%; and income years 2028 and onward = 120%. The R&D costs subject to this increased deduction are capped at DKK793 million (2010) on a consolidated basis, corresponding to DKK1 billion in 2024 and approximately DKK1.04 billion in 2025. The cap is adjusted annually. R&D expenses exceeding these amounts are subject to 110% deductions in 2026 and onward.

Guidelines around incentive applications

The deduction or credit applies to expenditures linked to qualifying R&D activities. R&D covers three types of activities – basic research, applied research and development:

- Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundation of phenomena and observable facts, without any particular application or use in view.
- Applied research is original investigation undertaken to acquire new knowledge. It is, however, directed primarily toward a specific and practical aim or objective.
- Development is the application of scientific or technical knowledge to produce new or significantly improved materials, mechanisms, products, processes, systems or services.

3. Eligibility requirements

Qualifying expenses related to R&D and tax credits should be based on a concrete assessment.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to intellectual property (IP).

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Denmark.

6. Role of governmental bodies in administering incentives

The R&D tax credit regime operates on an application basis. The Danish tax authorities will assess the application to rule on whether the cost qualifies under the tax credit regime.

7. Administrative requirements

The R&D tax credit regime operates on an application basis. The taxpayer must file an application to receive a tax credit, along with the tax return for the relevant year. The Danish tax authorities will assess whether the costs detailed in the application qualify.

Deduction of R&D costs is based on a self-assessment regime. The claim is made in the company's annual tax return for the relevant tax year that is submitted to the Danish tax authorities. In the case of a tax assessment, the Danish tax authorities may request documentation for the claimed deduction. Consequently, companies should maintain records, including detailed description of the R&D projects, to accurately substantiate the claim.

8. Statutory reference

Section 8B (deduction for R&D costs) and Section 8X (tax credits) of the Tax Assessment Act

Finland

This chapter is based on information as of February 2025.

Finland stands as one of Europe's major contributors to research and development. To further promote and sustain corporate investment in R&D, Finland introduced a new R&D deduction scheme in 2023. This scheme targets companies engaged in qualifying R&D operations, including expenditure linked to R&D wages and purchased services.

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1. Overview

Currently available incentives include:

- The combined deduction in taxation (the general additional deduction and the additional supplementary deduction)
- Additional deduction for R&D activities (deduction for research cooperation) for 2021–2027 in taxation
- Business Finland funding
- Tax credit for large-scale investments

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	The general additional deduction and the additional supplementary deduction	Additional deduction for R&D activities (deduction for research cooperation)	Business Finland's funding services	Tax credit for large-scale investments
Type of incentive	■ Tax deduction	■ Tax deduction	■ Cash grant and loan	■ Tax deduction, straight from the payable amount of income tax

The combined deduction for R&D activities in taxation

The combined deduction has two components. The first is the general additional deduction (*yleinen lisävähennys*), which is based on the taxpayer's R&D-related wage or salary expenses as well as expenses related to third-party R&D purchased services. The deduction amounts to 50% of the total expenditure on wages and purchased services. The deduction has a floor of EUR5,000 and a ceiling of EUR500,000. It can be claimed by taxpayers as of tax year 2023.

The second component is the additional supplementary deduction (*ylimääräinen lisävähennys*), which is based on the taxpayer's year-over-year increase of R&D expenses. This deduction is 45%, and the basis is the difference between the items of expenditure on which the general additional deduction is based and the corresponding items of expenditure in the previous year. There is no floor, but the deduction is capped at EUR500,000. The deduction can be claimed by taxpayers beginning in tax year 2024.

The combined deduction is a permanent deduction that can be claimed by all business and agricultural taxpayers performing qualifying R&D activities. If the availability of

additional deductions triggered tax losses, they could be carried forward for tax purposes. No additional deductions are available concerning received group contributions under the Act on Group Contribution. The additional deductions are made from business income that does not include received group contributions that are considered as taxable income. Therefore, because of the additional deductions, it would be possible that a company would be liable to pay income taxes from a taxable profit, which includes received group contributions even though at the same time a loss in taxation would be confirmed, which could be carried forward. The additional deductions are taxpayer specific. The deduction is claimed on the taxpayer's annual corporate income tax return.

The deduction for research cooperation (2021–2027) in taxation

The deduction for research cooperation can be claimed by companies that purchase services relating to R&D from research and dissemination organizations. The additional deduction is 150% of qualifying expenses. The deduction has a floor of EUR5,000 and is capped at EUR500,000. Taxpayers cannot claim both tax deductions (the combined deduction and this) for the same expense.

Business Finland funding

Business Finland's funding services are meant for companies seeking bold business growth and renewal in the international market. Business Finland funding is always discretionary and based on the company's plan, resources and ability to carry out the project to be funded. The scale of business development projects and the granted funding varies based on the company's capabilities and needs. The progress of the funded project and the use of the funding are monitored through interim reports.

For instance, Business Finland helps large companies aiming to expand to new export markets by granting grants or loans. This type of incentive is meant for companies that are developing new innovative products or services, production methods or business models that gain a competitive edge in international market. There are two types of incentives: grants and loans.

Grants are intended for research work, which creates new knowledge and competence for a company to be used as a basis for product development work. Research projects in large companies receive a grant of 40% of the total project cost.

Loans are intended for a company's development and piloting projects. The loan can cover up to 50% of the project's total costs. Thirty percent of the loan can be received as an advance loan at the beginning of the project, and the remaining loan amount will be paid based on realized costs.

Business Finland also offers funding for joint projects where research projects by research organizations and R&D projects by companies are carried out simultaneously in close cooperation. The participants in a co-innovation joint project work together to generate new knowledge and innovations that enable the companies involved to develop significant new business activities. The funding strengthens the expertise of the research organization and accelerates the utilization of research data in the companies' R&D activities and the development of new export products. The levels of funding are based on the size of the company and the content and goals of the project. Assessment criteria are the same as Business Finland's general terms for funding for companies' R&D activities.

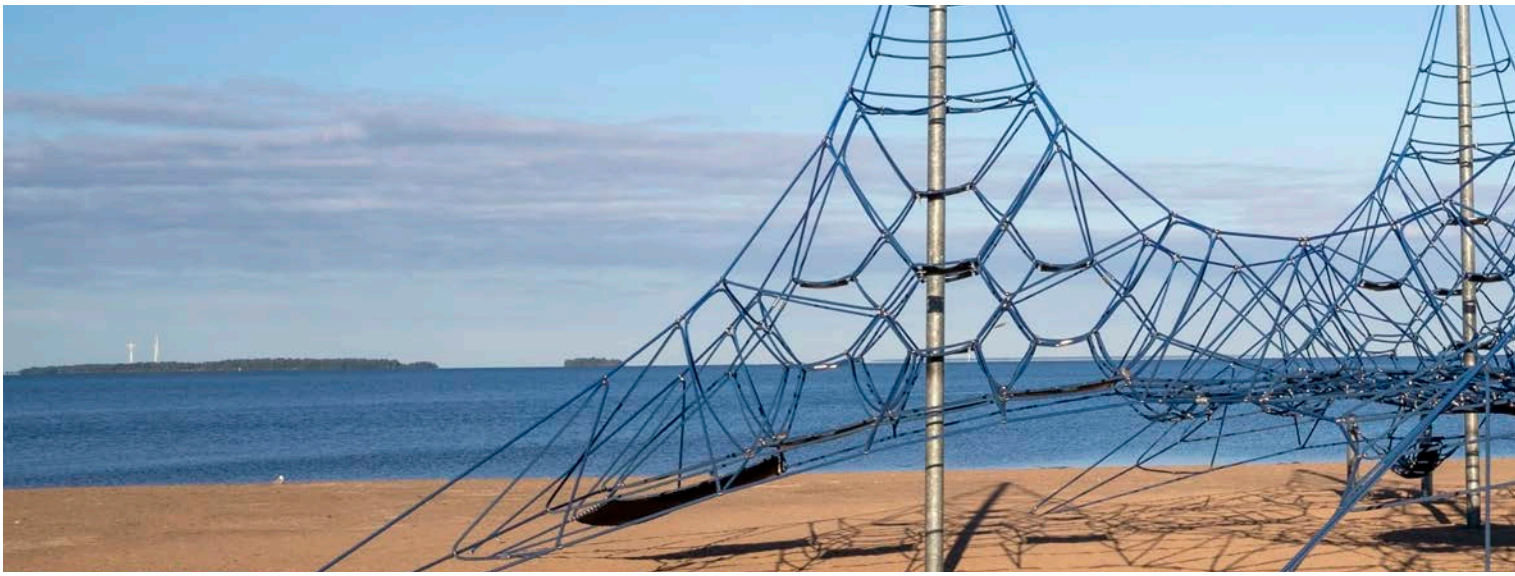
Business Finland is also involved in Horizon Europe. The program funds technological development, innovation scaling and international growth as well as cutting-edge research, training and international mobility of researchers. The EU funds research and innovation projects carried out in international cooperation. In research and innovation projects funded by the Horizon Europe program, a company operates as part of a larger international consortium or project team.

Business Finland also provides different programs for companies, such as explorer funding, energy aid, funding for leading companies, investment aid for circular economy and sustainable growth.

Tax credit for large-scale investments

The law was enacted and came in force on 1 May 2025.

The primary objective of the tax credit is to incentivize operators to undertake large-scale projects that are crucial for Finland's clean energy transition. Companies with eligible investment costs of at least EUR50 million (up to a maximum of EUR750 million) would qualify for this credit. The tax credit is structured in accordance with the Commission's Temporary Crisis and Transition Framework, which outlines the eligible costs.



Eligible investments include:
1. Energy production from renewable sources (e.g., renewable hydrogen) and energy storage
2. Low-carbon industrial production processes and energy efficiency measures
3. Sectors that are strategic for the transition to a climate-neutral economy, such as battery manufacturing and their key components and critical raw materials

For the time being, electricity production is excluded from the scope of this proposal.

The tax credit amounts to 20% of the eligible costs, which will be deducted straight from the company's payable amount of income tax. The maximum tax credit available is EUR150 million per company. For groups of companies, the maximum compensation is calculated on a group basis, meaning that if multiple companies within the same group qualify for the tax credit, the group can collectively receive up to EUR150 million. If several companies within the same group pursue investments eligible for tax credits, the companies must specify in their application which project and which company will receive the tax credit.

The tax credit can be claimed starting in 2028 and is valid until 2047, with a maximum deduction of 10% of the total investment credit granted to the company. It is important to note that deductions can only be made starting in the year the investment is completed. If an investment, such as a facility, is completed after 2028, the total deduction period will be correspondingly shorter. Additionally, the facility must be operational within 36 months of receiving the tax credit, and the granted tax credit will be reduced by 1% for each month that exceeds this limit. Notably, this penalty does not apply in cases of unforeseen events.

Applications for the tax credit must be submitted to Business Finland before work commences. The right to compensation must be granted by the end of 2025.

3. Eligibility requirements

R&D

The combined deduction is based on wage costs and expenses of services purchased related to R&D activities. These costs (wage costs and services bought) should be related to the taxpayer's own R&D activities and to the taxpayer's own business. Expenditure should be incurred during the tax year.

Regarding the combined deduction, the definition of R&D is the same as in the OECD's Frascati Manual. R&D should be novel, creative, uncertain, systematic, and transferable and/or reproducible. For instance, the development of a completely new product, service or process could be considered eligible, as could the development of substantially improved products, services or processes.

The tax credit for large-scale investments

The tax credit may not be granted if:
- The company or group to which it belongs has been issued an outstanding recovery order based on a previous Commission decision declaring the aid unlawful and incompatible with the internal market.
- The company or group to which it belongs is a credit institution or other financial institution.

Also, the tax credit cannot be granted to a company if the company, the group to which it belongs or the owner exercising effective control in the company or group are on the sanctions list of the European Union.

The eligible costs and investments will be clarified when the law passes.

4. IP and jurisdictional requirements

Finland does not have any intellectual property (IP) tax incentives.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Finland.

6. Role of governmental bodies in administering incentives

The Finnish Tax Administration (Verohallinto) can assess the validity of taxpayers' deductions.

7. Administrative requirements

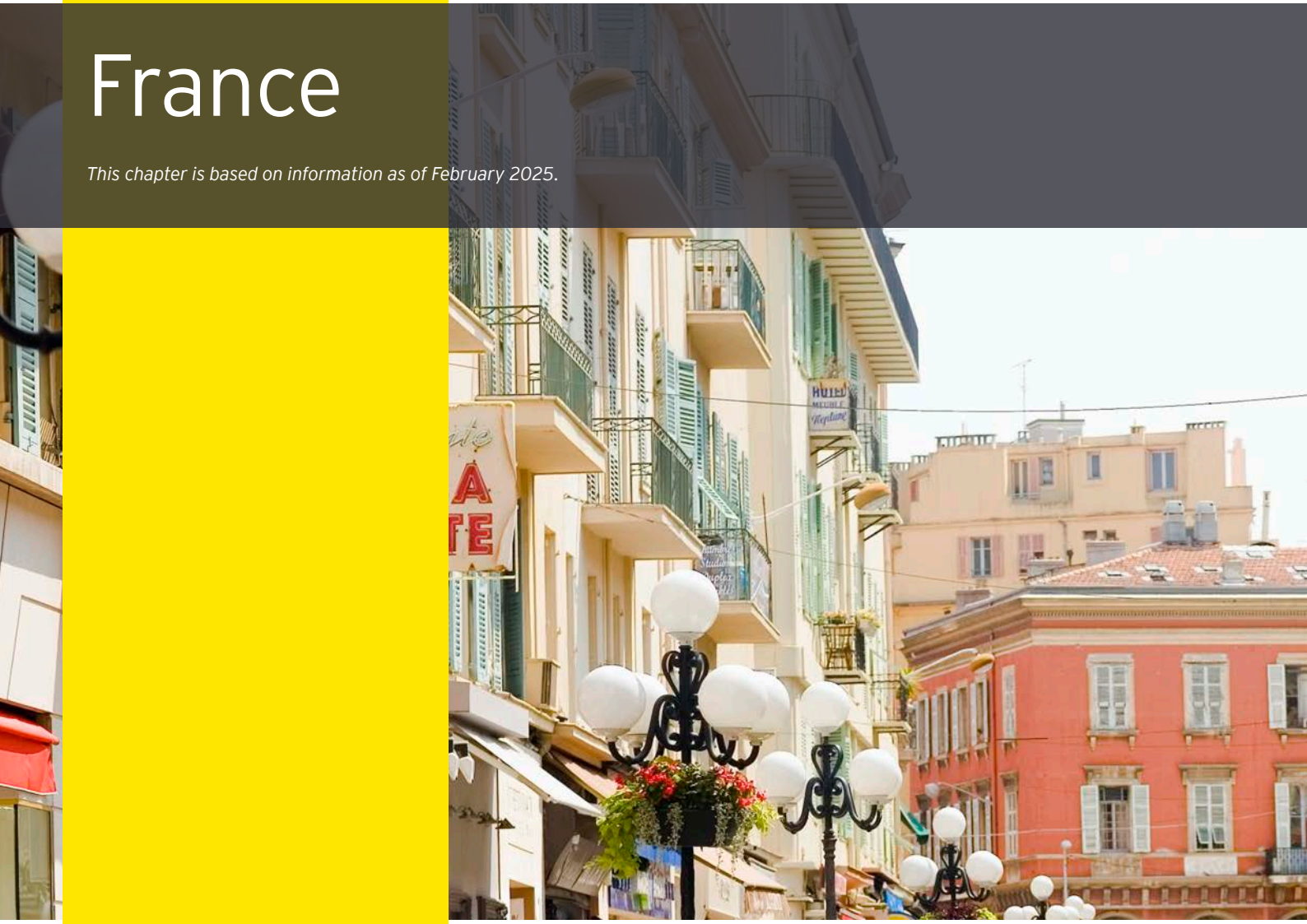
A taxpayer should claim the additional deductions in the corporate income tax return before the end date of the taxpayer's tax assessment. The taxpayer should also argue whether the prerequisites for additional deductions have been fulfilled. The administrative requirements for the investment credit will be clarified later.

8. Statutory reference

- Laki tutkimus- ja kehittämistoiminnan menoihin perustuvista lisävähennyksistä verotuksessa (1298/2022)
- Finnish Parliament's bill No. LA 69/2022 vp
- The Finance Committee report No. VaVM 35/2022 vp
- Finnish Parliament's bill No. 207/2024 vp

France

This chapter is based on information as of February 2025.



In existence for more than 30 years, the French R&D tax credit has significantly increased in the past decade: The global tax credit granted more than EUR7 billion in France in 2021, whereas the cap was only EUR1 billion until 2005.

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1. Overview

Over the last few years, the French government has implemented several improved R&D incentives. These incentives can all be described as mature, with the introduction of a reduced corporate income tax (CIT) rate in 1983, the R&D tax credit in 1985 and the Innovative New Company status in 2004.

From a tax perspective, the main strands of the available R&D incentives are:

- The R&D tax credit, which is equal to 30% of eligible R&D expenses (e.g., salaries, social security contributions, running costs, depreciation) incurred by the company
- The Innovative New Company status (*Jeune Entreprise Innovante*, or JEI), which allows companies conducting R&D projects in France to receive tax benefits and pay lower social security contributions for highly qualified jobs, such as engineers and researchers
- A reduced CIT rate of 10% instead of the standard CIT rate[1] applicable to revenues derived from patents

In practice, companies benefiting from these incentives, especially when the tax benefit is substantial, are more likely to be subject to a tax audit. In particular, the R&D tax credit has been under high scrutiny since 2011. Tax audits are hence getting more frequent, notably for significant tax credit claims (EUR500,000 and above).

[1] Since 1 January 2022, the standard CIT rate is 25% regardless of the profit of the company. In addition to this standard CIT rate, an additional 3.3% social security contribution applies to the portion of the CIT liability exceeding EUR763,000, which gives an effective CIT of 25.83%.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Available incentives

Name of incentive	R&D tax credits*	Cash grants for collaborative R&D projects	Reduced CIT treatment of revenues derived from patents	Innovative New Company status	New entities and new buildings assigned to R&D activities	Accelerated depreciation of equipment and tools used for research operations
Types of incentives	■ Tax credits	■ Cash grants	■ Reduced tax rates	■ CIT exemption ■ The territorial economic contribution (TEC) and property tax exemption	■ Tax relief and allowance for TEC and property tax purposes	■ Accelerated depreciation on qualifying R&D assets

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D tax credit

Description of benefits

Companies can receive a 30% tax credit on eligible R&D expenses. There is a credit rate of 30% for the first EUR100 million of qualified R&D expenses incurred during the tax year, plus 5% of any amount more than EUR100 million. The tax credit can be offset against CIT liability for the year of application and the next three years. A refund is available if the credit has not been totally offset after three years.

The main R&D expenses eligible for the tax credit are:

- Tax-deductible amortization of fixed assets, created or acquired as new and directly allocated to research activities

- Employee expenses
- Operating expenses determined by applying a flat rate of 75% to amortization of fixed assets and a rate of 50% to employee expenses; as of 1 January 2020, the rate is 43% for employee expenses (this rate is reduced to 40% for expenses incurred as of 15 February 2025 by the Finance Bill for 2025).

R&D expenses can be subcontracted to public or private entities. Subcontracted expenses are eligible up to EUR2 million (EUR10 million if the principal and the subcontractor are not dependent) and three times the amount of other R&D expenses incurred by the company.

Until 1 January 2022, R&D expenses subcontracted to public entities may be considered for double their amount. Additionally, the EUR10 million limit is increased by EUR2 million for expenses subcontracted to public entities.

As of 1 January 2022, treatment of R&D expenses subcontracted to public or private entities is harmonized:
- Subcontracted R&D expenses to public entities are no longer considered for double their amount.
- The EUR10 million limit is no longer increased by EUR2 million.

To compensate the harmonization of the treatment of subcontracted R&D expenses applicable to public or private entities, a new tax credit for cooperative research is introduced. This new tax credit is based on R&D expenses incurred as part of research cooperation agreements concluded between 1 January 2022 and 31 December 2025 with specific R&D organizations. It amounts to 40% (or 50% for small and medium-sized enterprises (SMEs)) of the eligible expenses up to EUR6 million per year. These expenses cannot simultaneously be used for the computation of the R&D tax credit.

To prevent the abuse of subcontracting schemes that allowed some taxpayers to benefit, several times, from the R&D tax credit, the Finance Act for 2020 introduced a new measure concerning subcontracting expenses. As from 1 January 2020, except under specific circumstances, the principal is eligible for the R&D tax credit on expenses concerning operations subcontracted to public or private subcontractors if they carry out the subcontracted operations themselves (i.e., there is not a second level of subcontract).

The Finance Bill for 2025 has reduced the base of the R&D tax credit by excluding, as of 15 February 2025:
- Technology watch costs: staff expenses engaged for scientific and technical meetings and subscriptions for technical/scientific literature and databases
- Patents costs: fees and costs paid to external patent offices (filing and maintenance), judicial costs in the case of legal action and depreciation allowances of patents acquired and used as R&D base

In addition, the wage costs related to graduated PhDs are included but they cannot be doubled as they could under certain conditions before the Finance Bill.

Guidelines around incentive applications

The R&D tax credit is applicable for retroactive, current and future investments. The claim should take the form of the filing of a specific form (2069-A) along with the annual tax return of the company. Claims shall be submitted at the latest on 31 December of the second calendar year following the deadline for filing the specific form (i.e., R&D expenses incurred in 2022 have to be filed in 2023 and can be claimed until 31 December 2025).

Cash grants for collaborative R&D projects

Description of benefits

Cash grants are available for collaborative R&D projects. The cash grants cover all or part of the industrial R&D, R&D personnel costs, depreciation of R&D equipment and potential subcontracting costs (within a certain limit). The grants are attributed to a consortium of at least one company, active in the industry sector, and one R&D laboratory or higher education institution. Several incentives are related to sustaining collaborative R&D activity and can reach up to an average of EUR20 million depending on the size of the project (and up to EUR50 million with certain funding programs). Preapproval is required to obtain the cash grants.

Guidelines around incentive applications

The cash grants are applicable for current and future investments. An application must be submitted to the relevant government authorities or government operators granting the cash through call for applications.

Reduced CIT treatment of revenues derived from patents

Description of benefits

Amortization allowances and financing costs are fully deductible from the taxable income subject to the standard CIT rate.[2]

In addition, subject to certain conditions and on an election basis only, French enterprises may benefit from a 10% CIT rate[3] applicable to the net income notably derived from the licensing of patents (or software), after deduction of R&D expenses, and after the application of a nexus ratio comparing:

- 130% of the R&D expenses directly related to the creation, or the development of the qualifying patent, either by the claiming taxpayer or by non-related parties To
- 100% of the total R&D expenses incurred for the creation, the development, or the acquisition of the qualifying patent

Note that this election can be performed on an asset-by-asset basis or on a group-of-assets basis. This election will also be available at the level of French tax consolidated groups, subject to certain requirements.

The same tax treatment applies, still on an election basis, to the net income derived from the sublicensing of qualifying patents, and to the net gains derived from the transfer, to non-related parties, of qualifying patents, provided that the latter have not been acquired less than two years before. Sales between related parties are not eligible for the reduced CIT rate.

Guidelines around incentive applications

The incentive is applicable for current and future investments. To claim the incentive, there is no specific form to file; however, the election is made on the annual tax return of the company for each asset, good, or service, or category of good or service (including an appendix presenting the calculation methods used to determine the net income and the nexus ratio). As a matter of principle, the annual tax return must be filed within three months of the end of each accounting year.

Innovative New Company status

Description of benefits

The incentive benefits are as follows:

- Full exemption from CIT for the first profitable year and partial exemption (50%) for the second profitable year
- With the approval of the relevant local authorities, exemption from property tax and/or the Territorial Economic Contribution (TEC) for seven years
- Exemptions for eight years from employer social security contributions for certain categories of employees involved in R&D operations

To receive the incentive, the company should have been incorporated within the past 11 years and no later than 31 December 2022. Going forward, companies incorporated from 1 January 2023 onward must have been incorporated within the last eight years to receive the incentive. The tax relief is subject to the EU de minimis ceiling (total aid may not exceed EUR200,000 over any three-year period).

The CIT exemption is removed for JEIs created from 1 January 2024 (without impact on measures concerning local taxes and employer social security contributions).

Article 44 of the LF 2024 enhances the status of Young Innovative Enterprises to extend its benefits to a new category of companies called Young Growth Companies (*Jeune Entreprise de Croissance*, or JEC). This new category includes SMEs less than eight years old, undertaking between 5% and 20% (instead of 20% required for JEI) of R&D expenses; these SMEs must also satisfy economic performance indicators. JECs will benefit from the same advantages as JEIs (exemption from social security contributions and local taxes).

[2] Since 1 January 2022, the standard CIT rate is 25%, regardless of the profit of the company.

[3] This 10% CIT rate applies for tax years beginning on or after 1 January 2019, whereas prior to 2019, a 15% CIT rate applied. More generally, the French patent regime has been amended by the French Finance Act for 2019.

Guidelines around incentive applications

The election for the Innovative New Company status is made on the company's annual income tax return. As a matter of principle, the annual tax return must be filed within three months of each account year-end. An advance ruling procedure is available to confirm eligibility.

New entities and new buildings assigned to R&D activities

Description of benefits

New companies and new buildings assigned to R&D activities may benefit from specific incentives for TEC and property tax purposes:

- As mentioned above, companies eligible for JEI status can benefit from a temporary exemption from property tax and TEC.
- Companies that perform certain types of activities within specific areas can benefit from a temporary TEC relief. The tax relief is applicable to the operations performed until 31 December 2027 in areas qualified as regional aid areas and for SMEs in SME investment aid areas. Taxpayers are required to seek preapproval to obtain the TEC relief.
- As of 1 January 2016, companies that have new buildings directly assigned to R&D activities — and subject to taxes for the first time in 2016 — can benefit from a 50% reduction in basis of Business Contribution on Property (*cotisation foncière des entreprises*), known as BCP, which is the main component of the TEC, and property tax. The definition of R&D activities is similar to the one applied for the R&D tax credit.

Guidelines around incentive applications

The request to benefit from the exemption from property tax should be sent by companies eligible for JEI status to the relevant property tax authority on plain paper, with a list of the properties concerned by the exemption. This request should be submitted before 1 January of the first year of application of the exemption.

The TEC relief is applicable to current and future investments. The request to benefit from the exemption from the local economic contribution has to be made on Form 1447-M-SD or Form 1447-C-SD for new companies. Form 1465-SD should be filed along with the forms. Form 1447-C-SD shall be filed no later than 1 January of the year that follows the year during which the company was created. Form 1447-M-SD shall be filed no later than the second working day following 1 May of the year preceding the year of taxation and for which the exemption is requested.

To benefit from the 50% reduction of BCP and property tax basis, the companies must seek approval from the relevant local authorities. In practice, the taxpayer must file a 6670-D form every fiscal year before 1 January.

Accelerated depreciation of equipment and tools used for research operations

Description of benefits

Equipment and tools mainly used for R&D operations can be subject to an accelerated amortization. The applicable coefficients are 1.5, 2 and 2.5, depending on the standard duration of amortization of the equipment or the tools for tax purposes. The plant and equipment must be primarily (but not exclusively) used for R&D operations eligible for the R&D tax credit.

Guidelines around incentive applications

The incentive is applicable to current and future investments. The amortization has to be booked in the accounts of the company. Form 2055 should also be filed along with the company's annual tax return.

3. Eligibility requirements

To qualify as an eligible R&D activity, the following conditions must be met:

- The activity must be part of a recognized R&D process.
- The objective sought must meet the originality or substantial improvement criteria.

In addition, only these main activities are eligible:

- Fundamental research that contributes to the analysis of properties, structures and physics
- Applied research that aims to identify possible applications for the results of fundamental research or to find new solutions, allowing the company to reach a specific objective
- Experimental development that is carried out through the development of prototypes or pilot installations

R&D activities must outperform general practices used in the field of application and must rely on advanced professional skills from scientists and engineers, distinct from the know-how commonly used in the profession. Consequently, R&D activities cannot rely on the design and implementation of conventional solutions. Commercial relevance of the activities (new products or services) or the simple fact that the activity is new or innovative is not sufficient for R&D tax credit eligibility.

Expenses related to subcontracted R&D functions are also eligible. Indeed, companies can outsource R&D to private or public organizations, associations or individual experts. In all cases, the subcontractor is required to possess a certificate of approval delivered by the French Ministry of Higher Education and Research. For the R&D tax credit and the Innovative New Company status, qualifying expenses include personnel expenses, operating expenses, costs related to patent maintenance, costs related to defense and technological development monitoring, and expenses incurred for technological watch. However, the qualifying expenses are not limited to these.

The R&D incentives apply to all industry sectors, so long as there is an R&D activity performed in the French territory or in the European Union.

Specific eligibility requirements for each R&D incentive

R&D tax credit

In principle, R&D activities falling into the scope of the R&D tax credit are the scientific and technical activities for:
- Fundamental research
- Applied research
- Experimental development

The French Tax Code provides a list of expenses eligible for the R&D tax credit (e.g., personnel expenses, operating expenses, costs related to patent maintenance, costs related to defense and technological development monitoring, expenses incurred for technological watch and subcontracted R&D to a subcontractor approved by the Ministry of Higher Education and Research).

Cash grants for collaborative R&D projects

Important eligibility criteria include the economic impact these products may have on the French territory in terms of employment (notably job creation), investment (reinforcing industrial sites) and branch structuring. The impact of the project on climate and environment is also becoming a cross-cutting criterion for all funding programs.

Innovative New Company status

The company must fulfill the following conditions:
- Be no more than eight years old
- Be an SME, as defined by EU regulations (i.e., with fewer than 250 employees, a turnover not exceeding EUR50 million and/or an annual balance sheet total not exceeding EUR43 million)
- Be truly new
- Be independent
- Have R&D spending that accounts for at least 20% of expenses

The R&D expenses taken into account are the expenses eligible for the R&D tax credit (e.g., personnel expenses, operating expenses).

Reduced CIT treatment of revenues derived from patents

- Scope: (i) patents, (ii) associated industrial/manufacturing processes that can be viewed as an essential element for the patent or patentable invention and that are licensed together with the related patent or patentable invention, and (iii) copyright-protected software
- Conditions: (i) intangible asset that qualifies as a fixed asset and (ii) only regarding the sales, a two-year holding period for IP rights acquired (taxation at standard CIT rate during the first two years following the acquisition) and no minimum holding period of IP rights resulting from the R&D activity of the licensing/seller company

4. IP and jurisdictional requirements

For jurisdictional requirements, please refer to the eligibility requirements specified for each incentive.

5. Technology or innovation zones

There are 54 "innovation clusters" in France that are spread across the country. They have been bringing together teachers, researchers and industry stakeholders to develop collaborative R&D projects — in all key technology sectors — that are eligible for state and local aid. Since 2009, 2,000 projects supported by innovation clusters have received financial support from the French State and local authorities (EUR7.5 billion granted since 2004 through direct financial aid and tax exemptions). Based on the most recent data available, nearly 10,000 companies now belong to a cluster in France.

6. Role of governmental bodies in administering incentives

R&D tax credit

- The R&D tax credit is managed by the French tax authorities and the French Ministry of Higher Education and Research.
- No preapproval is required. An advance ruling process is available to determine eligibility for tax credits; however, it is time-consuming, and taxpayers do not always receive responses during the process. As such, most taxpayers file for tax credits rather than going through the advance ruling process.
- There is an automatic tax audit if a tax credit exceeds EUR1 million. If the credit amount exceeds this amount, the tax audit tends to be significantly scrutinized (e.g., requiring supporting documentation for every project).
- Tests on controls (by government) are conducted on an average of 10% to 20% of the overall projects qualifying for the incentives, and taxpayers are advised to take consistent approaches in preparing documentation.
- Documentation must be prepared in the French language.
- The R&D tax credit rate has been increased from 10% to 30% since 2007.

Cash grants for collaborative R&D projects

Various public agencies deal with the collaborative R&D projects, namely:

- National Agency for Research (L'Agence Nationale de la Recherche): the agency finances R&D projects, including those involving private companies
- Bpifrance: the agency provides specific grants for identified projects (Programme d'Investissements d'avenir, France 2030, accelerator programs) such as collaborative projects, strategic industrial innovation projects or zero-rate loans for innovation
- L'ADEME (*l'Agence de l'Environnement et de la Maîtrise de l'Énergie*): the agency finances R&D projects in the ecological transition sector and decarbonization sector
- The PIA4 (Programme d'Investissements d'Avenir 4) supports innovation through public subsidies across various local authorities (Regions)

7. Administrative requirements

R&D tax credit

- Detailed documentation is required for control purposes and should include detailed factual information (e.g., objective of projects, costs and calculation of the credits). The documentation also requires support on eligibility of the activity and R&D tax incentives related to the activity. This documentation has to be provided to the French tax authorities upon request, within the course of a tax audit. The company should file Form 2069 A each year with its tax return.

Cash grants for collaborative R&D projects

- A specific application should be drafted with criteria that differ depending on the funding program and objectives of the call for proposals. An evaluation process of several steps has to be carried out for the budget to be granted.

TEC relief

- The requested forms (1447-M-SD/1447-C-SD and 1465-SD) should be filed with the relevant corporate tax offices by the aforementioned deadlines. The forms have to be completed as if the company did not benefit from a relief. Therefore, all the information required by the French tax authorities to assess the territorial economic contribution should be mentioned in the forms (e.g., address, nature, size of the premise, number of employees).

Reduced CIT treatment of revenues derived from patents

- Election should be made on the annual corporate tax return.

Innovative New Company status

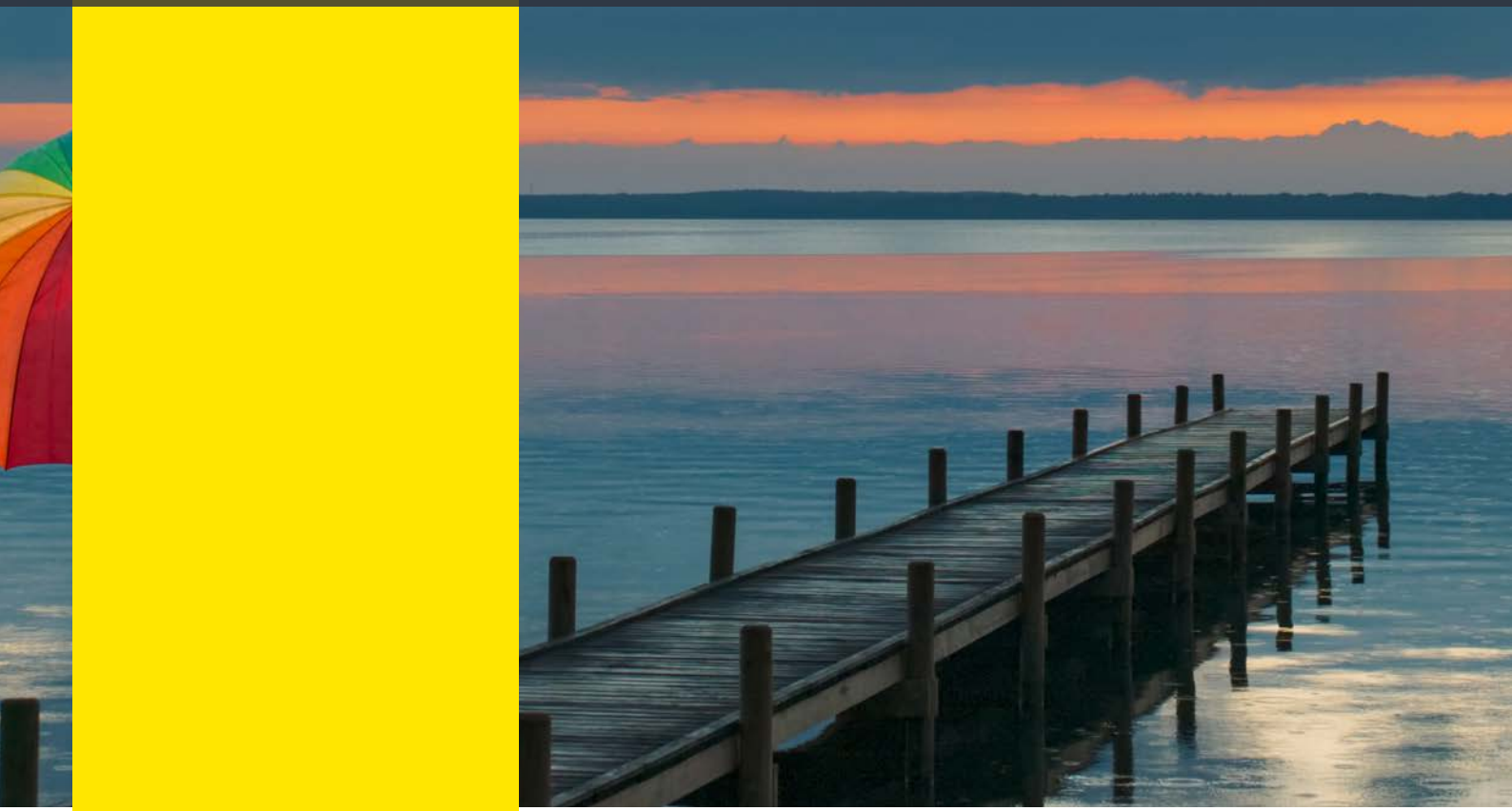
- The election for the Innovative New Company status is made on the company's annual income tax return. An advance ruling procedure is available to confirm eligibility.

8. Statutory reference

- R&D tax credit: Section 244 quater B of the French Tax Code
- Innovative New Company status: Section 44 sexies – 0 A of the French Tax Code
- Reduced CIT treatment of revenues derived from patents: Section 238 of the French Tax Code
- Territorial economic contribution relief: Section 1465 of the French Tax Code
- Accelerated depreciation of equipment and tools used for research operations: Section 39 AA quinquies of the French Tax Code

Germany

This chapter is based on information as of February 2025.



The R&D incentives regime in Germany is predominantly based on two pillars: (1) non-repayable cash grants, provided through various programs via a competitive application process, and (2) an R&D tax credit (*Forschungszulage*, introduced 1 January 2020), which offers companies a legal entitlement to R&D funding in the form of a fixed-amount tax-free payment that offsets corporate or income tax and reduces the tax owed.

The focus of the German funding landscape beyond the German R&D tax credit (which is not restricted to certain technologies and sectors) is, among others, on sustainability, energy transition and decarbonization. Funding opportunities are particularly high for first movers and, thus, innovative projects.

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1. Overview

Germany has made a commitment to spend around 3.5% of national gross domestic product per year on R&D activities until 2025 and to improve the conditions for R&D investment by the private sector. According to the latest figures presented by the Federal Statistical Office in March 2024, the share of these expenditures in 2022 was 3.1% of GDP. Therefore, generous public funding programs are in place to support private investment in innovation and research.

The majority of incentives for R&D activities are available in the form of non-repayable cash grants, which have a positive influence on earnings before interest and tax (EBIT). Generally, the R&D incentives are provided on a "project basis" instead of a "company basis." The majority of the funding instruments in the form of non-repayable cash grants are discretionary in nature, and funding is available for R&D projects in specific areas. Especially in the area of sustainability and decarbonization, funding budgets have been increased in the past, and it is expected that this focus will remain relevant for the near future, even though budgetary constraints need to be considered going forward. Further, funding opportunities for innovative projects enabling circular economy approaches have improved.

To further foster R&D activities located in Germany, a tax incentive law for research and development (*Forschungszulagengesetz*, or FZulG), which came into force on 1 January 2020, introduced an R&D tax credit. As a consequence, taxable companies carrying out R&D activities can receive up to EUR500,000 per year per company group in Germany for eligible expenditures that occurred after 1 January 2020 and before 1 July 2020,

and up to EUR1 million per year for eligible expenditures that occurred after after 30 June 2020 and before 28 March 2024, regardless of a company's size or success. Within the framework of the Growth Opportunities Act, the assessment base was increased to EUR10 million on 27 March 2024, resulting in a significant increase in the maximum funding per year to EUR2.5 million for large enterprises and EUR3.5 million for small and medium-sized enterprises (SMEs) for eligible expenses that occurred after 27 March 2024. Within the framework of the next legislative period, there may be further changes to the FZulG. The amount will be credited against the tax liability or paid in cash if the tax credit exceeds the tax liability. Therefore, the R&D tax credit is relevant for all types and sizes of companies: startups and young companies in the build-up phase as well as midsized and large innovation-focused companies. However, certain eligibility criteria need to be observed, e.g., no funding for undertaking in difficulties or with unpaid reclaims for state aid.

The R&D tax credit permits an ex-post application for funding and an improved predictability compared to the non-repayable cash grants, due to the legal entitlement to the R&D tax credit (if all eligibility criteria are met). Since 2024, at the end of each calendar year, deadlines for applying for the R&D tax credit became relevant. Deadlines need to be analyzed on a company and project basis.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

R&D cash grants

Description of benefits

R&D activities performed in Germany may be funded via non-repayable cash grants at the regional, national and EU levels from various funding programs. The typical duration of a project is between 18 and 36 months. In principle, the funding quota ranges from 25% to 75% of eligible costs, depending on the size of the company, the research category of the project and whether the project is conducted in cooperation with other companies or research institutes.

Large companies may typically receive funding of up to 50% for eligible costs for industrial research projects, while the aid intensity for SMEs in this category may be higher. Large companies are often required to collaborate with other project partners to fulfil the funding requirements of different programs and receive funding.

Programs at the regional level (*Länder*) are mostly thematically open and aim to support the regional economy. National programs are open to a wide range of eligible industries and are therefore not limited to specific sectors, even though the specific program itself typically targets a certain sector, societal need or technology. R&D funding in the form of non-repayable cash grants is available to enterprises of all sizes, as well as to R&D institutions. Banks and financial services companies, however, are usually excluded from eligibility or have limited priority.

Generally, cash grant-based funding programs cover a variety of thematic areas, such as:
- Climate and energy, circular economy, and decarbonization
- Health and medical technology
- Sustainability
- Nutrition and agriculture
- Communication
- Mobility
- Security/defense
- Networking and transfer
- Social sciences and humanities

Funding is granted to key technologies that act as innovation drivers, particularly:
- Materials technologies
- Lightweight construction
- Nanotechnology
- Work in transition
- Quantum technologies and photonics

The European Commission may also provide funding for R&D activities performed in Germany, as well as other EU Member States. European Commission programs typically require collaboration with partners from different European countries.

Guidelines around incentive applications

Non-repayable R&D cash grants are regularly awarded as part of a competitive process for a defined R&D project. Therefore, applications need to be submitted and successfully awarded before starting with the project. One of the main selection criteria is the project's level of innovation as well as the expected impact. In addition, the effects of the incentive must be clearly stated.

Application procedures involve either a one- or two-stage process, depending on the respective funding program. Before the start of the application process, a consultation of a project's merits with the relevant funding agency is recommended. At the regional level, funding programs sometimes follow a one-step application process. In general, a two-stage application process applies for all national and regional R&D programs. For the first stage, the applicant submits only a short project outline to the funding agency in charge for valuation purposes. In general, the project outline provides a brief summary of the project idea, its technical risks, the necessity of funding, a work plan, and a short plan detailing how the project will be financed and how the results will be exploited. If the project outline passes evaluation, the applicant is invited to submit a full project application, which the funding agency then assesses. The respective ministry in charge will make the final decision on whether the project will be funded.

R&D tax credit (*Forschungszulage*)

Description of benefits

All taxable companies, regardless of size and industry sector, are entitled for R&D projects starting after 1 January 2020. The central condition is that they conduct R&D projects as defined per the R&D definition of the EU state aid rules[1] and have the proper documentation in place. The funding amount will be credited against the tax liability or paid in cash if the tax credit exceeds the tax liability. The maximum funding was recently increased from EUR1 million to EUR2.5 million per year for large companies and to EUR3.5 million per year for SMEs[2] based on the Growth Opportunities Act for all eligible expenses that occurred after 27 March 2024 going forward. For eligible expenses that occurred between 2 January 2020 and 30 June 2020, it is limited to EUR500,000 per year and for eligible expenses that occurred between 1 July 2020 and 27 March 2024, it is limited to EUR1 million per year.

[1] The General Block Exemption Regulation was amended in June 2023. The latest version is dated 1 July 2023.

[2] Beneficiaries who are considered SMEs can apply for a maximum funding of EUR3.5 million per year (need to apply for an increase of the funding quota at the tax office). Definition of small, medium-sized and large enterprises within the meaning of the SME definition in Annex I of the General Block Exemption Regulation.

Funding is open for three types of R&D projects: (1) a company's own R&D projects, (2) cooperative projects (e.g., with technology providers, universities, customers) and (3) contract R&D. Contract R&D is funded at the level of the principal (i.e., the contracting party) and is only permissible if the R&D contractor is based in the EU/EEA.[3] Generally, R&D contracts with third parties as well as with group-internal entities are eligible. Specific criteria apply for contract R&D (e.g., presence of R&D project-specific agreements, clear tasks description, agreed budget or fees, risk lying with the contracting entity only). For intra-company contracts, R&D-specific guidance has been provided by the Federal Ministry of Finance (see section on eligibility requirements below).

Until 27 March 2024, the eligible costs include direct R&D personnel costs plus employer social security contributions and, in the case of contract research, 60% of the contract value. Since 28 March 2024, eligible costs include direct R&D personnel costs plus the employer's social security contributions, in the case of contract research, 70% of the contract value as well as depreciation on certain movable depreciable capital assets insofar as these were purchased or produced after 27 March 2024, are used exclusively for the company's own operations in the beneficiary R&D project and are used for the implementation of the R&D project. In the course of 2025, further clarifications with regard to the requirements to apply for the increased funding are expected to be published. For example, the certification office already communicated that the increase of the proportion of the contract costs that can be counted as eligible costs and the inclusion of movable depreciable capital assets only applies to projects that started after 27 March 2024.

It is important to note that the maximum funding threshold per company and year applies to the whole corporate group as defined in Section 290 Paragraphs 2 to 4 of the German Commercial Code (HGB).[4]

Guidelines around incentive applications

The R&D tax credit permits an application for the required R&D certificate before implementation, during implementation or after the completion of the R&D project (as long as the application deadline is met). The entitlement to the R&D tax credit arises at the end of the financial year in which the eligible expenses were incurred by the beneficiary.[5]

The application process consists of two steps:

- Assessment of the R&D character of the projects: Companies will need to apply for a certificate for each R&D project that shall be funded by a certifying body (the *Bescheinigungsstelle Forschungszulage* – outside the finance administration), confirming that the conducted activities qualify as R&D, based on the EU state aid definition. The certificate will serve as a base assessment notice for the tax authorities. The certification process is to be done for each R&D project via an online application tool. Within this tool, each R&D project needs a meaningful, comprehensive description of the content of the R&D project (4,000 characters max), which includes the timeline, personnel, and financial scope and an indication whether it is own research, contract research or a cooperation project. The certificate will be automatically sent to the tax authority.
- Assessment of the amount of funding: At the end of the financial year in which the eligible expenditure was incurred, the application for the R&D tax credit shall be submitted to the tax office. The application is made independently of the income tax return or the declaration for the separate and uniform assessment of income and uniformly for all eligible expenditure incurred in the financial year. The R&D tax credit will be fixed and fully credited against the company's tax liability or paid in cash if the tax credit exceeds the tax liability at the next initial assessment of income tax or corporation tax. The application for R&D tax credit can be submitted until the end of the assessment period, which, in principle, is four years. The assessment period begins at the end of the calendar year in which the entitlement to the R&D tax credit arose. The entitlement arises at the end of the financial year in which the eligible expenses were received by the employee or, in the case of R&D contract costs, incurred by the beneficiary.

[3] The country in which the R&D contractor is based must provide administrative assistance in accordance with the EU Administrative Assistance Act (*EU-Amtshilfegesetz*) to the extent necessary to verify eligibility requirements. Commissioned R&D projects, or parts thereof, may not be subcontracted by the contractor.

[4] Para. 179 of the BMF letter dated 7 February 2023: Gewährung von Forschungszulage nach dem Gesetz zur steuerlichen Förderung von Forschung und Entwicklung (Forschungszulagengesetz - FZulG)

[5] § 4, Para. 2 of the law on tax incentives for research and development (Research Allowance Act) as of 14 December 2019 (Gesetz zur steuerlichen Förderung von Forschung und Entwicklung (Forschungszulagengesetz, or FZulG) vom 14 December 2019), last amended on 16 July 2021; 27 March 2024: FZulG - Gesetz zur steuerlichen Förderung von Forschung und Entwicklung

Since 2024, at the end of each calendar year, deadlines for applying for the R&D tax credit became relevant. Deadlines need to be analyzed on a company and project basis.

3. Eligibility requirements

R&D cash grants

All the funding programs relate to future R&D activities and R&D-related expenditures. Generally, a company must not have started project implementation before the application for funds has been submitted, the funding authority has sent out the grant notification to the applicant and the applicant has received the grant notification. After the funding authority has approved the R&D grant, the company may start implementation of the project. The application/granting process usually takes between six and 12 months.

Qualifying activities include fundamental research, industrial research, experimental development and demonstration activities. The costs eligible for funding are project-related and include:

- Personnel costs
- Materials and equipment
- Travel costs
- Subcontractors
- Amortization
- Overheads

Funding for subcontracting costs is granted only if it can be proved that the subcontractor adds a compelling advantage to the project and the grant recipient is not able to implement the task by means of his or her own capacities. In general, the applicant is obliged to tender the subcontracting task and must obtain at least three offers. Stricter rules may apply on a case-by-case basis.

In principle, national funding guidelines require that the recipient of the R&D grant has its own permanent establishment in Germany (or in the case of funding at the state level, in the corresponding state; further rules might apply on a case-by-case basis) and that the R&D activities and eligible costs from the project are incurred in Germany. Further rules apply to the exploitation of project results.

Following the amendment of the EU General Block Exemption Regulation (GBER) 2014, No. 651/2014 last amended on 23 June 2023, the maximum funding per R&D project that can be awarded by the national funding authorities within the framework of the GBER is increased. R&D projects qualifying mostly as experimental development with incentives exceeding EUR25 million per undertaking are generally subject to obligatory notification and approval by the European Commission.

R&D tax credit (*Forschungszulage*)

Eligible projects must have started after 1 January 2020. Projects that started before or on that date are not eligible.

Eligible expenses must not be included in the basis for assessment for the R&D tax credit, if they have been or will be funded as part of other grants or state aid.

The R&D tax credit must not be provided for undertaking in difficulties (Unternehmen in Schwierigkeiten) or if unpaid reclaims for state aid are present (*Offene Rückforderungen von Beihilfen*).

Eligible R&D activities need to be classified either as fundamental research, industrial research or experimental development (as per GBER's R&D definition). Activities aimed at market development and routine, regular improvements are not eligible. An assessment on a project-by-project basis is required.

Until 27 March 2024, the eligible costs included direct R&D personnel costs plus employer social security contributions and, in the case of contract research, 60% of the contract value. Since 28 March 2024, eligible costs include direct R&D personnel costs plus the employer's social security contributions and, in the case of contract research, 70% of the contract value. Eligible costs also include depreciation on certain movable depreciable capital assets insofar as these were purchased or produced after 27 March 2024, are used exclusively for the company's own operations in the beneficiary R&D project and are used for the implementation of the R&D project. Other costs (e.g., travel, material, overheads) are not eligible. Further clarifications regarding the requirements to receive the increased funding for the R&D tax credit are expected in the course of 2025. The certification office already communicated that the increase of the proportion of the contract costs that can be counted as eligible costs to 70% and the inclusion of certain movable depreciable capital assets only applies to projects that started after the 27 March 2024.

Companies do not have to submit documentation when applying for the R&D tax credit but must provide it later in the event of a request from the authorities during the application and evaluation process or keep it available for later examinations. The main contents of the documentation include a yearly description of the R&D activities performed, milestones, documentation of personnel hours and contract research documents, such as R&D contracts and invoices.

Regarding R&D between affiliated companies, the German Ministry of Finance has defined special criteria to allow wider use of the credit, e.g., for German companies operating under a general R&D contract. Although a comparison with the transfer pricing structure and documentation is highly recommended to avoid risks, companies that research and develop within the framework of contract R&D services or profit-split method and are taxable in Germany might also benefit from the credit (subject to a project-by-project analysis).

4. IP and jurisdictional requirements

Regarding R&D cash grants, the exploitation of the project results must predominantly take place within Germany (and/or in the corresponding regional state). In principle, several exploitation scenarios can be set up, but it is necessary to assess them on a case-by-case basis to be able to allow a final statement.

As the R&D tax credit offers a legal entitlement to R&D funding, the key condition is that the R&D projects performed constitute R&D per the EU state aid definition; exploitation of the project results is not a relevant criterion.

5. Technology or innovation zones

There are no technology or innovation zones in Germany.

6. Role of governmental bodies in administering incentives

R&D cash grants

The government (regional or national) and its different ministries (the ultimate funding authorities) are in charge of defining the funding programs. This leads to a large variety of programs, rules and procedures. Some programs are subject to specific deadlines, while others allow the ongoing submission of proposals. As stated before, the approval of the funding authority is necessary to start the project. Typically, the respective government ministries engage funding agencies to evaluate applications, to administer the call of funds and to monitor the beneficiaries' compliance with funding requirements.

The money granted by the funding authority is reimbursed after project costs are incurred. This means that the cash flow proceeds during the progress of the project. In practice, funding is claimed regularly on a national and regional level within the grant period. After the claim for funds, where the eligible costs for the specific time frame are listed and the interim report is submitted to and reviewed by the funding authority, the eligible costs are refunded. In general, cash grants are taxable.

Driven by the major policy goal of becoming carbon neutral by 2045 and the required need to decarbonize all industries and the energy supply in general, the funding landscape is in flux. Therefore, funding opportunities for R&D as well as for investments in green and energy-efficient technologies (and the combination of both) are significant.

In addition to cash grant-based incentives, several loan-based incentives (especially from the *Kreditanstalt für Wiederaufbau (KfW)* as a German state-owned investment and development bank) exist to support companies in investing in innovative energy-efficient and environmentally friendly machinery and processes although these programs do not necessarily require R&D activities as such.

Regarding future funding opportunities, specific funding programs have been introduced in accordance with current political goals. Associations, industry representatives and representatives of research organizations are regularly invited to contribute to the process of "topic finding." Often, companies can actively participate in this process to have a chance to place their R&D agenda in a political context and to have a regular exchange of information with policymakers.

R&D tax credit

Companies will need to apply for a certificate from a certifying body (*Bescheinigungsstelle Forschungszulage* – outside the finance administration) confirming that the conducted activities qualify as R&D, based on the EU state aid definition. The certificate will serve as a base assessment notice for the tax authorities. After the end of the financial year, companies apply for the R&D tax credit at the tax authorities, which determine the amount of funding. Since the R&D tax credit is thematically open, the role of the tax office is limited to procedural and law-specific questions (e.g., defining the maximum funding per company group or the definition of contract research). Given the learning curve during the years since 2020, it is likely that there will be changes for further amendments to the law and/or the currently defined rules and procedures. On 7 February 2023, the Federal Ministry of Finance issued the latest letter providing more detailed

guidance and clarifications on questions and ambiguities that arose during the first three years of the law being in force. Moreover, the certifying body issued a guideline on the certification process in May 2024 (updated in March 2025), which complements the BMF letter from 2023 and addresses frequently arising questions. The tax incentive law for research and development (FZulG) itself was last amended on 27 March 2024 (based on the Growth Opportunities Act), and the decree on the execution of the Forschungszulage was last amended on 12 April 2024. For the new legislative period under the new federal government, further legislative amendments and clarifications are expected in 2025.

7. Administrative requirements

R&D cash grants and R&D tax credit

After the acquisition of the cash grant or in preparation for applying for the tax credit, it is necessary to comply with the funding regulations and other project-specific conditions. A special focus is made on documentation requirements. Furthermore, the method of calculating eligible costs must comply with funding regulations. A further focus point in the context of funding administration is the project- and funding-instrument-specific rules and regulations imposed on the award of project-specific contracts. The administration of public funding requires effort and capabilities on the recipient's part in terms of organization and documentation, but if an administration system is established within the company right from the beginning, the process is manageable.

8. Statutory reference

- EU legislation
  - Communication from the Commission Framework for state aid for research and development and innovation (2022/C 414/01)
  - Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation) last amended on 23 June 2023
  - Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC)
- German legislation
  - National level
    - General Conditions of the Federal Ministry of Research and Education for the Allocation of Benefits for R&D Activities to Commercial Companies on a Cost Basis as of April 2018 (*Nebenbestimmungen für Zuwendungen auf Kostenbasis des Bundesministeriums für Bildung und Forschung an gewerbliche Unternehmen für Forschungs- und Entwicklungsvorhaben* (NKBF 2017))
    - Law on tax incentives for research and development (Research Allowance Act) as of 14 December 2019 (*Gesetz zur steuerlichen Förderung von Forschung und Entwicklung (Forschungszulagengesetz,* or *FZulG*) vom 14 December 2019), last amended on 27 March 2024
    - Decree on the execution of the Forschungszulage (*Verordnung zur Durchführung von § 14 Absatz 1 des Forschungszulagengesetzes* vom 21 November 2019), last amended on 12 April 2024
    - BMF letter dated 7 February 2023 on the granting of R&D tax credit under the German R&D Tax Credit Act (*Forschungszulagengesetz*, or FZulG)
    - Growth Opportunities Act (*Gesetz zur Stärkung von Wachstumschancen, Investitionen und Innovation sowie Steuervereinfachung und Steuerfairness* (*Wachstumschancengesetz*)) as of 27 March 2024
    - Guidelines of the certifying body (Prüfleitfaden der Bescheinigungsstelle Forschungszulage) of March 2025
  - Regional level
    - Calls on specific thematic areas are published regularly, and the application period usually lasts two to three months. The funding calls are published in the official gazette on the national and regional levels.
    - Further regulations may apply.

Greece

This chapter is based on information as of February 2025.

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1. Overview

According to the latest data published by the European Commission (press release of 18 December 2024), Europe's industry has been recording a notable growth in R&D investments; thus, R&D is projected to be "at the centre of the EU's economy in the coming years, aimed at boosting innovation and scientific excellence in the race to a clean and digital economy, and contributing to the EU's sustainable competitiveness and prosperity."

In said context, numerous R&D related provisions have been introduced to the Greek tax framework, either through the Greek Income Tax Code (GITC, Law 4172/2013) or through other development laws, providing specific incentives to adjust to this steadily progressing sector and facilitate its growth.

Namely, the provisions of GITC offer a comprehensive array of R&D incentives, e.g., super deductions for specific R&D expenses, tax exemption for profits arising from the sale of products/services protected by an internationally recognized partner, taxable income deduction for individuals contributing capital to certain categories of entities etc.

Additionally, numerous development laws (mainly Law 89/1967, Law 4864/2021, Law 4887/2022 etc.) have been introduced, each offering specific R&D tax incentives and establishing the respective criteria for their application (indicatively, among others, favorable terms for the establishment of R&D Centers, income tax rate stabilization, accelerated tax depreciations, etc.).

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon funding	☐
Other	☐

2. Incentives available

Art. 22A GITC – Super deduction of R&D expenses

Description of benefits

GITC introduces incentives regarding the deduction of certain eligible R&D expenses. In particular, as per art. 22A of GITC, a super deduction of 100% is introduced for expenses linked to R&D, including depreciation of equipment and its parts used for the purposes of conducting scientific and technological research.

The legislation stipulates that R&D expenses incurred for registered startups (i.e., startups registered in the National Register of Startups of Law 4712/2020), as well as specific research and innovation centers and universities identified in different Laws (e.g., of Law 4310/2014, Law 4957/2022), are eligible for a tax deduction of 150%.

This is contingent upon the aforementioned entities being unrelated to the recipient of the project or service and is subject to the governmental approval process (described below).

Additionally, for small and medium-sized enterprises (SMEs), a super-deduction for R&D expenses has been introduced, allowing for a deduction from gross revenues. Specifically, if R&D expenses exceed 20% of total annual expenses, a super-deduction at a rate of 200% will be applicable in the year the expenses are incurred. Furthermore, in such case, if the annual R&D expenses exceed the average amount of the same expenditure of the two preceding years, the deductible amount will be further increased by 15%.

In the event that the aforementioned increased deduction leads to tax losses, these losses will be carried forward to subsequent years based on the generally applicable rule (general carryforward rule for five years).

Role of governmental bodies in administering incentives and administrative requirements

Within the deadline for the annual income tax return filing, the necessary documentation regarding the R&D expenses shall be provided before the General Secretariat for Research and Innovation. The documentation shall be accompanied by an audit report issued by a certified auditor or auditing firm (in the case of expenses of at least EUR60,000). In such case, the Secretariat conducts only an examination to verify that the expenses are actually R&D based on the relevant rules. The Secretariat's examination shall in principle take place within 10 months as of the documentation's submission.

Specifically, for qualifying expenses exceeding EUR60,000, the business, simultaneously with the filing of the tax return, submits to the General Secretariat for Research and Innovation of the Ministry of Development the necessary documentation, which must be accompanied by an audit report issued by a certified auditor or auditing firm.

The General Secretariat for Research and Innovation conducts a check on the object of the request, i.e., it verifies whether the expenses incurred genuinely relate to research and technology activities. The verification and certification of the expenses, according to the relevant provisions, are carried out by the competent authority within a period of six months. After the lapse of this period, the application for the R&D tax incentive scheme shall be considered as implicitly accepted.

The procedure for the audit by the General Secretariat for Research and Innovation is established by a joint decision of the Ministers of National Economy and Finance and Development. The audit of R&D expenses by certified public accountants or auditing firms, as specified herein, is considered a mandatory audit. The relevant audit reports are subject to a sample audit conducted by the General Secretariat for Research and Innovation of the Ministry of Development on an annual basis, covering at least 15% of the submitted audit reports. In the case of found violations relating to the accuracy and the quality of the report, penalties could in principle apply for the auditors signing the report.

Art. 71A GITC - Patent Incentives

Description of benefits

Article 71A of the GITC provides for an income tax exemption of the business profits arising from the exploitation of internationally recognized patents for three consecutive years. Such provision was introduced in 2018 and the relevant patent incentives were recently extended (by means of L. 5162/2024) to additionally provide that the beneficiary enterprise may receive an additional 10% exemption on the tax amount due corresponding to the aforementioned profits for the subsequent seven consecutive years, provided that the development of the patent can be linked and further substantiated with respective R&D expenses.

In particular, exemption from corporate income tax (CIT) for three consecutive years is granted for the company's profits arising from:

- Sale of new products, for the production of which an internationally recognized patent of the company was used
- Sale of new products of the company produced in third-party facilities, for the production of which an internationally recognized patent of the company was used
- Provision of new operating services of an internationally recognized patent of the enterprise

The amount of the exemption is calculated as follows:

$$\frac{\text{eligible research and development expenses}}{\text{total research and development expenses (*)}} \times \text{profits from the exploitation of the patent} = \text{amount of exemption}$$

(*) The numerator may be increased by 30%, provided that it does not exceed the total amount of the R&D expenses.

The total amount of the tax-exempt profits is displayed in a special reserve account and is subject to taxation under the general rules provided by the GITC, in the case of its capitalization or distribution.

Role of governmental bodies in administering incentives and administrative requirements

The certification bodies for the patent, the criteria for classifying eligible and non-eligible expenses, in accordance with the general principles and guidelines of the OECD, the conditions, terms, procedures applicable, as well as any other necessary matters for the implementation, are laid in the joint ministerial decision under nr. 79628 ΕΞ 2022.

Other incentives provided by development laws

Law 89/1967 regime

Law 89/1967 (L. 89/1967) allows for a type of advance pricing of intragroup services performed by Greek entities lawfully authorized to operate under the regime of such law. The innovative characteristic of this regime relates to the different method of the taxable base's calculation, offering stability and tax certainty. More specifically, said law allows full tax deductibility of expenses to the extent that revenues, which must originate from associated companies, are set at a pre-agreed markup (no less than 5%) and services are among the ones explicitly mentioned in the relevant provisions and are offered exclusively at an intra-group level. Considering that the taxable basis is fixed, the risk of challenge by the Greek tax authorities is limited, helping achieve tax certainty.

R&D activities fall within the perimeter of eligible activities under the cost-plus regime of L. 89/1967. Therefore, multinational groups aiming to establish large R&D hubs may also consider doing so within Greece and benefit from the relevant incentives, subject to the conditions provided by the law.

Additionally, L. 89/1967 provides for grants/subsidies for R&D projects performed in accordance with art. 25 of EU Regulation 651/2014 by enterprises lawfully authorized to operate under the L. 89 regime. The R&D projects in question must be subject to one of the following categories, as specified in the relevant regulation: industrial research, experimental development, feasibility studies. Relevant subsidies may cover personnel expenses, building expenses, instruments and equipment expenses, research expenses/project-related consultancy services expenses, general expenses and other operating expenses, and expenses for conducting feasibility studies.

Development Law 4864/2021

According to Law 4864/2021, research and innovation investments, the total budget of which exceeds EUR20 million may be classified as strategic and may therefore benefit from the following tax benefits:

- Stabilization of income tax rate for 12 years, from the completion of the investment plan. The investment entity may utilize the established income tax rate starting from the fiscal year in which the investment is completed and begins production operations. In the event of a reduction in the tax rate, the applicable reduced rate will be implemented.
- Tax exemption, i.e., exemption from the payment of the income tax on the profits made before taxation, that derive, based on the tax legislation, from all the activities of the enterprise, after the deduction of the tax of the legal entity, which corresponds to the profits distributed or withdrawn.
- Accelerated tax depreciation for fixed assets included in the approved investment plan is granted with an increase of the rates specified in GITC by 100%. If the initial depreciation rate exceeds 20%, the final increased rate cannot exceed 40%.

A specific ministerial decision is issued for each investment project classified as a strategic investment describing in detail the scope of the investment project, the incentives provided, the specific categories and types of qualifying expenses, as well as the overall aspects, sources of funding, maximum implementation period and the terms of execution of the investment project.

Development Law 4887/2022

The objective of this legislative framework is to support investment projects that promote research and facilitate the development and implementation of ideas and technologies aimed at enhancing goods and services, thereby rendering production more efficient. Eligible for the application of the framework at hand are investment entities that are established or have a branch in the Greek territory at the time of commencement of the investment project and fall into one of certain categories (commercial companies, cooperatives, joint ventures engaged in commercial activities, etc.).

Among the eligible expenses of development Law 4887/2022 with respect to non-regional state aid are expenses for R&D projects. The participation of the entity in the cost of the investment project can take place either through own funds or through external financing, provided that 25% of the total investment cost does not contain whatsoever any state aid, support or subsidies.

The following types of aid are provided:

i. Tax exemption. The amount of the tax exemption is calculated as a percentage of the value of the eligible expenses of the investment project or the value of new machinery and other equipment acquired through financial leasing, which constitutes an equivalent reserve maintained in a separate account in the financial statements.
ii. Subsidy (monetary amount provided free of charge by the government to cover a portion of the eligible expenses of the investment project, determined as a percentage of those expenses — not applicable for medium and big enterprises). The amount of the grants depends each time on specific criteria (e.g., size of the enterprise, location of enterprise).
iii. Leasing subsidy (covering of a portion of the lease payments made for financial leasing agreements entered into for the acquisition of new machinery and other equipment).
iv. Wage subsidy (for the cost of newly created employment positions for the investment project, for which no other state aid is received).
v. Enterprise risk financing, related solely to the "New Entrepreneurship" aid scheme.

3. Statutory references

- L.4172/2013 under art. 22A, 22E, 70A & 71A
- L. 89/1967 under art. 1, 2
- L. 4864/2021 under art. 18, 51, 89
- L. 4887/2022 under art. 1 and 58-64

Hong Kong

This chapter refers to the Hong Kong Special Administrative Region of China tax jurisdiction and is based on information as of February 2025.

Hong Kong introduced an enhanced tax deduction regime for qualifying R&D activities. The legislation was enacted on 2 November 2018 and took retroactive effect for expenditures incurred on or after 1 April 2018.

Hong Kong introduced a Patent Box Regime in July 2024 to provide profits tax concessions for certain assessable profits from eligible intellectual property (IP) income. This regime applies with respect to a year of assessment beginning on or after 1 April 2023.

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1. Overview

Under the Hong Kong tax law, an R&D expenditure is generally regarded as being capital in nature and hence disallowable unless it is a specifically provided-for deduction under certain tax provisions. The R&D enhanced tax deduction regime allows a super deduction for certain qualifying R&D expenditures on qualifying R&D activities.

A taxpayer that meets the specified requirements under the Patent Box Regime is eligible for tax concessions under which the concessionary portion of the taxpayer's assessable profits derived from eligible IP income can be chargeable to profits tax at the concessionary tax rate of 5%.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentive available

Name of incentive	Enhanced R&D deduction	Patent Box Regime
Type of incentive	■ Super deduction	■ Concessionary tax rate

Enhanced R&D deduction

Description of benefits

Qualifying R&D expenditures on a qualifying R&D activity will be eligible for a 300% deduction for the first HKD2 million, and the remainder will be deductible at 200% without limitation.

R&D expenditures that do not qualify for the above deduction will continue to be eligible for the normal 100% deduction if certain specified conditions are met.

Guidelines around incentive applications

As the incentive is statutory-based, the claims follow the corporate tax filing timeline. The enhanced tax deduction is claimed on the tax return for the year during which the qualifying R&D expenditures on the qualifying R&D activity was incurred.

Patent Box Regime

Description of benefits

An eligible person who derives eligible IP income from eligible IP can elect that the concessionary portion of assessable profits derived from the eligible IP income be charged at 5%.

The concessionary portion is determined based on the R&D fraction modeled on the nexus approach.

The R&D fraction is calculated in accordance with the following formula and capped at 100%:

$$F = \frac{EE \times 130\%}{EE + NE}$$

where F means the R&D fraction;

EE means the eligible R&D expenditure incurred in respect of the eligible IP to which the eligible IP income relates (subject IP); and

NE means the non-eligible expenditure incurred in respect of the subject IP.

The R&D fraction is used to calculate the concessionary portion of the assessable profits from eligible IP income, which is ascertained in accordance with the following formula:

$$P = I \times F$$

where P means the concessionary portion;

I means the assessable profits from the eligible IP income; and

F means the R&D fraction applicable to those assessable profits.

Any non-concessionary portion of assessable profits will be chargeable to tax at the normal profits tax rate of 16.5%.

Guidelines around incentive applications

As the incentive is statutory-based, the claims follow the corporate tax filing timeline. When filing tax returns, taxpayers can elect to claim the concessionary portion of assessable profits derived from an eligible IP income to be subject to the concessionary tax rate of 5%.

3. Eligibility requirements

Enhanced R&D deduction

Qualifying R&D activity is defined as follows:

- An activity in the fields of natural or applied science for the extension of knowledge
- An original and planned investigation carried on with the prospect of gaining new scientific or technical knowledge and understanding
  Or
- The application of research findings or other knowledge to a plan or design for producing or introducing new or substantially improved materials, devices, products, processes, systems or services before they are commercially produced or used

Eligible R&D expenditures for the super deduction include staff costs and consumables. Other R&D expenditures may qualify for the 100% normal deduction if conditions are satisfied. The relevant R&D activities must be undertaken and carried on by a taxpayer. With respect to subcontracted-out qualifying R&D activities, the payments must be made to a designated local research institution to qualify for the enhanced deduction.

Any business carrying on qualifying R&D activities in Hong Kong is eligible for the enhanced tax deduction. No industry sectors are specifically excluded.

Patent Box Regime

"Eligible person" means a person who is entitled to derive eligible IP income from eligible IP.

An eligible person can be a person other than the owner of the eligible IP so long as that person has a right to derive income from the IP. For example, a licensee who obtains a licence to use eligible IP from its owner and then sub-licenses the eligible IP to another person for earning a sub-licensing fee falls within the meaning of "eligible person."

"Eligible IP" is defined to mean any of the following IP that is generated from an R&D activity:

- An eligible patent
- An eligible plant variety right
- A copyright subsisting in software under the Copyright Ordinance (Cap. 528) or under the law of any place outside Hong Kong

"Eligible IP income" means an income of any one or more of the following descriptions:

- Income derived from eligible IP in respect of:
  (a) The exhibition or use of, or a right to exhibit or use (whether in or outside Hong Kong), the IP
  (b) The imparting of, or undertaking to impart, knowledge directly or indirectly connected with the use (whether in or outside Hong Kong) of the IP
- Income derived from the sale of eligible IP
- Embedded IP income, i.e., if the price of a sale of a product or service includes an amount that is attributable to eligible IP, such portion of the income from that sale, on a just and reasonable basis, is attributable to the value of the IP
- Amount of insurance, damages or compensation derived in relation to eligible IP

4. IP and jurisdictional requirements

Enhanced R&D deduction

Any IP rights generated from the R&D activities must be fully vested in the claimant. In a cost-sharing arrangement where the IP is generated as a result of pooled R&D activities, a pro rata joint ownership with other participants would be sufficient.

Patent Box Regime

Only eligible IP as defined in the above session are eligible for the Patent Box Regime.

Eligible patent

An eligible patent is:

- A patent granted under the Patents Ordinance (Cap. 514) or granted by a patent office outside Hong Kong. If the filing date of the application for the patent is on or after 5 July 2026, any standard patent (R) would no longer be eligible. A reference to a patent granted by a patent office outside Hong Kong includes the registration of a utility model by the patent office, a utility certificate and an inventor's certificate issued by the patent office.

  Or
- A patent application made under Cap. 514 or filed with a patent office outside Hong Kong. If the filing date of the patent application is on or after 5 July 2026, the application is not a standard patent (R) application. If a patent application is an international application, the reference to the patent application filed with a patent office outside Hong Kong is a reference to the patent application having validly entered its national phase in the patent office in which the national phase is entered.

"Patent office," in relation to a place outside Hong Kong, means a competent authority in that place that receives or processes patent applications or grants patents.

Eligible plant variety right

An eligible plant variety right is either:

- A right granted under the Plant Varieties Protection Ordinance (Cap. 490) or a corresponding right subsisted under the law of any place outside Hong Kong
- An application as defined by section 2 of Cap. 490 or a corresponding application subsisted under the law of any place outside Hong Kong

Copyright subsisting in software

Copyrighted software refers to a copyright subsisting in software under Cap. 528 or under the law of a place outside Hong Kong. While registration of copyrighted software is generally not required under Cap. 528 or foreign law, it must fall within the scope of the relevant legal protection in order for it to be regarded as an eligible intellectual property.

5. Technology or innovation zones

There are no technology or innovation zones designated for providing R&D incentives in Hong Kong.

6. Role of governmental bodies in administering incentives

Enhanced R&D deduction

The enhanced R&D deduction claims are processed by the Hong Kong Inland Revenue Department (IRD).

The Innovation and Technology Commission designates certain institutions as local research institutions and may give advice to the IRD regarding a deduction claim or an advance ruling application.

Patent Box Regime

The Patent Box Regime is administered by the IRD. Registration of patents are processed by the Intellectual Property Department, and the registration of plant variety rights are processed by the Agriculture, Fisheries and Conservation Department.

7. Administrative requirements

Companies are not required to seek government preapproval for the enhanced R&D tax deduction and the Patent Box Regime. Claimants are required to disclose additional detailed information in supplementary forms when filing their profits tax returns.

8. Statutory reference

Enhanced R&D deduction

Inland Revenue Ordinance, Section 16B and Schedule 45

Patent Box Regime

Inland Revenue Ordinance, Section 40AY and Schedule 17FD

Hungary

This chapter is based on information as of February 2025.

The Hungarian government encourages R&D-related activities and is very supportive of R&D investments. Numerous cash incentives and tax credit opportunities are available for setting up as well as operating R&D activities.

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1. Overview

The R&D incentive regime in Hungary has become mature, well-known and well-used by companies. Further, the Hungarian government is introducing new elements and definitions to clarify uncertainties and facilitate R&D activities.

Currently, cash grants and tax incentives are available for R&D projects. The Hungarian R&D incentive regime could be beneficial for a wide range of investors depending on their fact patterns and business goals, and many of the elements of the incentive system may be combined to achieve optimum results.

The Hungarian government reduced the corporate income tax (CIT) rate to 9% in 2017. In light of this change and the mature R&D incentive regime, Hungary can provide a suitable and tax-efficient environment for R&D-related activities.

Due to the BEPS Pillar Two rules effective beginning in 2024 in Hungary, the utilization of R&D grants and credits is a complex topic, and long-term planning will be required before taking advantage of the available opportunities. Along with the BEPS Pillar Two rules, a new, also opex-based, R&D tax credit has also been announced, which may be an alternative to the pre-existing tax credits and should not decrease the effective tax rate (ETR) for BEPS Pillar Two purposes.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☑
Expedited government approval process	☑
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	VIP cash grant	Corporate tax credit	Corporate tax credit with cash payment	Double deduction of R&D costs	Reduced social security contribution for researchers	Corporate tax exemption of 50% on royalty income	Reduced municipality business tax base and R&D tax base
Types of incentives	■ Cash grants	■ Tax credits	■ Tax credits ■ Cash grants	■ Super deduction	■ Tax credits ■ Tax allowance	■ Reduced tax rate	■ Tax allowance

VIP cash grant

Description of benefits

Cash grant for capex investments

A nonrefundable cash grant is available for capex investments, with a special regime for R&D capex investments (see later).

The amount of non-R&D VIP cash grant depends on the location and nature of the investments. The grant is paid out as costs are incurred, and the maximum cash grant amount is typically capped at a certain percentage of the total in-vestment amount. Companies must seek preapproval to obtain cash grants. The minimum investment value is EUR10 million (or EUR2 million–EUR5 million, depending on the location). The project can be combined with a renewable energy investment, which can be up to 50% of the total capex.

Cash grant for shared service centers (SSCs)

A nonrefundable cash grant is available for new job creation.

The amount depends on the location and nature of the investments. The grant is paid out as costs are incurred, and the maximum cash grant amount is typically capped at a certain percentage of the total investment amount. Companies must seek preapproval to obtain cash grants for this purpose. There is no minimum investment value, but at least 25 new jobs must be created. The eligible investment costs are the first 24 months' payroll expenditures for newly hired employees, who are hired by the company within a three-year period.

Cash grant for R&D capex investments

From 2025, a new regime is introduced to support R&D capex investments. R&D capex investments are especially favored by the Hungarian government and the only entrance condition to obtain a cash grant is that the investment should relate to R&D activities and create at least 10 new jobs. Maximum intensity depends on the regional aid intensity map; therefore, in some counties, the maximum grant is up to 60%. A cash grant can be combined with corporate tax credit.

Cash grant for R&D opex projects

A nonrefundable cash grant is available for implementing R&D projects.

The government introduced a special R&D project cost-based (opex-based) cash grant in 2017. The minimum investment value is EUR1 million and 10 new R&D positions must be created. The aid intensity is capped at 25% in Budapest and 40% outside of Budapest. If the project contains both applied research and experimental development, the applied research part of the project qualifies for up to 50% in aid. The maximum available cash grant is EUR25 million.

From 2025, large enterprises and medium-sized companies with at least 50 employees (calculated together with the parent company) in the year preceding the year of the grant application are eligible. The cash grant may be awarded for R&D projects in primary agricultural production as well.

Guidelines around incentive applications

Cash grants are applicable to future investments, new job creation or R&D projects, which cannot be started before the application is submitted and confirmed by the authority. Companies may claim cash grants as they incur costs (opex) or capital expenditure (capex). They must maintain appropriate records and administration for the claims to be accepted by the Hungarian authorities.

Corporate tax credit

Description of benefits

A tax credit is available for a period of 13 tax years for capex investments and job creation projects and can decrease the annual CIT liability by 80%. The tax credit may be applied together with cash grants. The minimum investment value depends on the location and the size of the company (EUR7.5 million or EUR2.5 million at present value, and for small- and medium-sized companies it is even lower, EUR125,000–EUR250,000) and there is no minimum threshold for job creation.

There is a special opportunity for R&D investments with a significantly lower threshold of HUF100 million at present value (EUR250,000) investment without the new job requirement.

Guidelines around incentive applications

The corporate tax credit is applicable to future investments; therefore, the investment can only be started after an application has been submitted to the authority by the taxpayer. Companies may claim the CIT credit in their annual CIT return for 12 tax years from or following the year in which the investment is put into operation (i.e., maximum 13 years). The tax return is due by the end of the fifth month following the end of the financial year and should be submitted to the Hungarian tax authority electronically.

Corporate tax credit 2.0 (opex-based)

Description of benefits

Beginning in 2024, a new R&D tax credit became available that meets the criteria of a Qualified Refundable Tax Credit under the BEPS 2.0 OECD Rules, thus securing a tax benefit even after the introduction of the BEPS Pillar Two regime. Taxpayers that elect to rely on this tax credit cannot apply the double deduction incentive for R&D expenses at the same time and must maintain their election for at least five tax years. The new opex-based tax credit can be utilized for four years and may not exceed EUR25 million in the case of experimental development, EUR35 million in the case of applied research and EUR55 million in the case of fundamental research. The aid intensity (maximum tax credit) is up to 10% of the eligible costs. Recharged costs from outside the group may not exceed 20% of the eligible costs. Within this 20%, recharged costs from intragroup may not exceed 10%. The unutilized amount of corporate tax credit can be paid as a cash grant at the end of the third tax year calculated from the year when the underlying cost was incurred.

Guidelines around incentive applications

The choice of utilizing the corporate tax credit or tax base deduction must be declared in the annual tax return by the taxpayer for the first tax year affected by the choice. The earliest opportunity to change the choice is from the sixth tax year, which must be declared in the tax return for that tax year.

Double deduction of R&D costs

Description of benefits

The direct costs of R&D or the depreciation of capitalized R&D costs incurred in a given tax year are deductible twice for CIT purposes: as an expense and as a CIT base deduction item.

Guidelines around incentive applications

The double deduction is applicable to past and current projects. Companies claim the double deduction of the eligible R&D costs in their annual CIT return. If a resident taxpayer provides R&D services directly for another resident taxpayer, then the deduction of the eligible R&D costs may be shared by the service provider and the customer based on their joint written statement. In some cases, companies can double-deduct recharged R&D costs from foreign entities. The tax return is due by the end of the fifth month following the given tax year and should be submitted to the Hungarian tax authority electronically.

Reduced social security contribution for researchers and R&D staff

Description of benefits

A tax allowance is available for companies employing researchers with scientific degrees or academic titles (including PhD students). Under the incentive, the social security contribution on these employees' wages will be 0% (instead of 13%). This 0% contribution rate can be applied maximum up to the double of the monthly minimum wage, which is HUF290,800 (EUR727) in 2025.

From 2019, a tax credit is available of up to 50% of the social security contribution calculated on the wage costs of employees conducting R&D activities in proportion to the time spent on R&D activity.

Guidelines around incentive applications

The incentive can be applied retrospectively and for future tax years.

Reduced social security contribution

Companies may apply the R&D-related social security contribution allowance and credit in their monthly tax return, which is due by the 12th day of the month following the corresponding month and should be submitted to the Hungarian tax authority electronically.

Corporate tax exemption of 50% on royalty revenue

Description of benefits

The incentive allows for 50% of the royalty profit, (but with an overall cap at 50% of the pretax profit), to decrease the CIT base. In some cases, part of the profit from the sale of goods or services qualifies as an "embedded royalty."

Guidelines around incentive applications

The incentive is applicable to current profits. Companies claim the 50% CIT exemption on royalty profit in the annual CIT return. Base erosion and profit shifting (BEPS) approaches should be applied (i.e., the nexus ratio, which is calculated based on the "in-house" R&D activity). The tax return is due by the end of the fifth month following the given tax year and should be submitted to the Hungarian Tax Authority electronically.

Reduced municipality business tax base and R&D tax base

Description of benefits

All direct costs of R&D in a given tax year are deductible from the municipality business tax base and from the base of the innovation contribution (R&D tax). Royalty income is fully exempt.

Also, 10% of the R&D direct costs are deductible from the municipality business tax liability in certain municipalities.

Guidelines around incentive applications

The incentive is applicable to current expenses. Companies claim the R&D-related municipality business tax base allowance and R&D tax base allowance in the annual municipality business tax and R&D tax returns, which are due by the end of the fifth month following the year when the costs are incurred. A municipality business tax return should be filed with the municipality where the companies carry out business activities, and the R&D tax return should be submitted to the state tax authority.

3. Eligibility requirements

For all R&D tax incentive and cash grant options, the safest way to secure them is to have the R&D content confirmed by obtaining a ruling from the respective authority (National Research, Development and Innovation Office). This ruling should underline the qualification of the R&D content and cost allocation method, which is generally accepted by the Hungarian tax authority.

A list of the specific eligibility requirements of certain R&D incentives is given below.

R&D-related VIP cash grant (capex- or opex-related)

The VIP cash grant qualifies as state aid. The grants are provided to strategic investors accomplishing (1) R&D-related asset and infrastructural investments or (2) R&D projects. To qualify for grants involving R&D-related asset and infrastructural investments, a company does not need to reach any minimum capex thresholds. The qualifying expenses are the R&D infrastructure-related capex costs. The company must create at least 10 new R&D jobs and commit to university cooperation. IP registration in Hungary is an advantage to increase cash amount.

To qualify for grants involving R&D projects, a company is required to implement an R&D project or projects of at least EUR1 million (opex-based) and to create at least 10 new R&D positions related to the R&D investment, of which 50% should require a higher professional qualification. The qualifying expenses are the payroll-related costs of the employees involved in the R&D projects, the cost of contractual research up to 25% of the project costs, the amortization costs of the assets and the rental costs of the buildings. The eligible costs should be incurred within one to three years from the start of the project.

Corporate tax credit

The corporate tax credit qualifies as state aid. The minimum investment value is HUF3 billion or HUF1 billion at present value (EUR7.5 million or EUR2.5 million) for capex for large companies. For small and medium enterprises, the minimum investment is EUR125,000–EUR250,000. There is no minimum threshold for job creation.

A special corporate tax credit is available for R&D-related asset and infrastructural investments; this credit has a significantly lower threshold of HUF100 million (EUR250,000) investment without the new job requirement. The qualifying expenses are the related capex costs.

Corporate tax credit 2.0 (opex-based)

To be eligible for the opex-based corporate tax credit, taxpayers must engage in qualifying research activities. To apply the tax credit, taxpayers must make an election in their corporate tax return. The tax credit cannot be combined with other tax benefits connected to R&D in the same year, and the taxpayer cannot change its election for five tax years. The qualifying expenses are the related direct R&D costs.

Double deduction of R&D costs

Qualifying R&D activities are activities carried out using the company's own assets and by its employees (either for its own purposes or on behalf of another entity) or activities carried out with another resident entity based on a specific R&D agreement. If the Hungarian entity is only financing the R&D, the results of the R&D activities must be used in Hungary to benefit from the deduction. Effective 1 January 2015, based on the decision of the taxpayer, the R&D tax base decreasing item can be allocated to a related party in Hungary.

Reduced social security contribution for researchers

The company is required to be recognized as a research center and has to employ researchers and scholars (including students applying for scientific titles) as defined by the legislation. The social security contribution deduction can be used based on the gross wage costs of the research employees up to a certain limitation.

Corporate tax exemption of 50% on royalty profit

The company must receive royalties to utilize the incentive. Half of the profit accounted for as a royalty as per Hungarian legislation decreases the CIT base (but is capped at 50% of the pretax profit). The BEPS approach (i.e., the nexus ratio) should be applied.

Reduced municipality business tax base and R&D tax base

There is a 100% exemption of royalty income from the municipality business tax base and R&D tax base.

4. IP and jurisdictional requirements

Qualifying intellectual property (IP) includes patents, software licenses and other categories similar to patents. Types of income include income from the use or sale of qualifying IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Hungary.

6. Role of governmental bodies in administering incentives

VIP cash grant

- Ministry of Foreign Affairs and Trade: donor
- Hungarian Investment Promotion Agency: operating agency
- National Research, Development and Innovation Office: authority to evaluate R&D content

Corporate tax credit

- Ministry of Finance: decision-maker
- National Tax and Customs Administration: auditor of use of incentive
- National Research, Development and Innovation Office: authority to evaluate R&D content

Double deduction of R&D costs, corporate tax exemption of 50% on royalty income and corporate tax credit 2.0 (opex-based)

- National Tax and Customs Administration: auditor of use of incentive
- National Research, Development and Innovation Office: authority to evaluate R&D content

Reduced social security contribution for researchers

- National Tax and Customs Administration: auditor of use of incentive
- National Research, Development and Innovation Office: authority to evaluate R&D content

7. Administrative requirements

- The compliance process for obtaining the incentives or grants has become less onerous, especially for the VIP cash grant. The application processes are streamlined and the administration is fairly manageable.
- R&D tax credit is used through the CIT return.
- Double deduction from the CIT base and tax exemption in relation to royalties has to be indicated in the CIT return.
- The deduction and credit of the social security contribution has to be indicated in the social security contribution return.
- The National Tax and Customs Administration usually does not question R&D deductibility during a tax audit if a taxpayer has the written evaluation of the National Research, Development and Innovation Office confirming the R&D content of the project.

8. Statutory reference

The listed incentives are regulated in the following acts and decrees:

- Act LXXXI of 1996 on Corporate Tax and Dividend Tax
- Act C of 1990 on Local Taxes
- Act LXXVI of 2014 on Scientific Research, Development and Innovation
- Act LII of 2018 on Social Contribution Tax
- Decree No. 165/2014 (VII. 17.) of the Hungarian Government on Corporate Tax Credit
- Decree No. 210/2014. (VIII. 27.) of Use of the Investment Promotion Fund
- Decree No. 332/2017 (XI.9.) on the detailed rules concerning the research and development qualification of certain activities

India

This chapter is based on information as of February 2025.

The R&D sector in India has witnessed robust growth in recent years due to the government's efforts to make India a global R&D hub. Because of incentivized investments and the launching of various flagship projects to attract investments from around the globe, many investors have either shifted or are planning to shift their R&D base to India. Further flagship projects, such as the Make in India and Digital India initiatives, introduction of a patent box regime, and a concessional tax rate scheme are playing a pivotal role in attracting investors to make India a global manufacturing and R&D destination.

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1. Overview

The government of India has a progressive outlook toward R&D activities and continues to promote such activities, focusing strongly on manufacturing and developing innovative solutions in the manufacturing, science and technology fields. This is evident from the programs the government has launched, which cover the following objectives:

- Increase in support to R&D
- Improvement in pool of scientific manpower
- Improvement in India's R&D infrastructure
- Introduction of a patent box regime to encourage indigenous R&D with a view to make India a global hub
- Implementation of flagship programs at the national level to improve technological competitiveness of Indian industries
- Establishment of research facilities and centers of scientific excellence on par with some of the most globally renowned facilities

Further, the government has continuously supported R&D activities and seeks to provide an environment that offers the growth of a knowledge-based economy through implementing effective fiscal policies and incentivizing investments in R&D through tax and other benefits.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement*	☑
Qualifies for Horizon Europe funding	☐
Other	☐

**VAT reimbursement – tax paid on R&D expenses is available as an input tax credit and can be used against tax payments.*

The government also offers various tax benefits in the form of deductions on revenue expenditure, accelerated depreciation on capital expenditure and indirect tax benefits, such as customs duty exemptions on the import of specified goods for companies having an in-house R&D unit and concessional goods and services tax (GST) rates and exemptions available for research institutions.

The government has notified R&D services related to the pharmaceutical sector by an Indian service provider to a foreign service recipient as exports, thus, making them eligible for zero-rated benefits.

Besides the fiscal incentives provided by the federal government, various states in India offer incentives, such as stamp duty waiver and concessions, soft loans, and subsidies related to social security contributions.

In addition, the government has created a Technology Development Board to provide financial support to industrial concerns undertaking R&D activities in the field of technology.

Recently, the Finance Minister (FM) announced the proposals under the Fiscal Budget for 2025 to promote R&D in the following specified sectors:

1. Research, Development and Innovation initiative

A private sector-driven Research, Development and Innovation initiative was announced by the Honorable Finance Minister in the Finance Act (No. 2), 2024, laid down before the Parliament in July 2024. A specified amount of INR1 lakh crore are being allocated to implement the same.

2. PM Research Fellowship

In the next five years, the Government of India, under the PM Research Fellowship scheme, will provide 10,000 fellowships for technological research in the Indian Institute of Technology and Indian Institute of Science with enhanced financial support.

3. National Mission on High Yielding Seeds

A National Mission on High Yielding Seeds will be launched, which aims to (1) strengthen the research ecosystem in

India, (2) target development and propagation of seeds with high yield, pest resistance and climate resilience, and (3) make commercially available more than 100 specified seed varieties, which would be notified by the Government of India.

4. Nuclear Energy Mission for Viksit Bharat

A Nuclear Energy Mission for research and development of Small Modular Reactors (SMR) with an outlay of INR20,000 will be set up. At least five indigenously developed SMRs will be operationalized by 2033.

5. Toy sector

The Government of India aims to implement a scheme to make India a global hub for toys. The scheme will focus on development of clusters, skills and a manufacturing ecosystem that will create high-quality, unique, innovative and sustainable toys that will represent the "Made in India" brand.

The aforementioned schemes are in addition to the existing schemes laid down by the Government of India through the past Finance Bills, the R&D opportunities from which would be manifold.

2. Incentives available

Name of incentive	Deductions for expenditure on scientific research by manufacturing entities*	Deductions for contributions for R&D	Tax holiday on export profits earned by units set up in Special Economic Zones (SEZs)*	Patent-related incentive	Funding for R&D activities in technology	Customs duty exemption and concession	GST concession (research institution)
Type of incentive	■ 100% tax deduction for qualifying revenue and capital expenditure	■ 100% tax deduction	■ Tax holiday	■ Reduced tax rates	■ Cash grants ■ Loans ■ Financial support	■ Tax exemptions ■ Reduced tax rates	■ Reduced tax rates withdrawn from 18 July 2022

**Although not based upon scientific analysis, general industry consensus is that these two incentives deliver the most beneficial results to investors.*

Deductions for expenditure on scientific research

Description of benefits and eligibility requirements

A 100% deduction is available to all industries on revenue and capital expenditures (other than expenditures incurred for the acquisition of land) paid out or expended on scientific research related to the business. This deduction is available even for companies that opt for the concessional tax rate of 22% or 15% announced by the government. Further, where any revenue expenditure is incurred within three years before business commences in order to pay salaries to employees engaged in scientific research or to purchase materials used in scientific research, all such expenditures to the extent certified by the Director General of Income Tax (Exemptions) (DGIT(E)), in concurrence with the Secretary, Department of Scientific and Industrial Research (DSIR), shall be allowed as a deduction in the year in which business commences.

Guidelines around incentive applications

The incentive is applicable to current and retroactive investments. To claim the deduction for retroactive investments, the expenses should be incurred within three years of the commencement of business. The deduction may be claimed in connection with retroactive investments in the year of business commencement by filing a tax return within the time prescribed and in the prescribed manner for the financial year in which the expenditure is incurred.[1] Further, an annual certificate stating the incentives claimed during the year needs to be filed with DSIR. Retroactive expenses incurred prior to the commencement of business may be claimed if they are certified by the DGIT(E) or Chief Commissioner of Income Tax (CCIT) and DSIR.

Deductions for expenditure on scientific research by manufacturing entities

Description of benefits and eligibility requirements

A 100% deduction is available for scientific research on in-house R&D expenditures as approved by the DGIT(E) and DSIR, including capital expenditures (other than land and buildings) by companies engaged in manufacturing and the production of articles and things, except for those articles or things specified in the Eleventh Schedule[2] or for companies engaged in the biotechnology business. Expenditures on scientific research include expenses incurred on performing clinical drug trials, obtaining approvals from regulatory authorities and filing patent applications. Net operating losses (NOLs) resulting from the deduction amount may be carried forward for eight years. The government of India has announced a scheme for a concessional corporate tax rate of 22% for existing domestic companies and 15% for new domestic companies incorporated on or after 1 October 2019 and commencing manufacturing on or before 31 March 2024, subject to satisfaction of certain conditions. However, companies opting for the concessional corporate tax rate are not permitted to claim the tax deduction as mentioned above or set off carried-forward losses from earlier years pertaining to R&D expenses.

Guidelines around incentive applications

- The incentive is applicable to current and future investments. The deduction may be claimed in the year the expenditure is incurred by filing the details of the expenditure for the relevant financial year before the DSIR on or before 31 October with DSIR authorities and before the due date for filing the return of income with tax authorities for the relevant financial year.
- Specific DSIR approval is required to take advantage of super deduction benefits.
- Specific guidelines have been issued for the automotive industry.
- The company will be eligible for the super deduction only if it enters into an agreement with the DSIR for cooperation in an R&D facility and for audit of the accounts maintained for that facility.

Deductions for contributions for R&D

Description of benefits and eligibility requirements

Deductions may be granted only in relation to the approved entities to which a donation or contribution is being made. The deductions available are as follows:

I. A 100% deduction is granted to assessees for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction that the said sum would be used for scientific research within a program approved by the prescribed authority. The prescribed authority in the case of a national laboratory, university or institute of technology is the head of the institution, and in the case of a specified person, it is the Principal Scientific Adviser to the government of India.

II. A 100% deduction is available for contributions made to approved institutions (e.g., research associations, universities, colleges) to be used for scientific research. An approved institution is a research association, university or college that has been approved and notified in the Official Gazette by the Central Government.

III. Up to a 100% deduction is available for contributions made to any company engaged in scientific research. However, the following conditions must be satisfied to claim the deduction:
   - The company must be registered in India.

[1] Under current tax laws, the due date of filing an income return is 31 October following the end of the relevant financial year when transfer pricing provisions are not applicable. However, the date is further extended to 30 November following the end of the relevant financial year when transfer pricing provisions are applicable.

[2] Under current tax laws, the due date of filing an income return is 31 October following the end of the relevant financial year when transfer pricing provisions are not applicable. However, the date is further extended to 30 November following the end of the relevant financial year when transfer pricing provisions are applicable.

- The main object of the company must be scientific R&D.
- The company must be approved by the Chief Commissioner of Income Tax.

IV. Up to a 100% deduction is available for contributions made to approved institutions (e.g., research associations, universities, colleges that undertake research in social science or statistical research) to be used for research in social sciences or statistical research.

To obtain approval, these entities must file the relevant forms before the prescribed authorities. NOLs resulting from the deductions can be carried forward for eight years. However, companies opting for the concessional corporate tax rates are not permitted to claim the abovementioned deductions.

Guidelines around incentive applications

The incentive is applicable to current and future investments. The deduction may be claimed based on the amount of contribution made to the approved entities by filing the income tax return and audit report within the prescribed time for the relevant financial year.

Patent-related incentive

Description of benefits and eligibility requirements

To provide an additional incentive to retain and commercialize existing patents and to develop new innovative patented products, income earned by royalty in respect of patents developed and registered in India will be taxable at a concessional rate of 10% (plus applicable surcharge and tax) without deduction of any expenses.

The following conditions must be satisfied to claim the benefit:

- The patent should be developed and registered in India.
- "Developed" is defined to mean "at least 75% of the expenditure incurred by the assessee for invention in respect of which patent is registered."
- An eligible assessee is any person resident in India who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee under Patents Act, 1970.
- Eligible income is income by way of royalty from patents developed and registered in India and includes the following:
  - Income from transfer of all or any rights in respect of patent
  - Income from imparting of any information concerning the working of the patent
  - Income from use of any patent
  - Rendering of any services in connection with the activities referred to above
  - Lump-sum consideration for any of the above
- Eligible income excludes the following:
  - Consideration taxable as capital gains
  - Consideration for sale of products manufactured with the use of patented process
  - The patented article for commercial use patent

Tax holiday on export profits earned by units set up in SEZs

Description of benefits and eligibility requirements

Incentives are available for companies engaged in providing R&D services under a service arrangement by way of export of services to a foreign principal. Such companies may set up their units in SEZs to secure the tax holiday. SEZ units engaged in the export of goods and services from 1 April 2006 to 31 March 2021[3] are eligible to claim a 15-year, phased tax holiday (see table below) on all export-linked profits earned.

Amount of deduction to SEZ unit	Period of deduction
100% of export profits	First five years
50% of export profits	Next five years
50% of export profits, provided the profits are transferred to a Special Economic Zone Reinvestment Reserve Account for the purposes of acquiring plant or machinery within three years	Next five years

Export profits of SEZ units are calculated as follows:

Profits of SEZ unit x [Export turnover of unit/Total turnover of unit]

However, the SEZ unit will not be eligible to claim the super deduction on research and development expenses as mentioned above.

[3] On account of the COVID-19 pandemic, the operation commencement date for the SEZ units claiming deduction was extended to 30 September 2020 for the units that received necessary approval by 31 March 2020.

Companies opting for the concessional corporate tax rates are not permitted to claim the tax holiday as mentioned above.

Amalgamation of SEZ units

The Central Government has amended the rules for merging SEZ units. The approval of SEZ authorities can be obtained subject to meeting the following conditions:

- Units belong to the same company or firm and fall within the same SEZ.
- After merger, block period for calculation of net foreign exchange (NFE) shall be from the date of commencement of production of the unit that commenced operations first.
- The income tax exemption period shall be considered from the date of start of operation of the first unit.

Guidelines around incentive applications

Incentives are available to any unit set up in SEZs provided such unit is not formed by splitting up or reconstructing existing businesses. In addition, such a SEZ unit must not be formed by the transfer of previously owned plant and machinery. An enterprise may claim the deduction or benefit by filing its income tax return within the time prescribed for the relevant financial year.

The unit in an SEZ can be set up for the following purposes:

- Manufacturing
- Providing services (which may include R&D services)
- Trading and warehousing

To set up a unit in an SEZ, preapprovals are required from the applicable development commissioner. A detailed application and procedural process is to be followed for seeking an approval.

Investment proposals in a SEZ qualifies for bringing in funds in India under the automatic route, and no prior approval is required from the Exchange Control and Regulatory authorities for infusion of funds in India.

Introduction of Income-tax Bill, 2025

The Government of India has introduced Income-tax Bill, 2025 (proposed bill) to replace the existing Income-tax Act, 1961, which would be effective from 1 April 2026 upon enactment by the Indian Parliament. Accordingly, the provisions of Income-tax Bill, 2025 would apply for the year up to 31 March 2026.

Currently, the proposed bill has been referred to a specific select committee by the Indian Parliament to examine the proposed bill and provide recommendations. The provisions of the proposed bill may impact future claims.

Funding for R&D activities in technology

Description of benefits

Support in the form of grants is provided by the DSIR to industrial R&D projects through its Technology Development Program (TDP). As per the project funding guidelines of the TDP, the Technology Development Board (Board) invests in the equity capital or gives loans to industrial concerns and research associations that are attempting development and commercial application of indigenous technology or adapting imported technology to wider domestic applications. The Board also provides grants. However, this mode of funding is not particularly popular with multinational corporations, and grants are provided by the Board only in exceptional cases.

Guidelines around incentive applications

Indian companies, cooperatives and research associations are eligible to seek funding from the Board. Further, domestic R&D institutions, such as national and state laboratories, academic institutions, cooperative research associations, in-house R&D units recognized by the DSIR and commercial R&D companies recognized by the DSIR, can also apply for funding.

The most common form of Board funding is concessional loan assistance, which comes with a number of conditions, including payment of royalty on sales generated during the term of the loan.

A second mode of funding provided by the Board is equity participation. Conditions for securing funding by way of equity might include pledging of shares by promoters to the Board for a value equal to equity subscription by the Board.

Another mode of funding is Board grants, but the Board provides grants only in exceptional cases. The recipient of the grant may be required to pay the Board an amount equivalent to the grant received by it or share the profit proportionate to the grant received.

Customs duty and foreign trade policy exemption and concessions

Description of benefits and eligibility requirements under customs

A concessional rate of basic customs duty is available on the import of specified instruments, equipment or components by research institutions, subject to conditions. This exemption is available until 31 March 2029; thereafter, the applicable basic customs duty as per the tariff rate would be payable unless the exemption is extended for a further period.

Also, a basic customs duty exemption is available on the import of equipment, instruments, raw materials, components, pilot plant and computer software when imported into India for a project by a company having an in-house research and development unit, subject to conditions. This exemption is available until 31 March 2029; thereafter, the applicable basic customs duty per the tariff rate would be payable unless the exemption is extended.

Pursuant to the Budget 2024, concessional rate of basic customs duty is applicable on the following:

- Import of specified items for use in R&D of aquatic feed manufacturing, subject to conditions
- Import of laboratory chemicals for R&D purposes, subject to conditions

Concession provided in export promotion capital goods (EPCG) scheme of foreign trade policy

EPCG scheme allows the import of capital goods duty-free subject to fulfilling export obligations and other conditions, such as installation of capital goods, nexus of capital goods with production of goods or rendering of services, with no sale or transfer of capital goods until the time of fulfilment of the export obligation.

Under this scheme, foreign exchange received toward royalty payments and R&D services shall be counted for discharge under EPCG.

Guidelines around incentive applications

Customs duty exemptions and concessions are applicable to the import of specified goods. No particular forms have been prescribed under the Indian customs legislation for claiming the aforementioned customs duty exemption or concessional rate of duty. However, certificates and approvals (as per relevant notification) would need to be produced to customs authorities at the time of clearing the imported goods to receive such exemption or concession, as the case may be.

Customs duty exemption and concession are available subject to conditions prescribed under the relevant notification, such as:

- Not selling or transferring the imported goods within five years from the date of importation
- Supplying the required certification from relevant authorities or agencies regarding use for R&D, installation in the R&D wing, value, etc.
- Submitting an undertaking that the goods imported shall be used in R&D and not be sold or traded after import (in certain cases)

3. Incentives offered under Central Government and state-level schemes

Central Government incentives — production-linked incentives (PLI) schemes

Since 2020, the Central Government has offered PLI schemes for sectors of strategic and economic importance. These schemes aim to encourage large-scale domestic manufacture in India, while also ensuring mass job creation opportunities. Under these schemes, approved applicants are provided a cash incentive equivalent to a fixed percentage of the sales of manufactured goods. The extent and duration of incentives differ by sector and are determined by the concerned ministry. These schemes may be renewed at the discretion of the concerned ministry. To date, PLI schemes for the following sectors have been released or announced:

- Key starting materials (KSMs), drug intermediates (DIs) and active pharmaceutical ingredients (APIs)
- Large-scale electronics manufacturing
- Manufacturing of medical devices
- IT hardware
- Pharmaceuticals drugs
- Telecom and networking products
- Food products
- White goods (ACs and LEDs, including their components)
- High-efficiency solar photovoltaic modules
- Automobiles and auto components
- Advance chemistry cell (ACC) battery
- Textile products

- Specialty steel
- Drones and drone components
- Semiconductor and display fabs
- Green hydrogen and its derivates
- Electrolyzer manufacturing

Currently, applications are accepted only for the modified scheme for setting up of semiconductor fabs and display fabs in India.

Additional sectors are likely to be brought under the umbrella of PLI schemes in the future.

State-level incentives

States want to attract investments in new units and expand existing units to develop infrastructure, education and employment opportunities. For these purposes, all states offer a combination of incentives linked to the investment and/or job creation as well as the location within the state.

The types of incentives offered include:
- GST-linked and turnover-based incentives
- Stamp duty waiver and concessions
- Utility-linked incentives, such as exemption on electricity duty cost and power tariff rebate
- Financial assistance for filing patent and quality certification applications
- Interest subsidy
- Subsidies linked to social security contributions

These incentives are offered for specific activities and sectors as outlined in the state incentives policies and schemes. Their extent is determined by various factors that include the size of the eligible investment, location, employment generation and nature of products. R&D companies may be eligible to apply based on the criteria listed in the concerned state policy. Moreover, certain states have begun to recognize the importance of R&D activities and are offering incentives to standalone R&D units and manufacturing units that have set up a dedicated R&D center. Expenditure incurred on the R&D units/facilities in the same state is considered as an eligible component of the fixed capital investment for incentives calculations.

Further, Karnataka has a specific Engineering Research & Development (Engineering R&D) Policy, 2021, which offers incentives to Engineering R&D Entities in the nature of rental reimbursement, recruitment assistance, reimbursement of internship stipend, etc.

States where there are no specific R&D policy may fall back to the sector-specific policies like IT/ITeS Policy, Global Capability Centres Policy, etc.

The incentives offered may vary from state to state with some states offering discretionary incentives to investments meeting specific thresholds (mega investments) or those of strategic importance.

4. IP and jurisdictional requirements

Where the Indian company carrying out research does not own the intellectual property (IP) (e.g., under a contract R&D model), there could be challenges in securing approvals for claiming 100% deduction, and it may not be effective to claim the deduction because it could be restricted to "net expenditure." Apart from this, there are no restrictions with respect to holding IP rights to secure tax-related benefits.

5. Technology or innovation zones

As discussed earlier, the Indian tax regime provides for a tax holiday on export profits earned by units set up in SEZs.

6. Role of governmental bodies in administering incentives

Incentives related to expenditure on scientific research, expenditure on scientific research by manufacturing entities and contributions to R&D

The government agencies involved in administering incentives are the DSIR, DGIT(E) and Principal Chief Commissioner of Income Tax.

The government of India established the DSIR, an autonomous body and India's largest R&D organization, with a broad mandate to promote industrial research and to carry out activities relating to technology development.

The DSIR is part of the Ministry of Science and Technology and carries out the activities relating to promotion, development, use and transfer of indigenous technology. The DSIR has carried out various programs and initiatives aimed at promoting R&D. Because the government of India provides various incentives and benefits to the private sector for R&D, the DSIR also acts as a nodal agency for the approval of benefits claims. The DSIR approves all scientific R&D activities carried out by research associations, colleges, universities, etc. On completion of the R&D activity, the DSIR obtains a completion certificate from the research associations and considers a report of the activities carried out, results obtained and its further application for commercial exploitation.

Incentives related to export profits earned by units set up in an SEZ

Involved government agencies: Ministry of Commerce and Industry, Department of Commerce

The administration of each SEZ is governed by a three-tier administrative setup. The Board of Approval is the highest body, comprising 19 members from various ministries of the government of India and headed by the Secretary of the Department of Commerce. The Approval Committee at the zone level deals with approval of units in the SEZs and other related issues. Each zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee.

The Board of Approval and the Central Government approve the setup of SEZs. Subsequently, units are permitted to be set up in the SEZ. All the proposals for setting up units in the SEZ are approved at the zone level by the Approval Committee, consisting of the Development Commissioner, Customs Authorities and representatives of state government. All post-approval clearances, including grants of importer-exporter code numbers, changes in the name of the company or implementing agency, and broad banding diversification, are given at the zone level by the Development Commissioner. The performance of the SEZ units is periodically monitored by the Approval Committee, and units are liable for penal action under the provision of the Foreign Trade (Development and Regulation) Act, in the case of violation of the conditions of the approval.

Incentives related to funding for R&D activities

Involved government agencies: Technology Development Board, Department of Science and Technology

The government has constituted the Technology Development Board to manage and administer the fund created by the government for technology development and application.

The Board accepts applications for financial assistance from all sectors of the economy and approves the granting of funds to the industrial concerns after a detailed evaluation.

Incentives related to customs and GST

Involved government agencies: Central Board of Indirect Taxes and Customs

Benefits of concessional basic customs duty and GST (including customs in the form of exemptions) are administered through the arm of the Ministry of Finance (i.e., Central Board of Indirect Taxes and Customs), which issues necessary guidelines and notifications in this regard.

Patent-related incentive

Involved government agencies: Central Board of Direct Taxes

Regarding patent-related incentives, the Ministry of Finance has established the Central Board of Direct Taxes to issue guidelines and notifications to administer the incentives.

Incentives offered at the central (federal) level under the concerned PLI scheme

Involved government agencies: The concerned ministry at the federal level (e.g., the PLI scheme for food products is released by the Ministry of Food Processing Industries)

The concerned ministry releases the sector-specific PLI scheme document. The document states the validity period for the scheme and specifies the percentage of turnover offered as incentive. The quantum of incentive is based on the budget allocated. A Project Management Agency (PMA) is appointed for ascertaining the eligibility of applicants and disbursement of incentives to approved units.

Incentives offered by state governments under the respective state policy or scheme

Involved government agencies: State-level Ministry of Industries and Commerce and allied government agencies, such as Department or Directorate of Industries

The state issues the industrial policy through the above agencies, which state the nature and quantum of incentives offered to eligible units. The incentives are offered taking the respective state's budgetary allocation into consideration. The Department or Directorate of Industries also appoints a nodal agency within the state for evaluation of incentives applications made by a unit and disbursement of incentives to the approved units. Sector-specific industrial policies, such as policies for the IT industry or for manufacture of electronic products, may be issued by the concerned department within the state.

7. Administrative requirements

Incentives related to expenditure on scientific research, contributions to R&D and for units set up in the northeastern states of India

No particular forms have been prescribed under the tax laws for claiming a tax incentive. However, the assessee may claim the deduction by filing a tax return within the time prescribed for the financial year in which the expenditure is incurred.

Incentives related to expenditure on scientific research incurred by manufacturing entities

As noted, specific DSIR approval is required to secure the benefit of a weighted deduction of expenditures incurred by manufacturing companies with an in-house R&D facility. The DSIR, in most cases, conducts an inspection of the R&D unit before granting an approval. To secure a deduction for expenditures incurred by in-house R&D units, the following conditions must also be met:

- The R&D facility must not exist purely to carry out market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or similar activities.
- Separate audited accounts (i.e., certified by a chartered accountant) for each R&D center must be maintained for each approved facility.
- A yearly statement must show the progress of implementation of the approved program to be submitted to the DSIR.
- The amounts of expenditures as certified by the DSIR and advised to the DGIT(E) are entitled to the weighted deduction. The weighted deduction is available on the net expenditure.
- Assets acquired with respect to developing scientific R&D facilities shall not be disposed of without the approval of the DSIR.
- On completion of the R&D activity, a completion certificate must be given to the DSIR with a report of the activities carried out, results obtained and further application for commercial exploitation.

Incentives related to export profits earned by units set up in an SEZ

Units set up in an SEZ are governed by the terms of the letter of permission granted by the Development Commissioner. Apart from the approval procedure listed earlier, compliances for an SEZ unit include the following:

- An annual performance report must be filed with the Development Commissioner of the SEZ. The annual performance report includes details of imports, exports, capital goods, external commercial borrowings, etc. The contents of the report have to be certified by a chartered accountant.
- Based on the annual performance report submitted by the unit, the Approval Committee undertakes an annual review of the unit's performance and compliance with the conditions of approval as provided in the letter of permission.

Patent-related incentive

The patent-based incentive can be claimed by filing a tax return within the time prescribed and in the prescribed manner for the financial year in which the expenditure is incurred.[4]

Incentives and concessions related to customs

Under customs legislation, there is a provision for conducting on-site audits, during which the authorities may check compliance with the conditions stipulated while granting and availing incentives and concessions by the assessee.

Incentives offered at the central level under the concerned PLI scheme

Application for approval under the PLI scheme must be made prior to commencement of commercial activities. The selection process is based on a series of rigidly

[4] Under current tax laws, the due date of filing an income return is 31 October following the end of the relevant financial year when transfer pricing provisions are not applicable. However, the date is further extended to 30 November following the end of the relevant financial year when transfer pricing provisions are applicable.

defined criteria. If the application is approved, the government-approved PMA issues an approval letter to the applicant. Upon receipt of the letter, the applicant may proceed with filing of periodic disbursement claims.

Generally, the application process and formats for required forms are provided within the operational guideline document of the concerned scheme. These documents specify the following (among other things):

- List of eligible products that are considered under the concerned scheme
- Validity period of the concerned scheme and likelihood of extension
- Categorization of businesses according to investment size, global presence and eligible products
- Eligibility criteria for consideration of the unit under the concerned scheme
- Information regarding the admissibility of the unit's fixed assets
- Timelines for undertaking the required investment and commencement of commercial activities
- Timelines for application for incentives and, upon approval, submission of requisite claim forms
- Other miscellaneous operational conditions for eligibility under the concerned scheme
- Format for submission of data required for application and periodic financial reports for claiming the eligible incentives
- Explanation of the process flow for approval and disbursement of incentives

Incentives offered by state governments under the respective state policy or scheme

An application for approval of incentives must be made prior to commencement of commercial activities. If the application is approved, the concerned state government issues a Certificate of Eligibility to the applicant. Upon receipt of the Certificate of Eligibility, the applicant can proceed with filing the periodic disbursement claims.

Generally, the application process and formats for required forms are provided within the operational guideline document of the concerned state policy or scheme. These documents specify the following (among other things):

- Eligibility criteria for consideration of the unit under the concerned state policy or scheme
- Information regarding the admissibility of the unit's fixed assets
- Timelines for undertaking the required investment and commencement of commercial activities
- Timelines for application for incentives and, upon approval, submission of requisite claim forms
- Other miscellaneous operational conditions for eligibility under the state policy or scheme, such as adherence to specified percentage of employees that must have been domiciled within the state
- Format for submission of periodic financial reports for claiming the eligible incentives
- Explanation of the process flow for approval and disbursement of incentives

8. Statutory reference

Accelerated depreciation

- Section 35(1) of the Income-Tax Act, 1961 (the Act)

R&D deductions

- Section 35 of the Act

Tax holiday for export profits for units in an SEZ

- Section 10AA of the Act
- Section 115BAA of the Act
- Section 115BAB of the Act

Patent-related incentive

- Section 115BBF of the Act

Funding for R&D activities in technology

- Project Funding Guidelines issued by the Technology Development Board

Customs duty exemption (related to in-house research units)

- Customs Notification No. 50/1996, dated 23 July 1996 (as amended from time to time)

Concessional rate of duty (related to research institution)

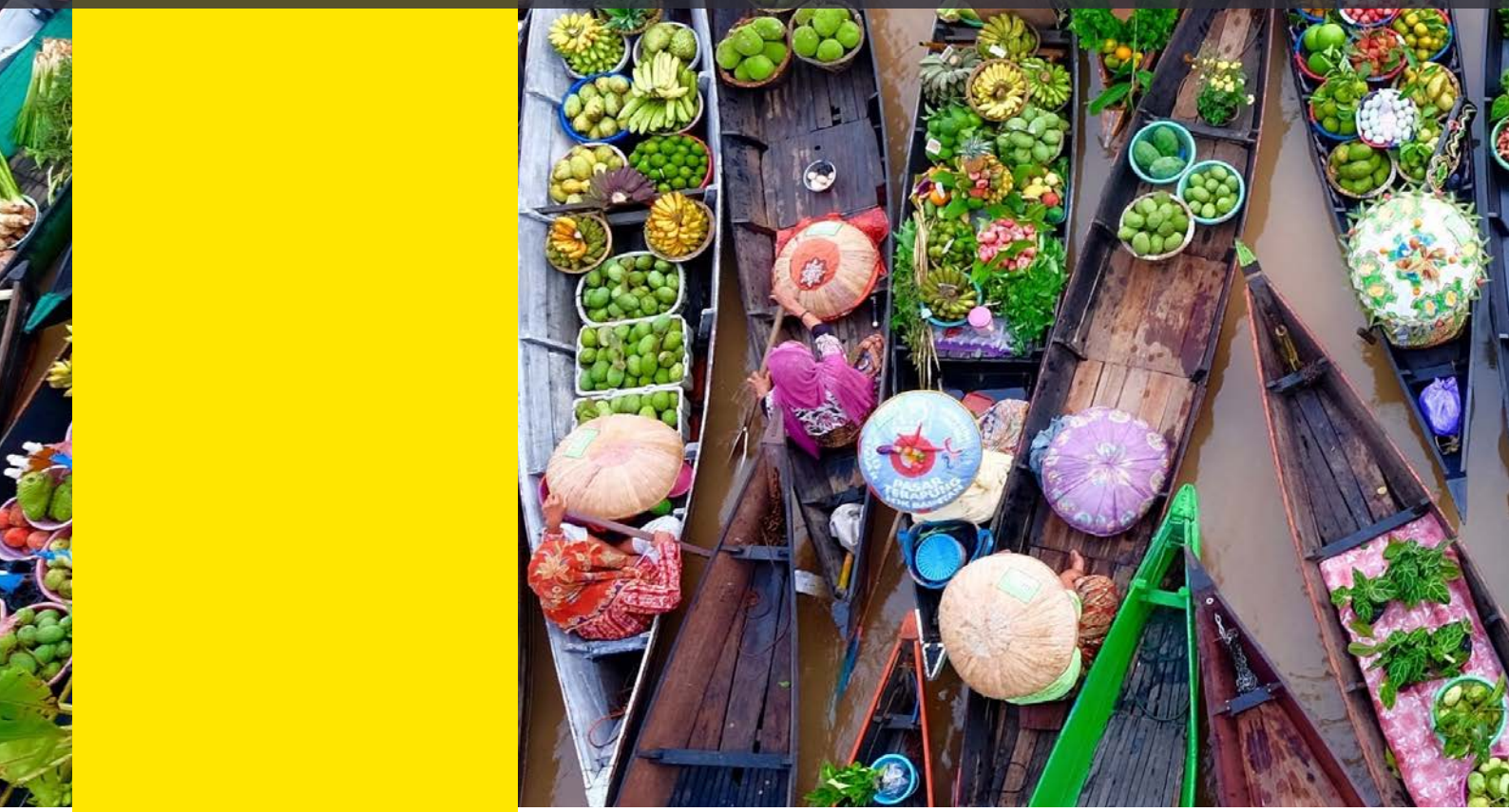
- Customs Notification No. 51/1996, dated 23 July 1996 (as amended from time to time)

Concessional rate of duty (related to other imports for R&D purposes)

- Customs Notification No. 50/2017, dated 30 June 2017 (as amended from time to time)

Indonesia

This chapter is based on information as of February 2025.



There is no specific R&D-based tax incentive in Indonesia, although R&D undertaken in Indonesia is a deductible expenditure.

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1. Overview

The general rule provided under Indonesian tax law is that only R&D activities that are conducted in Indonesia may be claimed as a tax deduction in calculating taxable income. These costs are limited to the reasonable amount of costs relating to R&D activities performed in Indonesia for the purpose of discovery of a new system or technology for development of the company.

In June 2019, the Indonesian government introduced super deduction tax incentives, including one that is related to R&D activities in Indonesia.

In November 2019, the Indonesian government issued an updated regulation on the tax allowance incentive (which was effective December 2019) to replace the 2015 version. However, the benefits under the updated tax allowance incentive, including the one related to R&D activities, are basically the same as the previous regulation. In this case, businesses conducting R&D on product development or manufacturing efficiency may be entitled to carry forward and claim tax losses for an additional two years under the tax allowance incentive scheme. To qualify for the additional two years (over and above the standard five years) of tax loss carryforward, the proportion of investment made in R&D must be at least 5% of the total investment within five years.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

As under previous regulations, the tax allowance incentives are available for particular business sectors nationwide, while others are available for particular business sectors only in certain geographic regions (typically in less economically developed regions). Under the updated regulation, most business sectors previously eligible only in certain regions are now eligible for incentives in all parts of Indonesia – only 17 business sectors remain on the list for specific regions. This regulation also introduces the Online Single Submission (OSS) system as the medium for applications for the tax allowance incentive.

Under the super deduction tax incentive, a domestic corporate taxpayer that carries out certain R&D activities in Indonesia could be eligible for a reduction in gross revenue of a maximum of 300% of the total expenses incurred for certain R&D activities in Indonesia. This is effectively a bonus deduction that is to be spread over a set period. A domestic corporate taxpayer that is domiciled and/or has business activities in Indonesia's new capital city called Nusantara (referred to as Nusantara Capital City or IKN) that carried out certain R&D activities in IKN could be eligible for a reduction in gross revenue of a maximum of 350% of total expenses incurred for certain R&D activities in IKN. The IKN tax incentive is available up to 2035.

2. Incentives available

Name of incentive	Tax allowance	Super deduction
Types of incentives	■ Accelerated depreciation and amortization ■ Reduced tax rates ■ Investment allowance	■ Reduction in gross revenue of a maximum of 300% of the total expenses incurred for certain R&D activities in Indonesia ■ Reduction in gross revenue of a maximum of 350% of total expenses incurred for certain R&D activities in IKN

Tax allowance

Description of benefits

Businesses conducting R&D on product development or manufacturing efficiency may be entitled to carry forward and claim tax losses for an additional two years (over and above the standard five years). This is available under the tax allowance incentive scheme, which is available for Indonesian companies or cooperatives that are seeking to make investments that are either new investments or for the purpose of expanding the current business in specific industries and/or provinces in Indonesia. The tax allowance incentives include:

- Accelerated depreciation and amortization

Category of tangible fixed asset	Accelerated useful life	Straight-line depreciation method	Declining balance depreciation method
Non-buildings			
Category 1	2 years	50%	100%
Category 2	4 years	25%	50%
Category 3	8 years	12.5%	25%
Category 4	10 years	10%	20%
Buildings			
Permanent	10 years	10%	
Nonpermanent	5 years	20%	

- A reduced tax rate of 10% for dividend paid to non-residents (or the applicable tax treaty rate)
- An investment allowance in the form of a reduction of net income
- An extended time period to carry forward tax losses (can be up to five years, in addition to the standard five-year cap, subject to certain conditions)

Normally, a tax loss may be carried forward for five years. Taxpayers granted with the tax allowance incentive may be entitled to carry forward and claim tax losses for two additional years if they conduct qualifying R&D activities on product development or manufacturing efficiency. To obtain the tax allowance incentives, a preapproval process is required.

Guidelines around incentive applications

The tax allowance incentive is available for new or future investments, or investments for the purpose of expanding a current business.

Entities eligible for the tax incentives are required to claim them in the annual corporate income tax return, and they should be reflected in the corporate income tax calculation of that respective year. Entities that have obtained the tax allowance incentive approval are required to declare the approval and the incentive granted in a specific attachment with the corporate income tax return (Form 4A – *Daftar Fasilitas Penanaman Modal*, or List of Capital Investment Incentive).

Super deduction

Description of benefits

A domestic corporate taxpayer that carries out certain R&D activities in Indonesia could be eligible for a reduction in gross revenue of a maximum of 300% of the total expenses incurred for certain R&D activities in Indonesia. This is effectively a bonus deduction that is to be spread over a set period.

"Certain R&D activities" are defined as R&D activities conducted in Indonesia to produce invention, innovation, mastery of new technology, and/or transfer of technology for industrial development to increase the competitiveness of national industry.

On 9 October 2020, the Minister of Finance issued the implementing regulation regarding the 300% super tax deduction for R&D activities carried out in Indonesia. This implementing regulation has been revoked and replaced by the Minister of Finance Regulation No. 81/2024, which was issued on 18 October 2024, and effective on 1 January 2025, as part of the Core Tax system. Under the implementing regulation and its replacement, the maximum 300% reduction of gross revenue covers:

1. 100% reduction on the gross revenue for the costs incurred to conduct R&D activities

2. A maximum of 200% additional reductions to gross revenue for the accumulated costs incurred to conduct R&D activities within a certain period. The potential 200% additional reductions require various criteria to be met:
   a. 50% if the R&D generates intellectual property (IP) rights in the form of patent or plant variety protection rights[1] (PVT rights) that is registered in the local patent or PVT office
   b. 25% if the R&D generates IP rights in the form of patent or PVT rights that are registered in both local and overseas patent or PVT offices
   c. 100% if the R&D reaches commercialization[2] stage
   d. 25% if the R&D that generates the IP rights in the form of patent or PVT rights (as defined in (a) and (b)) and/or reaches commercialization stage (as defined in (c)) is carried out by collaborating with a government R&D institution and/or higher education institution in Indonesia

The amount of additional reductions to gross revenue that can be utilized by the taxpayer is the percentage of additional reduction as stated in item (2) above multiplied by the accumulated R&D expenses for five fiscal years prior to the earlier of the time the taxpayer registered the IP rights (in the form of patent or PVT rights), or reaches the commercialization stage. The additional reduction on gross revenue shall be charged starting from when the taxpayer obtains the IP rights and/or reaches the commercialization stage.

On 6 March 2023, the Indonesian government issued Government Regulation No. 12/2023 to provide, among other things, tax and customs incentives for businesses that invest in IKN, the new capital city of Indonesia. One of the tax incentives is a reduction in gross revenue in the form of a super deduction up to a maximum of 350% of expenses disbursed for certain R&D activities. This incentive is available for domestic corporate taxpayers that are domiciled and/or have business activities in IKN that carry out certain R&D activities in IKN. Eligible activities for this tax incentive are R&D activities conducted in IKN to produce invention, innovation, mastery of new technology and/or transfer of technology for industrial development to increase the competitiveness of national industry. This tax incentive is available up to 2035.

[1] Plant variety protection rights (PVT rights) are special rights given by the state to the breeders and/or the holders of the PVT rights to use their own breeding results or provide a consent to other people or company to use the rights for a certain period.

[2] Commercialization is a production activity in Indonesia and the sale of goods and/or services as a result of the R&D.

3. Eligibility requirements

To qualify for the tax allowance incentive, the investment must be a new investment or an investment for the purpose of expanding a current business, with certain exceptions. Taxpayers with the tax allowance incentive conducting R&D activities on product development or manufacturing efficiency may be entitled to the incentive of claiming tax losses for two additional years, if the proportion of investment made in R&D is at least 5% of the total investment within five years. There are 166 business sectors that are eligible for the tax incentives. Additionally, 17 prescribed industries in certain areas and provinces (mostly outside Java) qualify for the tax allowance incentives.

To qualify for the additional super deductions, the R&D activities carried out in Indonesia are the ones that:

1. Are carried out by a taxpayer, other than a taxpayer that conducts its business based on a production sharing contract, contract of work or mining work cooperation agreement for which the taxable income is calculated based on special provisions in the contract that are different from the general provisions in the Income Tax Law
2. Started to be implemented after the time Government Regulation No. 45/2019 was enacted (26 June 2019)
3. Meet the following criteria:
   a. They are intended to obtain a new invention.
   b. They are based on a concept or an original hypothesis.
   c. They have an uncertainty on the final result.
   d. They are planned and have a specific budget.
   e. They are intended to create something that can be freely transferred or traded in the market.
4. Are within a priority R&D area, with industrial focus and content in certain industry sectors (e.g., food, pharmaceuticals, cosmetics and medical equipment, military equipment, textile, leather, energy and agroindustry)

4. IP and jurisdictional requirements

There are no specific jurisdictional requirements related to IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Indonesia.

6. Role of governmental bodies in administering incentives

- OSS Institution
  - Businesses applying for the tax allowance incentive and super deduction on R&D activities are required to submit their application through the OSS system administered by the OSS Institution. The OSS Institution is a non-ministry government body that carries out government matters in the field of capital investment coordination. The OSS Institution issues business licensing for and on behalf of ministers, heads of institutions, governors or mayors to businesses through an integrated electronic system.
- Ministry of Finance
  - The Minister of Finance provides the decision to accept or reject the request for tax allowance incentive after it receives the complete application, which is submitted through the OSS system.
- Head of National Innovation Research Agency (BRIN)
  - The Head of National Innovation Research Agency (i.e., the government institution that carries out research, development, assessment and application, as well as invention and innovation, nuclear energy management, and integrated national space management) shall evaluate the conformity between the submitted proposal with the proposal criteria and R&D criteria and coordinate with the ministries and/or government institutions that supervise the relevant R&D field covering the activities in the taxpayer's application.
- Investment Minister/Head of Capital Investment Coordinating Board
  - The Investment Minister/Head of Capital Investment Coordinating Board, for and on behalf of the Minister of Finance, issues the decision letter on the approval or the rejection for the request for tax allowance incentive.
- Directorate General of Taxation
  - The Directorate General of Taxation, for and on behalf of the Minister of Finance, issues the revocation letter on the tax allowance incentive that has been given to the taxpayer. For the super deduction on R&D activities, the Directorate General of Taxation shall receive a notification on the result of the evaluation from the National Innovation Research Agency through the OSS system.

7. Administrative requirements

Taxpayers seeking to avail themselves of the tax allowance incentive will require approval from the Minister of Finance.

The general application process for the tax allowance incentive is as follows:

- The business applying for the tax allowance incentives is required to submit an online application before the starting of commercial production through the OSS system, which should be conducted:
  a. Along with the registration to obtain Business Identification Number (Nomor Induk Berusaha (NIB)) for a new taxpayer
     Or
  b. Within one year after the issuance of business license by the OSS Institution for capital investment and/or expansion
- The application to obtain the tax allowance incentive that has been completely received will be forwarded by OSS system to the Minister of Finance as a recommendation to obtain the tax allowance incentive and the OSS system will notify the taxpayer that the application is being processed.
- The Minister of Finance accepts or rejects the request upon the submission of the complete application through the OSS system. In principle, the approval must be obtained for the relevant incentives to apply.
- The approval on the application to obtain tax allowance incentive shall be given by the Minister of Finance. The decision on the tax allowance incentive shall be carried out by the Investment Minister/Head of the Capital Investment Coordinating Board for and on behalf of the Minister of Finance.
- If the OSS system is not available, the application can be submitted offline. The detailed procedures to submit an offline application when the OSS system is not available shall be issued by the Capital Investment Coordinating Board.

Taxpayers awarded the tax allowance incentive are required to submit an investment realization and production realization reports to the Directorate General of Taxation on an annual basis.

The tax allowance incentive can be utilized from:

1. The fiscal year when the taxpayer started its commercial production, for the 30% investment allowance

2. The month when the approval letter to obtain tax allowance incentive is issued for:
   a. Accelerated depreciation on tangible fixed assets and accelerated amortization for non-tangible fixed assets
   b. A reduced tax rate of 10% for dividend paid to non-residents (or the applicable tax treaty rate)
   c. Additional carryforward tax losses

The general application process for the super deduction on R&D activities is as follows:

- To obtain a maximum of 200% additional reduction on gross revenue, a taxpayer must file an online application via OSS by attaching a proposal for the R&D activities and a fiscal statement letter.
- The National Innovation Research Agency shall evaluate the conformity between the submitted proposal with the proposal criteria and R&D criteria. It shall also coordinate with the ministries and/or government institutions that supervise the relevant R&D field covering the activities in the taxpayer's application.
- The taxpayer will be notified of the result through OSS. The notification on the evaluation result shall be copied to the Directorate General of Taxation as well as the ministries and/or government institutions that supervise the relevant R&D field.

A taxpayer that has received a notification that it has obtained a maximum of 200% additional reduction on gross revenue must submit an annual R&D expenses report via OSS to the Directorate General of Taxation and the National Innovation Research Agency. A taxpayer that can utilize the additional reduction on gross revenue must submit an annual report via OSS for the calculation on the utilization of additional reduction on gross revenue to the Directorate General of Taxation. Both reports must be submitted by using prescribed formats as attached in the Minister of Finance regulation at the latest along with the submission of the taxpayer's annual corporate income tax returns for the relevant fiscal year.

8. Statutory reference

Article 6, Point 1.f of the Income Tax Law states that only costs relating to R&D activities performed in Indonesia can be claimed as a tax deduction in calculating the taxable income of an entity.

Ireland

This chapter is based on information as of February 2025.

The Irish government remains committed to protecting the future security of the Irish economy through increasing productivity and the competitiveness of domestic and international businesses. Attracting foreign direct investment into Ireland and enabling Ireland to compete with other jurisdictions is a critical aspect of this. In this regard, the government has introduced key changes to the Irish incentives landscape in recent years, including the Knowledge Development Box regime, for accounting periods

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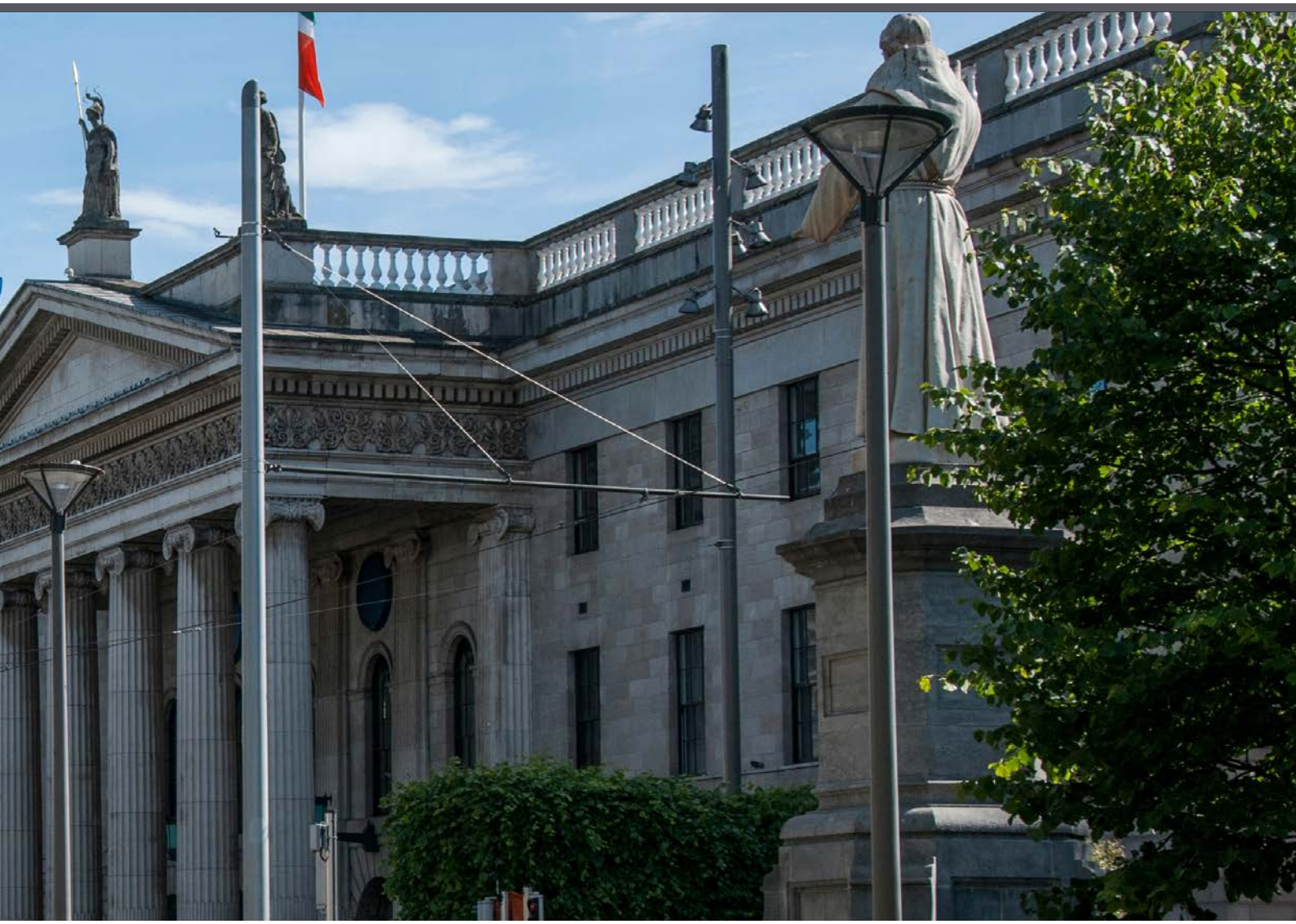

commencing on or after 1 January 2016, and a 32% refundable corporation tax credit for the digital gaming sector, introduced in October 2021 and available for application from 22 November 2022. In addition, the R&D tax credit regime rate has increased from 25% to 30% of qualifying expenditure, applying for accounting periods commencing on or after 1 January 2024 (25% for accounting periods before 1 January 2024). The Irish Government has also signaled its intent to examine options to enhance the R&D tax credit, reward innovation and digitalization, and make sure Ireland has the global leading-class incentive to encourage innovation by domestic and international companies.

1. Overview

The Irish government has demonstrated support of the R&D tax credit regime and historically recognized its importance as part of the overall package to attract foreign direct investment into Ireland and enable Ireland to compete with other jurisdictions with similar incentives. To further reward and encourage innovation activities in Ireland, the Irish government introduced the Knowledge Development Box (KDB) in late 2015. It is the first patent box regime in the world to be compliant with the Organisation for Economic Co-operation and Development (OECD), having been designed to comply with the new international guidelines set out in the Action 5 report of the OECD's Base Erosion and Profit Shifting Action Plan.

The R&D tax credit regime provides for a 25% tax credit for expenditures on qualifying R&D activities for periods before 1 January 2024. For accounting periods commencing on or after 1 January 2024, the rate has increased to 30%. For accounting periods commencing on or after 1 January 2023, R&D tax credits can either be offset against any tax liability or refunded in cash. The 30% tax credit (25% before 1 January 2024) is in addition to the 12.5% corporate tax deduction for these expenses; therefore, the effective tax relief on such expenditures is 42.5% (previously 37.5%).

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other (R&D tax credit on R&D buildings)	☑

The KDB regime offers a 10% effective tax rate for profits arising from patents and copyrighted software. It follows the modified nexus approach, thereby aligning the benefits available to where the substantial activity is undertaken by the taxpayer. The KDB regime is in addition to the R&D tax credit regime.

The digital gaming tax credit offers a 32% refundable corporation tax credit. The relief is available on minimum eligible expenditures greater than EUR100,000 and up to EUR25 million or 80% of the total qualifying expenditure, whichever is lower, per project on the design, production and testing of a digital game that has been issued with a cultural certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media.

Other cash grants and financial supports are also available from Irish governmental agencies in the form of employment grants, capital grants, training grants and R&D grants.

2. Incentives available

Name of incentive	R&D tax credits incentive*	RDI cash grants/ financial support incentives	Key employee tax credit incentive	R&D tax credit on R&D buildings	Allowances for capital expenditure on scientific research	Knowledge Development Box	Digital Gaming Tax Credit (DGTC)
Types of incentives	■ Tax credits ■ Cash refunds or cash equivalent	■ Cash grants ■ Financial support	■ Reduced tax rates	■ Cash refunds under R&D tax credit	■ Accelerated depreciation	■ Reduced tax rates	■ Tax credit ■ Cash refunds or cash equivalent

**Although not based upon scientific analysis, EY clients report that this incentive delivers the most beneficial results to investors.*

R&D tax credits incentive

Description of benefits

A tax deduction for R&D expenditures incurred and an additional R&D tax credit of 30% of qualifying spending can be relieved against any tax liability for the period or refunded in cash, commencing in the accounting period on or after 1 January 2024. Therefore, tax relief of up to 42.5% is available (i.e., a 12.5% trading deduction and 30% tax credit/cash refund), equating to EUR42.50 for every EUR100 spent on R&D.

The R&D tax credit is claimed in three installments: 50% of the credit in Year 1, 30% in Year 2 and the remaining 20% in Year 3, regardless of whether the company is profitable or loss-making. For accounting periods commencing on or after 1 January 2025, the minimum amount of the credit payable in Year 1 is increased from EUR50,000 to EUR75,000 (or the amount of credit, if lower). Each year, the claiming company decides how to utilize the credit available in the period (i.e., whether to treat it as tax overpaid and allocate it against any tax liability or refund the amount in cash). The election applies to each installment separately, also when claiming installments from prior periods. Furthermore, there are no longer any caps applied on the cash refund elements of the claim. The company must make a claim for repayment to the Revenue Commissioners within 12 months of the accounting year-end in which the expenditure was incurred. The R&D tax credit regime is a self-assessment regime, and there is no requirement to obtain preapproval from the Revenue Commissioners, although there are new pre-notification requirements introduced for first-time claimants and those that have not made a claim in the last three years, as outlined below.

Guidelines around incentive applications

R&D tax credits are applicable for current investments, and the claim should be made on the company's corporation tax return (Form CT1). The claim must be made within 12 months of the accounting year-end in which the expenditure was incurred. For accounting periods commencing on or after 1 January 2024, a pre-notification requirement is in place for companies intending to claim the R&D credit for the first time or that have not claimed the credit in the last three years. The Irish Revenue Commissioners must be notified in writing 90 days before a claim is made, and there are several confirmations/ explanations a claimant must provide. The Irish Revenue Commissioners may then request additional information.

RDI cash grants/financial support incentives

Description of benefits

Enterprise Ireland (EI) offers grants for R&D expenditures incurred by Irish-based manufacturing or internationally traded services companies. Grants for expenditures incurred on research, development and innovation (RDI) are also available from the Irish Industrial Development Authority (IDA) and are offered for both first-time foreign direct investment and companies currently located in Ireland. The level of grant assistance available from both EI and the IDA are typically determined on a case-by-case basis,depending on numerous factors, including the location of the investment, job creation, the level of innovation, the size of the organization and the type of research activity. Funding will be in the form of a grant, which will be a percentage of the overall eligible costs of the project.

Guidelines around incentive applications

Companies establishing or substantially expanding their existing Irish RDI function can use these financial incentives to carry out in-house RDI projects and collaborative projects with third-level institutes and industrial partners. The cash grants are applicable for current and future investments. The grant will be paid retrospectively following completion of agreed milestones, as outlined by the company in the application forms and agreed to in the subsequent legal agreement with the relevant agency.

Key employee tax credit incentive

Description of benefits

The R&D tax credit regime allows a company to reward its key R&D employees who perform at least 50% of their duties in the "conception or creation of new knowledge, products, methods and systems" in the relevant accounting period. The company must be entitled to claim at least 50% or more of the cost of the employees' wages as R&D expenditure. Part of the R&D tax credit that the company could have used to reduce the company's corporation tax liability can be allocated to a key R&D employee. Subject to certain conditions, the key R&D employee incentive will effectively allow employees engaged in R&D to claim a credit equal to the amount surrendered by the employer against their income tax. If an employee cannot use the credit in full, it may be carried forward indefinitely until it is used, or the employee leaves the company.

The key employee claiming the incentive must not be a director or an individual who holds a 5% or more interest in the company or associated company. The employee must make a claim with the Irish Revenue Commissioners for a refund of income tax paid. The effective tax rate of the employee cannot be reduced below 23%.

Guidelines around incentive applications

The key employee tax credit incentive is applicable for current investments. An individual making a claim under this section is required to file an income tax return (Form 11, Pay and File Income Tax Return) for the year of assessment to which the claim relates.

R&D tax credit on R&D buildings

Description of benefits

A tax credit is available for expenditures on the construction or refurbishment of a building or structure used for R&D activities. A 25% tax credit is available on the expenditure. The credit is in addition to any industrial buildings allowances that may be available. The credit operates similarly to the R&D tax credit available on other expenditures, i.e., the credit is claimed in three instalments: 50% of the credit in Year 1, a further 30% in Year 2 and the remaining 20% in Year 3. Each year, the claiming company decides how to utilize the credit available in the period (i.e., whether to treat it as tax overpaid and allocate it against any tax liability or refund the amount in cash). A claim for the repayment must be made by the company to the Revenue Commissioners within 12 months of the accounting year-end in which the expenditure was incurred.

To be eligible to claim the R&D tax credit on R&D buildings, at least 35% of the building must be used for R&D purposes over a four-year period. The credit is calculated by reference to the percentage of the building or structure used for qualifying R&D activities. The construction or refurbishment of the R&D building must qualify for industrial buildings allowances from a corporation tax perspective. There are no longer any caps applied on the cash refund elements of the claim.

Guidelines around incentive applications

The R&D tax credit on R&D buildings is applicable to current investments. The claim should be made on the company's corporation tax return (Form CT1). A claim must be made within 12 months of the accounting year-end in which the expenditure was incurred.

Allowances for capital expenditure on scientific research

Description of benefits

Tax depreciation allowances are available with respect to capital expenditure incurred during scientific research. The allowance is equal to the amount of the capital expenditure incurred (i.e., 100%) and is granted in computing the profits of the trade. Unused allowances may be carried forward indefinitely. There is a clawback of the allowances when the assets cease to be used for scientific research. A claim for the tax depreciation allowances is made under the self-assessment regime.

Guidelines around incentive applications

The accelerated depreciation applies to current investments. The claim should be made on the company's corporation tax return (Form CT1). A claim must be made within two years of the end of the chargeable period in which the expenditure was incurred.

Knowledge Development Box

Description of benefits

The KDB regime offers a 10% effective tax rate for profits arising from qualifying assets. The main categories of qualifying assets are patents (including patents pending) and copyrighted software. The relief operates by providing a 20% deduction from qualifying profits resulting in the effective 10% tax rate.

Small and medium enterprises (SMEs) can access the KDB in respect of certain intellectual property (IP) without the need for the IP to be patented, subject to meeting the relevant qualifying criteria and obtaining the appropriate certification.

Guidelines around incentive applications

KDB benefits are available to companies for accounting periods commencing on or after 1 January 2016 and before 1 January 2027. A claim must be made in a company's corporate tax return within 24 months of the end of the relevant accounting period.

Digital Gaming Tax Credit

Description of benefits

The government introduced a 32% refundable digital gaming tax credit on eligible expenditures (net of grant assistance) between EUR100,000 and EUR25 million per project on the design, production and testing of a digital game. This new relief offers synergies with Ireland's established film and animation sectors. The DGTC must first be offset against the company's corporation tax liability with any excess credit remaining being cash refundable. From 1 January 2024, the DGTC can be fully cash refundable. It has been designed to be taxed as GloBE income and, therefore, treated as a qualified refundable tax credit.

To qualify for the incentive, the game must be developed and completed in Ireland. The relief can be claimed annually throughout the development cycle of the game after obtaining an interim cultural certificate or at the end of the project, once a final cultural certification has been obtained.

Guidelines around incentive applications

DGTCs are available to companies that are tax compliant and maintain supporting documentation to substantiate the claim. The regime applies to qualifying expenditure incurred from 22 November 2022. The regime is due to run until 31 December 2025.

3. Eligibility requirements

The R&D activities being carried out must fall within one of the following categories:

- Basic research
- Applied research
- Experimental development

If a company subcontracts its R&D expenditures to a third party or university (or similar institution) to carry on qualifying R&D activities on behalf of the company, the costs that may qualify are restricted. In these situations, the costs are restricted to the greater of EUR100,000 or 15% of the qualifying in-house expenditures. If a company subcontracts all its R&D activities to third parties, to the extent that its only function is managing and controlling the R&D activities, these activities are non-qualifying.

If a company subcontracts to a third party, it must notify the third party no later than the date of payment if that company intends to claim the R&D tax credit. In this regard, businesses may need to amend their general contractual terms and conditions to ensure compliance in this area.

Certain activities are specifically non-qualifying and include:

- Market research, market testing, market development, sales promotions or consumer surveys
- Routine testing and analysis for purposes of quality or quantity control
- Alterations of a cosmetic or stylistic nature to existing products, services or processes, regardless of whether these alterations represent some improvement

No industry sectors are specifically excluded. Once a company within the charge to Irish tax is carrying on qualifying R&D activities, it should be eligible to make a claim, provided the necessary conditions are met and the documentation to support the claim is available.

Eligibility requirements for the specific incentive types

R&D tax credits incentive

The R&D tax credit will be available with respect to expenditures incurred by the company while carrying on its qualifying R&D activities. The type of costs that may qualify include salary costs, expenditures incurred directly on R&D materials, subcontracted expenditures (subject to the restrictions set out above) and general overhead expenditures to the extent that it can be demonstrated that they directly support the company's R&D activities. In addition, plant and equipment used in the R&D activities may also be included in the claim.

Certain costs are specifically disallowable and include interest, depreciation, bank charges and marketing-type costs. To receive the R&D tax credit, the following conditions must be met:

- The company must be within the charge to Irish tax.
- The company must undertake qualifying R&D activities within the European Economic Area.
- The expenditure must be incurred by the Irish company and must not qualify for a tax deduction under the law of another territory.
- The Irish company is not required to own the IP to qualify for the R&D tax credit incentive.
- Any expenditure met directly or indirectly by the EU or State aid will not be treated as a qualifying expenditure.

RDI cash grants/financial support incentives

For grant aid purposes, projects must:

- Form an integral part of the strategic development plans of the company rather than being routine developments
- Contribute to a sustained process of innovation within the company
- Represent an advancement in the level of technical innovation, i.e., a "step-up" in terms of the level of RDI capability within the company
- Clearly show how they plan to undertake the project, particularly in relation to the resources required to develop the project

The legal basis for any grants will be the relevant sections of the 1986 Industrial Development Act and 1987 Science and Technology Act. Additionally, EU State Aid rules require that any project for which grant aid is being sought must not have commenced before the company submitted a written Request for Aid form for the proposed activity. A project may only receive funding if it can demonstrate a need for state intervention and the presence of an incentive effect, i.e., that grant aid changes the behavior of the undertaking(s) concerned in such a way that it engages in additional activity, which it would not carry out without the aid or would carry out in a restricted or different manner or location.

Key employee tax credit incentive

The main conditions of this incentive are as follows:

- The employee must be a "key employee," which is defined as an employee who performs 50% of his or her duties in the "conception or creation of new knowledge, products, methods and systems" in the relevant accounting period.
- The employee must not be a director or an individual holding more than 5% of the ordinary share capital of the company.
- The effective tax rate of the employee cannot be reduced to below 23% as a result of the surrender of the credit to the employee.
- The employee must make a claim to the Revenue Commissioners for a refund of any tax paid.
- The employee may carry forward any unused credits indefinitely. The employee loses the unused credits upon leaving the company.
- The company may decide which key employees to reward.
- The company must have a corporate tax liability.
- If the company has outstanding tax liabilities in the accounting period in respect of which the credit arises, the company is not entitled to surrender any amount to the key employee.

R&D tax credit on R&D buildings

The main conditions of this incentive are as follows:

- The building must qualify for industrial buildings allowances.
- At least 35% of the building or structure must be used for R&D purposes over a four-year period. The credit is calculated by reference only to the portion of the building or structure used for R&D activities.
- The tax credit is clawed back if, within 10 years of the accounting period for which a credit is claimed, the building or structure is sold or ceases to be used for purposes of carrying on R&D activities.
- Any expenditure met directly or indirectly by EU or State aid will not be a qualifying expenditure.

Allowances for capital expenditure on scientific research

The main conditions of this incentive are as follows:
- Scientific research is defined as any activities in the fields of natural or applied science for the extension of knowledge. It does not apply to expenditures incurred on exploring for specified minerals, petroleum exploration activities or petroleum extraction activities.
- If an allowance is granted, no wear-and-tear allowances are available with respect to the plant or machinery.
- There is a clawback of the tax depreciation allowances if the assets representing capital expenditure on scientific research cease to be used for research purposes. The amount of the clawback is the lesser of the allowance granted or the value of the asset at the time of cessation.
- Capital expenditures on scientific research that are met directly or indirectly from money provided by the State or anyone other than the person claiming the allowance must be excluded.
- Where a company may qualify for a scientific capital allowance and the R&D tax credit, then both reliefs cannot be claimed in respect of the same expenditure.

Knowledge Development Box

KDB benefits are available in respect of profits arising from qualifying assets. Companies can obtain benefits if:
- The company carries on qualifying R&D activities in Ireland or outsources R&D to an unrelated third party anywhere in the world.
- The activities give rise to a qualifying asset (main categories being patents or copyrighted software).
- The income attributable to the qualifying asset is earned as part of an Irish trade.
- Qualifying profits are then effectively taxed at 10%.

Qualifying income and expenditure

Qualifying income arising from a qualifying asset includes any royalty or other sum received in respect of the use of that asset. In addition, if the sales price of a product or service includes an amount attributable to the asset, the portion of the income from those sales attributable to the value of the asset on a just and reasonable basis can also be included as income from the asset.

Qualifying expenditure (QE) means expenditure incurred by a company wholly and exclusively in the carrying on of R&D activities, where such activities lead to the development, improvement or creation of the qualifying asset. The definition is identical to the definition of "research and development activities" for the purposes of the R&D tax credit. Excluded from QE are outsourced costs to related parties and amounts paid for the acquisition of IP that are reflected in the value of the qualifying asset.

Robust supporting documentation is required to make a KDB claim, including tracking and tracing the appropriate income and expenditure items to the appropriate qualifying asset.

Digital Gaming Tax Credit

Key points to note about the DGTC regime:
- The rate of 32% is on eligible expenditures on the design, production and testing of a digital game.
- The relief is available on a minimum spend of EUR100,000 up to a maximum of EUR25 million per project or 80% of the total qualifying expenditure, whichever is lower.
- Digital games produced for advertising or gambling will not be eligible for the DGTC.
- DGTC is not available on expenditures for which the film credit, KDB or R&D tax credit was claimed.
- The claimant company must be a compliant taxpayer resident in the State.
- The claimant company must obtain a cultural certificate that proves that the project promotes Irish and/or European culture.
- The qualifying company must be incorporated and resident in the state or carrying on a trade in the state through a branch or agency.

4. IP and jurisdictional requirements

Effective date

The requirements apply to capital expenditures incurred on qualifying IP (e.g., on internally generated IP, IP acquired from a related party and/or IP acquired from a third party) after 7 May 2009.

Qualifying IP

The definition of qualifying IP is very broad and includes:
- Brands
- Brand names
- Domain names
- Service marks
- Publishing titles
- Secret processes or formulas
- Trademarks
- Trade names
- Trade dress
- Patents
- Copyrights

- Registered designs
- Design rights
- Inventions
- Know-how
- Some computer software
- Customer lists
- Goodwill directly attributable to the above

Types of income

Applicable income is income derived from the IP in the course of an Irish trade (e.g., through the sale of goods/services and management, exploitation, licensing or development of the IP).

Calculation of income

Capital expenditures incurred on qualifying IP can be fully amortized (in line with the accounting treatment or, upon election, over 15 years). Companies may also opt for a fixed write-down period of 15 years at an annual rate of 7% of qualifying expenditures and 2% in the final year.

Determination of embedded IP income

The relief may be used to offset income of the trade of exploiting the intangible assets, and this "trade" is ring-fenced for the purposes of this relief. Therefore, excess allowances may be carried forward indefinitely, but may only be offset against future trading income of the same trade that is derived from the use of the specified intangible assets.

IP regime rate

For expenditures incurred prior to 11 October 2017, the tax amortization and any associated interest relief may not exceed what would be the amount of trading income from that trade excluding such allowances and/or interest. This effectively means that 100% of taxable profits of that trade can be relieved. For expenditures incurred on or after 11 October 2017, the tax amortization and any associated interest relief are capped at 80% of taxable profits (calculated before tax amortization and interest) for the exploitation of the intangible assets, thus resulting in a minimum net effective cash tax rate of 2.5% (i.e., 20% x 12.5%), in respect of expenditures incurred on or after that date. Any excess allowances and/or interest can be carried forward against future taxable profits of the same trade. From a consolidated group perspective, a book benefit may actually arise following the onshoring of IP previously held offshore in a zero-tax-rate jurisdiction.

Must the IP be registered/owned locally?

Legal ownership is not required, but it must be beneficially owned.

To the extent that expenditures on the development of an intangible asset within a company are regarded as capital expenditures for the purposes of the company's trade, such expenditure will qualify for allowances under the scheme, provided that the asset is recognized as an intangible asset under generally accepted accounting practices and is included on the list of specified intangible assets. Companies claiming relief on the assets under the IP regime may also claim KDB benefits; however, they cannot also claim the R&D tax credit on the same expenditure.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Ireland.

6. Role of governmental bodies in administering incentives

The R&D tax credit regime operates on a self-assessment basis and is administered by the Irish Revenue Commissioners. The Revenue Commissioners may seek the opinion of an external expert to assist them in determining whether the company's activities are qualifying R&D activities. The Revenue Commissioners may also carry out an audit of the R&D tax credit claim, which includes a review of the technical information, supporting documentation and the claim's financial aspect.

Digital Gaming Tax Credit

The claimant company must obtain a cultural certificate (either interim or final) from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media.

Grant funding

The IDA and EI are the two main government bodies that administer the grant-funding schemes. Depending on the grant funding being sought, there will be various types of documentation that must be provided to the granting body before a company is rewarded with the funding.

7. Administrative requirements

The R&D tax credit is a self-assessment regime. The claim is made on a company's corporation tax return. Companies have 12 months from the end of the accounting period in which the expenditure was incurred to file a claim with the Irish Revenue Commissioners. Companies must maintain contemporaneous records to substantiate their R&D tax credit claim. A company's records must be sufficient to show that the claimed activities took place and that they meet all aspects of the definition of R&D activities. The records maintained by companies are not required to be submitted to the Irish Revenue Commissioners unless formally requested.

Knowledge Development Box

The KDB regime is a self-assessment regime. The must be made in a company's corporate tax return within 24 months of the end of the relevant accounting period.

Digital Gaming Tax Credit

Claims for the DGTC should be made on an annual basis. A company wishing to claim the incentive must obtain a cultural certificate before applying for the relief.

8. Statutory reference

- Statutory reference: Section 765, Section 766, Section 766A, Section 766B, Section 766C, Section 766D, Sections 769G–769R, Section 291A and Section 481A of the Taxes Consolidated Acts 1997
- Year of statutory regime for R&D tax credit: 1 January 2004
- Year of statutory regime for IP regime: 7 May 2009
- Year of statutory regime for DGTC: 22 November 2022

Israel

This chapter is based on information as of February 2025.

In December 2016, the Israeli Parliament's Finance Committee approved amendments that introduced an innovation box regime for intellectual property-based companies and enhanced tax incentives for certain industrial companies. The new provisions entered into force on 1 January 2017.

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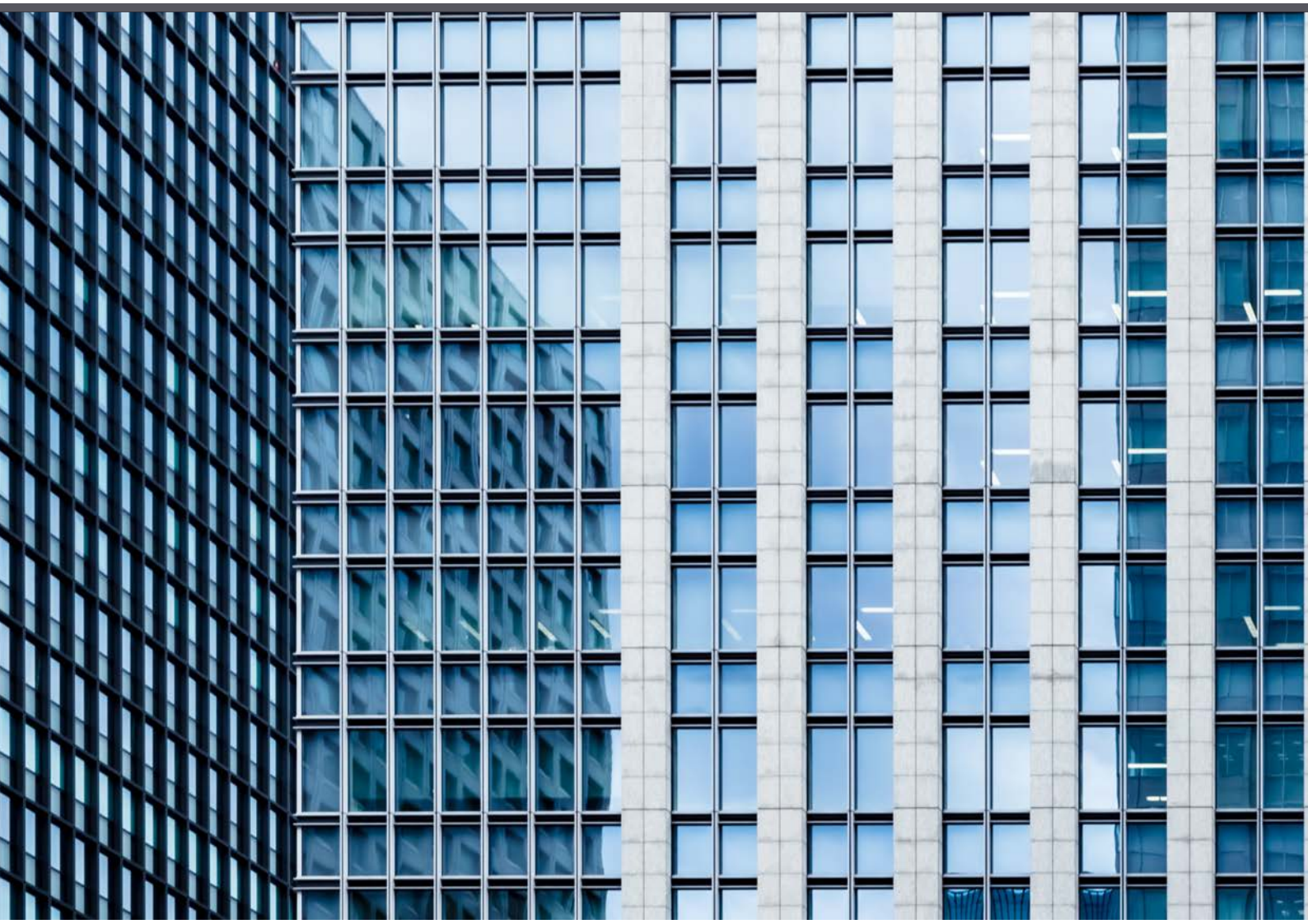


1. Overview

During the period between 2011 and 2016, the Israeli Ministry of Economy and Industry expanded the financial support package that is offered to certain companies as part of various national programs defined by the Ministry. On 1 January 2011, a significant reform was introduced to the Law for the Encouragement of Capital Investments, 1959 (Investment Law) that materially changed the financial support and assistance opportunities prescribed under the Investment Law. Additionally, in December 2016, the Israeli Parliament's Finance Committee approved amendments to the Investment Law that introduced an innovation box regime for intellectual property (IP)-based companies and enhanced tax incentives for certain industrial companies. The innovation box regime, which entered into force on 1 January 2017, was tailored by the Israeli government to a post-base erosion and profit-shifting world and is designed to encourage multinationals to consolidate IP ownership and profits in Israel along with existing Israeli research and development functions.

Other incentive opportunities are prescribed under the Law for the Encouragement of Research, Development and Innovation in the Industry, 1984 (Innovation Law). R&D incentives are controlled by the Israel Innovation Authority (IIA), which is part of the Ministry of Economy and Industry. Tax benefits are controlled by the Israeli Tax Authority.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Preferred Enterprise/ Special Preferred Enterprise status	Innovation box regime (Preferred Technology Enterprise/ Special Preferred Technology Enterprise status)	Employment grants	R&D, innovation and technology collaboration grants	Investment grant
Type of incentive	■ Reduced tax rates/ preferable tax rates	■ Reduced tax rates/ preferable tax rates	■ Cash grants	■ Cash grants	■ Cash grants

Preferred Enterprise/Special Preferred Enterprise status

Description of benefits

Under the reform of the Investment Law that took effect on 1 January 2011, a new tax incentives regime, the Preferred Enterprise/Special Preferred Enterprise program, replaced the Beneficiary Enterprise program (which itself replaced the Approved Enterprise program as a result of amendments to the Investment Law that took effect on 1 April 2005). To qualify as a Preferred Enterprise or Special Preferred Enterprise, a company must be an industrial company registered in Israel and be "internationally competitive," i.e., having export capability (for specific eligibility criteria, see Section 3). Companies that qualify for Preferred Enterprise status are entitled to a reduced corporate tax rate with respect to their preferred income (as defined under the Investment Law) as follows:

Year	Companies located in Development Area A*	Companies located in rest of the country
2011–12	10%	15%
2013	7%	12.5%
2014–16	9%	16%
2017 onward	7.5%	16%

* Development Area A is a designated zone, primarily in the country's northern and southern periphery, that receives benefits and incentives for businesses and residents to promote economic development and population dispersal from central areas.
Companies in designated Class "A" zones, such as Jerusalem, are eligible for reduced corporate tax rates.

Companies that qualify for Special Preferred Enterprise status are entitled to a reduced corporate tax rate of 7.5% in Development Area A and a rate of 16% in the rest of the country with respect to all preferred income for a period of 10 years. After 10 years, the Preferred Enterprise status tax rates apply, unless the company has a new investment program that qualifies it again for Special Preferred Enterprise status. In addition to a reduced corporate tax rate, companies that qualify for Preferred Enterprise/Special Preferred Enterprise status will be entitled to investment grants (for companies located in Development Area A), accelerated depreciation and reduced withholding tax rates on dividend distributions from preferred income as follows:

- Distributions to an Israeli-resident company — there is a withholding tax exemption.
- Distributions to a foreign company or individual — the withholding tax rate is 20%, subject to an applicable double tax treaty.
- Tax-exempt earnings from previous programs — the withholding tax rate is subject to the Investment Law's transition provisions.

A special withholding tax provision has been introduced for Special Preferred Enterprises. From 1 January 2017 through 31 December 2019, a 5% withholding tax rate applies to dividends paid to a foreign parent company from preferred income. Companies that perform R&D services for a foreign resident may be able to enjoy the tax benefits available under the Preferred Enterprise/Special Preferred Enterprise program. Qualification is subject to approval from the IIA and compliance with other conditions prescribed in the Investment Law.

Guidelines around incentive applications

Eligible companies may claim the incentive by submitting relevant documentation with their tax return, or by applying for an advance ruling from the Israeli Tax Authority. As set in Amendment 73 to the Law, Preferred Enterprise must apply the nexus formula, according to the transitional provisions.

Innovation box regime (Preferred Technology Enterprise/Special Preferred Technology Enterprise status)

Overview

Two new R&D incentive tracks have been created by the innovation box regime: Preferred Technology Enterprise and Special Preferred Technology Enterprise (a Preferred Technology Enterprise that is part of a group with global consolidated revenue over ILS10 billion). See Section 3 regarding the Preferred Technology Enterprise terms and conditions.

A Preferred Technology Enterprise will enjoy the following benefits:

- A reduced corporate tax rate of 12% (if the company is located in Development Area A, the tax rate is further reduced to 7.5%). The reduced rates will apply only to the portion of IP developed in Israel, according to the nexus approach.
- A reduced capital gains rate of 12% for new IP acquired from a foreign company after 1 January 2017 at a minimum cost of ILS200 million (please note that a ruling is required).

- A reduced withholding tax rate of 4% on dividends distributed to a "qualifying company" (i.e., a foreign company that holds at least 90% of the Preferred Technology Enterprise's shares). For dividends distributed to a non-qualifying company, a withholding tax rate of 20% applies, subject to an applicable double tax treaty.

A Special Preferred Technology Enterprise will enjoy the following benefits:

- A reduced corporate tax rate of 6%. This rate will apply only to the portion of IP developed in Israel, according to the nexus approach.
- A reduced capital gains rate of 6% for new IP developed or acquired from a foreign company after 1 January 2017 (please note that a ruling is required).
- A reduced withholding tax rate of 4% on dividends distributed to a "qualifying company" (i.e., a foreign company that holds at least 90% of the Special Preferred Technology Enterprise's shares). For dividends distributed to a non-qualifying company, a withholding tax rate of 20% applies, subject to an applicable double tax treaty.

Preferred Technology Enterprise			
	Companies located in Development Area A	Companies located in rest of the country	Special Preferred Technology Enterprise
Corporate tax rate	7.5%	12%	6%
Withholding tax rate	20%	20%	20%
Withholding tax rate on dividends distributed to a "qualifying company"	4%	4%	4%

Guidelines around incentive applications

The regulations, published in June 2017, set a specific list of required documentation for Preferred Technology Enterprise, which includes documentation regarding the nexus formula, income and expenses related to specific IP and more. Eligible companies may claim the incentive by submitting relevant documentation with their tax return, or by applying for an advance ruling from the Israel Tax Authority.

Employment grants

Description of benefits

- Employment Grant Program for recruitment of additional employees: this is a program designed for enterprises, either located in national preference areas and/or planning to recruit new employees from populations with low employment rates. The program consists of five considerations, each with a different set of qualifying conditions. The average grant is 20% of the salary cost to the employer (up to a maximum monthly salary of ILS16,000 per employee) for a period of two years.
- Employment Grant Program for High Salaries (R&D Centres): this is a program designed for enterprises with a consolidated turnover (including a foreign parent company) in excess of ILS25 million, located in national preference areas and planning to recruit 15-100 new employees with a salary cost between more than the average cost of salary and 2.5 times more than the average cost of salary in the market. The average grant is 25% of the salary cost to the employer (up to a maximum monthly salary of ILS30,000 per employee) for a period of four years.
- "Ogen" employment grants: this is a program designed for enterprises with a consolidated turnover (including a foreign parent company) in excess of ILS100 million, located in national preference areas and planning to recruit 80-150 new employees with a salary of at least 1.5 times the average salary in the market. The average grant is 25% of the salary cost to the employer (up to a maximum monthly salary of ILS20,000 per employee) for a period of four years.
- Employment grants for employers in the National Cyber Arena in Be'er Sheva: this is a program designed for corporations, including partnerships, that employ (or are considering employing) staff in the field of cybersecurity at the National Cyber Arena in Be'er Sheva. Qualifying companies receive a grant of 20% of their employees' salaries for the first three years (under certain conditions).

Additional benefits will be given to corporations that commit to keeping their IP in Israel:

- For IP stemming from cyber activity in Israel, the corporation is entitled to an additional benefit of 5% of the salary per year.
- Transferring IP held abroad to Israel will increase the bonus by 10% of the salary more each year.

The additional benefits are subject to the corporation's commitment to keep the IP in Israel for a further seven years from the end of the benefit period. The cash grants are applicable for future employment and subject to a governmental budget. An application must be submitted to the relevant government authorities granting the cash.

Angels' Law

Description of benefits

On 25 July 2023, the Knesset (Israeli Parliament) passed the Law for Encouragement of Knowledge-Intensive Industry (Temporary Order) – 2023 (the "New Law") to encourage investments and acquisitions of Israeli (and in some cases, foreign) high-tech companies.

The New Law will remain effective for three and a half years, from 31 July 2023 through 31 December 2026.

- The New Law provides five main incentives:
- Five-year amortization for net acquisition cost of an Israeli high-tech company
- Five-year tax amortization for net acquisition cost of a foreign high-tech company, subject to specific criteria
- Exemption from withholding tax (WHT) on interest payments that Israeli high-tech companies make to foreign financial institutions resident in countries with which Israel has concluded a double-tax treaty
- Tax credit mainly for individual investors who invest in an early-stage Israeli R&D company
- Recognition of capital loss at the amount of the investment made by an individual investor in a high-tech company that goes public

Key conditions

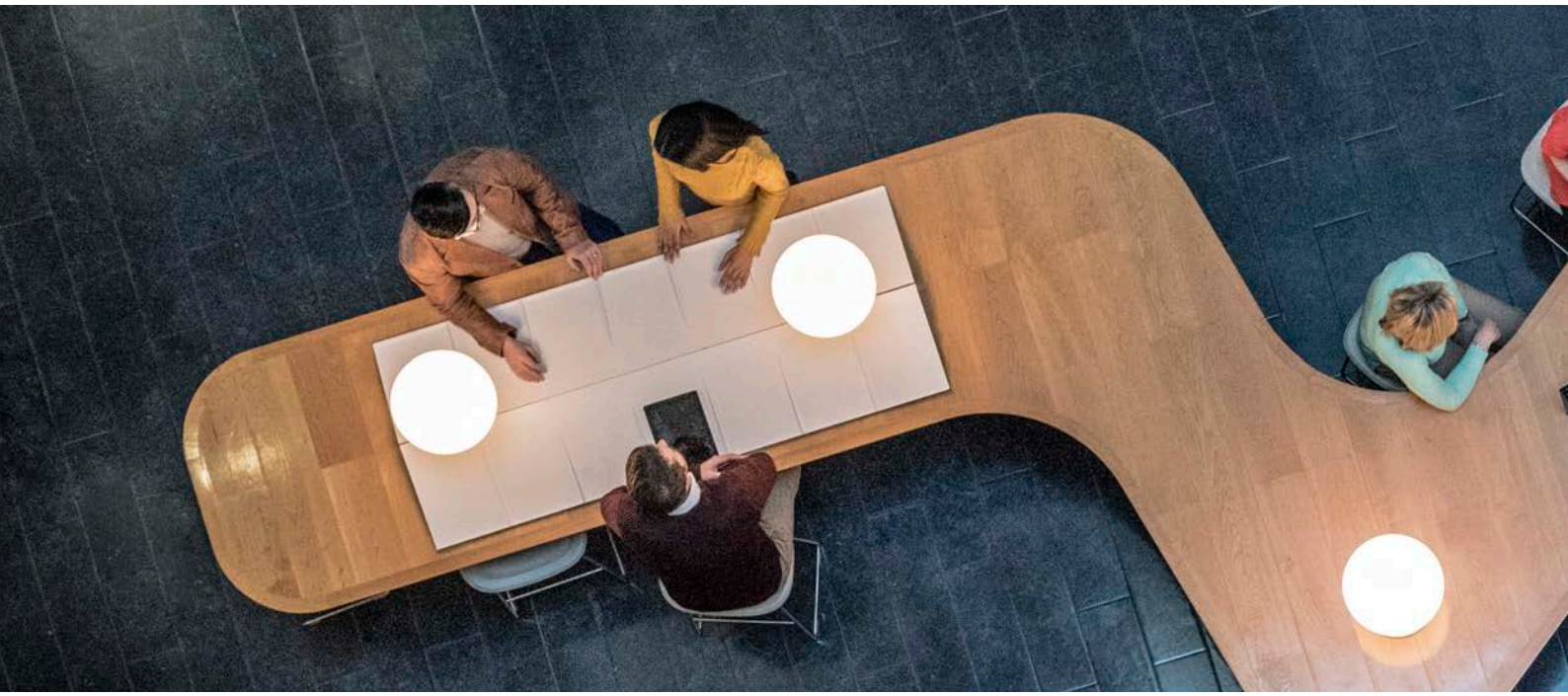
Details on the main conditions that must be met to benefit from each incentive follow.

Five-year amortization for net acquisition cost of an Israeli high-tech company:
- The acquiring entity must be an Israeli company with Preferred Technological Enterprise (PTE) status, as defined in the Law for the Encouragement of Capital Investments, 1959.
- The acquired target must be an Israeli company with a PTE or an R&D Company, as defined in the New Law.
- No ruling is required.
- Post-acquisition mergers are allowed during the amortization period (unlike under past versions of this law).
- Under certain conditions, gradual acquisition (stake by stake) will be accepted.

Five-year amortization for net acquisition cost of a foreign high-tech company:
- The acquiring entity must be an Israeli company with a PTE and an average technological income of at least NIS75m during the three years preceding the year of acquisition.
- The acquired target must be a foreign company with R&D expenses of at least NIS20m, forming at least 7% of its revenue (this condition may be waived subject to a ruling).
- The acquiring entity must receive full ownership of the target's IP as part of a transfer of trade.
- During the years of amortization, the acquisition must not result in a decrease of the level of activity in Israel by more than 20%.
- The acquisition must be direct and of at least 80% of the target for a price of at least USD20m.
- Within 90 days from the acquisition date, a confirmation must be received from the Israeli Innovation Authority (IIA), and a notification must be filed with the ITA. The date of acquisition shall include any preliminary agreement, whether in writing or verbally, such as Memorandums of Understanding, Letters of Intent, Term Sheets, etc.

Exemption from WHT on interest payments an Israeli high-tech company makes to foreign financial institutions resident in countries with which Israel has a double tax treaty:
- The borrower must be an Israeli company with a PTE and eligible technological turnover of at least NIS30m.
- The loan must be at an amount of at least USD10m and intended to support the activity of the PTE, including acquisitions.
- No ruling or preapproval is required to avail this incentive.
- During the loan term, there must be no more than a 30% decrease in the activity of the Israeli borrowing company, as defined in the New Law.

Tax credit mainly for individual investors who invest in an early-stage Israeli R&D company:
- The incentive applies to individual investors and to individuals investing through a partnership (whether registered with the Israeli Partnerships Registrar or approved by the ITA) or through a company owned generally by up to five individuals.



- The tax credit amount is calculated as the investment amount multiplied by the capital gain tax rate applicable to the investor, capped at NIS4m per investor per company.
- The target company must be an early-stage R&D company and comply with several conditions, such as a limited amount of capital and debt raised and limited amount of technology revenue.
- No ruling from the ITA is required.
- The investor must comply with all conditions to be eligible for this incentive. The target is liable to properly notify the investor and the ITA if it fails to comply with conditions that apply to it.
- The investor may postpone payment of capital gain tax on disposal of one target's shares if the investor chooses to invest a subsequent investment in a second target company within a defined period of time.

Recognition of capital loss at the amount of the investment made by an individual investor in a high-tech company that goes public:

- Under certain conditions, an investment in a technological company made during its IPO by an individual investor shall be recognized as a capital loss up to NIS5m.
- This revives an expired temporary order in the Israeli Tax Ordinance and extends the period for new investments, subject to the conditions set out in the New Law.

Implications

Israeli and multinational enterprises, and individuals intending to acquire or invest in Israeli or non-Israeli tech companies, will want to consider the above incentives and consult on the relevant incentive route and its benefits before making any preliminary agreements for acquisition or investment in the Israeli high-tech sector.

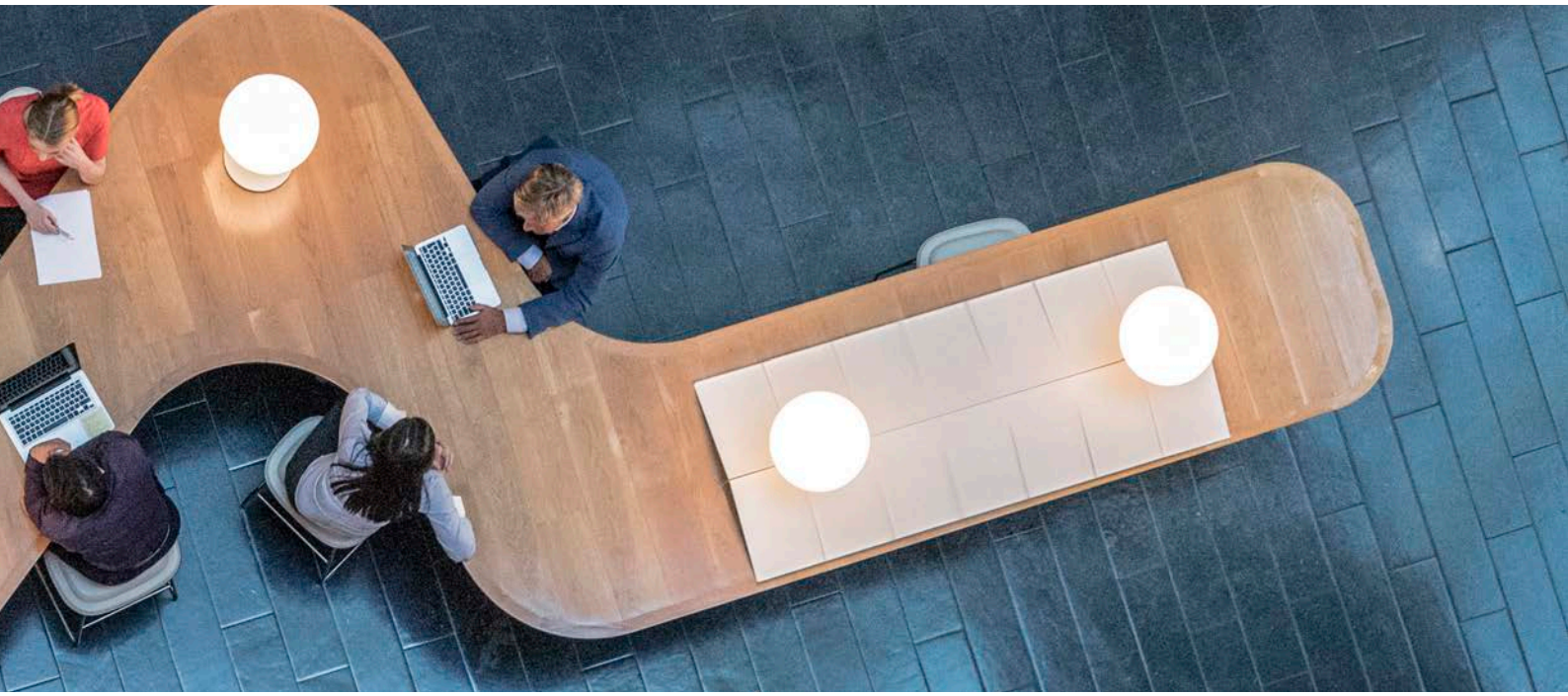
Investment grants

Description of benefits

The Investments Law allows companies located in Development Area A cash grants for their capital investment. The grants applicable are 20% of total approved investment plan and up to another 10% for companies located in the northern and southern part of Israel, under certain conditions.

A new protocol recently released sets mitigating conditions for companies that developed innovative products and are looking to establish their manufacturing facility in Israel.

To qualify for grants, a company must receive an approval from the Israeli Investment Authority, be an industrial company registered in Israel and be "internationally competitive," i.e., having export capability.



R&D, innovation and technology collaboration grants

Description of benefits

The Israeli Innovation Authority (IIA) provides a variety of practical tools and funding platforms aimed at addressing the dynamic and changing needs of the local and international innovation ecosystems.

The IIA operates according to a "client"-focused approach by establishing a number of innovation divisions dedicated to a specific target audience, with the goal of developing and delivering solutions to their particular needs.

The IIA divisions described below:
- Startup Division
- Growth Division
- Innovation Infrastructure Division
- International Collaboration Division

Each division offers a unique "toolbox" of customized and comprehensive incentive programs designed to address the changing and dynamic needs of the division's primary clients. These divisions likewise serve as a launchpad for successful technology projects, providing entrepreneurs and companies with the most relevant program for them to realize and implement their innovative ideas, develop their products and mobilize private investment.

1. Startup Division

This division offers tools to support the early development stages of technological initiatives. These tools assist entrepreneurs and startup companies in developing their innovative technological concepts at the pre-seed or initial R&D stages, transforming their ideas into reality and reaching significant fundable milestones.

Startup Fund Program - Program No. 7

In 2024, the Israel Innovation Authority launched a new program called the Startup Fund, replacing the previous R&D Fund. This initiative aims to support early-stage companies, providing them with the necessary resources to grow and succeed in the competitive market. The program includes three main tracks - Pre-Seed, Seed, and Round A, each designed to cater to different stages of a start-up's development:
- **Pre-Seed track** - The Pre-Seed track focuses on startups in their initial stages, offering funding and support to develop their innovative ideas into viable products. This track is ideal for entrepreneurs who need assistance with research and development, prototype creation, and market validation.
- **Seed track** - The Seed track is designed for startups that have already developed a prototype and need further funding to refine their product and prepare for market entry. This track provides financial support, mentorship, and access to industry networks to help startups achieve significant milestones.

- **Round A track** - The Round A track targets startups that have successfully entered the market and are looking to scale their operations. The program prioritizes R&D conducted in Israel and ownership of intellectual property by the applicant. Applications are evaluated based on technological innovation, business potential and economic impact, confirming alignment with the fund's objectives to strengthen Israel's startup ecosystem.

Tnufa Program: The Ideation (Tnufa) Incentive Program is a pre-seed fund that supports private entrepreneurs and nascent startups aiming to bring novel technological ideas to proof of concept and business feasibility. The program provides a conditional grant of up to 80% of the approved budget, with a maximum grant of NIS200,000 for a period of up to 12 months. The program includes activities such as building a prototype, protecting intellectual property and initial business development.

- **Terms** - Entrepreneurs are not required to leave their current employment or form a company to receive funding. They also retain full rights to their projects and are not required to transfer equity or intellectual property ownership to the government. The grant is royalty-based and requires repayment at 3% of annual revenues upon commercialization.

Visas for Foreign High-Tech Experts: This program, launched in 2018 by the Innovation Authority and the State Population and Immigration Authority, aims to address the shortage of skilled high-tech personnel in Israel by simplifying the process for high-tech companies to bring in foreign experts. It offers a work visa for up to one year, extendable annually for up to five years, along with a work visa for the expert's spouse. The expedited processing time is 6-10 business days. Eligibility for the program is restricted to authorized high-tech companies recognized by the Innovation Authority as technological knowledge-intensive corporations. A company can qualify for this status by meeting one of the following criteria:

- Receiving an R&D grant or tax approval from the Innovation Authority within the past three years.
- Operating in a high-tech sector as identified in the Israel Central Bureau of Statistics business registry.
- Demonstrating that R&D expenses exceeded 7% of its sales turnover in the preceding calendar year, or that at least 15% of its employees are engaged in R&D.

To qualify, the foreign expert must be from a visa-exempt country, earn at least double the average wage in Israel, and be employed by a recognized high-tech company. This initiative supports Israel's efforts to recruit skilled professionals while simplifying the visa process for high-tech employers.

Pre-Seed Program: The Pre-Seed Incentive Program supports Israeli startups in high-risk, R&D-intensive fields by expanding available funding sources. The Innovation Authority participates in Pre-Seed investment rounds, providing grants up to 60% of the investment, capped at NIS1.5 million, to reduce investor risk and encourage investments. Eligible startups are early-stage, R&D-focused, and have raised no more than NIS1.5 million since incorporation, with annual revenues under NIS300,000.

The program aims to foster innovation by supporting the development of new technological products, market validation, and techno-economic feasibility proof to reduce risks and reach key milestones for subsequent funding rounds. Additional funding of up to NIS1.65m is available for companies meeting specific criteria, such as being based in Development Area A or having underrepresented populations as majority shareholders. Applicants must be Israeli startups incorporated and operating in Israel. To qualify, companies must adhere to specific criteria, including limited revenue, funding caps and a focus on R&D.

- **Terms** - The grant provides non-dilutive funding and the Innovation Authority does not take equity in the company. Companies that achieve commercialization will repay the grant through royalties, calculated at 3% of annual revenues. Applications must include proof of funding agreements with investors within six months of approval.

Venture Incubators Funding Program: The Venture Incubators Funding Program supports the creation and early-stage capital investment in technological startups. It aims to boost entrepreneurship and the establishment of new startups developing groundbreaking technologies, particularly in areas with significant economic potential but limited specialized investors in Israel. The selected incubators, chosen through a competitive process for a five-year concession period, will provide financial, technological, and operational support to startups, helping

them achieve proof of concept and market access. This includes fostering the commercialization of cutting-edge technologies from research institutions in Israel and abroad. Israeli and foreign entities, such as venture capital firms, multinational companies and experienced investors, can participate in the program. The Israel Innovation Authority provides up to NIS40 million in grants over five years, covering a significant portion of management fees and capital expenses. Grant coverage rates include 70% for the first two years, 60% for the third and fourth years, and 50% for the fifth year. This funding model reduces financial risks, positions participants as leading investors, and expands their technological portfolios.

To qualify, incubators must be lawfully incorporated entities in Israel with at least NIS120 million in dedicated financial resources for the concession period. Incubators must also maintain a professional management team, including a full-time CEO, CTO, and VP of Business Development. Nonprofit entities and academic or research institutions may own no more than 20% of the incubator, and participants must not hold control over more than two incubators operating under related programs.

- **Terms** - The program provides risk-sharing grants without requiring equity transfers or profit dependencies. Participants must adhere to specific financial, legal and operational criteria as outlined by the Innovation Authority.

Technological Innovation Incubators Program: The Technological Innovation Incubators Program supports entrepreneurs and Israeli startups in the early stages of R&D by providing a framework through technological incubators. These incubators, selected through a competitive process for an eight-year franchise period, provide financial, technological and operational support to transform innovative ideas into commercial products. The program focuses on fostering early-stage investments in high-risk, complex technological fields, promoting the commercialization of groundbreaking technologies from research institutions in Israel and abroad. The Israeli Innovation Authority provides grants of up to 85% of the approved budget, capped at NIS3.5 million for the initial stage of activity, with additional funding available for subsequent milestones at rates up to 85% (depending on the stage). The program does not require financial investment from entrepreneurs, as the incubators finance the remaining budget to reach 100% coverage. Incubators also offer comprehensive support, including technical guidance; access to potential investors, partners and customers; and administrative assistance.

Participants benefit from experienced partners who handle operational tasks, enabling entrepreneurs to focus on research and development. Furthermore, incubators facilitate follow-on investments and marketing readiness, including penetration into target markets. Startups can also access additional grants through related Innovation Authority programs, such as the Tnufa Program, Hybrid Seed Fund, and R&D Fund for startups.

Innovation Labs Program: This program supports entrepreneurs in the preliminary stages of their projects by providing access to specialized technological infrastructures and expertise through innovation labs operated by leading corporations. The labs facilitate collaborations and offer essential resources to help prove the feasibility of technological ideas and advance them into commercial products. Entrepreneurs and startups can receive grants of up to 85% of the approved budget, capped at NIS1 million for one year, with an option for a 50% grant for a second year. For commercial companies, the program funds up to 33% of the costs for establishing the technological infrastructure (50% in peripheral areas), up to a maximum of NIS4 million, and 50% of ongoing operating expenses each year, up to NIS500,000. Early-stage entrepreneurs and startups can receive grants of up to 85% of the approved budget, with a cap of NIS1 million for one year, alongside comprehensive support from the lab, including technological infrastructure, pilot testing and marketing assistance. No financial investment is required from the entrepreneur.

2. Growth Division

This division offers incentive programs that promote technological innovation of early stage and mature companies. These programs help companies promote an innovative technological project or preserve and promote their competitiveness and technological leadership, as well as increase their growth rates and potential.

Seed Track: The Innovation Authority funds up to 50% of the investment round. To receive the maximum grant of NIS5 million, the round must be at least NIS10 million, with at least 75% of the expenses allocated to R&D. This funding supports early-stage companies in achieving significant milestones, enhancing their market readiness, and attracting private sector investment. The grant bears royalties contingent on product commercialization.

Round A Track: The Innovation Authority funds up to 30% of the investment round. To receive the maximum grant of NIS15 million, the round must be at least NIS50 million, with at least 50% of the expenses allocated to R&D. This support helps companies increase their market reach, enhance their competitive edge, and achieve sustainable growth. Like the other tracks, the grant bears royalties contingent on product commercialization.

Advanced Manufacturing R&D Track: This track supports industrial manufacturers aiming to implement technological innovations by developing new products, improving existing products or enhancing production processes. Companies are eligible for grants covering 30%–50% of approved R&D expenses, with additional benefits for projects conducted in national priority regions. Eligible expenses include prototyping, market validation and development of specialized production technologies.

Manufacturing Readiness Track: Designed for manufacturing companies with little or no prior R&D experience, this track offers financial support for consultancy services provided by technological experts. Eligible activities include assessing technological feasibility, solving production challenges, improving processes and preparing for industrial production. Companies can receive support for up to 66% of the approved budget, with additional benefits for companies in priority regions.

Incentive Programs for Innovation with Government Entities: Collaboration between the Innovation Authority and the various government ministries enables the government to focus on selected fields, including funding support for high-risk initiatives, supplementary support of regulatory entities with the regulatory requirements for pilot tests, access to government-owned trial sites and facilities, significant impact on the growth of Israeli companies, and the creation of market influence from technological application in further levels of the local innovation ecosystem. The incentive programs enable Israeli technology companies to receive support in their R&D programs or trial programs (pilot) in selected fields such as: digital health, transportation, environmental protection, space technologies, cyber, agricultural, and energy efficiency and reduction of greenhouse gas emissions. Companies can access financial support for R&D or pilot programs in these sectors.

3. International Collaboration Division

The International Collaboration Division assists companies aiming to expand into international markets by facilitating collaborations with leading global companies, corporations, public bodies, and research institutions. It offers grants and tools to support technological development entry into international markets and provides access to EU grant programs for research and development.

CIP Program: The Changzhou China-Israel Innovation Park (CIP) offers a platform for Israeli companies to enter the Chinese market. This government-backed initiative provides an opportunity for companies to establish a base in the Changzhou West Taihu Lake Science & Technology Park, Jiangsu Province, China. It includes access to unique grants, financial incentives, discounted office and facility spaces, intellectual property protection, local talent recruitment support, equipment subsidies, and assistance with permits and licenses. The program is designed to help Israeli companies overcome barriers and successfully integrate into the Chinese market.

Pilot and R&D Collaboration with Multinational Corporations Program: This program supports Israeli companies collaborating internationally on Pilots and R&D projects aimed at commercializing new technologies or conducting pilot tests. It provides financial incentives to reduce the risk of funding and helps in finding overseas technological partners. The goal is to foster international collaborations, giving Israeli companies access to global expertise, technologies, and markets, thereby enhancing their competitiveness and scaling their products. Companies receive grants covering 20%-50% of the approved budget, with additional support available if the project is in a development area or involves foreign partner contributions. This program aids in advancing product readiness and market entry while offering attractive funding conditions without relying on future profits or IP transfers.

Binational funds: This program offers investment to Israeli companies working or seeking to collaborate with foreign companies in the United States, India, Singapore, and South Korea on R&D projects for new technologies or significant upgrades to existing technologies. It provides financial incentives through international funds to mitigate project risks and offers assistance in finding technological partners. The program aims to foster international collaborations, providing access to strategic partnerships and real-world conditions abroad to enhance product development and market entry. It is targeted at technology companies across various industries that wish to develop or upgrade technologies with international partners, with occasional calls for specific technological focus areas.

Currently, there are four international funds:

1) Israel – US Fund (BIRD): The BIRD Fund, which supports industrial R&D collaborations between Israel and the United States, offers different programs for various sectors. These include BIRD for general industrial R&D, BIRD HLS for homeland security, BIRD Energy for energy sector innovations, and BIRD Energy Center for industry-academia consortia in energy. There is no cap on the joint budget for these projects. The grant can cover up to 50% of the approved budget, with caps of USD1 million (or USD1.5 million in special cases) for BIRD, BIRD HLS, and BIRD Energy, and up to USD2 million per year for the BIRD Energy Center. Royalties are set at 3%–5% according to BIRD fund regulations.
2) Israel – India Fund (I4F): The Israel-India Fund (I4F) supports various R&D projects between Israeli and Indian companies, excluding defense. It offers several tracks: Feasibility Studies (up to nine months, two calls per year) for early-stage projects, R&D (up to two years, two calls per year) for advanced stages, Pilots (up to one year, two calls per year) for pilot testing, and a Sectorial Track (up to three years, one call per year) focused on climate technologies. There are no budget limits for these projects. The grant covers up to 50% of the approved joint budget (or up to 70% for startups under five years old) with caps of approximately USD100,000 for feasibility studies, USD2.5 million for R&D, USD1 million for pilots, and USD5 million (up to USD2 million per year) for the Sectorial Track. Royalties range from 2% to 5% depending on the track.
3) Israel – Singapore Fund (SIIRD): The Israel-Singapore (SIIRD) fund supports various stages of technological projects, offering financial assistance to foster collaboration between Israeli and Singaporean companies. For feasibility studies lasting up to three months, the fund provides grants of up to USD60,000, covering up to 50% of the approved joint budget, with a cap of USD30,000. Small-scale projects, ranging from three to 12 months, can receive grants up to USD400,000, covering up to 50% of the joint budget, with a maximum grant of USD200,000. Full-scale projects, spanning 12 to 24 months, are eligible for grants up to USD2 million, covering 50% of the approved budget, with a cap of USD1 million. Pilot projects, also up to 12 months, can obtain grants of up to USD2 million, covering 40%–50% of the budget, with a cap of USD1 million. Sectorial projects, lasting 12 to 24 months, are supported with grants up to USD3 million, covering 50%–60% of the approved budget, with a maximum grant of USD1.5 million. Royalties of 2.5% of sales up to the grant amount are required.
4) Israel – Korea Fund (KORIL): The Israel-Korea (KORIL) fund supports various stages of technological development and collaboration. For feasibility studies lasting up to six months, the fund provides grants up to USD100,000, covering up to 50% of the approved joint budget. The R&D track, lasting up to two years, and the pilot track, up to one year, both offer grants without a cap on the joint budget, covering 30%–50% of the approved budget, with a maximum grant of USD3 million for R&D and USD1 million for pilots. The sectorial track, up to three years, supports up to 50% of the approved budget, with a maximum grant of USD5 million. Note that the grants are applicable only to the Israeli partner according to the IIA's conditions.

4. Innovation Infrastructure Division

The Innovation Infrastructure Division supports entrepreneurs, companies and research institutions interested in R&D collaborations. It focuses on developing R&D infrastructures, facilitating the exchange of both generic and applied knowledge, and promoting cooperation in technological advancements and defense/civilian developments. The division provides grants for applied research and platforms for collaborative efforts among multiple entities.

Establishing and Expanding R&D Laboratories and Databases Program: The program supports corporations, including entrepreneurs and technology transfer companies, or user groups in purchasing, establishing, developing, operating and granting access to advanced R&D infrastructure. Its aim is to provide innovative R&D services to industrial corporations and research institutions, advancing Israel's industrial sector and strengthening its long-term technological edge. Applicants can submit requests to establish and make accessible R&D laboratories and databases in various fields.

The program is designed for single corporations or consortia of industrial corporations seeking to establish specialized R&D laboratories or dedicated databases. Eligible projects must address a demonstrated need within the industry and provide unique services not currently available in Israel. Successful applicants receive grants of up to 55% or 66% of the approved budget, with industrial corporations eligible for up to NIS5 million over three years, while user groups may receive grants for up to six years. The first three years include costs for designing and establishing R&D infrastructure, while subsequent years cover operational expenses. Applications can be submitted either on a rolling basis or in response to specific calls for proposals.

The program facilitates the acquisition, establishment and installation of advanced R&D equipment or innovative databases that would otherwise be inaccessible due to financial or technical barriers. By doing so, it significantly enhances R&D capabilities among users, expands service offerings for corporations and does not require royalty repayments. Applicants must register and report all R&D-related expenses to the Innovation Authority, demonstrate the ability to provide matching funds for 100% of the approved budget, and conduct a market survey to validate the necessity and contribution of the proposed R&D infrastructure to Israel's industrial sector.

Pre-Product Innovative Technology in the Industry Program: The Pre-Product Innovative Technology in the Industry program aims to advance the feasibility of cutting-edge applied research in large corporations. This program has two sections: 1. Industrial corporations with significant R&D investments, which are defined as either (a) employing over 200 R&D employees or (b) having a substantial annual R&D budget exceeding USD20 million, and (c) meet financial thresholds such as annual revenues exceeding USD30 million or combined group revenues surpassing USD2.5 billion; 2. industrial corporations that have raised over NIS50 million in capital since the day of incorporation and until three months prior to the month of application and has annual revenues exceeding NIS30 million, according to its latest financial report.

Successful applicants receive a grant covering 55% of the approved R&D budget, up to NIS15 million annually, with a total program duration of up to 36 months. The grant application can be for periods of 12, 18 or 24 months, with an aggregate cap of NIS27 million for all approved projects per calendar year. This program helps mitigate risks in disruptive R&D. The company must be legally incorporated in Israel and adhere to specific financial and operational conditions.

Eligibility is contingent on the company being legally incorporated in Israel and meeting additional criteria, including operating in the research stage of technological or infrastructural development rather than product development. Companies categorized as research-qualified corporations are required to own all intellectual property arising from the program and comply with specific operational and reporting obligations.

Promoting Applied Research in Academia program: The Promoting Applied Research in Academia program aims to bridge the gap between academic research and industry by supporting innovative research projects that are poised for commercialization. It is designed for Israeli research institutions — universities, colleges, research institutes and medical centers — working on applied research with significant industrial potential. The program provides financial support of up to 75% or 85% of the approved budget for research institutions not partnered with a corporation, and up to 80% or 90% for those with corporate involvement. Maximum grants are NIS440,000 annually for single institutions or NIS660,000 for two-institution collaborations, and NIS770,000 for three-institution collaborations without corporate partners. With corporate involvement the caps are NIS550,000, NIS700,000 and NIS810,000, respectively. Corporations contribute 10% of the project cost, offer professional guidance, and have the first right to negotiate commercialization. Grants are provided for up to two years, with a possible extension at a reduced rate, and recipients are exempt from royalty repayments.

MAGNET Consortiums program: The MAGNET Consortiums program provides grants for collaborative R&D efforts involving industrial companies and research institutions working together on cutting-edge technologies. The program supports three types of consortiums: (1) Industrial Consortiums, which focus on developing technologies with significant economic impact and offer Israeli companies up to 66% of the approved budget, and research institutions 100% of the budget (80% grant, 20% from participating companies); (2) Knowledge-Building Consortiums, which advance applied academic studies in emerging fields and provide research institutions 100% of the budget (80% grant, 20% from companies) and Israeli companies initial exposure to new technologies; and (3) Ma'agadon Consortiums, which support focused technological development with up to 55% funding for companies and 100% for research institutions (80% grant, 20% from companies). Running for three years, the program aims to bridge the gap between academic research and industry needs, promoting technologies with global market potential.

MEIMAD – Leveraging R&D for Dual Use Technologies Program: The MEIMAD program is a joint initiative by the Innovation Authority, Ministry of Finance, and the Ministry of Defense, aimed at supporting the development of innovative dual-use technologies for both defense and commercial applications. Active since January 2012, the program facilitates pre-product R&D for creative solutions with military and civilian applications, fostering technological advancement and economic growth. The program is divided into three sub-tracks:

- **Dual-Use Applied Research in Academia:** Targets research institutions partnered with industrial corporations, focusing on applied dual-use R&D projects. Grants cover 80%–90% of the approved budget, up to NIS550,000 annually per project, with a maximum duration of two years. An optional third year may be approved in unique cases at a reduced grant rate of 75%.
- **Dual-Use Knowledge Commercialization from Academia:** Supports the validation, adaptation and transfer of dual-use knowledge from academic institutions to industrial companies. Grants cover 55%–66% of the approved budget, up to NIS3.4 million for a 12-month project, with a total program duration of up to 24 months.
- **Dual-Use Applied Research in Industry:** Enables industrial corporations to conduct pre-product R&D for demonstrating technological feasibility. Grants cover 55% of the approved budget, with an annual cumulative cap of NIS15 million per applicant. Projects can have a requested execution period of up to 12 months, with a total program duration of three years. Royalties are applicable under this track.

The program enables leveraging defense technologies for civilian use and vice versa, fostering dual-use innovation. It supports Israeli companies of all sizes and research institutions, bridging defense and commercial markets to drive R&D and economic growth.

Knowledge Commercialization Program: The Knowledge Commercialization program supports the development of innovative products by facilitating the transfer and commercialization of research knowledge from institutes to industrial corporations. It has three sub-programs:

- **MAGNETON,** which focuses on validating and adapting technologies from research institutes for industrial use;
- **Knowledge Import,** which supports the transfer and adaptation of research findings from foreign institutes to meet the needs of Israeli corporations; and
- **Continued MAGNET,** which funds ongoing R&D activities from successful MAGNET Consortium projects. This program aims to bridge the gap between research and industry by fostering collaborations that boost technological feasibility and advance new product development. Eligible participants include Israeli industrial companies seeking to incorporate research technologies and academic research groups aiming to conduct applied research in partnership with industry. The program offers grants of up to 66% of the approved budget, up to NIS3.4 million, over a period of up to 24 months. Grants to research institutions cover 100% of their budget allocation, with exemptions from royalty repayments, thereby supporting both technological innovation and commercialization efforts.

3. Eligibility requirements

Preferred Enterprise/Special Preferred

Enterprise status

A Preferred Enterprise is an "industrial enterprise" whose main activity in the relevant tax year is industrial activity that is competitive and contributes to Israel's gross domestic product (i.e., no more than 75% of total income is from sales in any one market in the year concerned, or at least 25% of total income is from sales to a market with at least 15 million residents). A Special Preferred Enterprise meets the requirements of a Preferred Enterprise and satisfies the following criteria:

- The company's total annual income in Israel is at least ILS1 billion.
- The combined balance sheet of the company is at least ILS10 billion.
- The company's business plan includes one of the following:
- Investment in productive equipment of at least ILS400 million in a priority area or ILS800 million in the rest of the country over a three-year period
- Investment in R&D of at least ILS100 million in a priority area or ILS150 million in the rest of the country
- Employment of at least 250 employees in a priority area or 500 employees in the rest of the country

Innovation box

A Preferred Technology Enterprise must meet all the following terms and conditions:

1. The company must have incurred at least 7% of the last three years' turnover in R&D (or the company had ILS75 million in R&D expense per year over the last three years).
2. The company must meet one of the following conditions:
   - At least 20% of company employees must be employees whose total salary is classified under R&D expenses (or else, have at least 200 R&D employees).
   - Venture capital investment of at least ILS8 million was previously made in the company.
   - It had an average annual growth over the three-year period prior to the tax year of at least 25% in sales, as long as its total turnover during each year exceeded ILS10 million.
   - It had an average annual growth over the three-year period prior to the tax year of at least 25% in number of employees, as long as during each year its total number of employees was over 50. Companies not meeting conditions 1 and 2 above may be considered a qualified company under the IIA's discretion.
3. The company must be an "internationally competitive enterprise," i.e., having export capability, as set above. Companies not meeting the above conditions may still be considered as a qualified company under the IIA's discretion.

Additional tax benefits

- For a deduction for the purchase of shares in other R&D companies, the following conditions must be satisfied:
  - The date of acquisition was between 1 January 2011 and 31 December 2019.
  - The acquisition is at least 80% of the means of control.
  - The purchasing company and the acquired company are not related companies.
  - The Israeli Tax Authority approved that tax avoidance or an inappropriate tax reduction are not the main objective of the acquisition.
- During each tax year in the deduction period:

The purchasing company's control and management are exercised from Israel, and the company complies with the conditions of a "purchasing company."

The acquired company's control and management are exercised from Israel, and the company complies with the conditions of a "qualifying company."

Employment grants

- Employment Grant Program for recruitment of additional employees: a company must meet certain conditions, which vary from one consideration to another. Such conditions include: (1) a minimum number of new employees (four), (2) a minimum average salary cost (ILS8,000), (3) new employees mix (at least 70% or 90% of new employees are from populations with low employment rates), and (4) new employees' place of residence (all new employees who are not from populations with low employment rates must live in national preference areas, or at least 60% of new employees live in the northern district).
- Employment Grant Program for High Salaries (R&D Centres): a company must have a consolidated income turnover (including a related company) in excess of at least ILS25 million, be located in national preference areas and planning to recruit 15-100 new employees with a salary cost between more than the average salary and at least 2.5 times the average salary in the market.
- "Ogen" employment grants: a company must have a consolidated income turnover (including a foreign parent company) in excess of ILS100 million, be located in national preference areas and planning to recruit 80-150 new employees with a salary of at least 1.5 times the average salary in the market.

- Employment grants for employers in the National Cyber Arena in Be'er Sheva: the grant will be given with respect to salaries for which the employee meets two conditions: (i) at least 60% of his or her working hours are carried out at the National Cyber Arena, and (ii) at least 80% of his or her working hours are in cyber activity. To qualify for the employment grant program, a corporation must meet the following conditions:
- It maintains cyber activity.
- The cyber activity takes place at the National Cyber Arena in Be'er Sheva.
- The cyber employees are working at least at 50% employment capacity.

R&D, innovation and technology collaboration grants

Eligibility described in section 2 per each incentive.

4. IP and jurisdictional requirements

In incentives on R&D projects that are subject to the Innovation Law, the IP must be owned by the Israeli company with some adjustments for programs that involve non-Israeli corporations.

For innovation box incentives, the Israeli company must have a preferred intangible asset.

5. Technology or innovation zones

R&D incentives are offered through the National Cyber Arena in Be'er Sheva (see "Employment grants" in Section 2).

6. Role of governmental bodies in administering incentives

R&D incentives are controlled by the IIA, which is part of the Ministry of Economy and Industry. Tax incentives are controlled by the Israeli Tax Authority.

7. Administrative requirements

Described above under each incentive.

8. Statutory reference

- Law for the Encouragement of Capital Investments, 1959
- Law for the Encouragement of Industrial Research and Development, 1984
- Income Tax Ordinance

Italy

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The 2024 Budget Law has not made any substantial changes to the benefit linked to the R&D tax credit compared with what was established for FY2023.

1. Overview

The Italian government has acknowledged in the last few years the opportunity to provide adequate stimulus to R&D activities and investments. As such, Italian tax law currently sets forth several kinds of R&D tax incentives and operational rules. The process has also been largely inspired by similar provisions adopted in other countries, as well as by the work of the Organisation for Economic Co-operation and Development (OECD) in the field of R&D tax benefits (e.g., Base Erosion and Profit Shifting Action 5).

The Italian tax law currently provides for the following incentives:

- Tax credits for eligible R&D, innovation and design expenses. The Budget Law for 2022 provides for the extension of the incentive through 2031, although with different requirements, percentages and maximum amount limits.
- Tax deductions related to the income derived from direct and indirect use of qualifying intellectual property (IP) (patent box regime). Currently, this incentive has no time limit on its application.

All the incentives described above can be combined with other tax and financial incentives.

Expenses for employees hired and involved in R&D activities may be eligible for tax deductions from the Italian Regional Tax (IRAP) taxable basis. Such benefits, however, are generally less significant in value.

Beyond the new tax framework for R&D and innovation incentives and the amendment of the procedure for benefiting from the patent box regime described in this Guide, the 2020 Budget Law and subsequent Budget Laws for fiscal years 2021, 2022 and 2024 have also introduced or modified other tax incentives that are based on the same strategy for business support by Italian authorities.

In particular, for FY2020, the following tax credits are also available:

a. Tax credit for investments in new ordinary tangible assets: The incentive is equal to 6% of the purchase cost, with a maximum eligible annual investment amount of EUR2 million.
b. Tax credit for investments in new tangible technology assets related to the Industry 4.0 Plan: The incentive is equal to (1) 40% of the purchase cost for the portion of investments up to EUR2.5 million and (2) 20% of the purchase cost for the portion of investments from EUR2.5 million to EUR10 million. No additional tax credit is provided for the portion of investments over EUR10 million.
c. Tax credit for new software-related investments (i.e., software, information technology systems and platforms) related to the Industry 4.0 Plan: The incentive is equal to 15% of the purchase cost, with a maximum eligible annual investment amount of EUR700,000.

For the tax credits, a third-party appraisal is required for investments above EUR300,000. The assets must be purchased in the period from 1 January 2020 to 15 November 2020 with an extension to 30 June 2021, provided that purchase orders are accepted by the seller by 15 November 2020 and at least 20% of their price is paid within the same date. The tax credit applies in five equal annual installments (three equal installments for software-related investments), as of the year following the one in which the assets (1) come into operation and (2) meet the requirements provided by the Industry 4.0 Plan.

For FY2021 onward, the tax credits described in (b) and (c) above have been extended with some modifications and additions. In particular, the following rules apply:

a. For the tax credit for new ordinary tangible and intangible assets:
   - For FY2021, for investments made from 16 November 2020 until 31 December 2021 (or 31 December 2022, if specific conditions are met), the incentive is equal to 10% of the purchase costs (15% for the investments related to the so-called "*lavoro agile*" or "smart working" methods). The maximum eligible annual investment amount is EUR2 million for new ordinary tangible assets and EUR1 million for new ordinary intangible assets.
   - For FY2022, for investments made from 1 January 2022 until 31 December 2022 (or 30 November 2023, if specific conditions are met), the percentage is 6%, with a maximum investment of EUR2 million for new ordinary tangible assets and EUR1 million for new ordinary intangible assets.

   This incentive cannot be claimed for the investments made from FY2023.
b. For the tax credit for new tangible technology assets:
   - For FY2021, for investments made from 16 November 2020 until 31 December 2021 (or 31 December 2022, if specific conditions are met), the incentive is equal to 50% for the portion of investments up to EUR2.5 million, 30% for the portion of investments between EUR2.5 million and EUR10 million, and 10% for the portion of investments between EUR10 million and EUR20 million.
   - For FY2022, for investments made from 1 January 2022 until 31 December 2022 (or 30 November 2023, if specific conditions are met), the incentive is equal to 40% for the portion of investments up to EUR2.5 million, 20% for the portion of investments between EUR2.5 million and EUR10 million, and 10% for the portion of investments between EUR10 million and EUR20 million.
   - For FY2023-25, for investments made from 1 January 2023 until 31 December 2025 (or 30 June 2026, if specific conditions are met) the incentive is equal to 20% for the portion of investments up to EUR2.5 million, 10% for the portion of investments between EUR2.5 million and EUR10 million, 5% for the portion of investments between EUR10 million and EUR20 million, and 5% for the portion of investments between EUR10 million and EUR50 million, for investment included in the PNRR program directed to the realization of ecological transaction objectives.

c. For the tax credit for new software-related investments:
   - The 2021 and 2023 incentive is 20% (50% for 2022) of the purchase cost, with a maximum eligible annual investment amount of EUR1 million, for investments made from 16 November 2020 until 31 December 2023 (or 30 June 2024, if specific conditions are met).
   - The 2024 incentive is 15% of the purchase cost, with a maximum eligible annual investment amount of EUR1 million, for investments made from 1 January 2024 until 31 December 2024 (or 30 June 2025, if specific conditions are met).
   - This incentive cannot be claimed for the investments made from FY2025.

For tax credits mentioned in (b) and (c) above, a third-party appraisal is required for investments above EUR300,000. The tax credits can be used to offset taxes and social security contributions and must be used in three equal annual installments (i.e., there is a cap equal to one-third of the total amount), as of the year in which the assets (1) come into operation and (2) meet the requirements provided by the Industry 4.0 Plan.

For investments realized starting from 30 March 2024, proper communications (i.e., one at the beginning of the investment realization and one at the conclusion of the investment realization) to the Ministry of Enterprise and Made in Italy (MIMIT) must be filed as a prerequisite to offsetting such tax credit. For investments realized in the period 1 January 2023 to 29 March 2024, a communication to MIMIT is required at the conclusion of the investment.

Companies can still benefit from the old tax mechanism supporting the innovative tangible asset's investments (so-called "hyper-depreciation") in relation to the investments carried out in the 2017 to 2019 period.

Transition Plan 5.0 – tax credit

The program aims to support investments in digitalization and in the energy transition of companies through an evolution of the 4.0 tax credit scheme.

The investments should be realized between 1 January 2024 and 31 December 2025 and can be formed by new tangible and intangible technology assets, photovoltaic modules and training costs.

The main objective of the plan is twofold:
1. Reduce the environmental impact of production activities, promote the adoption of renewable energy sources and optimize energy consumption.
2. Increase the competitiveness of Italian companies through digital and technological innovation.

To qualify for the tax credit, energy consumption must be reduced as follows:
- Greater than 3% of the consumption of the production structure or greater than 5% of the consumption of the processes affected by the investment, for an incentive of 35% for the portion of investments up to EUR10 million, and 5% for the portion of investments between EUR10 million and EUR50 million
- Greater than 6% of the consumption of the production structure or greater than 10% of the consumption of the processes affected by the investment, for an incentive of 40% for the portion of investments up to EUR10 million, and 10% for the portion of investments between EUR10 million and EUR50 million
- Greater than10% of the consumption of the production structure or greater than 15% of the consumption of the processes affected by the investment, for an incentive of 45% for the portion of investments up to EUR10 million, and 15% for the portion of investments between EUR10 million and EUR50 million

The tax credit can be used to offset taxes and social security contributions and must be used at least 10 days after the GSE communication. Any residual amount has to be used in five equal annual installments by 31 December 2025.

The tax credit is subject to three different communication phases (i.e., preventive communication, communication advancement project, completition communication) and is subject to appraisals (one at the beginning of the investment realization and one at the conclusion of the investment realization). The Transaction 5.0 tax credit cannot be combined with the 4.0 tax credit in relation to the same eligible costs.

All of the abovementioned tax incentives are applicable to Italian companies as well as Italian permanent establishments (PEs) of foreign entities.

Types of incentives	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D tax credit*	Patent box*	Regional tax (IRAP) deduction for R&D employees
Type of incentive	■ Tax credit	■ Tax deduction related to the use of qualifying IP/ execution of qualifying R&D expenses	■ IRAP deduction for costs related to personnel employed in R&D activities

**Although not based upon scientific analysis, some EY clients report that these incentives deliver more beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances. The patent box regime is an important incentive for companies with significant qualifying IPs. The R&D tax credit is the most appreciated incentive by Italian taxpayers.*

R&D, Innovation and Design tax credits

Description of benefits

Starting from the tax period following the one ongoing on 31 December 2019, three different tax credits are available:

1. Tax credit for R&D activities (R&D tax credit)
2. Tax credit for technological and digital innovation and ecological transition (Innovation tax credit)
3. Tax credit for design and aesthetic ideation activities (Design tax credit)

The above incentives are available to all enterprises resident in Italy (and also to Italian PEs of foreign companies) that invest in eligible activities, regardless of the legal form, the economic sector in which they operate (with some limitations for the Design tax credit), the size and the regime applied for income determination.

The incentives have been modified. In particular, while the rules in force until 2019 for the "old R&D tax credit" were based on the incremental approach (i.e., the benefit was calculated on the surplus of the annual R&D expenses with respect to the average R&D expenses for the years 2012–14), the rules for the "new" tax credits are based on the volume-based approach: the incentive is calculated by applying some incentive percentages (different for the three tax credits) on the total annual amount of the eligible costs (calculation basis).

Considering only the activities and expenses incurred in the financial year makes the new approach less complex, as companies do not have to track and reconcile the activities and expenses incurred in previous years (i.e., expenses in the three-year period 2012–14).

Starting from 2020, tax credits are not allowed for expenses related to R&D activities outsourced by foreign entities (including group entities) to Italian companies (and therefore re-charged by Italian companies to such foreign entities).

With reference to the calculation basis, this differs among the three tax credits. Indeed, there are several differences regarding some details of types of expenses and/or the eligible amounts. However, the main categories of relevant expenditures can be summarized as follows:

- Personnel costs related to researchers and technicians employed with subordinate or self-employment relationship or other relationship different from the employment contract, directly employed in R&D activities carried out within the enterprise
- Depreciation charges, costs of the financial or operating lease and other expenses related to movable tangible assets and software used in R&D projects
- Expenses for external research contracts concerning the direct execution of eligible R&D activities by the provider
- Depreciation charges related to the acquisition from third parties, also under license of use, of industrial property rights of an industrial or biotechnological invention, a topography of semiconductor products or a new plant variety, that are used directly and exclusively for carrying out the activities related to the R&D eligible projects (only for R&D tax credit)
- Expenses for consultancy services and equivalent services related to R&D eligible activities
- Expenses for materials, supplies and other similar products used in the R&D projects carried out internally by the enterprise, and for the construction of prototypes or pilot plants

The tax benefit is equal to a percentage of the calculation basis. For FY2021 and FY2022:

- R&D tax credit: The percentage is 20% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR4 million (for FY2020, the benefit was 12% with a maximum of EUR3 million).
- Innovation tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions. The percentage is 15% for technological innovation aimed at reaching an ecological transition goal or a digital innovation "4.0"; the benefit cannot exceed EUR2 million (for FY2020, the benefits were 6% and 10%, respectively, with a maximum of EUR1.5 million).
- Design tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR2 million (for FY2020, the benefit was 6%, with a maximum of EUR1.5 million).

For FY2023:

- R&D tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR5 million.
- Innovation tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions (maximum amount EUR2 million). The percentage is 10% for technological innovation aimed at reaching an ecological transition goal or a digital innovation 4.0; the benefit cannot exceed EUR4 million.
- Design tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR2 million.

For FY2024-2025:

- R&D tax credit: The percentage is 10% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR5 million.
- Innovation tax credit: The percentage is 5% to apply to the relative calculation basis, net of the other incentives or contributions (maximum amount EUR2 million). The percentage is 5% for technological innovation aimed at reaching an ecological transition goal or a digital innovation 4.0; the benefit cannot exceed EUR4 million.
- Design tax credit: The percentage is 5% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR2 million.

For FY2026-2031:

- R&D tax credit: The percentage will be 10% to apply to the relative calculation basis, net of the other incentives or contributions. The benefit cannot exceed EUR5 million.

The Innovation tax credit and the Design tax credit cannot be claimed for the investments made from FY2026.

The old R&D tax credit (based on the incremental approach) is still available with respect to activities and expenses incurred in FY2016, FY2017, FY2018 and FY2019, although with slightly different rules in each FY.

To obtain the benefit with respect to the past years, provided that all the other requirements are met, an amended tax return must be filed with the IRA.

Guidelines around incentive applications

For investments realized starting from 30 March 2024, proper communications (i.e., one at the beginning of the investment realization and one at the conclusion of the investment realization) to the MIMIT must be filed as a prerequisite to offsetting such tax credit. For investments realized in the period 1 January 2023 to 29 March 2024, a communication to MIMIT is required at the conclusion of the investment.

For previous fiscal years, the three tax credits mentioned above are automatic and may be enjoyed by the taxpayer without approval in advance from the competent authorities.

The tax position resulting from the tax return is irrelevant and does not have any impact on the benefit for the year (i.e., loss-making companies are not prevented from benefiting from the incentives).

The tax credits must be indicated in the tax return (i.e., the income tax return for FY2024 "Redditi 2025" should show the tax credit obtained in FY2024) and can be used to offset other tax liabilities (such as corporate income tax, social contributions and value-added tax) through the F24 form, in three equal installments during the FYs, starting from the tax year following that in which the tax credit was incurred, and after meeting the documentation requirements listed above.

The tax credits may not be claimed for refund.

The three tax credits can be cumulated and, unless otherwise stated, they can be combined with the other tax incentives set forth by law (including the patent box regime).

Tax certification for R&D credit

R&D tax credits may be subject to proper certification by authorized professionals and bodies, attesting the qualification of the investments made or to be made for the purposes of their classification as eligible research, development and innovation activities.

The tax certification has binding effects against tax authorities in relation to the qualification of such certified activities.

Tax amnesty for R&D credit

Law Decree No. 146/2021 (art. 5, paragraph 7 et seq.) provided for the possibility for companies to amend any irregularities incurred in relation to the R&D credit, pursuant to art. 3 of Law Decree No. 145/2013.

The mentioned Law Decree provides for the possibility to repay (in installments) the amount of the unduly used R&D credit, without application of penalties and interest, in the presence of certain conditions.

The amnesty applies to companies that, on the date of enactment of the Decree, 22 October 2021, have unduly used in compensation the tax credit arising from investments in R&D activities accrued from FY2015 to FY2019.

The amnesty procedure is reserved for companies that:

- In fiscal years from 2015 to 2019, have carried out, by bearing the relevant expenses, activities that are wholly or partly not qualifying as R&D activities for the purposes of the tax benefit
- In relation to FY2017, have benefited from the possibility of assigning the tax credit also to the resident commissioner, who carries out R&D activities on behalf of a nonresident entity, in a way that is not compliant with the authentic interpretation contained in the Budget Law 2019[1]
- Have incurred errors in the quantification or identification of eligible expenses, in violation of the principles of pertinency and congruity, as well as in the determination of the historical average of reference

[1] Art. 1, paragraph 72, L. n. 145/2018 specified that "for the purposes of calculating the attributable tax credit, only eligible expenses relating to research and development activities carried out directly and in laboratories or facilities located in the territory of the Italian State take on relevance."

Access to the amnesty is, on the other hand, excluded if the tax credit used for compensation:

- Is the result of fraudulent conduct, objectively or subjectively simulated circumstances, or false representation based on the use of false documents or invoices that document nonexistent transactions
- Is not supported by "suitable documentation" aimed at demonstrating the actual sustainment of expenses

The procedure also does not apply if there is a tax recovery or a tax assessment act that became final as of 22 October 2021.

Moreover, in the event that, following the activation of the amnesty procedure, the IRA assesses the presence of fraudulent conducts, the assessed party loses the benefit of spontaneous repayment without sanctions and interest. In such case, the amounts already paid are considered to be acquired as an on-payment on the amounts due.

The amnesty procedure is only completed following the transmission of the specific form and the full payment of the amounts due. Correct completion of the amnesty procedure results in non-punishability for the crime of undue compensation (pursuant to art. 10-quater of Legislative Decree No. 74/2000).

Patent box

Description of benefits

On 21 October 2021, the Italian government fully repealed and replaced the former patent box regime through the publication of Law Decree No. 146/2021 on "urgent economic and tax measures" in the Italian Official Gazette. The decree is effective from the day following its publication (i.e., 22 October), and it has been converted into Law 17 December 2021, n. 215.

Subsequently, the Budget Law 2022 amended once again the patent box regime.

Based on the new provisions, the old patent box regime has been substituted by a new regime shifting the incentive from profit-based incentive (50% exemption of the income attributable to the IPs included in the perimeter of the regime) to a cost-based incentive by introducing a super deduction for R&D expenses (210% deduction of qualifying expenditures) connected to the qualified IPs.

The patent box changes should be effective for FY 2021. The Law Decree as amended by the Budget Law 2022 provides transition rules regulating cases where taxpayers are still under the old regime according to which taxpayers with a valid patent box option (exercised up to the FY 2020) based on the old provisions may still continue to apply such regime until the end of the old option.

Guidelines around incentive applications

Old patent box regime

The patent box regime introduced in 2014 was an elective tax regime granting a 50% exemption from corporate income tax and regional tax (IRES and IRAP) on income generated from the licensing or the direct exploitation of qualifying IP. The regime was eligible for taxpayers who perform R&D activities and is characterized by a five-year lock-in period. The election was renewable.

The regime had been broadly modified by Law Decree No. 50/2017, which also amended the implementing instructions. The following provisions had been introduced:

- Removal of trademarks from the list of qualifying IP
- Introduction of specific coordination measures (so-called "grandfathering")
- Introduction of exchange of information rules related to the options that include the trademarks

The patent box benefit is intended for all persons earning business income (e.g., resident companies, Italian commercial partnerships and resident sole proprietors) in cases of direct use or exploitation of qualifying IPs, as well as in cases of indirect (licensing) use of the same intangibles. It was also intended for a nonresident entity that has a permanent establishment in Italy to which the qualifying IP can be attributed, provided the entity is resident in a country that has concluded a tax treaty with Italy that provides for the effective exchange of information.

The part of income that qualifies for the exemption is determined by multiplying the income deriving from the use (either direct or indirect) of qualifying IPs by a nexus ratio (determined on the basis of the R&D costs). The determination of the income differs in the case of direct use rather than indirect use of the qualifying IPs. As for the direct use of the qualifying IPs, the related income is determined on the basis of the accounting data booked in the profit and loss statement, as adjusted for corporate income tax purposes. In the case of indirect use of the IPs, the income is determined as consideration received for the license to use the qualifying IPs (e.g., a royalty) net of related direct and indirect costs.

To determine the relevant income, the OECD recommends using the comparable uncontrolled price (CUP) and the profit split (PSM) methods (with specific reference to the residual PSM approach), which are considered to be the most reliable methods when computing the IP-related return qualifying for the patent box benefit.

Any relevant transfer pricing considerations supporting the computation of the IP income should be duly supported by an adequate analysis describing the functions, risks and assets involved in the exploitation of each IP.

Taxpayers may also refer to valuation techniques based on the financial practice. However, in such a case, the taxpayer should provide an adequate justification proving the unreliability of using the abovementioned preferred criteria and that the income computation thus obtained is in line with OECD principles. For more complex cases (i.e., where the adoption of only one valuation method does not allow a reliable result), the use of multiple methods is suggested.

As mentioned, qualifying income is determined for each IP by multiplying the income as determined above with the ratio between the following:

a. Costs incurred for the development, maintenance and improvement of the IP (i.e., qualifying R&D expenditures)
b. Overall relevant costs for the production of the IP (i.e., overall R&D expenditures)

The costs under (a) are those related to R&D activities carried out (1) directly by the entities electing for the regime, (2) by outsourcing them to universities and other research institutes, or (3) by outsourcing them to other third parties, including certain startup companies.

The abovementioned costs also include (1) the costs incurred by a related party in connection with the outsourcing of R&D activities to third parties and simply recharged to the company and (2) the costs related to R&D activities incurred by the company under a cost-sharing agreement, at least up to the amount of the proceeds arising from the recharge of the costs to the other parties of the cost-sharing agreement.

The costs mentioned under (b) include all the above expenses increased by (1) any relevant costs incurred with related parties for the development, maintenance and improvement of the IP related to R&D activities and (2) the quota of the overall intangible's acquisition or licensing cost in each fiscal year.

Furthermore, the amount of the costs under the (a) group could be additionally increased (uplift) by an amount equal to the difference between the costs under (b) and the costs under the (a) group. Such uplift is, in any case, capped up to 30% of the (a) costs.

Prior to the changes introduced by Article 4 of Decree Law No. 34/2019, one procedure for obtaining the tax benefit was available: the tax ruling procedure. With effect from FY2019, an alternative procedure has been introduced: the self-liquidation procedure.

To obtain the benefit of the patent box regime, the taxpayers can alternatively:

- File a tax ruling application to the IRA to preliminarily agree on the calculation methodology to be applied for the determination of the qualifying income for the tax benefit (tax ruling procedure). The taxpayer can use the tax benefit only after the tax ruling is signed. The ruling covers a period of five years from the year in which the taxpayer sends the appropriate formal request to activate the procedure. Once the ruling is signed, it is up to the taxpayer to calculate the benefit annually, according to the method agreed with the IRA.
- Determine autonomously the benefit (self-liquidation procedure), which then becomes automatic (i.e., no prior authorization is required). This choice must be reported in the tax return related to the fiscal year in which the patent box regime applies. The option is annual, irrevocable and renewable. In the case of a subsequent tax assessment, penalties for filing an inaccurate or unfaithful tax return may not apply, provided that the taxpayer submits appropriate supporting documentation with respect to the criteria and methods adopted in the calculation of the relevant benefit. A specific protocol issued by IRA provides for a detailed description of the required supporting documentation. Moreover, as in the case of transfer pricing documentation, to benefit from this penalty protection, the taxpayer must state in the tax return relating to the fiscal year in which the patent box regime applies that it has prepared and kept the required supporting documentation. Relevant clarifications were provided by the IRA in Circular No. 28 of 2020.

In compliance with the OECD recommendations, both the direct nexus between R&D activities and the qualifying IP and the nexus between the qualifying IP and the related qualifying income must be traceable through a proper accounting or non-accounting system.

Unless otherwise stated, the benefit in question can be combined with other tax incentives set forth by law (e.g., the R&D tax credit).

New patent box regime

R&D costs incurred with third parties in relation to copyrighted software, patents, designs and models may be recognized for tax purposes for an amount equal to 210% of the relevant expenditure for both corporate income tax (IRES) and regional tax (IRAP). R&D costs incurred with related parties should not be eligible.

Beneficiaries under the new regime are the same as those under the old patent box regime.

Companies electing the new patent box regime are also allowed to claim the R&D tax credit provided by Law No. 160/2019.

The election for the new patent box regime will be irrevocable and last for five fiscal years, with the possibility of subsequent renewals. The Italian tax authorities issued specific regulation on 15 February 2022, including clarification and practical information on the new patent box regime.

Unlike the previous regime, it is no longer possible to request a ruling from the Italian tax authorities to define in advance the tax benefit.

Taxpayers may seek protection against penalties (ranging from 90% to 180%) imposed by the tax authorities if a deduction taken under the new regime is challenged. Taxpayers will have protection if they (1) draft a defensive file based on specifics detailed under separate guidelines to be issued by the tax authorities and (2) notify the tax authorities of the possession of the mentioned documentation in the tax return related to the fiscal year for which the deduction is claimed.

Regional tax (IRAP) deduction for R&D employees

Description of benefits

Costs related to the personnel employed in R&D activities may be deducted from regional tax (IRAP) taxable basis. IRAP is calculated on the taxpayer's net production value (NPV), and the IRAP tax rate is generally 3.9% to 5%. The tax deduction is an alternative to other IRAP tax deductions related to labor costs and may not be used if the taxpayer elects other deductions. The deduction amount is limited to the employees' direct costs related to R&D activities. The benefit has been granted since 2005. As of FY15, labor costs related to employees hired under a permanent contract are fully deductible from IRAP taxable basis. The deduction is granted for the amount exceeding the other deductions related to labor costs, already operated by the taxpayer in the computation of the NPV.

Guidelines around incentive applications

The incentive is applicable to current and future investments. The incentive may be obtained via a direct tax deduction from IRAP taxable basis, and taxpayers may claim the incentive via the taxpayer's annual IRAP tax return (Modello IRAP).

According to the current tax regulations, the deadline for filing the Modello IRAP is generally the end of the 10th month following the financial year the return refers to (i.e., for periods ending 31 December, the deadline is 31 October).

3. Eligibility requirements

R&D, innovation and design tax credits

The tax credits related to R&D, innovation and design are related to different activities carried out by the company:

a. R&D tax credit: The eligible activities consist of (1) fundamental research, (2) industrial research, and (3) experimental development as defined by the letters m), q) and j) of point 15, paragraph 1.3 of Communication No. 198/2014 of the European Commission. For the purposes of the tax credit, the activities concerned are those that pursue a progress or advancement of general knowledge or skills in a scientific or technological field and not merely the progress or advancement of the knowledge or skills of an individual enterprise.
b. Innovation tax credit: The eligible activities must aim at the creation or introduction of new or significantly improved products or processes, compared with those already made or applied by the company. As an example, new or significantly improved products are defined as goods or services that are different compared to those already produced by the company, in terms of technical characteristics, components, materials, embedded software, user-friendliness, the simplification of the procedure for use, greater flexibility, or other performance and functional elements; for new or significantly improved processes, they are significantly improved compared with those already applied by the enterprise.

c. Design tax credit: The eligible activities must aim at significantly innovating the company's products in terms of form and other nontechnical or functional elements, such as the characteristics of lines, contours, colors, surface texture or ornamentation. For these purposes, a product is any industrial or craft object, including components of complex products, packaging, presentations, graphic symbols and typefaces. This tax credit is mainly addressed to enterprises operating in the textile and fashion, footwear, eyewear, gold, furniture and ceramic sectors.

Patent box

Eligible IP includes the following:

- Software protected by copyright
- Industrial patents, already granted or in the process of being granted, including invention patents encompassing biotechnological inventions and relevant complementary protection certificates; patents for utility models; and patents and certificates for vegetable varieties and topographies of semiconductor products
- Models and designs capable of being legally protected

The Italian patent box regime initially also included the trademarks. But such provision was deemed not to be in line with OECD's commonly adopted standards, which expressly excluded trademarks from the list of eligible intangible assets. The abovementioned misalignment has been corrected with Law Decree No. 50/2017, which aligned the domestic patent box rules with international best practices. The decree, which includes implementing instructions related to the patent box, reflects the noted changes. According to the grandfathering provisions, the exercise of the option related to trademarks is valid for five financial years and shall not in any case be allowed after 30 June 2021. Such option is nonrenewable.

As eligible IP and the requirements for their existence and protection are concerned, reference should be made to the Italian, EU and international provisions as well as to those contained in EU regulations, treaties and international agreements on intellectual property, as applicable in the relevant jurisdictions.

Qualifying use of IP includes the following:

- Licensing for the use of any qualifying IP
- Direct use of any of the mentioned IP within the limit of the activities allowed to the taxpayer under the relevant IP rights

Qualifying activities include the following:

- Fundamental research to be intended as theoretical and experimental works aimed at obtaining new information to be used in the applied research and design field
- Applied research to be intended as research aimed at obtaining new information and know-how to be used for the development of new products, processes or services as well as for the improvement of existing products, processes and services in every scientific or technological field; experimental and competitive development work to be intended as the acquisition, the combination, the structuring and the use of existing commercial, technological and scientific know-how in order to develop or improve products, processes and services
- The definition also includes the activities aimed at the conceptual definition, the planning and documentation of new products, processes and services, as well as the tests and the experimentations aimed at obtaining the authorization to commercialize such products, processes and services. The experimental development also includes the creation of prototypes, the evidence, the realization of pilot products, the tests and the verification of new or improved products, processes and services and the realization of the necessary plants and equipment
- Design to be meant as the conception and planning of products, processes and services, including their external appearance (and of every component), and the brand development activities
- The conception and the realization of software protected by copyright
- The preventive research, test, market survey and other studies and actions also aimed at the adoption of systems to avoid counterfeiting, the deposit, the achievement and maintenance of the relevant rights, their renewal and their protection even in an associate form and with reference to the activities to prevent counterfeiting and the handling of litigation and relevant contracts

- Presentation, communication and promotion activities, able to increase the distinctive features and the prestige of the brand and to contribute to the commercial success and the image of products or services, of design or of any other intangible capable of legal protection

IRAP deduction for R&D employees

- Eligible expenses include costs related to the employees directly involved in R&D activities. The employees can be hired under either a permanent or temporary contract. Eligible activities are either the basic research or R&D activities.

4. IP and jurisdictional requirements

According to the jurisdictional requirements related to IP, patent box rules set forth that the IP shall be directly owned by the taxpayer or used by the taxpayer (e.g., through a rent or lease), provided that R&D activities are carried out.

The ownership of the results of the R&D and innovation activities relevant for the related tax credits must be attributed to the company that carries out the eligible activities.

5. Technology or innovation zones

Italy has not identified technology or innovation zones with specific tax incentives.

However, for some zones in the South of Italy, the Italian law provides specific tax incentives or a strengthening of national tax.

With regard to the R&D tax incentives, for fiscal years from 2020 to 2023, companies operating in Southern Italy are entitled to the R&D tax credit at an increased rate ranging between 25% and 45% (depending on the size of the company), instead of the abovementioned ordinary rate. No enhanced percentage is provided for the innovation tax credit or the design tax credit.

In addition, a special tax credit for new investments in capital goods is available for companies operating in Southern Italy.

6. Role of governmental bodies in administering incentives

R&D tax credit

For investments realized starting from 30 March 2024, proper communications (i.e., one at the beginning of the investment realization and one at the conclusion of the investment realization) to the MIMIT must be filed as a prerequisite to offsetting such tax credit. For investments realized in the period 1 January 2023 to 29 March 2024 a communication to MIMIT is required at the conclusion of the investment.

For previous fiscal years, the possibility to benefit from the R&D tax credit is not subject to a prior administrative approval and may automatically be exercised by the taxpayer.

The IRA is entitled to verify afterward the correct identification and qualification of research, development, innovation and design activities with respect to the legal definitions (only if the tax credit is not certificate), the correct identification and quantification of the expenses incurred as well as the correct calculation of the incentive. The IRA may refer to the MIMIT to gather technical advice where needed.

Patent box

The competent authority is the IRA. For the old Patent Box regime, the IRA was in charge of the tax ruling (if the taxpayer opts for the tax ruling procedure). The IRA is also entitled to carry out the tax audits (1) in the case of the tax ruling procedure to verify compliance with the calculation with the signed tax ruling and the computation of the nexus ratio, and (2) in the case of the self-liquidation procedure, to verify both the eligibility requirements and the calculation of the benefit as well as compliance with all the formalities imposed for this type of procedure.

Regional tax deduction for R&D employees

The competent authority is the IRA. The tax authorities are entitled to carry on all the assessments deemed necessary to verify whether the annual tax return has been correctly filed and submitted. The areas that could be analyzed might also evaluate whether the benefit in question has been correctly determined and calculated.

7. Administrative requirements

R&D tax credit

The possibility to benefit from the R&D tax credit is automatic and can be directly exercised by the taxpayer, provided that eligible activities and investments have been carried out.

Starting from FY2018:
- An auditor must certify that the qualifying expenses have been actually incurred.
- Beneficiary companies must prepare and maintain a technical report concerning scope, objectives and results of the R&D, innovation and design activities performed (internally or externally commissioned) in each FY, which should be signed by the R&D responsible and the legal representative (for R&D internal activities).

Starting from FY2021, a third-party appraisal is also required in relation to the activities carried out by the company.

For investments realized starting from 30 March 2024, proper communications (i.e., one at the beginning of the investment realization and one at the conclusion of the investment realization) to the MIMIT must be filed as a prerequisite to offsetting such tax credit. For investments realized in the period 1 January 2023 to 29 March 2024 a communication to MIMIT is required at the conclusion of the investment.

R&D tax credits may be subject to proper certification by authorized professionals and bodies, attesting the qualification of the investments made or to be made for the purposes of their classification as eligible research, development and innovation activities.

The tax certification has binding effects against tax authorities in relation to the qualification of such certified activities.

Patent box

Under the current Patent Box regime of self-liquidation procedure, the taxpayer must opt for the patent box regime directly in the tax return where the tax benefit is indicated.

Regional tax deduction for R&D employees

- Compliance: specific documentation aimed at supporting the eligible expenses and activities must be prepared.
- Certification report: the documentation for the item above must be certified by the taxpayer's board of auditors or by the taxpayer's auditing company or by an external independent auditor.

8. Statutory reference

R&D tax credit

Law No. 160/2019 (2020 Budget Law), Article 1, paragraphs 198-208, and subsequent changes and integrations

Patent box

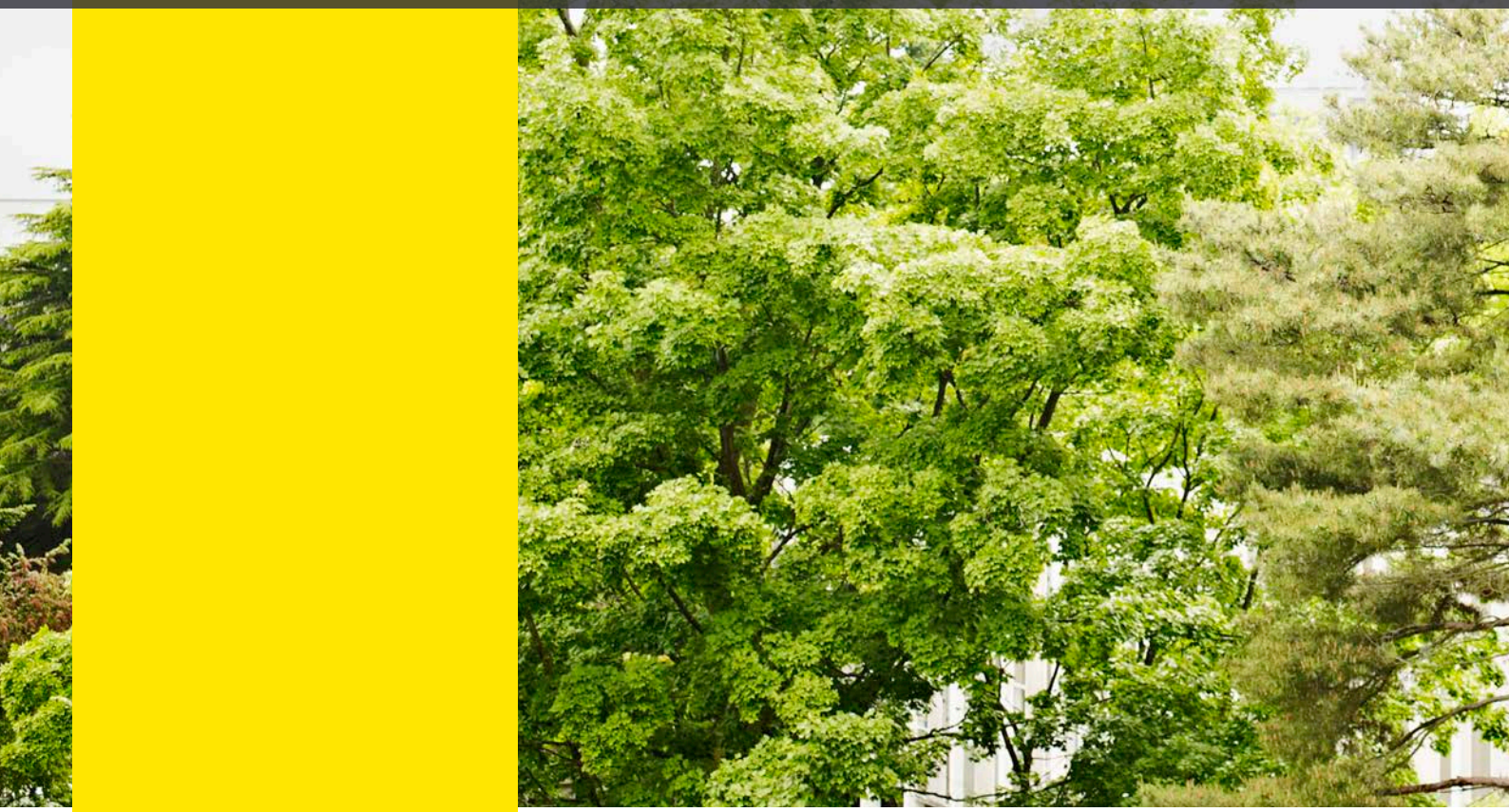
Article 6, Law Decree No. 146/2021, and subsequent changes and integrations

Regional tax deduction for R&D employees

Legislative Decree (*Decreto Legislativo*) No. 446/1997, Article 11, paragraph 1, No. 5, and subsequent changes and integrations

Japan

This chapter is based on information as of February 2025.



The 2025 tax reform does not introduce new measures. However, the 5G incentive and tax incentives under Special Measures to Promote Digital Transformation expired on 31 March 2025 and was not extended.

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1. Overview

R&D tax incentives are a cornerstone of Japanese industrial policy and are designed to increase the competitiveness of Japanese industry. With the highest nominal corporate income tax rate in the world (and the highest effective corporate tax rates), Japan's R&D incentives are an important policy measure for business. The Japanese R&D tax regime may be considered mature, as it was introduced in 1967. Initially, tax credits had been applied to incremental R&D expenditures. A tax credit of up to 10% was introduced in 2003 and applies generally on qualified R&D expenditures. The credit has been consistently granted over the past 10 years.

R&D incentives are granted in the form of tax credits against the national corporate tax liability and are subject to certain limitations. To promote the globalization and integration of Japanese companies in international markets and academic programs, offshore activities are also eligible for R&D incentives.

In addition to the already-available R&D tax incentives, previous tax reforms in 2020 and 2021 introduced open innovation and 5G investment-related incentives and additional measures for digital transformation and carbon neutrality. The 2023 tax reform changed some of the rules. The 2024 tax reform introduces new measures, including a new Innovation Box regime and a new tax credit for promoting domestic production of strategic products.

Types of incentives	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D tax credit	Open Innovation incentive
Type of incentive	■ Tax credit	■ Deduction of up to 25% of acquisition cost of specific shares
Innovation Box	■ Domestic production of strategic goods incentive	■ Carbon neutrality incentive
Income deduction	■ Tax credit	■ Tax credit or special depreciation

R&D tax credit

Description of benefits

Under the current legislation, there are two types of R&D base credits: a tax credit for general R&D expenses and a tax credit for special open innovation R&D expenses. The tax credit for general R&D expenses can be used up to 25% of the corporate tax liability or up to 35% of the corporate tax liability under a three-year temporary measure. The tax credit for special open innovation R&D expenses can be used up to 10% of the corporate tax liability. The taxpayer can therefore potentially utilize a combined R&D base credit up to 35% (45%) of its corporate tax liability.

R&D tax credit legislation includes the concept of an R&D venture company. An R&D venture company is a company with investment from a venture fund certified under the Act of Strengthening Industrial Competitiveness or a company with investment from a national university or research institute meeting specific conditions. Under the 2023 tax reform, the requirement to receive certification was abolished, and the scope of R&D venture companies was expanded. In the case of an R&D venture company, the available base credit is 40% or up to 50% of the corporate tax liability under a two-year temporary measure and up to 10% on special open innovation R&D expenses (i.e., total of 50% (60%) of the annual corporate tax liability).

The base credit is a permanent measure in Japanese tax legislation.

Base credit

The base credit consists of the credit for general R&D expenses and the credit for special open innovation R&D expenses.

The credit for general R&D expenses is the amount of general R&D expenses multiplied by a certain ratio. The R&D credit ratio is determined as follows: Current R&D expenses – average R&D expense over the past three financial years) / average R&D expense over the past three financial years. The taxpayer uses this incremental ratio in a specific formula to calculate the R&D credit ratio. The allowed range of the R&D credit ratio is 1% to 14%. The 2024 tax reform decreases the lower limit from 1% to 0%.

The R&D credit ratio is between 12% and 17% for small and medium-sized companies for financial years starting between 1 April 2021 and 31 March 2026 and 12% for the following financial years. If a company is newly established, or a company starts R&D activities in a financial year without R&D expenses over a certain period of time in previous financial years, the R&D credit ratio is 8.5% of the R&D expenses incurred (12% in the case of small and medium-sized enterprises). This tax credit can be used for up to 25% of the corporate tax liability under general rules.

The tax credit for general R&D expenses includes an additional component as a temporary measure. This additional component is based on current R&D expenses over the annual average sales amount of the current fiscal year and the past three fiscal years multiplied by a certain percentage. The rate of tax credit under this additional component is up to 10% of the corporate tax liability. The taxpayer can decide whether to take the R&D credit under the already-existing temporary measure or under a new temporary measure, which also takes the incremental R&D ratio into account in a special formula.

The credit for the special open innovation R&D expenses regime aims to enhance innovation in Japan. Special open innovation R&D expenses are R&D expenses incurred in joint research with special R&D institutions or universities and research outsourced to such institutions (not including private companies). The taxpayer can calculate special R&D expenses on research outsourced to private companies. Regarding joint research, the tax credit is special R&D expenses multiplied by 30% (for expenses incurred in joint research with special R&D institutions or universities) or 20% (for expenses incurred in joint research with private corporations but 25% in the case of an R&D venture company). Regarding research outsourced to other parties, the tax credit is 30% (for expenses in research outsourced to special R&D institutions or universities) or 20% (for expenses in research outsourced to other parties, including private corporations but 25% in the case of an R&D venture company). External companies of special R&D institutions or universities are also included in the list of qualifying companies (external companies are established by special R&D institutions or universities for open innovation with third parties). If a corporate taxpayer incurs expenses in joint research with or outsources research to such external companies, the tax credit is 25% of the expenses. The 2023 tax reform expanded the scope of R&D venture companies and included a new measure. Under this new measure, if the taxpayer employs a highly qualified person (e.g., PhD holder) and meets specific conditions (relating to the activities of the highly qualified person, length of employment, etc.), the taxpayer can use 20% of the personal expenses of this highly qualified person under special open innovation tax credit. The total special open innovation tax credit available is for up to 10% of the corporate tax liability amount.

Carryforward or carryback of the excess credit is not permitted.

For contract R&D activities, the ability to take R&D credits can be limited. The taxpayer has to deduct fees received for contract R&D activities from R&D expenses to calculate R&D expenses for R&D credit purposes.

Innovation Box

Description of benefits

To strengthen Japan as a location for R&D activities and to encourage companies to invest in intangible assets, under the 2024 tax reform, income from certain intellectual property (IP) can be subject to a 30% income deduction under the Innovation Box regime.

Certain patents and copyrighted software in artificial intelligence (AI) acquired after 1 April 2024 qualify as IP subject to the Innovation Box regime. Qualified income subject to the Innovation Box regime is (1) license income received from third parties for the use of such patents and software and (2) capital gains from the transfer of such IP to Japanese buyers (excluding related parties).

The income deduction from the corporate income tax base is calculated as follows: Qualified income x (Qualified R&D expenses / Total R&D expenses) x 30%. There are detailed definitions for qualified R&D expenditure and total R&D expenditure. If this income deduction is higher than the corporate income tax base, then the maximum deduction can be only up to the amount of the corporate income tax base.

The Innovation Box regime applies to financial years starting on or after 1 April 2025 until 31 March 2032.

Open Innovation incentive

Description of benefits

Tax reform 2020 introduced new measures to encourage companies to promote business innovation through investments in specific venture companies to achieve high productivity or to develop a new business. If certain conditions are met, the taxpayer can deduct up to 25% of the acquisition cost of specified shares (as defined by tax law). The taxpayer can utilize the deduction up to the taxable income of the financial year in which the deduction is claimed.

5G incentive

Description of benefits

Tax reform 2020 introduced a new incentive for mobile telephone operators and companies authorized to introduce local 5G networks. The taxpayer is entitled to a tax credit of 15% or special depreciation of 30% on the acquisition cost of qualifying facilities. The tax credit can be used for up to 20% of the corporation tax liability. The 5G incentive expired on 31 March 2025 and was not extended.

Special measures to promote digital transformation

Description of benefits

The tax reform of 2021 introduced a new measure to promote business transformation-related digital investments (i.e., connectivity, use of cloud computing, replacement of legacy systems, cybersecurity). The taxpayer is entitled to a tax credit of 3% to 5% or special depreciation of 30% on the acquisition cost of qualifying facilities. The tax credit can be used for up to 20% of the corporation tax liability (the 20% limit applies on a combined basis with the tax credit under *Special measures to promote carbon neutrality*). This benefit is a temporary measure. There is a set of procedures (certification of business plan by the relevant Ministry) to complete. Under the 2021 tax reform, the qualifying assets should have been acquired and put to use by 31 March 2023. The 2023 tax reform extended this deadline to 31 March 2025 and made some changes to the procedures related to the certification of business plan. The 2025 tax reform does not extend the deadline any further and this incentive expired on 31 March 2025.

Special measures to promote carbon neutrality

Description of benefits

The 2021 tax reform introduced a new measure to promote carbon neutrality. The taxpayer is entitled to a tax credit of 5% to 10% or special depreciation of 50% on the acquisition cost of qualifying facilities. Qualifying facilities include machinery and equipment to manufacture products to accelerate decarbonization and machinery and equipment to increase decarbonization and energy efficiency in the business operations of the taxpayer. The tax credit can be used for up to 20% of the corporation tax liability (the 20% limit applies on a combined basis with the tax credit under *Special measures to promote digital transformation*). This benefit is a temporary measure. There is a set of procedures (certification of business adaptation plan by the relevant Ministry) to complete, and the qualifying assets should be acquired and put to use by 31 March 2024.

The 2024 tax reform extends this measure. The taxpayer is required to have its business adaptation plan certified by 31 March 2026. There are also additional changes: (1) the taxpayer should acquire and start using the qualifying facilities within three years after the date of certification and (2) the carbon neutrality improvement ratio will increase from 7% to 10% (in the case of small and medium-sized companies) and to 15% (for all other companies) to contribute more to carbon neutrality. These new rules are in effect from 1 April 2024.

Tax credit for promoting domestic production of strategic products

Description of benefits

The Japanese government has introduced measures to encourage domestic production in strategic fields where the private sector would find it difficult to make the business profitable without support from the Japanese government.

The 2024 tax reform introduces a new tax credit to promote the production of products of strategic importance. The categories of the products of strategic importance include semiconductors, electric vehicles, green steel, green chemicals and sustainable aviation fuel.

The taxpayer should prepare a business adaptation plan and have it certified by the Ministry in charge of the operations of the taxpayer. If the business adaptation plan is certified before 31 March 2027 and the taxpayer makes an investment into qualifying fixed assets within 10 years after the date of the certification of the business adaptation plan, the taxpayer can receive a tax credit.

The tax credit will be the lower of (1) the acquisition cost of the qualifying fixed assets or (2) an amount that is calculated based on the number of units of products of strategic importance sold, with a tax credit amount applicable to one unit sold. The new tax law will have a table of tax credit amounts applicable to one unit of each category of products of strategic importance to be used in the calculation.

The taxpayer can use the tax credit for up to 40% of the annual corporate tax liability (20% in the case of semiconductors). Unused tax credits can be carried forward for four years (three years in the case of semiconductors).

3. Eligibility requirements

Eligible R&D expenses include the cost of material, salaries and wages and other related expenses of employees who have expert knowledge and skills and are engaged exclusively in experimental and research work, as well as a depreciation allowance for machinery and equipment used for such work. Personnel who have expert knowledge and skills refers to those having a technical background and who are directly involved in R&D activities (e.g., managers and assistants in charge of R&D activities). Administrative staff, janitors, security guards, etc., who may be involved in some way with R&D activities do not qualify.

Qualifying research expenses (QREs) are defined as expenses incurred in experimental and research work to manufacture products or to improve, design or invent techniques. The 2021 tax reform clarified that expenses incurred for research and experimental development as defined by the Frascati Manual could be treated as qualifying research expenses. Research activities may occur within or outside of Japan. Contract fees received do not qualify and are to be netted against QREs, while for contract fees paid, R&D credits may be taken.

The scope of eligible R&D expenses includes development costs for the internet of things, big data and AI (i.e., service R&D or R&D for Industry 4.0). The 2021 tax reform introduced a new rule for the development of software to provide services to customers through the cloud. The tax reform explanation from the Ministry of Economy, Trade and Industry (METI) mentions some representative examples, such as a cloud-based software solution to provide production planning services by collecting, analyzing production data and using AI to make production plans, or a software solution to use AI drone technology to automate inspection of infrastructural assets. Under the new rule, expenses that are capitalized as fixed assets, inventory or deferred charges for tax purposes (i.e., cannot be expensed for tax purposes) during the development phase of software for in-house use are included in qualifying R&D expenses.

In addition, the 2021 tax reform clarified that expenses incurred in R&D activities with the aim to improve the efficiency of its own operations can also be included in qualifying R&D expenses. The aforementioned METI explanation refers to a representative example where the taxpayer develops an algorithm, data platform or other tool to automate the operations of its own plans by deploying AI.

The 2023 tax reform brought changes to the scope of qualifying R&D expenses. Expenses incurred in changing the design of products cannot become qualifying R&D expenses, because there is no improvement in functionality. In addition, under the pre 2023 tax reform rules, only expenses incurred in developing a new service solution that collects and uses new data (i.e., not existing data) can become qualifying R&D expenses. The 2023 tax reform expanded the scope of this rule and expenses incurred in developing a new service solution that collects and analyzes already-existing data can also become qualifying R&D expenses. The 2024 tax reform will exclude R&D expenses incurred at foreign branches of Japanese companies from the scope of qualifying R&D expenses. The intention is to promote R&D activities to be conducted in Japan.

The Innovation Box regime will bring its own definitions. When the taxpayer calculates the 30% income deduction, it is necessary to multiply the qualified income by the ratio of qualified R&D expenses divided by total R&D expenses. R&D expenses are defined as R&D expenses under the accounting standard for R&D expenses with certain adjustments. Qualified R&D expenses are R&D expenses other than the acquisition cost of specific patent rights, license fees, R&D expenses outsourced to related foreign parties and R&D expenses incurred by a foreign branch, etc. It will also be necessary to consider whether the R&D expenses were incurred in a financial year starting before 1 April 2025 or after. The exact application of the formula can change depending on the timing of R&D expenses.

Under a temporary measure for financial years ending by 31 March 2024, if certain indicators are not met (for example, there is no increase in average salaries and in taxable income and a specific investment ratio does not exceed 30% – i.e., domestic capital investment has to exceed at least 30% of the depreciation expense of the given FY), the access to certain credits such as R&D credits, 5G-related incentives, digital transformation and carbon neutrality-related tax benefits can be restricted in that financial year. The 2024 tax reform will expand this temporary measure for three more years until 31 March 2027 with the above requirements enhanced. These requirements will also apply if the taxpayer wants to use the newly introduced tax credit for promoting production of strategic products.

Regarding Open Innovation incentives, there are various and detailed conditions to be eligible for this tax benefit.

The taxpayer has to acquire specific shares in special companies (directly or through certain fund structures in which the taxpayer is a limited partner) in an undertaking with third parties to achieve high productivity or to develop a new business.

Specified shares are defined as shares issued by companies (including foreign companies) that conduct specific business activities as described by the Act of Strengthening Industrial Competitiveness and that are certified by the Ministry of Economy, Trade and Industry. The company in which the investment is made should already conduct its activities (startups do not qualify) and cannot be older than 10 years.

In addition, the taxpayer has to invest cash into the equity of the company in exchange for the specified shares (buying shares from another party does not qualify for the benefit). The cash investment has to be made between 1 April 2020 and 31 March 2024, and the amount of investment has to be at least JPY100 million or JPY500 million for foreign companies.

The 2023 tax reform introduced a new incentive. It will be possible to buy already-issued shares from other parties under this new incentive. The taxpayer is required to acquire a majority holding in the company. Investments into foreign companies will not qualify under the new incentive. The minimum investment amount should be at least JPY500 million, and the maximum amount of investment will be JPY5 billion. The 2024 tax reform will expand this temporary measure for two more years until 31 March 2026.

There are also specific conditions to consider. For the already-existing incentive, the taxpayer has to record up to 25% of the acquisition cost to a special account, and there are potential trigger events when the taxpayer has to reverse the deducted amount to the corporate income tax base. Such trigger events include cases in which the taxpayer receives dividends on these specific shares or sells the specific shares. However, if the taxpayer holds the specific shares for more than three years, there is no requirement to consider trigger events any longer and to reverse the deducted amount.

The scope of trigger events for the new incentive will include the trigger events for the already-existing incentives and additional cases (e.g., when the taxpayer loses majority control in the company or the company merges into another entity). If the taxpayer holds the shares for at least five years, but there is a specific trigger event in year six or after, the taxpayer is required to add part of the originally deducted amount back into its taxable income but only to the extent of the amount attributable to the trigger event itself.

For 5G-related incentives, the taxpayer has to acquire specific qualifying facilities for specified advance information and telecommunications and put them into use between the date when the Act on Promotion on Dissemination of Specified Advanced Information and Telecommunication Systems takes effect and 31 March 2025. In addition to corporate income tax, a fixed asset tax (local tax) benefit is available. The tax base for fixed asset tax purposes is reduced by 50% for three years after the year of acquisition of specific qualifying facilities.

The tax incentive under *Special measures to promote digital transformation* requires that the taxpayer have its business adaptation plan certified by the relevant Ministry with legal oversight over the business of the taxpayer. The business adaptation plan should meet a wide scope of various conditions, including demand for a new product (service), increasing productivity, meeting specific financial targets, implementing new sales methods or methods to provide services, use of cloud technology, and the requirement to invest at least 0.1% of domestic net sales into qualifying assets, etc. The qualifying assets, broadly, are software, machinery, equipment and fixtures used together with the software. The maximum value of the qualifying assets cannot exceed JPY30 billion.

The tax incentive under *Special measures to promote carbon neutrality* requires that the taxpayer has its plan for medium and long-term environmental adaptation certified by the relevant Ministry with legal oversight over the business of the taxpayer. The environmental business adaptation plan should meet a wide scope of conditions, including improving carbon productivity (defined as value added (operating income plus labor expense and depreciation expense) divided by energy-derived CO2 emissions) by a certain percentage over a certain period of time, making products that accelerate decarbonization and achieving certain financial parameters. The qualifying assets are facilities reducing emissions of greenhouse gases and production facilities that produce products that are sold to business operators and contribute to reducing emissions of greenhouse gases. The maximum value of the qualifying assets cannot exceed JPY50 billion.

Similarly to the above tax incentives, the taxpayer is required to have its business adaptation plan certified by the relevant Ministry with oversight over the business of the taxpayer to use the tax credit for promotion of production of products of strategic importance. It is expected that detailed guidelines will be released to show the conditions the taxpayer must meet.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to the location of IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Japan.

6. Role of governmental bodies in administering incentives

The National Tax Agency administers the R&D tax credit, the Open Innovation incentive, the 5G incentive and the digital transformation and carbon neutrality-related tax incentives. The eligibility for the tax credit is scrutinized by tax authorities upon future tax audits.

7. Administrative requirements

To claim a tax credit, certain forms (schedules 6(6), 6(7), 6(8) and/or 6(9)) must be attached to the corporate tax returns, which are due two months after the fiscal year-end (a one-month extension is generally allowed).

To claim carbon neutrality-related tax incentives, the taxpayer is required to have its business adaptation plan certified by the relevant Ministry and the taxpayer also has to attach certain forms to the corporate tax return to report the qualifying investment and the tax credit to the tax authorities. The taxpayer is also required to file an annual update of the business adaptation plan with the relevant Ministry to show how the taxpayer is executing the plan itself.

The taxpayer has to provide a yearly report to the Ministry of Economy, Trade and Industry about the investments under Open Innovation and has to get a confirmation to be able to utilize the incentive.

8. Statutory reference

Article 42-4 of the Special Taxation Measures Law for R&D tax credit

Article 66-13 of the Special Taxation Measures Law for Open Innovation incentive

Article 42-12-7 of the Special Taxation Measures Law for carbon neutrality

Lithuania

This chapter is based on information as of February 2025.

The Lithuanian government considers investors' needs and also offers financial support; therefore, the R&D incentive and patent-related incentive (introduced starting in 2018, subsequently revised and updated starting 1 January 2025) contribute to the creation of a business-friendly environment. There are no official plans to eliminate the R&D incentive in the near future. Taxpayers are encouraged to approach the Innovation Agency of Lithuania for explanations and guidance on what constitutes R&D, where such inter-institutional cooperation contributes to the maturity of the incentive.

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1. Overview

The Lithuanian R&D incentives were introduced starting 1 January 2008. In this respect, the tax authorities have already gathered knowledge regarding the practical application of the R&D incentive. Moreover, taxpayers are encouraged to approach the Research Council of Lithuania for explanations and guidance on what constitutes R&D, where such inter-institutional cooperation contributes to the maturity of the incentive.

When calculating corporate income tax (CIT), a super deduction of 300% of qualifying R&D costs — excluding depreciation or amortization costs of fixed assets — may be deducted from income for the tax period during which they were incurred, if the performed scientific research and/or experimental development is related to the usual or intended activities of the entity that generated or will generate income or economic benefit.

Moreover, the Law on Corporate Income Tax allows accelerated depreciation of assets used in R&D activities.

To expand R&D investments in Lithuania and encourage the commercialization of products created in the R&D process, starting 1 January 2018, a new relief was introduced for taxpayers who have created intangible assets while being engaged in R&D activities. The taxpayer may apply a 5% tax rate until 31 December 2024, and a 6% tax rate from 1 January 2025, to the taxable profit from the use, sale or other transfer of an intangible asset.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon funding	☐
Other	☐

2. Incentives available

Name of incentive	The scientific research and experimental development incentive*	The scientific research and experimental development incentive	Patent-related incentive
Type of incentive	■ Super deduction	■ Accelerated depreciation on qualifying R&D assets	■ Reduced CIT rate for taxable profit derived from intangible assets

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

The scientific research and experimental development incentive: super deduction

Description of benefits

When calculating CIT, R&D costs — except for depreciation or amortization costs of fixed assets — may be deducted three times from income for the tax period during which the costs were incurred. The amount of tax losses resulting from the super deduction may be carried forward for an unlimited time provided that the entity carries out the activity due to which the losses were incurred; however, loss carryback is not permitted under current tax legislation. No preapproval is required to receive the incentive. It should be noted that R&D documentation (with certain methods and targets stipulated by the legislation) should be prepared and confirmed by the CEO or its authorized person and should be prepared based on Innovation Agency of Lithuania rules.

Guidelines around incentive applications

The incentive applies only with respect to R&D costs incurred during the current period. The super deduction is claimed in the annual CIT return for the tax period during which the R&D costs were incurred. The statutory period for adjusting the annual corporate income tax returns includes the current and three preceding tax periods.

The scientific research and experimental development incentive: accelerated depreciation on qualifying R&D assets

Description of benefits

Certain fixed assets used in the R&D activity may be depreciated with accelerated terms. Depending on the type of fixed asset, the depreciation period might be shortened from eight, five, four or three years to two years. The depreciation and/or amortization period shall not be shorter than stipulated by the Law on CIT. The amount of tax losses resulting from the accelerated depreciation may be carried forward for an unlimited time, provided that the entity carries out the activity due to which the losses were incurred; however, loss carryback is not permitted under current tax legislation.

Guidelines around incentive applications

The incentive applies only with respect to R&D costs incurred during the current period. The accelerated depreciation is claimed in the annual CIT return for the tax period during which R&D costs were incurred. The statutory period for adjusting the annual CIT returns includes the current and three preceding tax periods.

Patent-related incentive: reduced CIT rate for taxable profit derived from intangible assets

Description of benefits

A patent-related incentive is an additional incentive next to the scientific research and experimental development incentive. Taxable profit from the use, sale or other transfer of an intangible asset may be taxed at a reduced 5% rate (applicable until 31 December 2024, and 6% starting from 1 January 2025) (please review Section 4 for more information about reduced tax rate). The intangible asset should be created in an R&D process and qualify for the scientific research and experimental development incentive described above and below in Section 4. A separate formula for the precise calculation of profit taxable at 6% has been established. The company should have the documents to support the calculation of profit taxable at 6%. No preapproval is required to apply the incentive. Losses resulting from the use, sale or any other transfer of an intangible asset may be carried forward for an unlimited time, but such losses may cover only the taxable profit from the use, sale or any other transfer of the intangible asset.

Guidelines around incentive applications

The relief shall apply when calculating the taxable profit for 2018 and subsequent tax periods. The reduced tax rate is claimed in the annual CIT return for the tax period during which the taxpayer incurred profit from the use, sale or other transfer of the intangible asset. The statutory period for adjusting the annual CIT returns includes the current and three preceding tax periods.

3. Eligibility requirements

To claim the R&D incentive, the performed R&D activity must be related to the usual or intended activities of the entity that generated or will generate income or economic benefit. In addition, the R&D activities performed must have an element of novelty and address scientific and/or technological uncertainty. The aim of an R&D project shall be scientific or technological progress, and the results shall be significant for not just the person that initiated and executed the project.

The following expenses may be included in calculating R&D incentives:

- Wages and business trips of employees who are directly involved in R&D work
- Costs of stock, materials and other current assets used for R&D activities
- Costs of acquisition of services directly related to R&D activities (consulting, leasing, repair, warehousing, telecommunications, etc.)
- Costs of acquisition of R&D activity from other natural persons or legal entities if the acquired R&D activity has been carried out in a state of the European Economic Area or a state with whom Lithuania has a treaty for the avoidance of double taxation
- Import and input value-added tax (VAT) from the abovementioned costs that may not be deducted for VAT purposes
- Costs of R&D activities that are based on accounting documents

The costs of R&D works should be reduced by the amount of support/funds received and used from the national budget, the State Social Insurance Fund Board budget, the Compulsory Health Insurance Fund budget, or other state or European Union funds.

Three types of R&D activity may qualify for the R&D incentive:

1. Basic research carried out in the acquisition of new knowledge about the essence of phenomena and/or observed reality without aiming, at the time of research, to use the obtained results for a specific purpose
2. Fundamental research carried out for acquiring knowledge and aimed at acquiring specific practical objectives or at solving tasks
3. Experimental development aimed at creating new materials, products and equipment; developing new processes, systems and services or essentially improving those already created or developed; and creating, developing or essentially improving solutions to problems based on the knowledge acquired through research and practical experience

4. IP and jurisdictional requirements

To apply a reduced tax rate of 5% (applicable until 31 December 2024, and 6% starting from 1 January 2025) for the profit from the use, sale or other transfer of an intangible asset, the following conditions should be met:

1. The intangible asset should have been created by the taxpayer while engaged in qualifying R&D activities.
2. Only the entity that created such intangible asset should receive income from the use, sale or other transfer of the intangible asset and incur all related expenses.
3. The asset should consist of computer software protected by copyright or an invention that meets patentability criteria.
4. The copyrights have emerged, a patent application has been filed, a patent has been obtained, a supplementary protection certificate has entered into force or an exclusive license has been granted.

As a general rule, the amount of taxable profit from the use, sale or other transfer of an intangible asset shall be calculated separately for each intangible asset (an exception applies for assets that were created using multiple intangible assets).

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Lithuania.

6. Role of governmental bodies in administering incentives

The Innovation Agency of Lithuania determines the eligibility of R&D projects.

The State Tax Inspectorate governs R&D and patent-related incentives applications for tax purposes.

7. Administrative requirements

No prior review or approval of the tax authorities is required to claim an R&D tax incentive. R&D incentives are claimed in the annual CIT return for the tax period during which R&D costs were incurred. The taxpayer must possess R&D documentation (with certain methods and targets stipulated by the legislation) confirmed by the CEO or its authorized person. However, the taxpayer is not required to submit the documentation until requested by the tax authorities in the case of a tax audit. Also, a taxpayer may apply for approval from the Innovation Agency of Lithuania that a certain project meets R&D eligibility requirements. However, such approval is not required.

There is no prior review or approval of the tax authorities to claim the patent-related incentive. The patent-related incentive is claimed in the annual corporate income tax return for the tax period during which the taxpayer earned profit from the use, sale or other transfer of an intangible asset. As such incentive is new and no detailed explanations are provided by the tax authorities, it is not currently clear what kind of documentation should be prepared to ground the application of such incentive; however, the taxpayer should have a separate calculation prepared.

8. Statutory reference

The Lithuanian R&D incentive was introduced in a new Article 17-1 of the Lithuanian Law on CIT, with effect from 1 January 2008. The additional tax relief related to patent regime was introduced in Article 5(7) of the Lithuanian Law on CIT, with effect from 1 January 2018. As of 1 January 2025, Article 5(7) of the Lithuanian Law on CIT increased the tax rate for taxable profit derived from intangible assets from 5% to 6%. No other changes are expected in the near future.

Luxembourg

This chapter is based on information as of February 2025.

The Luxembourg government has fostered a proactive entrepreneurial policy that, among other things, aims to promote entrepreneurship and define and implement support instruments and financing measures. Consequently, the number of budget measures dedicated to R&D and innovation has increased consistently over the years in an effort to encourage Luxembourg companies to develop their technological know-how, create new economic activities and generate additional added value.

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1. Overview

The common Luxembourg incentives framework grants aid from 25% up to 100% of investments made in the context of R&D projects or programs. In addition to the R&D project or program incentive, the Luxembourg legislation provides for further incentives, including:

- A regime for technical feasibility studies (up to a maximum of 50%, 60% or 70% of total investment for large enterprises, medium-sized enterprises/private research organizations and small enterprises/private research organizations, respectively)
- Support for the construction or modernization of research infrastructures (up to a maximum of 50% of total investment)
- Support for young innovative companies (up to a maximum of EUR800,000 or up to EUR1.2 million when located in determined assisted geographical areas)
- Innovation aid for small and medium-sized enterprises (SMEs) of 50%; up to 100% with a maximum of EUR200,000 for innovation advisory and support services
- Aid for process and organizational innovation (15% for large companies/private research organizations effectively collaborating with SMEs in the aided activity and the collaborating SMEs incurring at least 30% of the total eligible costs; 50% for SMEs/small- or medium-sized private research organizations)
- Support for the construction or modernization of innovation clusters (up to a maximum of 50% of eligible costs, respectively 55% for clusters located in determined assisted geographical areas) and for the operation of innovation clusters (up to a maximum of 50% of eligible costs)

These measures demonstrate the Luxembourg government's general intention to promote Luxembourg as an attractive jurisdiction for R&D as well as intellectual property (IP) management activities.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	R&D projects or programs*	Medium-term and long-term loans granted by the Société Nationale de Crédit et d'Investissement (SNCI)	Direct loan for research, development and innovation granted by the SNCI	Loans for innovative enterprises granted by the SNCI	Accelerated depreciation	Special depreciation	Partial tax exemption of income derived from qualifying IP
Types of incentives	■ Cash grants, recoverable advances	■ Investment tax credit ■ Tax credit for hiring of unemployed persons	■ Loans	■ Loans	■ Accelerated depreciation on qualifying R&D assets	■ Special depreciation on qualifying R&D assets	■ Tax exemptions

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Promotion of R&D and innovation

The benefits are currently set out by the amended law of 17 May 2017 on the renewal of aid schemes for R&D and innovation (all enterprises). The allocation of aid is conducted by the Ministers of the Economy and of Finance, and aids are granted on a case-by-case basis.

R&D projects or programs

Description of benefits

When an enterprise (not considered to be in financial difficulty) or a private research organization, properly established on the territory of the Grand Duchy of Luxembourg, realizes an R&D project or program consisting of fundamental, industrial or experimental development research activities, it may benefit from aid that may not exceed the following amounts:

- Fundamental research: maximum 100% of eligible expenses
- Applied industrial research: maximum 50% of eligible expenses
- Experimental development activities: maximum 25% of eligible expenses

Provided that it does not exceed 80% of eligible costs, the aforementioned aid for industrial research and experimental development can be increased by:

- 10% when the beneficiary is a medium-sized enterprise or a private research organization fulfilling the criteria of a medium-sized enterprise
- 20% when the beneficiary is a small enterprise or a private research organization fulfilling the criteria of a small enterprise
- 15% if one of the following conditions is fulfilled:
  1. The project or program is based on an effective collaboration:
     Between enterprises among which there is at least one SME, or is conducted in at least two EU Member States, or in one Member State and a contracting party to the Agreement on the European Economic Area (EEA), and no single company bears alone more than 70% of eligible costs
     Or
     Between a company and one or several research and knowledge dissemination organizations bearing at least 10% of the eligible costs and having the right to publish the results of their own research
  2. The results of the project or program are widely broadcast through conferences, publications, open repositories, or free or open software.

It is granted under the form of a capital subsidy or a recoverable advance (i.e., a loan granted in one or several tranches and for which conditions of reimbursement depend upon the outcome of the project or program). In principle, capital subsidies and recoverable advances are paid in a lump sum after completion of the project or program. However, payments in one or more tranches may be granted in specific cases as the project or program progresses.

Guidelines around incentive applications

The application and the required appendices must be submitted before the start of the project or program using the online assistant available on MyGuichet.lu. The forms, as well as guidelines for filling in the forms, are available online.[1]

As of February 2025, a draft law (Draft Law) is pending before Parliament that, if adopted in its current reading, will replace the law of 17 May 2017. It will apply to the current benefits for R&D projects or programs with some amendments. Among other things, the basic intensity of the aid would be reduced to 90%, 40% and 20%, but additional increases are foreseen.

Other incentives in relation with R&D and innovation

The law of 17 May 2017 provides for further incentives:

The Draft Law would amend the aid schemes listed below. It also would introduce further incentives: (1) aid to co-fund projects as foreseen by Regulation (EU) 2021/695 establishing Horizon Europe or supported by the European Defence Fund or the European Defence Industrial Development Programme (aide aux projets soutenus par le Fonds européen de défense ou le Programme européen de développement industriel de la défense cofinancés) and (2) innovation aid for SMEs in the form of reduced access expenses or free access to innovation advisory services provided by certain infrastructures (Aide à l'innovation en faveur des petites et moyennes entreprises sous forme de réduction des frais d'accès ou d'accès gratuit à des services de conseil et d'appui en matière d'innovation fournis par certaines infrastructures).

[1] https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aides-rdi.html

Technical feasibility studies

When an enterprise (not considered to be in difficulty) or a private research organization, properly established on the territory of the Grand Duchy of Luxembourg, realizes a technical feasibility study prior to an R&D project or program, it may benefit from aid capped at 50% of the amount of eligible costs. The amount of the aid may be increased by 10% for medium-sized enterprises and medium-sized private research organizations and by 20% for small enterprises and small private research organizations.

The aid is granted under the form of a capital subsidy or a recoverable advance.

Guidelines around the incentive are available online.[2]

Support for the construction or modernization of research infrastructures

Upon conditions, aid of up to 50% of eligible costs can be granted for the construction or modernization of research infrastructures, i.e., Luxembourg-based facilities, resources and related services used by the scientific community to conduct research and that perform economic activities. The access to the infrastructure shall be open to multiple users and shall be granted on a transparent and nondiscriminatory basis. Enterprises that have financed at least 10% of the investment costs of the infrastructure may be granted preferential access under more favorable conditions. To avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs, and these conditions shall be made publicly available.

The aid is granted under the form of a capital subsidy, a recoverable advance, an interest subsidy, a guarantee or a loan.

Guidelines around the incentive are available online.[3]

Support for young innovative companies

Private enterprises and private research organizations may be granted aid up to a maximum of EUR800,000, or up to EUR1.2 million when located in determined assisted geographical areas, if they are:

- An unlisted enterprise or private research organization that has been registered for less than five years, was not formed through a merger (unless the enterprises that merged fulfilled the conditions to benefit from the support), did not take over the activity from another enterprise and has not yet distributed any profits
- An innovative company or innovative private research organization capable of demonstrating, by means of an assessment carried out by an external expert, that it will develop, in the foreseeable future, new or substantially improved products, services or processes compared with the state of the art in the sector concerned, and which present a risk of technological or industrial failure; or whose research and development expenses represent at least 10% of its total operating costs in at least one of the three years preceding the grant of the aid or, in the case of a startup company or private research organization with no financial history, in the current financial year, the figure being certified by an external auditor.

The aid is granted under the form of a capital subsidy, a recoverable advance or an equity contribution.

Guidelines around the incentive are available online.[4]

Innovation aid for SMEs

Small or medium-sized enterprises of private research organizations may be granted an innovation aid of up to 50% of the eligible costs, which includes external consultancy costs, costs related to acquiring, validating and protecting patents and other intangibles, and secondment costs of highly qualified personnel coming from a research or knowledge dissemination organization or from a large enterprise (upon conditions). Aid may further be increased to 100% with a maximum of EUR200,000 for innovation advisory and support services.

The aid is granted under the form of a capital subsidy or a recoverable advance.

Guidance around the incentive is available online.[5]

2 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aide-etudes-faisabilite-technique.html

3 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/investissements-infrastructures-recherche.html

4 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aide-entreprises-innovantes.html

5 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aide-innovation-pme.html

Aid for process and organizational innovation

Enterprises or private research organizations realizing process or organizational innovation may be granted aid of up to 15% for large companies or private research organizations and 50% for SMEs or small or medium-sized private research organizations. Large companies or private research organizations may, however, only benefit from this aid if they effectively collaborate with one or several SMEs or small or medium-sized private research organizations, provided that the latter bear at least 30% of the eligible costs.

The aid is granted under the form of a capital subsidy or a recoverable advance.

Guidelines around the incentive are available online.[6]

De minimis aid scheme

A de minimis aid can be granted to enterprises that realize a project having an added value for the Luxembourg economy, including employment, in line with the diversification and economic development policies of the country.

The amount of the aid cannot exceed the following ceilings:
- EUR300,000 per group of associated companies over a period of three tax years, except with respect to enterprises in the sector of road freight transport
- EUR100,000 per group of associated enterprises performing road freight transport for hire over a period of three tax years

Guidelines around incentive applications

The application must be submitted in paper format to the Ministry of Economy and must contain determined information. The aid is, in principle, paid after completion of the project or of the expenses for which the aid has been granted; one or several installments may, however, be paid as the project or expenses progress.

Tax credits

Investment tax credit

A tax credit of 12% is granted for qualifying new investments, i.e., depreciable tangible fixed assets other than buildings physically used in EU Member States, or in Iceland, Liechtenstein and Norway (the EEA). Space objects (any object launched or intended to be launched into outer space, the constituent parts of such an object, as well as its launcher and the parts thereof) are excluded from the condition of physically using the assets on the territory of Luxembourg or any other Member State that is party to the EEA, so that operators of space objects may also benefit from the investment tax credit. Certain assets are excluded from this tax credit, such as certain motor vehicles, assets that have a useful life of less than three years and secondhand assets. If the investments are made to create jobs for disabled persons, the tax credit is increased to 14%.

A further tax credit is available for qualifying investments and expenses incurred by Luxembourg companies as part of their digital transformation or ecological and energy transition. Qualifying investments and business expenses are eligible for an 18% tax credit, except investments in tangible depreciable assets for which the tax credit is 6%. The tax credit is calculated on the basis of the acquisition or production cost of qualifying investments made during the financial year or the amount of qualifying deductible operating expenses for the financial year.

An investment tax credit of 12% further applies to acquired software rights, subject to certain limits and conditions. The maximum amount of the tax credit for the acquisition of software rights cannot exceed 10% of the corporate income tax due for the tax year in which the financial year of the acquisition of the software ends.

The above tax credits reduce corporate income tax and may be carried forward for 10 years, except for the tax credit on acquired software rights.

6 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aide-innovation-procede-organisation.html

Tax credit for hiring unemployed persons

A monthly tax credit of 10% calculated on the monthly gross remuneration paid to persons who were unemployed can be offset against corporate income tax under certain conditions. The person hired must have been unemployed, registered with the National Employment Agency (Agence pour le développement de l'emploi, or ADEM) for at least the last six months, and the person must have been proposed by the agency's placement service. The employment contract must be either a permanent contract, a temporary contract of a minimum of 18 months or a temporary contract aiming to replace an employee who is on parental leave. Furthermore, the contract must be for at least 16 hours per week.

The tax credit is granted for a period of 12 months starting with the month of employment.

Guidelines around incentive applications

The tax credits are claimed through the completion of specific forms to be included in the annual tax return of the enterprise. In addition, regarding the tax credit for hiring unemployed persons, a certificate issued by the ADEM and confirming the placement and the continuation of the job must be joined to the tax return. For the investment tax credit for digital transformation or ecological and energy transition, a certificate issued by the Ministry of Economy confirming the reality of the investments and operating expenses and their compliance with the requirements of the law must be attached to the tax return.

Special tax regime for expatriate highly skilled employees

Description of benefits

A beneficial income tax regime is available for expatriate highly skilled employees, i.e., employees who are sent to work temporarily in Luxembourg on an assignment between intragroup entities. It also applies to employees who are directly recruited abroad by a Luxembourg company or by an enterprise established in another state party to the Agreement on the European Economic Area to work in Luxembourg. Under the former regime (applicable up to and including tax year 2024), various costs directly related to the expatriation, as well as certain expatriate benefits and allowances, were, up to certain limits, not taxable. As of tax year 2025, the regime provides for a 50% tax exemption of the annual gross remuneration (excluding certain tax-exempt cash benefits and benefits in kind). The exemption applies to annual gross remunerations of up to EUR400,000. The application of the special tax regime requires certain conditions to be met, which are largely the same under the former and the new regime.

Guidelines around incentive applications

At the beginning of each calendar year (at the latest on 31 January) the employer must send a list of employees who benefited from the regime to the Luxembourg tax authorities.

Employees profit-sharing regime

Description of benefits

Under the employee profit-sharing regime, employers are allowed to allocate profit-sharing bonuses to (freely) selected employees. These profit-sharing bonuses benefit from a 50% exemption (i.e., only 50% of the gross amount is taxable, subject to regular tax rates). The conditions for this preferential tax treatment to apply are:

- The employer realizes business profits, agricultural or forestry profits, or self-employment income.
- The employer keeps regular accounting records for the year of payment of the profit-sharing bonus as well as the preceding year.
- The total amount that can be paid to beneficiaries is limited to 7.5% of the annual profit of the employer for the financial year preceding the year of payment (the employer being the Luxembourg entity employing the beneficiary). If the employer is part of a fiscal unity, the 7.5% limit is determined on the aggregated profit of all companies that are part of this fiscal unity.
- The beneficiary is duly registered as an employee with the Luxembourg (or a recognized foreign) social security scheme.
- A maximum of 30% of the beneficiary's annual salary (excluding benefits) of the year of payment can be paid in the form of this profit-sharing bonus; 50% of this amount being then tax exempt.

If this profit-sharing regime is implemented, the employer will have specific reporting obligations toward the tax authorities (wage tax office).

Amounts paid under the profit-participating regime are deductible for the employer for corporate tax purposes.

Guidelines around incentive applications

At the time of provision, the employer must communicate in the prescribed form to the taxation office in charge of the withholding tax on salaries a list of the names of the employees benefiting during the tax year from this measure. This document will also include all the elements required to verify that the conditions relating to the exemption are met.

Young employee bonus

Description of benefits

The young employee bonus is a tax measure designed to encourage Luxembourg employers to hire young professionals entering the Luxembourg labor market. Seventy-five percent of the young employee bonus that employers pay to qualifying employees will be tax-exempt. The eligible bonus is capped at EUR5,000 for annual gross salaries (on a full-time basis) up to EUR50,000, EUR3,750 for salaries between EUR50,000 and EUR75,000, and EUR2,500 for salaries between EUR75,000 and EUR100,000. Young employees with an annual gross salary of more than EUR100,000 do not benefit from the exemption.

To qualify for the young employee bonus, the following criteria must be met (when the bonus is paid by the employer):

- The employee must be younger than 30 years at the start of the tax year.
- The employee must hold his or her first permanent employment contract with an employer that is either based in Luxembourg or has a permanent establishment there.
- The employment contract must have been signed after the entry into effect of this provision. The bonus exemption is restricted to a young employee's first employer and is valid for up to five years. If an employee changes employers, the employee is no longer eligible for the exemption.

Guidelines around incentive applications

If an employee has been granted a tax exemption exceeding the amount they are entitled to or if their remuneration for the year exceeds the annual limit that qualifies them for the exemption, then it is the employer's responsibility to regularize the tax exemption by no later than the final salary payment of the tax year. Employees are required to provide their employer with the necessary evidence to confirm that all conditions for the tax exemption are fulfilled.

Rental allowances

Description of benefits

Employees can benefit from a 25% tax exemption on rental allowances with a maximum qualifying allowance of EUR1,000 per month for full-time occupancy provided the following conditions are met:

- The employee must be younger than 30 years old as of 1 January of the tax year at issue to qualify.
- The rental allowance must cover the lease of the employee's primary residence, irrespective of its location, evidenced by a lease agreement naming the employee as the lessee.
- The tax-exempt rental allowance cannot exceed the actual rent paid by the employee (excluding any additional rental costs).
- The employee's gross annual salary, including all compensation except the rental allowance, may not surpass 30 times the minimum monthly social wage for qualified workers (EUR94,960.50 as of 1 January 2025).

Guidelines around incentive applications

The employee must provide their employer relevant evidence allowing the employer to be able to evaluate that the conditions are met. No later than the last salary payment of the tax year, the employer must review and, if necessary, regularize the exemption applied to the rental allowance if the employee exceeds the annual salary limit that qualifies them for the exemption.

Co-funding of employees' vocational training

Description of benefits

Private sector companies established in Luxembourg can apply for co-funding of their training program. Such co-funding amounts to 15%[7] (taxable) of eligible training expenses. Investments in training are subject to the following ceilings:

- 20% of total salary costs for companies with no more than nine employees
- 3% of total salary costs for companies with 10 to 249 employees
- 2% of total salary costs for companies with more than 249 employees

Eligible training expenses include:

- Participants' salaries
- In-house facilitators' salaries
- External facilitators
- Travel and accommodation expenses of participants and facilitators
- Fees paid to auditor approving the report included in the application file
- Training management software cost
- Fees for contributions to training institutions, based on a collective agreement or an interprofessional arrangement
- Training costs considered mandatory by the employer (but excluding training costs mandatory per law for certain sectors)

Guidelines around incentive applications

To benefit from such co-funding, employers are required to establish a training plan for a calendar year and to submit a co-funding application to the National Institute of Continuing Vocational Training by 31 May of the subsequent year. The application shall include details regarding the training covered (title, dates, duration, venue, number, gender, qualifications of participants, details of facilitators, format of the training, financial statement with relevant supporting documents as well as opinion and assessment note of the employee council). In addition, the application shall include specific certificates mentioning the total payroll expenses as well as number of employees.

Guidelines around the incentive are available online.[8]

Medium-term and long-term loans granted by the SNCI

Description of benefits

The SNCI (National Loan and Investment Body, a public-law banking institution that aims to encourage business investments, startups and research initiatives) grants medium-term and long-term loans to industrial enterprises and service providers whose activity represents a significant impact on economic development and whose equity amounts to at least EUR25,000. The loans are intended to finance:

- Professional equipment needed for production or service provision activities, including safety or environmental protection equipment
- Land used for professional purposes only

Parts of buildings used for nonprofessional purposes, automotive equipment and inventory may not be financed by medium-term and long-term loans.

Medium-term and long-term loans may only be requested for investment projects with a value of at least EUR100,000. The amount of the loan amounts to minimum EUR25,000 and maximum EUR10,000,000, unless authorized by the competent Ministers.

Guidelines around incentive applications

The loans are applicable to future investments. To receive loans, the applicant must send an application to SNCI with the following documentation:

- Description of the enterprise making the investment (including identity of shareholders and management, description of activities, main clients and suppliers, etc.)
- Detailed description, illustrated with figures, of the planned investment
- Financing plan
- Three-year business plan
- (Audited) annual accounts of the business for the last three financial years

Direct loan for research, development and innovation granted by SNCI

Description of benefits

The SNCI grants direct loans for research, development and innovation (RD&I) to innovative SMEs that have had

[7] 35% with respect to wages of nonqualified employees who have less than 10 years of service as well as of employees older than 45.

[8] https://www.lifelong-learning.lu/Detail/Article/Aides/cofinancement-de-la-formation/en

a valid business license for at least four years and have a substantial impact on national economic development.

The loans are intended to be granted to "innovative enterprises," i.e., to enterprises that can demonstrate on the basis of a business plan that they will develop and commercialize products, services, processes or organizational methods that are new or substantially improved or changed as compared with the state of the art in the concerned industry sector, and that carry a risk of technical or industrial failure. The innovative character of the processes and organizational methods should be of a technological nature, except for the measures in favor of the protection of the environment, natural habitats, human and work environments. The innovative character of products or services should be of a technological, commercial and/or organizational nature. This loan cannot be combined with other SNCI instruments.

The amount of the RD&I loans takes into account the extent of the project and the size of the company, without exceeding, however, EUR250,000 and 40% of eligible costs. The company must co-finance with its own resources at least 35% of the investments and expenses. Additionally, the amount of the SNCI loan or loans cannot exceed the total amount of equity of the loan beneficiary. The maximum loan duration is 10 years and is fixed on the basis of the project requirements.

Guidelines around incentive applications

The loans are applicable to future investments. To obtain a loan, the applicant must send an application to SNCI before the start of the innovation project with the following documentation:

- Information regarding the applicant (creation date, shareholders, activity, main suppliers/clients, team)
- Project description (new product or service created, marketing strategy, project team, market, competition, and/or competitive advantage, project impact)
- Financial statements for the past three financial years (including liabilities owed to banking institutions and evolution of investments)
- Business plan or budget of the company covering at least three years that contains an income statement and cash flow analysis (operational cash flow, investment and financing)
- Plan of financing and/or disbursement for the said project

Loan for innovative enterprises granted by the SNCI

Description of benefits

The SNCI grants loans for "innovative enterprises" to young innovative SMEs that have a business license, have been in existence for less than eight years and have a substantial impact on national economic development.

The loans are intended to be granted to "innovative enterprises," i.e., enterprises that can demonstrate on the basis of a business plan that they will develop and commercialize products, services, processes or organizational methods that are new or substantially improved or changed as compared to the state of the art in the concerned industry sector, and that carry a risk of technical or industrial failure. The innovative character of the processes and organizational methods should be of a technological nature. The innovative character of products or services should be of a technological, commercial and/or organizational nature.

The amount of the loan takes into account the extent of the project and the size of the company, without exceeding EUR1.5 million and 35% of eligible costs. Additionally, the amount of the loans cannot at any time exceed the amount of shareholders' equity. At least 35% of investments and expenses must be co-financed by the enterprise's own resources. The maximum loan duration is 10 years and is fixed on the basis of the project requirements.

Guidelines around incentive applications

The loans are applicable to future investments. To receive loans, the applicant must send an application to SNCI with the following documentation:

- Presentation of the applicant (creation date, shareholders, activity, main suppliers/clients, team)
- Project description (new product or service created, marketing strategy, project team, market, competition, and/or competitive advantage, project impact)
- Financial statements for the past three financial years (including liabilities owed to banking institutions and evolution of investments)
- Business plan or budget of the company covering at least three years that contains an income statement and cash flow analysis (operational cash flow, investment and financing)
- Plan of financing and/or disbursement for the said project

Equipment loan

Description of benefits

The SNCI grants equipment loans to SMEs that have a business license for commercial activities, skilled trades, industrial activities and certain liberal professions, as well as other professions or activities covered by other specific legal permits.

Equipment loans are granted for financing assets (professional equipment, including safety or environmental protection equipment) and plots of land used for business purposes only. Parts of buildings acquired for nonprofessional use, vehicle fleet and stock (raw materials and finished products) are not eligible for cover by an equipment loan.

The equipment loan can cover up to 60% of eligible investment costs (up to 75% in the case of business startups for a young craftsperson, trader, or accommodation or restaurant operator). The amount of the loan is capped at EUR2.5 million per project.

Guidelines around incentive applications

To receive loans, the applicant must send an application to SNCI via its usual bank.

Depreciation by decreasing annual installments

Description of benefits

Standard depreciation for wear and tear may be taken using the annual declining balance depreciation method, which may be calculated by applying a fixed rate to the book value (remaining value). The rate of the annual declining balance depreciation applicable to materials and equipment used exclusively in scientific or technical research activities may not exceed four times the rate that would be applied for straight-line depreciation, and it may not be greater than 40%.

If a taxpayer does not choose the method of the annual declining balance depreciation, but instead opts for the method of the linear depreciation (straight-line depreciation over the useful life of the asset), the depreciation of an asset for a given year can, upon request, be deferred until at the latest the end of the useful life of such asset. Using this option, for example, allows taxpayers to pay corporate income tax and therefore to use investment tax credits or other credits that are about to expire because the 10-year carryforward period is about to expire.

Guidelines around incentive applications

The annual declining balance depreciation on the R&D assets is applicable to current investments. To use the accelerated depreciation on the R&D assets, a specific appendix must be included in the annual income tax return with the following information:

- Acquisition or production date
- Acquisition or production price
- Ordinary useful life
- Amount of annual depreciation

Special depreciation

Description of benefits

Special depreciation is *inter alia* applicable to fixed assets purchased or constructed for the purposes of protecting the environment, reducing waste or saving energy (e.g., implementation of new techniques for rational use of energy or implementation of new and renewable energy sources, as well as recovery of energy from industrial processes).

The acquisition or production cost of the investment must be at least EUR2,400 (excluding VAT). The special depreciation may not exceed 80% of the acquisition or production costs of the qualifying assets, and it may be taken during the financial year in which the purchase or formation of the fixed assets occurs, during one of the four subsequent years or on a straight-line basis in installments over five years. The special depreciation does not exclude the application of standard depreciation for wear and tear. Standard depreciation should be calculated on the net book value remaining after deduction of the special depreciation and should be based on the ordinary useful life.

The annual declining balance depreciation (see above) is excluded if special depreciation is used.

Furthermore, the application of the special depreciation does not exclude the grant of the investment tax credit.

Guidelines around incentive applications

The incentive is applicable to newly acquired or constructed fixed assets. To benefit from the special depreciation, the existence and conformity of the qualifying fixed assets must be certified by the ministers whose areas of responsibility include the environment, energy, labor or maritime affairs, pursuant to an application to be filed with the tax authorities no later than three months after the close of the financial year in which the fixed assets were purchased or formed.

Furthermore, a specific application for the special depreciation must be appended to the annual income tax return and supported by the certificate of approval described above.

Value-added tax (VAT) incentives and considerations

Description of benefits

Franchise regime for small enterprises

In principle, a Luxembourg VAT-taxable person who supplies goods or renders services and who has an annual turnover that does not exceed EUR50,000 annually (with a tolerance of 10%) may benefit from a franchise of VAT. The franchise regime is also available to a VAT-taxable person established in another EU Member State for their transactions in Luxembourg if (1) their total turnover within the EU does not exceed EUR100,000, (2) their turnover in Luxembourg does not exceed EUR50,000 and (3) they register for the cross-border franchise regime in their Member State of establishment.

The aim of this measure is to release small enterprises from the VAT compliance burden by allowing them to exempt their supplies of goods and services from VAT. In return for this exemption, the VAT-taxable person subject to the franchise regime cannot deduct input VAT on their purchases of goods and services used to make these VAT-exempt supplies.

VAT exemption for education under conditions

The provision of children's or young people's education, school and university education, vocational training or retraining, including the supply of services and of goods closely related thereto, by private organizations recognized by the competent Luxembourg authorities are exempt from VAT. As such, no VAT should be charged by the qualifying organizations for the education. This exemption also covers tuition given privately by teachers and covering school or university education.

VAT group

Qualifying companies that are closely related to each other in financial, economic and organizational terms may opt to constitute a VAT group and be considered as a single taxable person. All transactions, services and supplies of goods between members of a VAT group are not subject to VAT because these types of transactions are considered internal operations carried out within the same legal entity. The implementation of the VAT group excludes the simultaneous application of the franchise regime for small enterprises.

Subsidies not directly linked to a supply

Subsidies, when not directly linked to a supply, fall outside the VAT scope. Hence, if a company receives a subsidy that is not directly linked to the price of its supplies, no VAT is due. No VAT should, for instance, be due on the subsidy received to support the construction or modernization of research infrastructures.

Partial tax exemption of income derived from qualifying IP

Description of benefits

Article 50ter of Income Tax Law

Article 50ter of the Income Tax Law provides for an 80% tax exemption of the net income derived from qualifying IP, provided certain conditions are met.

In line with the nexus approach, qualifying IP assets are patents and other IP assets that are functionally equivalent to patents if those IP assets are legally protected under national or international provisions. Functionally equivalent assets comprise utility models and supplementary protection certificates on patents for pharmaceutical and plant protection products, as well as extensions of supplementary protection certificates for products intended for pediatric use, plant breeders' rights and orphan drug designations. Article 50ter also includes copyrighted software in the list of qualifying IP assets, whereas marketing-related intangible assets such as trademarks or domain names no longer qualify under the new IP regime.

Under the nexus approach, the aforementioned assets are only eligible for the new IP regime if they result from an actual R&D activity undertaken by the taxpayer itself.

Based on the agreed nexus approach, the formula to be applied broadly corresponds to the proportion of qualifying expenditures compared to overall expenditures (nexus ratio) applied to an adjusted and compensated net eligible income from IP asset. The net eligible income is defined as the gross eligible income minus (1) the overall expenditures and (2) the expenditures that are indirectly linked to a qualifying IP asset. The determination of the latter must be made in line with the general rules applicable to the determination of taxable income, taking into account all relevant facts and circumstances for a given case. The net eligible income must further be adjusted and compensated. According to the commentaries of the Law, the adjustment aims at ensuring that the net eligible income benefits from the partial tax exemption only insofar as it exceeds the amount of (direct and indirect) expenses in relation with the qualifying IP asset, while the compensation aims at offsetting the losses incurred by one qualifying IP asset with the profits incurred by another qualifying IP asset.

When a taxpayer requests the application of the tax credit for investments or operating expenses that are directly economically related to the acquisition or establishment of software or a patent, the income generated by said software or patent is excluded from the scope of the partial tax exemption.

Guidelines around incentive applications

The tax exemption is claimed via the filing of a specific form to be added to the annual income tax return.

3. Eligibility requirements

The following R&D activities are eligible for the various R&D incentives:

- R&D projects or programs:
  1. Fundamental research that aims primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view.
  2. Industrial research that aims to acquire new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of component parts of complex systems and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation.
  3. Experimental development activity that consists of acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This includes, among others, activities aiming at the conceptual definition, planning and documentation of new products.
- Technical feasibility studies: The evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and, ultimately, its prospects for success.
- Support for the construction or modernization of research infrastructures: Research infrastructures are facilities, resources and related services that are used by the scientific community to conduct research in their respective fields and covers scientific equipment or sets of instruments, knowledge-based resources such as collections, archives or structured scientific information, enabling information and communication technology-based infrastructures such as grid, computing, software and communication, or any other entity of a unique nature essential to conduct research. Such infrastructures may be "single-sited" or "distributed" (an organized network of resources) in accordance with Article 2(a) of Council Regulation (EC) No. 723/2009 of 25 June 2009 on the community legal framework for a European Research Infrastructure Consortium (ERIC).
- Support for young innovative companies: The beneficiary of the aid must demonstrate, by means of an evaluation carried out by an external expert, that it will in the foreseeable future develop products, services or processes that are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure; or whose R&D costs represent at least 10% of its total operating costs in at least one of the three years preceding the granting of the aid or, in the case of a startup enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.
- Aid for process and organizational innovation:
  1. Process innovation aims to implement a new or significantly improved production or delivery

method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems that are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customization, localization, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

2. Organizational innovation aims to implement a new organizational method in an enterprise's business practices, workplace organization or external relations, excluding changes that are based on organizational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customization, localization, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

Eligible expenses include:

- R&D projects or programs:
  1. Costs of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible.
  2. Personnel costs (researchers, technicians and other supporting staff to the extent employed on the project)
  3. Costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's-length conditions, as well as consultancy or similar services used exclusively for the project
  4. Costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered eligible.
  5. Additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project
- Technical feasibility studies: costs of the study
- Support for the construction or modernization of research infrastructures: investment costs in intangible and tangible assets
- Innovation aid for SMEs:
  1. Costs for obtaining, validating and defending patents and other intangible assets
  2. Costs for secondment of highly qualified personnel from a research and knowledge-dissemination organization or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel
  3. Costs for consultancy services provided by external consultants that are neither a continuous or periodic activity nor relate to the enterprise's usual operating costs, such as routine tax consultancy services, regular legal services or advertising
  4. Innovation advisory and support services
- Aid for process and organizational innovation:
  1. Personnel costs
  2. Costs of instruments, equipment, buildings and land to the extent and for the period used for the project
  3. Costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's-length conditions
  4. Additional overheads and other operating costs, including costs of materials, supplies and similar products, incurred directly as a result of the project

Costs and expenses relating to the launch and marketing of the products, services or procedures developed as well as interest payable on the financing obtained for research projects are excluded.

These aids are intended for craft and commercial businesses with a business permit granted by the Ministry of Small and Medium-Sized Businesses. They also apply to engineers and architects during their first three years of business (as of the date of their first Luxembourg or foreign business permit). However, certain activities are excluded from eligibility for the aid.

Specific eligibility requirements for each incentive are as below:

- Medium-term and long-term loans
  - Eligible entities include industrial enterprises and service providers with a significant impact on economic development and whose equity amounts to at least EUR25,000. The loans are intended for the financing of:
    1. Professional equipment needed for the production or service provision activities, including safety or environmental protection equipment
    2. Land used for professional purposes only

  - Parts of buildings used for non-professional purposes, private automotive equipment and inventory cannot be financed by medium-term and long-term loans. Medium-term and long-term loans may only be requested for investment projects with a value of at least EUR100,000.
- Annual declining balance depreciation on the R&D assets
  - Eligible entities include all entities or individual subjects exercising a commercial activity in Luxembourg and liable with this income to Luxembourg income tax, provided that the taxpayer who uses the asset is also the owner of the asset. Eligible assets include all assets except buildings. Higher depreciation rates for materials and equipment used exclusively in scientific or technical research activities are available.
- Tax exemptions
  - Eligible entities include all entities or individual subjects exercising a commercial activity in Luxembourg and with income liable to Luxembourg income tax. Eligible assets under the IP regime include patents and other IP assets that are functionally equivalent to patents, including copyrighted software.
- Direct loan for RD&I
  - Eligible entities are any innovative SME, provided they have a valid business permit (issued in accordance with the law of 2 September 2011) for at least four years.
  - Eligible costs relate to investments made in depreciable assets and negative operational cash flows carried out within the project of business development. This includes costs related to equipment, machinery and professional facilities, personnel expenditures, patent filing fees, expenses related to contract research, use of data banks, technical libraries and laboratories, acquisition of patents/licenses, project feasibility studies, innovation support services like market research, implementation of new regulatory standards, testing and certification as well as a one-year budget related to marketing/promotion of new products/services. Production, distribution costs, land and buildings are, however, excluded.
- Loan for innovative enterprises
  - Eligible entities are young, innovative SMEs, provided they have a valid business permit (issued in accordance with the law of 2 September 2011), have been in existence for less than eight years and have a substantial impact on national economic development.
  - Eligible costs relate to investments made in depreciable assets and negative cash flows resulting from the business plan presented by the innovative enterprises. Eligible costs include, in particular, land, buildings or parts of buildings used exclusively for professional purposes, equipment, machinery and professional facilities, materials/supplies, personnel expenditures, patent filing fees, expenses related to contract research, use of data banks, technical libraries and laboratories, acquisition of patents/licenses, innovation support services like market research, implementation of new regulatory standards, testing and certification and costs of the commercial launch, as well as the required working capital.
- Equipment loan
  - Eligible entities are SMEs that have a business permit for commercial activities, skilled trades, industrial activities and certain liberal professions, as well as other professions or activities covered by other legal permits.
  - Equipment loans are granted for financing professional equipment, including safety or environmental protection equipment and plots of land used for business purposes only.
- Special depreciation
  - Eligible entities are any commercial, industrial, mining or craft enterprises established in the territory of the Grand Duchy of Luxembourg.
  - Eligible costs are fixed assets purchased or constructed for the purposes of protecting the environment, reducing waste or saving energy (e.g., implementation of new techniques for rational use of energy or implementation of new and renewable energy sources, as well as recovery of energy from industrial processes). The acquisition or production costs of the investment must be at least EUR2,400 (excluding VAT). The depreciation may not exceed 80% of the acquisition or production costs of the qualifying assets.

4. IP and jurisdictional requirements

Effective date

The qualifying IP right must have been constituted, developed or improved after 31 December 2007 in the framework of R&D activities.

Qualifying IP

Qualifying IP includes the following:
- Software copyrights
- Patents
- Utility models
- Supplementary protection certificates on patents for pharmaceutical and plant protection products
- Extensions of supplementary protection certificates for products intended for pediatric use
- Plant breeders' rights
- Orphan drug designations

Under the new IP regime, only assets resulting from an actual R&D activity undertaken by the taxpayer itself are eligible.

IP not qualifying under the IP regime
- Trademarks
- Designs
- Domain names

Types of income

Eligible income includes:
- Income received for the use or the right to use a qualifying IP asset
- Capital gains derived from the sale of a qualifying IP asset
- Embedded IP income derived from the sale of products or services
- Indemnities received in the framework of a judicial proceeding or an arbitration involving a qualifying IP asset

Calculation of income
- Income from IP
  - The net eligible income is defined as the gross eligible income minus (1) the overall expenditures and (2) the expenditures that are indirectly linked to a qualifying IP asset. The net eligible income is then adjusted and compensated and multiplied by the nexus ratio and the result hereof is reduced by 80%.
- Capital gains on the disposal of IP
  - Capital gains realized on the disposal of qualifying IP will benefit from an 80% exemption. The capital gain will remain taxable up to the extent of the expenses in direct connection with the income as well as depreciations and write-downs that have reduced the tax base of the taxpayer in the tax year of the disposal or any previous tax year. For the rules applicable under the new regime, please refer to the section above.
- IP regime rate
  - Corporate income tax/municipal business tax: for 2025, the general aggregated tax rate (consisting of corporate income tax, solidarity surtax and municipal business tax) applicable to the Luxembourg tax base amounts to 23.87% for companies registered in the municipality of Luxembourg.
- Net worth tax: full exemption for qualifying IP rights under the IP regime.

Can work be performed outside the country?

There are some restrictions regarding expenditures to be considered as qualifying expenditures.

Must the IP be registered or owned locally?

Yes.

5. Technology or innovation zones

Specific aid is foreseen for (1) the construction or modernization of innovation clusters and (2) the operation of innovation clusters. An innovation cluster is defined as a structure or organized group of independent parties (such as innovative startups, SMEs, as well as research and knowledge dissemination organizations, nonprofit organizations and other related economic actors) designed to stimulate innovative activity through promotion, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to knowledge transfer, networking, information dissemination and collaboration among the undertakings and other organizations in the cluster.

Its aim is to promote innovation by encouraging interaction, the sharing of facilities and the exchange of knowledge and expertise for the purpose of R&D or innovation as well as to contribute to technology transfer, networking and the dissemination of scientific and technical information between the enterprises and research organizations that compose the grouping. The aid can cover two types of expenses, such as investments in an innovation cluster and/or the costs for the operation of an innovation cluster. All enterprises and all private research and knowledge dissemination organizations established in Luxembourg are eligible for these schemes.

The recipient of the aid for the construction or modernization of an innovation cluster must be responsible for managing the installations and activities of the innovation cluster as well as access to the premises. Access to the cluster's premises, facilities and activities must be open to several users and be granted on a transparent and nondiscriminatory basis. Enterprises that have financed at least 10% of the investment costs of the innovation cluster may be granted preferential access under more favorable conditions. To avoid overcompensation, such access shall be proportional to the enterprise's contribution to the investment costs, and these conditions shall be made publicly available. The fees charged for using the cluster's facilities and for participating in the cluster's activities shall correspond to the market price or reflect their costs.

The eligible costs to the investment aid for the construction or modernization of innovation clusters shall be the investment costs in intangible and tangible assets. The eligible costs for the aid for the operation of innovation clusters comprise personnel costs and administrative expenses related to the following activities:

- Animation of the cluster to facilitate collaboration, information sharing and the provision or channelling of specialized and customized business support services
- Marketing of the cluster (e.g., promotion campaigns) to attract new members to the innovation cluster and to increase visibility
- Management of the cluster's facilities
- Organization of training programs, workshops and conferences to facilitate the transfer of knowledge, networking among the innovation cluster members and transnational cooperation

The investment aid for the construction or modernization of innovation clusters, as well as the aid for the operation of innovation clusters, shall not exceed 50% of the total eligible costs during the period over which the aid is granted. The investment aid for the construction or modernization of innovation clusters could, however, be increased by 5% if the cluster is in certain assisted geographical areas.

Both the investment aid for innovation clusters as well as the aid for the operation of innovation clusters are applicable to the future project of the innovation clusters' operation. To receive the aid, the applicant must fulfill and submit the aid application to the Ministry of Economy before the start of the project in the company. Guidelines related to both incentives are available online.[9]

The Draft Law introduces additional investment aid for testing and experimentation infrastructures. These infrastructures differ from the research infrastructures in that their primary aim is to serve companies, particularly SMEs, in their R&D efforts, for example, by providing them with the tools they need to test and modernize their technologies.

6. Role of governmental bodies in administering incentives

Ministry of the Economy

The Ministry of the Economy is, together with the Ministry of Finance, in charge of granting incentives for research and innovation projects according to the law of 17 May 2017. The Ministry of the Economy and the Ministry of Finance will jointly decide to grant an incentive after soliciting the opinion of a consulting commission if required. The Ministry of the Economy, together with the Ministry of Finance, is also in charge of aid schemes as provided for by the law of 9 August 2018 on aid schemes in favor of SMEs.

Luxinnovation GIE (National Agency for Innovation and Research)

Luxinnovation is an agency that offers support at all stages of innovation and research projects and provides customized services for project applicants (e.g., identification of the needs of the enterprise or the research organization, guidance on the appropriate funding tool, support for putting together aid application files).

Luxembourg Institute of Intellectual Property

The Luxembourg Institute of Intellectual Property (IPIL) is an economic interest group whose mission is to coherently bring together national and international expertise on IP and make that expertise available to the economic and institutional actors to be a driver of growth for Luxembourg. As part of its mission, the IPIL, among others, conducts studies and projects to advise the government and develops and provides support services to companies, research actors, public institutions and any other interested audience.

9 https://guichet.public.lu/en/entreprises/financement-aides/aides-recherche-developpement/rdi/aides-poles-innovation.html

SNCI

The SNCI is a public-law banking institution with legal personality whose capital is fully owned by the state of Luxembourg. The SNCI specializes in medium- and long-term financing of Luxembourg-based companies. The SNCI's financing instruments are investments in fixed assets, innovation and exports.

7. Administrative requirements

Applications for R&D projects must be made using the online assistant available on MyGuichet.lu. Aid is, in general, paid out after completion of the investment program; one or several installments may, however, be paid as the investments or operations progress.

8. Statutory reference

The incentives related to R&D and innovation are governed by the amended law of 17 May 2017 relating to the promotion of R&D and innovation.[10] As mentioned above, a draft law is pending before Parliament that, if adopted in its current reading, will replace the law of 17 May 2017.

The provisions related to the investment tax credit, the special regime for expatriate highly skilled employees, the employees profit-sharing regime, young employee bonus, rental allowances, the accelerated and special depreciation, and the partial exemption of income derived from qualifying IP are embedded in the amended Law of 4 December 1967 on Income Tax.[11]

The VAT measures can be found in the amended law of 12 February 1979 on Value Added Tax.[12]

The application of the regime of medium-term and long-term loans, direct loans for RD&I, loans for innovative enterprises and equipment loans granted by the SNCI is further detailed on Guichet.lu.[13]

[10] Consolidated version as of 21 December 2020 (in French): https://legilux.public.lu/eli/etat/leg/loi/2017/05/17/a544/consolide/20201221

[11] Consolidated version as of 21 December 2020 (in French): https://legilux.public.lu/eli/etat/leg/loi/2017/05/17/a544/consolide/20201221

[12] Consolidated version as of 1 January 2025 (in French): https://pfi.public.lu/fr/publications/textes-de-loi/010125.html

[13] https://guichet.public.lu/en/entreprises/creation-developpement/financement/apercu-general/snci.html

Malaysia

This chapter is based on information as of February 2025.

1. Overview

A wide range of incentives and financial assistance is offered to attract investments in R&D activities.

Companies providing R&D services are eligible for Pioneer Status (PS) or an investment tax allowance (ITA) for qualifying R&D capital expenditures. A double deduction is available for R&D revenue expenditures incurred by companies carrying out in-house R&D or expenditures related to the services of approved R&D service providers. There is also a variety of local government funding programs to support companies in various industries. Some tax incentives, especially PS, ITA and other tax incentives, are generally mutually exclusive, and taxpayers may apply for only one of the incentives. For the incentives mentioned below to be available, the R&D activities must be carried out in Malaysia.

Pillar Two of theBase Erosion and Profit Shifting (BEPS) project from the Organisation for Economic Co-operation and Development (OECD) introduces new global minimum tax (GMT) rules for multinational enterprise (MNE)

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groups with a minimum tax rate set at 15%. This minimum rate will apply in each jurisdiction in which the MNE operates. If an MNE's excess profits (as calculated based on principles of the Pillar Two rules, which basically take the Financial Accounting Net Income and Loss as a starting point, on which various adjustments are to be made) in a jurisdiction are taxed below the minimum 15% rate, a top-up tax will be imposed. Certain safe harbors/reliefs may be available subject to meeting the relevant requirements.

Malaysia has enacted its Pillar Two legislation by way of the Finance (No.2) Act 2023 and will implement the GMT on in-scope entities from 1 January 2025. Subsequently, the Malaysian Inland Revenue Board (MIRB) published Guidelines on Implementation of Global Minimum Tax in Malaysia on 2 December 2024 (Guidelines) and the Frequently Asked Questions (FAQs) to provide further guidance on Pillar Two rules in Malaysia. The Malaysian Pillar Two legislation includes a multinational top-up tax, as well as a domestic top-up tax, which apply to all Constituent Entities that are members of an MNE group with annual revenue of at least EUR750 million in the Consolidated Financial Statements of the Ultimate Parent Entity in at least two of the four fiscal years immediately preceding the tested fiscal year.

Depending on the group profile, investors should also assess how and when it might be impacted by Pillar Two rules in Malaysia prior to applying incentives.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	PS	ITA	Special incentive scheme*	Incentives for researchers to commercialize research findings	Double deductions	Financial assistance	R&D grants
Type of incentive	■ Tax holiday	■ Tax allowance	■ Tax exemption ■ Tax allowance ■ Cash grants	■ Tax exemption	■ Super deduction (200%)	■ Financial support	■ Cash grants

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

PS

Description of benefits

Qualifying taxpayers are eligible for a 100% income tax exemption for five to 10 years (Pioneer Period) on eligible R&D income; therefore, the cash savings value potential depends on the amount of statutory income (income after deduction of allowable expenses and capital allowances) generated during the tax relief period. There may be certain conditions imposed, such as investments in fixed assets, local spending, R&D expenditures and/or number of full-time employees working in Malaysia. Generally, no specific intellectual property (IP) requirements are imposed. However, in practice, IP ownership requirements may be imposed depending on the facts of each case.

If the taxpayer suffers business loss during the Pioneer Period (pioneer loss), any unabsorbed pioneer loss after the end of the Pioneer Period is allowed to be carried forward up to a maximum of seven years of assessment.

PS requires taxpayers undertaking the R&D activities to seek approval from the authorities. Some of the activities that qualify for PS are:

- Contract R&D
- Commercialization of R&D findings

Guidelines around incentive applications

PS is applicable to future investments only (i.e., only projects that have not yet commenced at the time of application are eligible). If projects have already commenced, the authorities take the view that the projects do not require an incentive. Therefore, the application for the incentive should be submitted before the commencement of the respective R&D activity or production of the product concerned. The incentive is claimed when the company files its corporate income tax return (i.e., Form e-C) for the particular year of assessment (YA). The deadline to submit the income tax returns for companies is seven months from the close of the accounting period.

ITA

Description of benefits

Taxpayers are eligible for 50% or 100% of ITA on qualifying R&D capital expenditures incurred within 10 years. The ITA can be offset against 70% of statutory income, and the cash savings value potential depends on the amount of qualifying capital expenditures expected to be incurred. There may be conditions imposed, such as investments in fixed assets, local spending, R&D expenditures and/or number of full-time employees working in Malaysia. Generally, no specific IP requirements are imposed. However, in practice, IP ownership requirements may be imposed depending on the facts of each case. Unused ITA can be carried forward indefinitely. ITA requires taxpayers undertaking the R&D activities to seek approval from the authorities.

Guidelines around incentive applications

ITA is applicable to future investments. If projects have already commenced, the authorities take the view that the projects do not require an incentive. Therefore, the application for the incentives should be submitted before the commencement of the R&D activity or production of the promoted product.

The incentive is claimed when the company files its Form e-C for the particular YA. The deadline to submit tax returns for companies is seven months from the close of the accounting period.

For both PS and ITA, the Malaysian Investment Development Authority (MIDA) has identified a long list of activities and manufactured products as "promoted activities" and "promoted products." The list is under constant review and is updated from time to time to bring it in line with the government's investment policies.

IP incentive

Description of benefits

Qualifying taxpayers are eligible for a 100% income tax exemption on qualifying IP income for a period of up to 10 years. The exemption will only apply to income derived from IP developed in Malaysia, subject to the gazette order on the Modified Nexus Approach, which was yet to be released as of March 2025.

Guidelines around incentive applications

Upon approval of the application for the incentive, the incentive is claimed when the company files its corporate income tax return (i.e., Form e-C) for the particular YA. The deadline to submit the income tax returns for companies is seven months from the close of the accounting period.

Special incentive scheme

Description of benefits

The special incentive scheme is a pre-packaged incentive scheme approved by the Minister of Finance (MOF). It offers two types of incentives:

- Income tax exemption – for PS: taxpayers may be able to negotiate up to 100% income tax exemption for a specific period (e.g., 10 years). Unabsorbed pioneer loss after the end of the Pioneer Period is allowed to be carried forward up to a maximum of seven years of assessment.
- Qualifying capital expenditure – for ITA: taxpayers may be able to negotiate up to a 100% allowance on qualifying capital expenditures incurred for a specific period (e.g., 10 years). The allowance can be offset against up to 100% of statutory income. Any unused tax allowance may be carried forward indefinitely.

Guidelines around incentive applications

The special incentive scheme is applicable to future investments only. If projects have already commenced, the authorities take the view that the projects do not require an incentive. Therefore, the application for the incentive should be submitted prior to commencement of the R&D activity or production of the promoted product.

The incentive will be claimed when the company files its Form e-C for the particular YA. The deadline to submit tax returns for companies is seven months from the close of the accounting period.

Incentives for researchers to commercialize research findings

Description of benefits

Incentive for researchers to commercialize R&D findings

Researchers who undertake research focused on value creation will be given a 50% tax exemption for five years on the income that they receive from the commercialization of their research findings. Generally, no specific IP requirements are imposed. However, in practice, IP ownership requirements may be imposed depending on the facts of each case. The incentive requires the entity undertaking the R&D commercialization activities to seek approval from the authorities.

Guidelines around incentive application

The incentive is applicable to future investments only and for commercialization of resource-based and non-resource-based R&D findings of approved public research institutions. The commercialization includes the process of transforming ideas, knowledge or an invention into a product or process that has an industrial application or that is marketable. Approved public research institutions include the Malaysian Agricultural Research and Development Institute (MARDI), the Malaysian Palm Oil Board (MPOB), the Malaysian Rubber Board (MRB), the Malaysian Cocoa Board (MCB), Mineral Research Centre (PPM) and Forest Research Institute Malaysia (FRIM), as well as public institutions of higher learning, such as universities approved by the MOF.

The incentive will be claimed when the company files its Form e-C for the particular YA. The deadline to submit tax returns for companies is seven months from the close of the accounting period.

Incentive for investment in companies undertaking commercialization of public sector R&D

A company that invests in its subsidiary company for the sole purpose of financing a project on the commercialization of public resource-based R&D findings by approved institutes in Malaysia (i.e., a public research institute or public institute of higher learning) is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company.

This investment is to be in the form of equity or a cash contribution. Any loan or advance made by the investing company to the subsidiary is not eligible for the deduction unless converted to equity before the commencement of the tax relief period of the subsidiary.

The incentive includes investments in subsidiary companies for the sole purpose of financing a project on the commercialization of non-resource-based R&D findings by an approved public research institute or a public or private institute of higher learning in Malaysia. However, it is only applicable for applications for the project of commercialization of non-resource-based R&D findings received by MIDA between 7 November 2020 and 31 December 2025.

Incentive for companies undertaking commercialization of public sector R&D

A subsidiary company that undertakes the commercialization of public resource-based R&D findings by an approved public research institute or public institute of higher learning in Malaysia is eligible for PS, with an income tax exemption of 100% of statutory income for 10 years.

A subsidiary company that undertakes the commercialization of non-resource-based R&D findings by an approved public research institute or a public or private institute of higher learning in Malaysia is eligible for an income tax exemption of 100% of statutory income for 10 consecutive YAs.

Guidelines around incentive application

The incentive will be claimed when the company files its Form e-C for the particular YA. The deadline to submit tax returns for companies is seven months from the close of the accounting period.

Double deductions

Description of benefits

Taxpayers are eligible for a 200% deduction of qualifying R&D revenue expenditures for eligible R&D activities excluding capital expenditure. The double deduction is applicable only to revenue expenditures, including in-house R&D expenditure, cash contributions or donations made to approved research institutes and payments for the use of the services of approved research companies, contract R&D companies and R&D companies. Approval of each research project has to be obtained before claiming a double deduction on qualifying R&D revenue expenditures.

Effective 1 January 2021, for in-house R&D expenditure, the double deduction is only available if not more than 30% of the R&D expenditure is incurred outside Malaysia. If more than 30% of the R&D expenditure is incurred outside Malaysia, a single deduction will be granted.

Guidelines around incentive applications

The double deduction is claimed when the company files its Form C for the particular YA. The deadline to submit tax returns for companies is seven months from the close of the accounting period. R&D revenue expenditures that qualify for double deduction include raw materials and manpower used in research; technical services procured; travel costs; transportation costs; maintenance; and rental of motor vehicles, buildings, equipment and machinery.

Industrial Building Allowance for buildings used for R&D activities

Description of benefits

Financial assistance schemes currently include various industrial and commercial funds from fundraising organizers such as Malaysian Technology Development Corporation Sdn Bhd (MTDC), Malaysia Digital Economy Corporation Sdn Bhd (MDEC), etc., to provide partial grants to qualified R&D projects.

The amount of funding approved will be determined based on the merits of each application, and the value potential varies depending on the fund approved. Applicants are required to submit their application to the respective authorities for the financial assistance schemes as follows:

- MTDC: Business Growth Fund (BGF), Business Start-up Fund (BSF), Halal Technology Development Fund, National Technology and Innovation Sandbox Fund (Sandbox Fund)
- MDEC: Malaysia Digital X-Port Grant (MDXG), Digital Content Grant (DCG)
- Cradle Fund Sdn Bhd: CIP SPARK, CIP SPRINT
- Malaysia Venture Capital Management Berhad: Dana Modal Teroka Korporat
- Malaysia Debt Ventures Berhad: MDV Technology Acceleration & Commercialisation Scheme 2.0 (MDV-TACT 2.0)
- SME Bank: SME Technology Transformation Fund (STTF)

Guidelines around the allowance claim

IBA is claimed when the company files its corporate income tax return (i.e., Form C) for the particular YA. The deadline to submit the income tax returns for companies is seven months from the close of the accounting period. The allowance is not mutually exclusive to other incentives claimed.

Financial assistance

Description of benefits

Financial assistance schemes currently include various industrial and commercial funds from fundraising organizers such as Malaysian Technology Development Corporation Sdn Bhd (MTDC), Malaysia Digital Economy Corporation Sdn Bhd (MDEC), etc., to provide partial grants to qualified R&D projects.

The amount of funding approved will be determined based on the merits of each application, and the value potential varies depending on the fund approved. Applicants are required to submit their application to the respective authorities for the financial assistance schemes as follows:

- MTDC: Business Growth Fund (BGF), Business Start-up Fund (BSF), Halal Technology Development Fund, National Technology and Innovation Sandbox Fund (Sandbox Fund)
- MDEC: Malaysia Digital X-Port Grant (MDXG), Digital Content Grant (DCG)
- Cradle Fund Sdn Bhd: CIP SPARK, CIP SPRINT
- Malaysia Venture Capital Management Berhad: Dana Modal Teroka Korporat
- Malaysia Debt Ventures Berhad: MDV Technology Acceleration & Commercialisation Scheme 2.0 (MDV-TACT 2.0)
- SME Bank: SME Technology Transformation Fund (STTF)

Guidelines around incentive applications

Financial assistance schemes are applicable to future investments only, and only for projects approved by the relevant authorities. Applications for financial assistance should be submitted before the commencement of the proposed project. The majority of the financial assistance will be received based on the percentage of work done, and claims must be submitted to the relevant authorities.

R&D grants

Description of benefits

R&D grants are available under the special incentive package, which is a reimbursable dollar-for-dollar grant on qualifying R&D expenditures. There may be conditions imposed on R&D expenditures.

Grants are also available from various fundraising organizations, and taxpayers undertaking the R&D activities must gain approval from the authorities to obtain a cash grant. The authorities providing R&D grants include:

- Ministry of Science, Technology and Innovation (MOSTI)
- Malaysia Digital Economy Corporation Sdn Bhd (MDEC)
- Collaborative Research in Engineering, Science and Technology (CREST)
- Malaysian Communications and Multimedia Commission
- Ministry of Higher Education (MOHE)
- Ministry of Health Malaysia (MOH)
- Malaysia Toray Science Foundation
- Malaysia Science Endowment (MSE)
- SME Corporation Malaysia

Further, the Budget 2025 announced an allocation of RM595 million as R&D funding under MOSTI and MOHE. In addition, an allocation of RM170 million to provide matching grants for private sector entities and industries to drive R&D programs for MSE.

Guidelines around incentive applications

R&D grants are applicable to future investments. Grants are made based on a reimbursement basis and only for projects approved by the relevant authorities. The government may impose conditions based on the type of projects, such as percentage of R&D personnel involved, minimum level of fixed asset investment and/or minimum local spending levels. R&D grant claims are based on a reimbursement basis and must be submitted when the company incurs the expenditure.

3. Eligibility requirements

Under the Promotion of Investments Act 1986, R&D is defined as any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce or processes, but does not include:

- Quality control or routine testing of materials, devices or products
- Research in the social sciences or humanities
- Routine data collections
- Efficiency surveys or management studies
- Market research or sales promotion
- Routine modifications or changes to materials, devices, products, processes or production methods
- Cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods

Qualifying expenditures include those incurred in R&D on the condition that the research is scientific in nature and is related to the business of the company.

Eligibility requirements for specific incentives are set out below.

3.1 PS

Eligibility criteria vary across different types of projects, and the government may impose additional conditions based on the type of project, such as percentage of R&D personnel involved, minimum level of fixed asset investment and/or minimum local spending levels. The following section lists the eligibility requirements for specific types of R&D operations.

Contract R&D companies

Contract R&D companies that fulfill the following criteria can apply for the various incentives:

- Contract R&D companies (i.e., companies approved as research and development status companies that provide R&D services in Malaysia only to companies other than their related companies) are eligible.
- Research undertaken should be in accordance with the needs of the country and bring benefits to the economy.
- At least 70% of the income of the company should be derived from R&D activities. Income generated from IP, if any, is excluded.
- For manufacturing-based R&D, the company must have an adequate number of full-time employees working in Malaysia with a degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 50% of the company's total workforce.

- For agricultural-based R&D, the company must have an adequate number of full-time employees working in Malaysia with a degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 5% of the company's total workforce.
- The company must incur an adequate amount of operating expenditure annually to support the company in conducting its R&D services, activities and business operations in Malaysia. The operating expenditure should include local services for insurance, legal, banking, information and communications technology (ICT), and transportation, if those services could be sourced from local/domestic service providers. However, this amount shall not include the cost of goods sold, depreciation, interest on borrowings or expenses that are not directly involved in the company's proposed activities.

Eligible companies may apply for approval of the incentive to MIDA.

3.2 ITA

Eligibility criteria vary across different types of projects, and the government may impose additional conditions based on the type of project, such as percentage of R&D personnel involved, minimum level of fixed asset investment and/or minimum local spending levels. The following section lists the eligibility requirements for specific types of R&D operations.

Contract R&D and R&D companies

Contract R&D and R&D companies that fulfill the following criteria can apply for the various incentives:

- Contract R&D (i.e., a company approved as a research and development status company that provides R&D services in Malaysia only to a company other than its related companies) and/or R&D companies (i.e., companies approved as research and development status companies that provide R&D services in Malaysia to their related companies or any other companies) are eligible.
- Research undertaken should be in accordance with the needs of the country and bring benefits to the economy.
- At least 70% of the income of the company should be derived from R&D activities. Income generated from IP, if any, is excluded.
- For manufacturing-based R&D, the company must have an adequate number of full-time employees working in Malaysia with a degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 50% of the company's total workforce.
- For agricultural-based R&D, the company must have an adequate number of full-time employees working in Malaysia with a degree or diploma in technical fields with relevant experience. Those employees must perform research and technical functions and comprise at least 5% of the company's total workforce.
- The company must incur an adequate amount of operating expenditure annually to support the company in conducting its R&D services, activities, and business operations in Malaysia. The operating expenditure should include local services for insurance, legal, banking, ICT and transportation, if those services could be sourced from local/domestic service providers. However, this amount shall not include the cost of goods sold, depreciation, interest on borrowings or expenses that are not directly involved in the company's proposed activities.

Eligible companies may apply for approval of the incentive to MIDA.

3.3 IP incentive

Companies that fulfil the following criteria can apply for the incentive:

- Qualifying IP assets under this incentive:
  - Patent or utility innovation under the Patents Act 1983 or the equivalent law of any country or territory
  - Copyrighted software under the Copyright Act 1987
  - Family qualifying IPs, which are two or more qualifying IP rights that are interlinked in such a way that it is not possible to identify (i) which part of any expenditure incurred in the R&D resulting in the creation of those rights is incurred solely in the creation of a particular right or (ii) which part of any income derived using those rights is derived solely from using a particular right
- Royalties and licensing fees are exempted from income tax under this incentive. Sale of IP will not be considered as eligible IP income under this incentive.
- Companies must conduct R&D activities in Malaysia, where such R&D activities lead to the development, improvement, modification or creation of the qualifying IP asset.
- The IP must be registered and filed with MyIPO or any equivalent body outside of Malaysia.
- At least 30% of the companies' science and technical staff must have a degree or diploma with a minimum five years' experience in related fields.
- Companies must incur an adequate amount of operating expenditure annually to support their business operations in Malaysia. The operating expenditure should include local services for insurance, legal, banking, ICT and transportation, if those services could be sourced from local/domestic service providers. However, this amount shall not include the cost of goods sold or cost of sales, and expenses that are not directly involved in the company's proposed activities.

Eligible companies may apply to MIDA for approval of the incentive.

3.4 Special incentive scheme

- To receive benefits from the incentive, the company must be incorporated and resident in Malaysia.
- The benefits will be subject to conditions as stated by the MOF in the approval letter.
- The MOF or the Minister of International Trade and Industry will determine the commencement of the exempt period.

3.5 Incentives for researchers to commercialize research findings

Incentive for researchers to commercialize R&D findings

Eligible companies may apply for approval of the incentive for the commercialization project for resource-based research to MIDA.

To receive the benefit, the company should be incorporated in Malaysia, and the commercialization undertaking must be verified by the Ministry of Science, Technology and Innovation.

The effective date of the incentive shall be determined by the MOF or the Minister of International Trade and Industry.

Investment in companies undertaking commercialization of public sector R&D findings and companies undertaking commercialization of public sector R&D findings

- The investing company must be a Malaysian resident company incorporated under the Companies Act 2016 and locally owned with at least 70% Malaysian equity ownership.
- The investing company should own at least 70% of the equity of the company that undertakes the commercialization of the R&D findings.
- The company undertaking the commercialization projects must be incorporated under the Companies Act 2016 and locally owned with at least 70% Malaysian equity ownership.

Eligible companies may apply to MIDA for approval of the incentive.

3.6 Double deduction

Companies that fulfil the following criteria can apply for the incentive:

- A resident for tax purposes in Malaysia
- Carry on a business in Malaysia
- Undertake R&D activity in relation to its business in Malaysia, whether:
  - In-house within the business
    Or
  - Outsourcing the R&D activity to an approved research institute or company, an R&D company, or a contract R&D company in Malaysia
- Undertake R&D activity that fulfils the definition of R&D and its qualifying criteria and:
  - Obtain approval for the R&D activity from the Director General of Inland Revenue of Malaysia (DGIR) for application for double deduction on in-house R&D expenditure
    Or
  - Engage the services of an institute or company that is approved by the relevant Minister for double deduction on services expenditure

Foreign researchers may be employed; however, the company should endeavor to train Malaysian nationals.

Activities that involve only testing a product to conform its properties to the required standards for compulsory registration of the product as required by any laws in Malaysia (such as for agricultural chemicals and pharmaceutical products) are not considered R&D project activities for the purposes of claiming a double deduction.

3.7 Industrial Building Allowance for buildings used for R&D activities

- Qualifying building expenditure is incurred.
- Claimant company must be the business operator and the owner of the building or tenant of the building.

3.8 Financial assistance and R&D grants

The levels of benefits for the grants are subject to conditions as stated in the approval letter.

4. IP and jurisdictional requirements

There is no restriction at this time on where the IP must be held except for those conditions imposed by the authorities.

5. Technology or innovation zones

Malaysia Digital (MD)

Multimedia Super Corridor (MSC) Malaysia was the country's national ICT initiative designed to attract world-class technology companies while developing the local ICT industry. Fully supported by the Malaysian government, MSC Malaysia led the nation's transformation toward a knowledge economy over the past decade and a half.

On 4 July 2022, the government launched the MD initiative, which succeeded MSC Malaysia. This new initiative will drive digital transformations in focus areas that present high-growth potential, opportunities and importance. The government, through the Malaysia Digital Economy Corporation (MDEC) will award the MD Status to eligible companies that participate in and undertake MD activities.

The grant of MD Status entitles eligible companies to a set of incentives, rights and privileges from the government of Malaysia, namely the MD Bill of Guarantees (BoGs), subject to the necessary approvals and compliance with applicable conditions, laws and regulations.

Under the MD BoGs, MD Status companies are eligible to access or apply for benefits, including the following:

1. Foreign knowledge workers quotas and passes
2. Tax incentives
3. Exemptions from multimedia/ICT equipment import duty and sales tax
4. Competitive and ready infrastructure for business at MD Cybercities/Cybercentres
5. Exemption from local ownership requirements
6. Global sourcing of capital and funds
7. Use of MDEC as the one-stop agency for MD Status companies

To be eligible for MD Status, a company must:

- Be incorporated under the Companies Act 2016
- Be a resident in Malaysia
- Propose to or currently be carrying out one or more of the MD activities

To be eligible for tax incentives under the MD Initiative, a company must:

- Have been awarded the MD Status
- Not have issued any invoice for the promoted activities in Malaysia as of the date of application; a company that has issued an invoice may be eligible if it has at least 60% Malaysian equity ownership and has issued its first invoice for the promoted activities in Malaysia not more than 12 months prior to the date of application
- Not have been granted by the government of Malaysia a tax exemption for income from any activity on the date of application
- Not have a related company that has been granted a tax exemption for income from an activity that falls under the same item of the MD promoted activities

MDEC has indicated that the tax incentives under the MD BoGs are being reviewed and will be revised in due course. Pending further guidance/legislation, the MD status companies are eligible for the tax incentives as follows:

- Reduced tax rate on qualifying IP income and non-IP income for up to 10 years or investment tax allowance for five years.
- Import duty and sales tax exemption on the importation of multimedia equipment for direct use in the operation of the MD approved activities.

Applications must be submitted to the MDEC.

Digital Ecosystem Acceleration Scheme (DESAC)

The DESAC incentive has been introduced with the aim of attracting quality digital infrastructure projects into the country and accelerating the development of the nation's digital economy value chain.

Digital technology providers undertaking qualifying activities qualify for the following incentives:

(a) New company:
   - Special tax rate of 10% or 15% on statutory income (not including IP income) for five or 10 years
     Or
   - ITA of 60% or 100% on capital expenditure for qualifying activities for five or 10 years. This allowance can be set off against up to 100% of statutory income for each YA.

(b) Existing company:
   - ITA of 30% or 60% on capital expenditure for qualifying activities for five years. This allowance can be set off against up to 70% of statutory income.

The application period is from 1 January 2022 to 31 December 2027.

6. Role of governmental bodies in administering incentives

Various government ministries and/or agencies are involved in administering the R&D incentives. The main ministries and/or agencies are the following:

- MOF: MOF formulates and implements fiscal and monetary policies in Malaysia. MOF has the authority to grant tax incentives, including PS, ITA, special incentive scheme, incentives for research and commercialization of research findings, double deductions, and R&D grants.
- MOSTI: MOSTI leads the National Information and Communication Technology Department's function, multimedia and innovation. MOSTI evaluates and approves applications of the International Collaboration Fund.
- MIDA: MIDA is the government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. It assists companies intending to invest in the manufacturing and services sectors and facilitates the implementation of their projects. MIDA also evaluates tax incentive applications for projects in the manufacturing and related services sectors.
- MIRB: MIRB acts as an agent of the government and provides services in administering, assessing, collecting and enforcing payment of income tax and other taxes. It advises the government on matters relating to taxation and works with the appropriate ministries and statutory bodies on such matters.
- MTDC: MTDC was set up in 1992 to promote the adoption of technologies by local companies via commercialization activities of local inventions or acquisition of foreign technologies. MTDC evaluates and approves applications for commercialization of R&D fund applications from companies.

7. Administrative requirements

- Applications for PS, ITA incentives or the special incentive scheme are required to be submitted to the relevant authorities (e.g., MIDA, MDEC).
- Applications for financial assistance should be submitted to the relevant authorities highlighted above.
- All double deduction claims should be submitted to the MIRB.
- The MIRB monitors and processes PS, ITA claims and certain incentive claims.

8. Statutory reference

- Promotion of Investments Act 1986
- Income Tax Act 1967 and its relevant rules, regulations and guidelines

Netherlands

This chapter is based on information as of 1 February 2025.

The best-known Dutch tax incentives are the R&D tax credit (WBSO) and the innovation box. The innovation box reduces the effective tax rate, whereas the R&D tax credit reduces the wage tax costs by allowing innovative businesses a partial reduction of wage tax.

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1. Overview

The Dutch program of incentives to stimulate R&D activities covers the whole R&D lifecycle, from development to the exploitation of successful R&D. The government emphasizes the importance of R&D and its willingness to stimulate these activities. This is underlined by the cooperative attitude of the government organizations that are involved with implementing the various incentives. Dutch R&D incentives make a distinction between costs and investment-based incentives on one hand, and a profit-based incentive on the other hand.

The Netherlands has several incentives to lower R&D costs and investments for an entrepreneur and/or company. This includes the R&D tax credit, which reduces wage tax on qualifying wage costs and other costs and expenses; an R&D deduction that allows for a fixed additional deduction for entrepreneurs; and the possibility of an innovation credit for small and medium-sized enterprises (SMEs) with technologically innovative projects.

Furthermore, qualifying profits can be taxed in the innovation box. Effectively, these profits would be taxed at a rate of 9%.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	R&D tax credit (WBSO)	Innovation credit	Innovation box*	SME Innovation Incentive Scheme for Top Sectors (MIT)	One-time full amortization for R&D intangible assets	R&D deduction
Types of incentives	■ Tax credit ■ Wage tax withholding incentives ■ Reduced wage tax and social security contributions ■ Based on wage costs and other costs and expenses	■ Direct loans for technologically innovative projects	■ Reduced corporate income tax rate	■ Cash grants for SMEs for feasibility studies and R&D collaboration projects ■ Knowledge vouchers	■ Full amortization for R&D intangible assets (available for personal and corporate income tax)	■ Fixed super deduction for personal income tax

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D tax credit (WBSO)

Description of benefits

The R&D tax credit reduces the wage withholding tax payable by the employer based on qualifying wage costs and other costs and expenses. The R&D tax credit is accumulated in 2025 as follows:

- The benefit for R&D entities from the R&D tax credit is 36% for the first EUR380,000 of the qualifying R&D wage costs and other costs and expenses for R&D. For (wage) costs and expenses that exceed EUR380,000, the deduction rate is 16%.
- Startups are eligible for an increased deduction of 50% of the R&D wage costs and other costs and expenses for R&D. An entity qualifies as a startup if it has been taxable for less than five years and has not received an R&D tax credit for a period of two years or more.

For other costs and expenses (such as for (raw) materials, prototype construction, investments in equipment) in an R&D project, taxpayers can calculate the amount of the tax credit by choosing one of two approaches: a fixed sum or actual costs and expenses. Under the fixed-sum approach, the amount is calculated by reference to the number of allocated R&D hours. The fixed-sum amount per calendar year is:

- EUR10 per R&D hour for the first 1,800 R&D hours per calendar year
- EUR4 per R&D hour for all R&D hours exceeding 1,800

Startups can apply an hourly rate of EUR29. Repayment is required in cases in which realized R&D hours and costs and expenses are less than forecast.

Under the actual costs and expenses approach, the amount is calculated based on the estimated costs and expenses incurred by R&D work. Whether the fixed sum or actual costs and expenses approach is chosen, only those costs/expenses incurred as a result of carrying out "own R&D" (i.e., in-house) are eligible for the R&D tax credit.

Guidelines around incentive applications

The R&D tax credit is applicable for future activities and costs and expenses. To claim the R&D tax credit, an application should be filed with the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, or RVO), a department within the Ministry of Economy and Climate. The application should be filed in advance, prior to the start of the period covered by the application.

Four applications may be filed per calendar year. These applications must cover a minimum period of three months and a maximum period of 12 months within the same calendar year. The R&D tax credit for future activities can be claimed as long as the qualifying activities are performed.

Innovation credit

Description of benefits

With the innovation credit, the Ministry of Economic Affairs can help SMEs by granting a direct loan for "risky" innovation projects. Only projects that are technologically innovative and unique to the Netherlands are eligible. The credit is risk-bearing and therefore only has to be repaid if the development succeeds.

- Small companies can qualify for a 45% credit of the development costs.
- Medium companies can qualify for a 35% credit of the development costs.
- Large companies can qualify for a 25% credit of the development costs.

The maximum credit amount for clinical research projects is EUR5 million. The maximum credit for technical research projects is EUR10 million. Qualifying development costs are, among others, own labor costs, materials, depreciation, outsourcing costs, travel expenses and charges for patent applications. In the case of joint ventures, the maximum credit rates are raised to 50% (for SMEs) or 40% (for large companies). If the project is successful, the credit, including interest, must be paid back over a period of 10 years. The interest percentage is 3% (2024). If the investment project is unsuccessful, the credit may not need to be repaid.

Guidelines around incentive applications

The incentive is applicable to current and future investments. Applications can be submitted throughout the year. Most of the requirements relate specifically to the project: it must be technologically innovative, have an outstanding business perspective, make a positive contribution to the Dutch economy and have a cost threshold of EUR150,000, and its phase of technical feasibility and market introduction should be completed within five years. The credit is granted by the Netherlands Enterprise Agency (RVO).

Innovation box

Description of benefits

Under the innovation box incentive, eligible R&D income will effectively be taxed at 9% instead of the statutory corporate income tax (CIT) rate of 25.8% (FY25 rate). Losses are deductible at the statutory rate of 25.8%, but future profit will be taxed at 25.8% for the loss related to the R&D allocated to the innovation box. Any net operating losses (NOLs) resulting from the incentive can be carried back for one year (for CIT) and carried forward indefinitely. However, tax carryforward losses can only be fully offset against the first EUR1 million of profits and only against 50% of the excess profits.

Guidelines around incentive applications

The innovation box is applicable to retroactive, current or future investments. The incentive can apply retroactively if the tax return has not yet been finalized or the finalized tax return is still open for appeal. The innovation box is ultimately claimed in the CIT return. However, it is advisable to conclude an advance tax ruling with the Dutch tax authorities on the application for use of the innovation box.

Legislation was changed to bring the Dutch innovation box regime in line with the Action 5 (Harmful Tax Practices) recommendations of the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting Action Plan. This legislation applies as of 1 January 2017. Grandfathering rules allow taxpayers to make use of the 2016 innovation box regime until the end of the last financial year prior to 1 July 2021.

SME Innovation Incentive Scheme for Top Sectors (MIT)

Description of benefits

MIT is the predominant Dutch incentive scheme for innovative SMEs. It is aimed in particular at SMEs that will engage in innovation and/or R&D collaboration projects and envisages stimulating innovation across regional boundaries. Cash grants are available for technical and commercial feasibility studies, knowledge vouchers and R&D collaboration projects. MIT applications are commonly submitted to and processed by regional authorities (apart from knowledge vouchers, which are processed at the national level by the Netherlands Enterprise Agency).

Guidelines around incentive applications

MIT provides funding for the following activities:

- Feasibility studies: a cash grant of EUR20,000 to assess the technical and economic risks and opportunities of an intended innovation project is available on a "first come, first served" basis.
- Knowledge vouchers: a EUR5,250 small "voucher," or a EUR9,000 large "voucher" with which an SME can have a technical or scientific challenge addressed by a knowledge institution (e.g., a university), is available on a first come, first served basis.
- R&D collaboration projects: a grant of up to EUR350,000 is available for collaboration R&D and innovation projects between at least two SMEs.

Calls for proposals are announced nationally by the Dutch Enterprise Agency as well as regional authorities. Commonly, a two- to three-month submission window exists for each scheme every year.

One-time full amortization for R&D intangible assets

Description of benefits

Under this incentive, self-developed intangibles are fully amortized when they are realized, instead of amortization over the intangible's entire lifecycle. Any NOLs resulting from the amortization may be carried back one year (for CIT) and carried forward indefinitely. However, tax carryforward losses can only be fully offset against the first EUR1 million of profits and only against 50% of the excess profits. For personal income tax, any NOLs may be carried back three years and carried forward for six years.

Guidelines around incentive applications

The incentive is applicable to retroactive investments. The incentive should be claimed in the tax return. As long as the final tax assessment has not been issued, amendments to apply should be possible.

R&D deduction

Description of benefits

The lump-sum deduction for an individual (entrepreneur) who performs R&D activities is EUR15,738 or EUR23,613 (2025 amount) for the first five years of an enterprise's life. Full adjustment of the deducted amount will take place if the total R&D hours are less than 500 per calendar year. Individuals (entrepreneurs) are required to seek preapproval (similar to the R&D tax credit) to obtain the R&D deduction. Any NOLs resulting from the deduction may be carried back for three years and carried forward for six years.

Guidelines around incentive applications

The R&D deduction is applicable for future activities. The R&D deduction should be claimed in the tax return. As long as the final tax assessment has not been issued, amended returns to apply for the deduction should be possible. To claim the incentive, an R&D declaration is required.

3. Eligibility requirements

R&D tax credit

Eligible expenses include any R&D costs (i.e., wage costs for R&D employees, other R&D-related costs, R&D investment expenses) and other expenses that are directly related to the R&D projects. R&D-related costs and R&D investment expenses must be linked exclusively to activities performed under an R&D declaration. Examples of such costs include specific equipment or instruments for R&D, specific equipment or instruments for the manufacturing of models, and trial batches or prototypes. Any specific software and computer equipment used for R&D also qualify. Investments in land are excluded.

Costs that are linked to activities performed under an R&D declaration include costs related to consumer goods, materials and raw materials; costs related to experiments, the production of trial batches, materials and parts regarding the manufacturing of prototypes by the taxpayer or by third parties; acquisition of licenses for specific software packages or information and communication technologies (ICT) tools; carrying out of measurements or testing of prototypes; and rental of equipment from third parties. Eligible costs exclude costs with respect to outsourced R&D, costs of hiring labor, financing costs, costs of acquiring or improving land, and costs forming a remuneration for the disposition of capital equipment for which the taxpayer was already awarded an R&D declaration.

Eligibility is not limited to specific industries. Specific eligibility for each incentive requires employee performance of the following R&D activities:

- Technical scientific research
- Development of new or partially new technical products, processes or software

Innovation credit

Loans will be granted only if the project is technologically innovative and fulfills the other requirements.

Innovation box

A distinction is made between "smaller taxpayers"[1] and other taxpayers. For smaller taxpayers, the incentive is granted for self-developed intellectual property (IP) for which the R&D activities are covered by an R&D declaration. For larger taxpayers, in addition to the R&D declaration, the taxpayer must be covered by one of the conditions listed below in Section 4 under "Qualifying intellectual property."

MIT

Grants will be provided only to SMEs to perform feasibility studies, have knowledge questions addressed or engage in R&D collaboration projects (minimum of two SMEs). The EU definition of SMEs applies when determining eligibility.

One-time full amortization for R&D intangible assets

The taxpayer has to self-develop the intangible asset.

R&D deduction

The individual has to obtain an R&D declaration, which may be granted if the hours spent on the enterprise amount to at least 1,225 hours, of which a minimum of 500 hours per calendar year are spent on R&D.

[1] A net turnover – calculated on the global group level if the taxpayer is part of a group – of less than EUR250 million over a five-year period and less than EUR37.5 million in gross revenues over a five-year period from all qualifying intellectual assets (calculated on the taxpayer level).

4. IP and jurisdictional requirements (innovation box)

Effective date

1 January 2025

Qualifying IP

A distinction is made between smaller taxpayers and larger taxpayers. For smaller taxpayers, a self-developed IP for which an R&D declaration has been granted to the taxpayer is sufficient. For larger taxpayers, in addition to the R&D declaration, one of the following requirements should be met:

- Their IP can be classified as software.
- A patent or a plant variety right has been granted to the taxpayer.
- An application for a patent or a plant variety right has been filed by the taxpayer.
- A license to trade and use certain non-chemical methods for crops protection has been granted to the taxpayer.
- A license to distribute medication for human or animal application within the EU has been issued to the taxpayer.
- A Supplementary Protection Certificate has been issued to the taxpayer by the Netherlands Patent Office.
- A registered utility model has been granted for the purpose of the protection of the innovation.
- A non-chemical method within the meaning of Article 18, Crop protection law and biocides, has been approved.
- An exclusive license has been granted to the taxpayer for the use of one of the abovementioned IPs, in either a certain way, during a certain term or certain geographical area.

Types of income

Embedded income in turnover derived from finished product, royalty income and capital gains realized by the sale of the IP.

Calculation of income

Based on the modified nexus approach, qualifying IP income = (qualifying expenditures x 1.3/overall expenditures) x IP income.

IP regime rate

Nine percent on qualifying income instead of the statutory CIT rate (25.8%).

Can work be performed outside the country?

Yes, under certain circumstances. Because of the modified nexus approach, outsourcing more than approximately 30% of the R&D to related entities will effectively reduce the qualifying IP income.

Must the IP be registered/owned locally?

No, it is sufficient if an exclusive license has been granted to the taxpayer that meets the requirements described under the header "Qualifying intellectual property."

Other requirements

Companies must demonstrate their R&D activities to assess the actual amount of the profit that can be allocated to the innovation box. It is common practice that the amount of income that can be allocated to R&D (and thus the basis for the nexus calculation) is discussed with the tax authorities and confirmed in a ruling.

Grandfathering rules apply to taxpayers making use of the 2016 innovation box regime until the end of the last financial book year of the taxpayer prior to 1 July 2021 insofar as the pre-1 July 2016 IP still generates income, subject to meeting one of the following requirements:

- The 2016 innovation box regime remains applicable to IPs self-developed before 1 July 2016 if the taxpayer ultimately opts to apply the innovation box in the tax return for the fiscal year that includes 1 July 2016.
- IP developed before 1 January 2017 but after 31 December 2006 for which a patent or a plant variety right has been granted qualifies for the new regime; no additional R&D declaration will be required.
- A decree was published in relation to innovation box rulings concluded under 2016 legislation, entered into by "smaller taxpayers" (see footnote 1 in Section 3) with the Dutch tax authorities (BLKB 2016/225266 M). Normally, these rulings are discontinued in the event of a change in legislation. Upon request, innovation box rulings concluded by small taxpayers remain valid after 2016 for the remaining effective time of the ruling.

The grandfathering rules are applicable no later than the final fiscal year ending before 1 July 2021. As of 1 July 2021, only the new innovation box regime will be applicable.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in the Netherlands.

6. Role of governmental bodies in administering incentives

The innovation box, one-time full amortization for R&D intangible assets and R&D deduction fall under the jurisdiction of the Dutch tax authorities. Especially for the innovation box, the Dutch tax authorities are cooperative in obtaining a ruling that provides certainty for several years on applying the innovation box.

The R&D tax credit, innovation credit, the SME Innovation Incentive Scheme for Top Sectors and PPS fall under the Netherlands Enterprise Agency.

7. Administrative requirements

The R&D tax credit, innovation credit and PPS have to be obtained in advance by filing a request with the Netherlands Enterprise Agency. After the incentive is granted, progress in terms of realized worked hours, costs and investment has to be administrated and filed at the agency after the financial year has ended.

8. Statutory reference

- R&D declaration (1994): Dutch stimulation for R&D act
- Innovation credit: National Framework of the Ministry of Economic Affairs grants (*Kaderbesluit EZ* – subsidies)
- SME Innovation Incentive Scheme for Top Sectors (MIT): National Framework of the Ministry of Economic Affairs grants (*Kaderbesluit EZ* – subsidies)
- Innovation box (2007): articles 12b through 12bg and 34d, Dutch CIT act 1969 and Innovation Box Decree nr. 2018 – 68661 dated 20 December 2018
- Full depreciation at once of R&D intangible (2007): Article 3.30, Section 3, Dutch income tax act 2001
- R&D deduction (1994): Article 3.77, Dutch income tax act 2001

New Zealand

This chapter is based on information as of February 2025.

New Zealand has two key R&D tax incentives: the R&D tax incentive and the R&D loss tax offset. Since the introduction of the R&D tax incentive in 2019, it has become New Zealand's primary support mechanism for business R&D expenditure.

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1. Overview

The R&D tax incentive was introduced in 2019. Most businesses operating within New Zealand should be eligible to claim a credit at a rate of 15% if they incur expenditures on qualifying R&D activities (other criteria apply; see the "Eligibility" section). If businesses have no or insufficient tax liability to utilize the tax credits, unutilized credits can be refunded up to the refund cap. The refund cap usually equals the total amount of employment-type taxes the business and its associates have paid to the government during the year.

The R&D loss tax offset was introduced in 2015. It allows R&D-intensive companies to refund tax losses that result from R&D expenditure. Eligible companies are allowed to cash out up to 28% of any tax losses associated with their eligible R&D activities, subject to the restrictions specified below.

There are a range of competitive grants available, aimed at increasing long-term economic growth by providing funding to businesses with innovative and value-add projects. The grants regime consists of a range of industry-specific grants typically focused by sector, e.g., agriculture, sustainability and infrastructure, and are assessed on a project-by-project basis.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D tax incentive	R&D loss tax offset	R&D grants
Type of incentive	■ Tax credit and refundable tax credit	■ Refundable tax credit	■ Cash grant

R&D tax incentive

Description of benefits

- A 15% tax credit is available to most businesses undertaking R&D in New Zealand.
- R&D expenditures of NZD50,000 to NZD120 million per year will typically qualify (pathways exist to spend more or less but specific requirements apply).
- Foreign-reimbursed R&D can qualify as long as the overseas associate resides in a jurisdiction that has a double tax agreement with New Zealand.
- Up to 10% of total R&D expenditures per year can be incurred outside New Zealand.
- R&D tax credits can be refunded up to the refund cap, which typically equals the total amount of employment-type taxes the business and its associates have paid to the government during the year. Refunds for payments to approved research providers are uncapped.
- Remaining R&D credits may be carried forward indefinitely.

R&D loss tax offset

Description of benefits

To qualify, a company must be an unlisted tax loss-making resident of New Zealand that spends at least 20% of global associate labor expenditures on qualifying R&D in New Zealand.

A company may cash out the lesser of the following at a rate of 28%:
- NZD2 million
- A company's net loss for the year
- A company's total eligible R&D expenditures for the year
- 1.5x a company's eligible R&D labor costs for the year

Certain events may trigger the repayment of any offset received. These events can include the sale of R&D assets or the liquidation, migration or sale of a company.

R&D grants

Description of benefit

The government offers a range of grant programs. Details and requirements change regularly.

Other industry-specific R&D grant programs are also available. An example is the Sustainable Food and Fibre Futures fund, which provides up to NZD5 million in co-funding for agri sector benefit projects.

3. Eligibility requirements

R&D tax incentive

Eligibility of businesses
- Businesses cannot be controlled by a Crown Research Institute, District Health Board or a tertiary education organization.
- A business needs to conduct a core R&D activity in New Zealand and own the results or be able to use the results of the R&D activities without further consideration.
- A business cannot receive certain types of exempt income.

Eligible activities

Eligible R&D activities include "core" or "supporting" activities. Core R&D activities utilize a systematic approach to generate new knowledge or a new/improved good, process or service and require the resolution of a scientific or technological uncertainty. Core R&D activities must occur in New Zealand.

Supporting activities include other activities that are solely or mainly in support of and integral to a core R&D activity.

Eligible expenditures

Eligible expenditures include most costs incurred on an eligible R&D activity. This typically includes salaries, materials, contractor payments and depreciation loss incurred on assets while used in R&D. Expenditure on the development of internal use non-administrative software is capped at NZD25 million per year. Ten percent of the total R&D expenditure can be incurred overseas.

R&D loss tax offset

New Zealand-resident unlisted loss-making companies that meet certain wage intensity criteria are eligible. The NZ International Accounting Standard No. 38 definition of R&D applies, subject to certain activity and expenditure exclusions.

The R&D loss tax offset regime and R&D tax incentive are not mutually exclusive, but they have different R&D definitions and eligibility criteria.

R&D grants

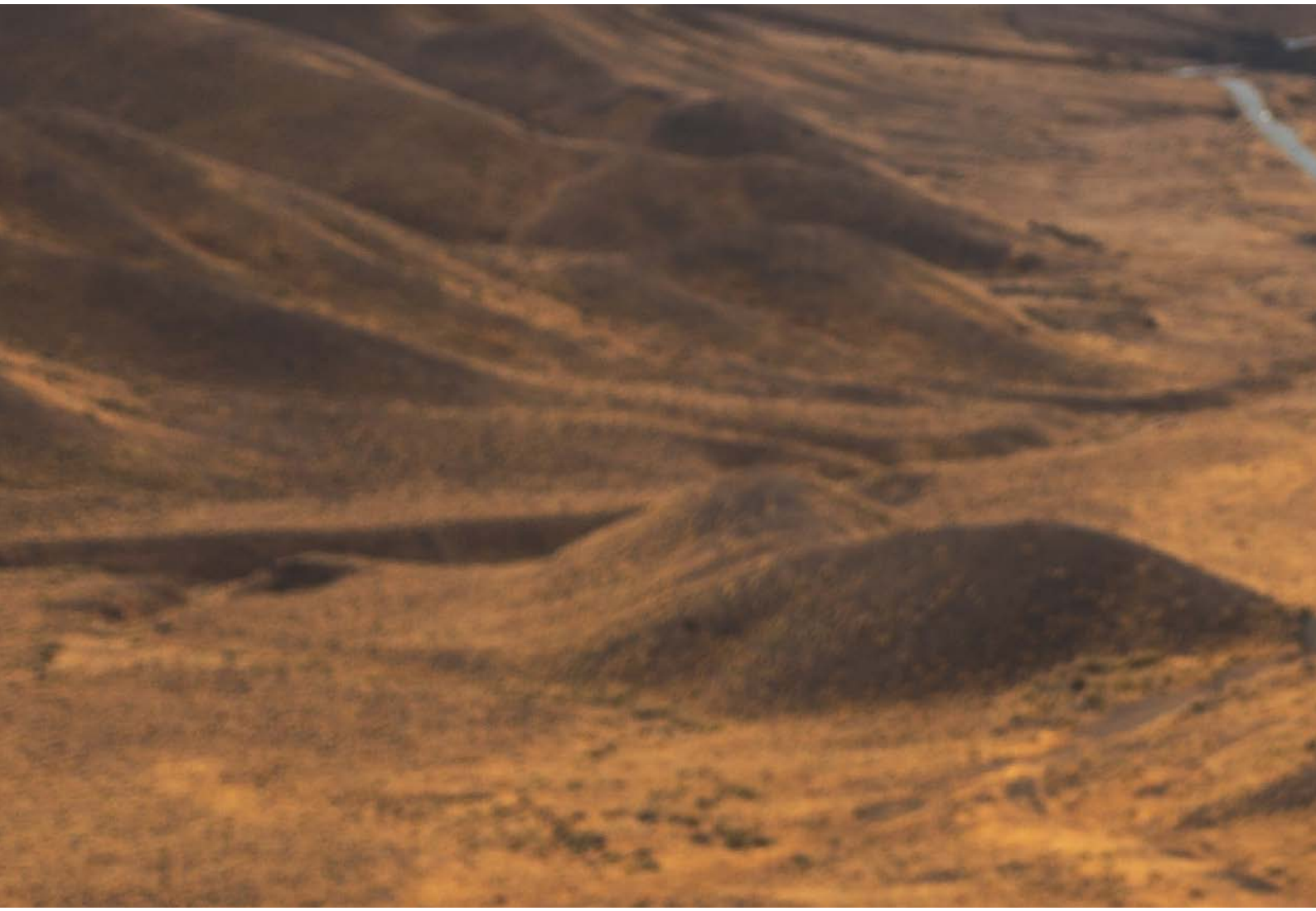
Eligibility requirements are specific to each grant.

4. Intellectual property (IP) and jurisdictional requirements

- **R&D tax incentive:** IP resulting from R&D activities must be owned by the company or an associate that resides in a jurisdiction that has a double tax agreement with New Zealand, or the company must have access to the R&D results at no further consideration. Where applicable, the IP requirements can be met by a joint venture.
- **R&D loss tax offset:** IP resulting from R&D activities must vest (solely or jointly) in the company.
- **R&D grants:** There are no specific IP requirements.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in New Zealand.



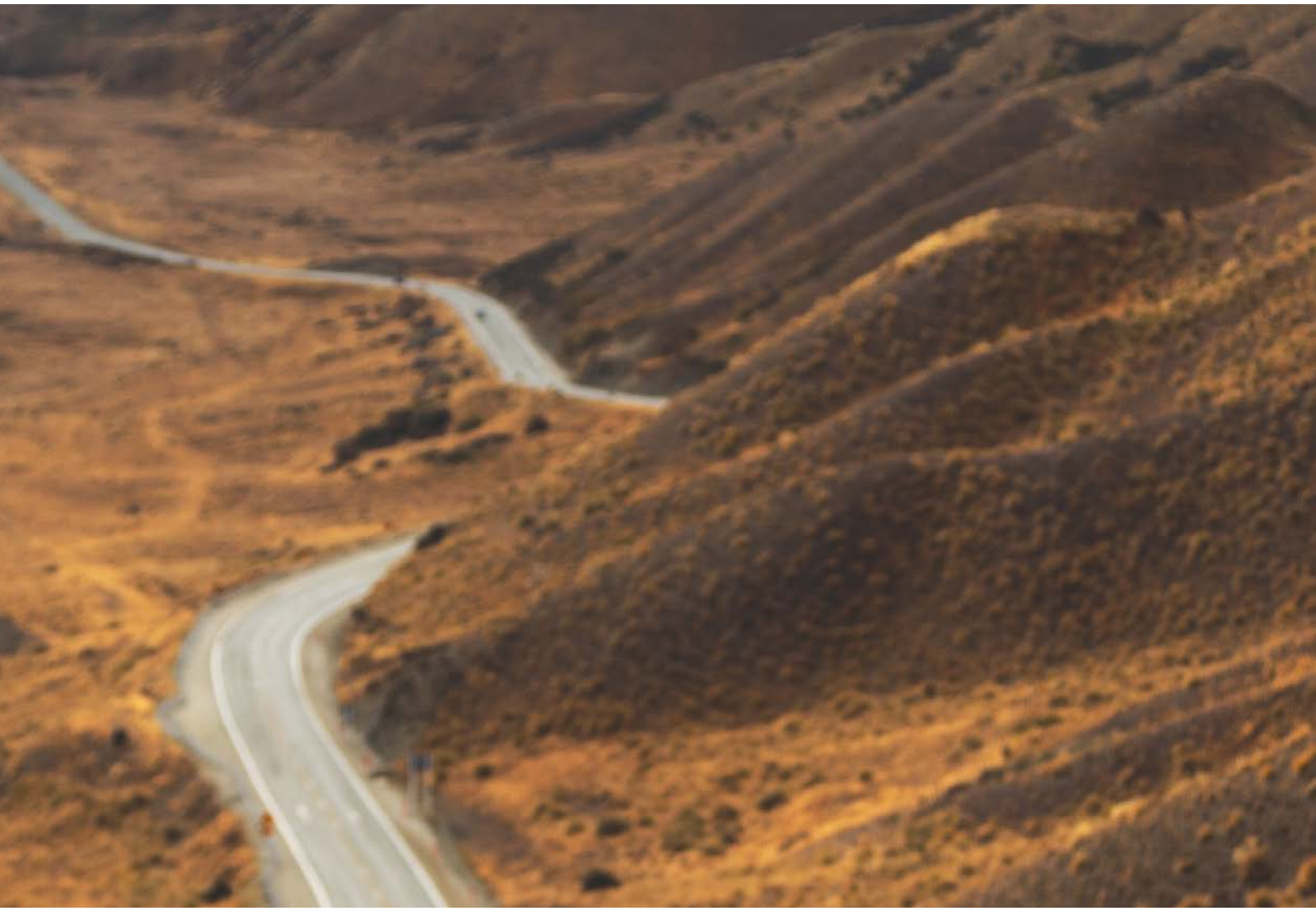
6. Role of governmental bodies in administering incentives

The R&D tax incentive and R&D loss tax offset regimes are administered by Inland Revenue.

The grants are administered by industry-specific government departments and agencies.

7. Administrative requirements

R&D tax incentive: Businesses that are likely to spend less than NZD2 million on R&D activities must apply for general approval of their R&D activities (due by the seventh day on the second month after the end of their income year), then file a supplementary return within 30 days of their income tax return due date. Businesses that spend NZD2 million or more on R&D activities can opt out of the general approval process and into the significant R&D performer alternate application process. A significant R&D performer application must be filed by the last day of the sixth month of the relevant income year. Significant R&D performers must obtain a certificate of compliance from an R&D certifier. This certificate is filed with the supplementary return, which is due within 30 days of their income tax return due date.



R&D loss tax offset: Applications must be made within 30 days of due date of a company's corresponding income tax return.

R&D grants: Requirements depend on the grant received.

8. Statutory reference

R&D tax incentive: Income Tax Act 2007 and Tax Administration Act 1994

R&D loss tax offset: Income Tax Act 2007, subpart MX

R&D grants: Crown Entities Act 2004 and Ministerial Direction (December 2015)

Year of statutory regime

R&D tax incentive: from 2019-20 income year

R&D loss tax offset: for income years beginning on or after 1 April 2015

Norway

This chapter is based on information as of February 2025.

The SkatteFUNN scheme is a tax incentive for companies carrying out qualifying research and development (R&D) and rewards both internal R&D as well as procured R&D. R&D costs of up to NOK25 million can be claimed. The scheme is designed to motivate businesses to carry out more R&D, ultimately for the benefit of the public. The incentive is provided through a tax credit of 19% on qualifying expenditure. If the company is not in a taxpaying position, or the deductions claimed through SkatteFUNN exceed tax payable, the excess amount will be contributed as a cash payment to the taxpayer.

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1. Overview

Norway introduced a tax credit scheme in 2002 as part of its R&D incentives framework, making it the first Nordic country to include such a scheme in its tax law. Taxpayers may claim deductions of up to 19% of the qualifying expenditure. The deduction is either used to obtain reduced tax liabilities or contributed as a cash payment if the taxpayer is not in a taxpaying position. This direct deduction is calculated in accordance with the rules provided by the Norwegian Tax Authorities for user-led R&D projects. To benefit from the deduction, the Research Council of Norway must approve the R&D project. The deduction may be taken in addition to regular deductions for taxable income.

The introduction of the tax credit scheme was the result of a proposition made by the Hervik Commission[1] in a green paper for the Ministry of Trade, Industry and Fisheries in 2000 (NOU 2000:7). Prior to this green paper, there had been a political consensus to focus on R&D incentives to facilitate investment and innovation in Norwegian industry and to reach the Organisation for Economic Co-operation and Development (OECD) R&D average.

[1] The Hervik Commission was appointed by the Norwegian government to suggest policy measures aimed at encouraging industry to invest more in R&D.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Tax credit scheme (SkatteFUNN)*	Cash grants/financial support	Loans and warranties
Type of incentive	■ Tax credit and reduced social security contributions	■ Cash grants	■ Loans

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Tax credit scheme

Description of benefits

Taxpayers may claim deductions of up to 19% of the qualifying expenditure. The deduction is either used to obtain reduced tax liabilities and social security contributions or contributed as a cash payment if the taxpayer is not in a taxpaying position.

Guidelines around incentive applications

The incentive is applicable to current and future investments. To secure the tax deduction, taxpayers are required to submit a project application for preapproval to the Research Council of Norway. The deduction is claimed within the corporate income tax return. Qualifying expenditures can only be claimed from the tax year in which the application was approved. To guarantee that an application will be processed ahead of the tax year-end (31 December) an application must be submitted to the Research Council by 1 September in the tax year.

Cash grants/financial support

Description of benefits

Governmental agencies and partially state-owned organizations provide various cash grants and financial support for R&D activities. The main actors include **Innovation Norway**, which focuses on innovation and business development; **Enova**, which promotes energy efficiency and low-emission technology; **the Research Council of Norway**, which funds research-driven initiatives; and **Gassnova**, which supports carbon capture and storage (CCS) projects.

The level of support depends on the type of project, the size of the company and potential collaboration. All grants must comply with the European Free Trade Association (EFTA) Surveillance Authority guidelines based on EU regulations, limiting the amount of state aid.

Guidelines around incentive applications

To receive grants or financial support, companies must apply to the relevant funding body before the project starts. In most cases, it is required that the company is registered in Norway.

A key principle is that projects receiving support must contribute toward Norway's commitments under the Paris Agreement and the goal of a low-emission society by 2050. This principle applies to both neutral and positively transformative green projects and does not exclude support for valuable projects within the petroleum industry.

Loans and warranties

Description of benefits

Innovation Norway and Eksfin offer loan and warranty schemes to support businesses, particularly those with international or export-oriented focus. Eksfin focuses on financing climate-friendly investments with export potential. Support is available for projects contributing to green transition, in alignment with national and international sustainability goals, such as the Paris Agreement. All support provided adheres to EFTA guidelines on state funding.

Guidelines around incentive applications.

The incentive is applicable to current and future investments. To receive the incentive, taxpayers are required to obtain preapproval from Innovation Norway.

3. Eligibility requirements

Qualifying expenses include all expenses that are deductible according to the general tax rules, provided that the expenses are related to R&D projects. Qualifying activities include development of new goods, services or manufacturing processes. While there is no restriction on industry type, the projects should align with Norway's commitment to the green transition, and the incentives are available as long as the project meets the necessary criteria.

Tax deduction schemes through SkatteFUNN have certain eligibility requirements:

- The company must be subject to taxation in Norway, although if it is in a tax loss position, the allowance is paid in cash.
- The projects must be in compliance with the requirements in Sections 16-40 and 16-41 of the Norwegian Taxation Act and related regulations.
- The projects must be purposeful, limited and beneficial to the company applying.
- The company cannot be considered an "undertaking in difficulty," as per EU state aid rules.

4. IP and jurisdictional requirements

For a project to qualify for the R&D tax credit, the intellectual property (IP) created throughout the project should be retained in Norway.

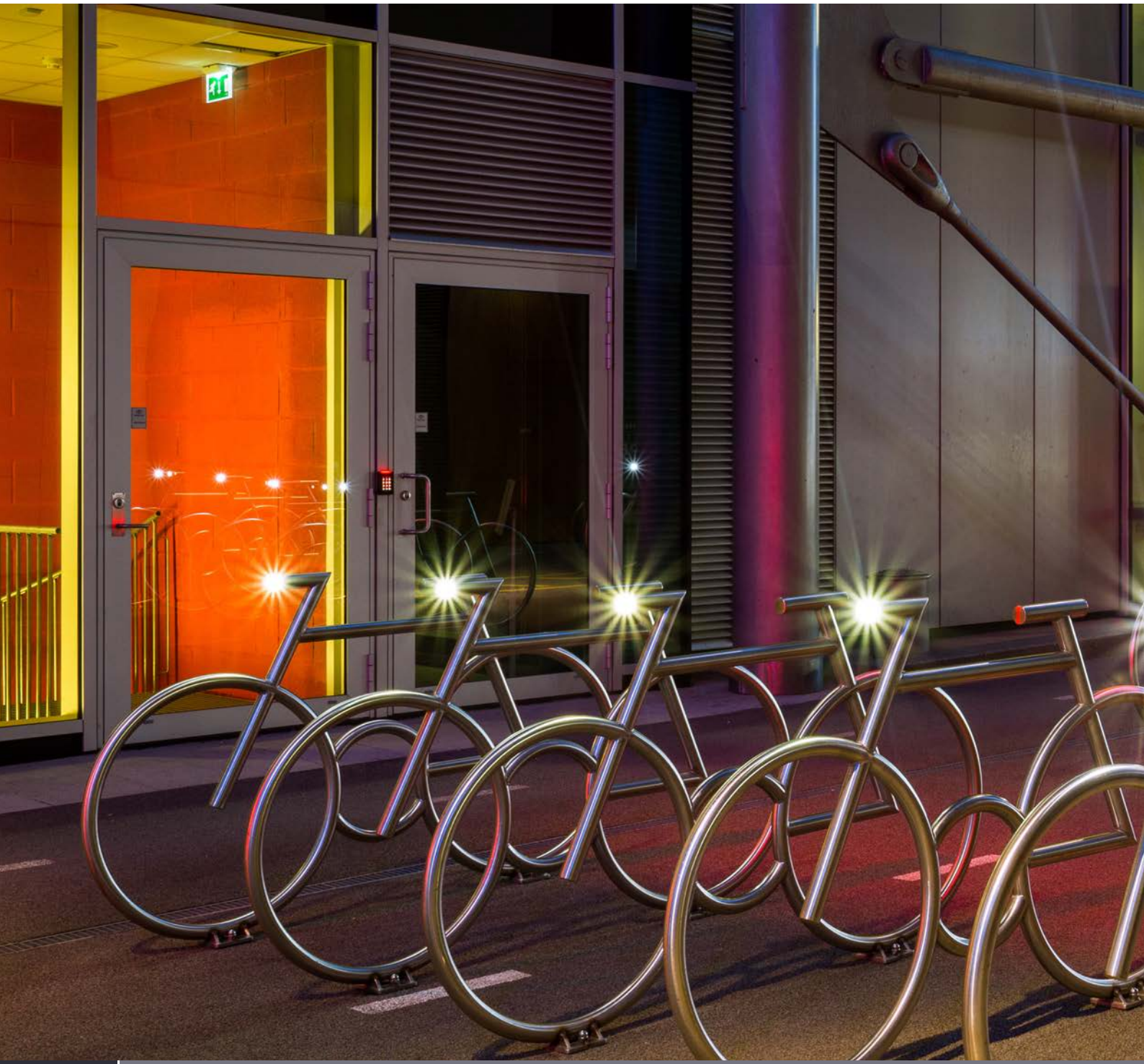
5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Norway.

6. Role of governmental bodies in administering incentives

The SkatteFUNN tax credit scheme is administered by the Research Council of Norway in collaboration with the Norwegian Tax Authorities.

Other support schemes, such as grants, loans and warranties, are administered by various governmental bodies, including Innovation Norway, Enova and Gassnova, all of which are owned and overseen by different ministries to achieve alignment with national goals for innovation, sustainability and green transition.

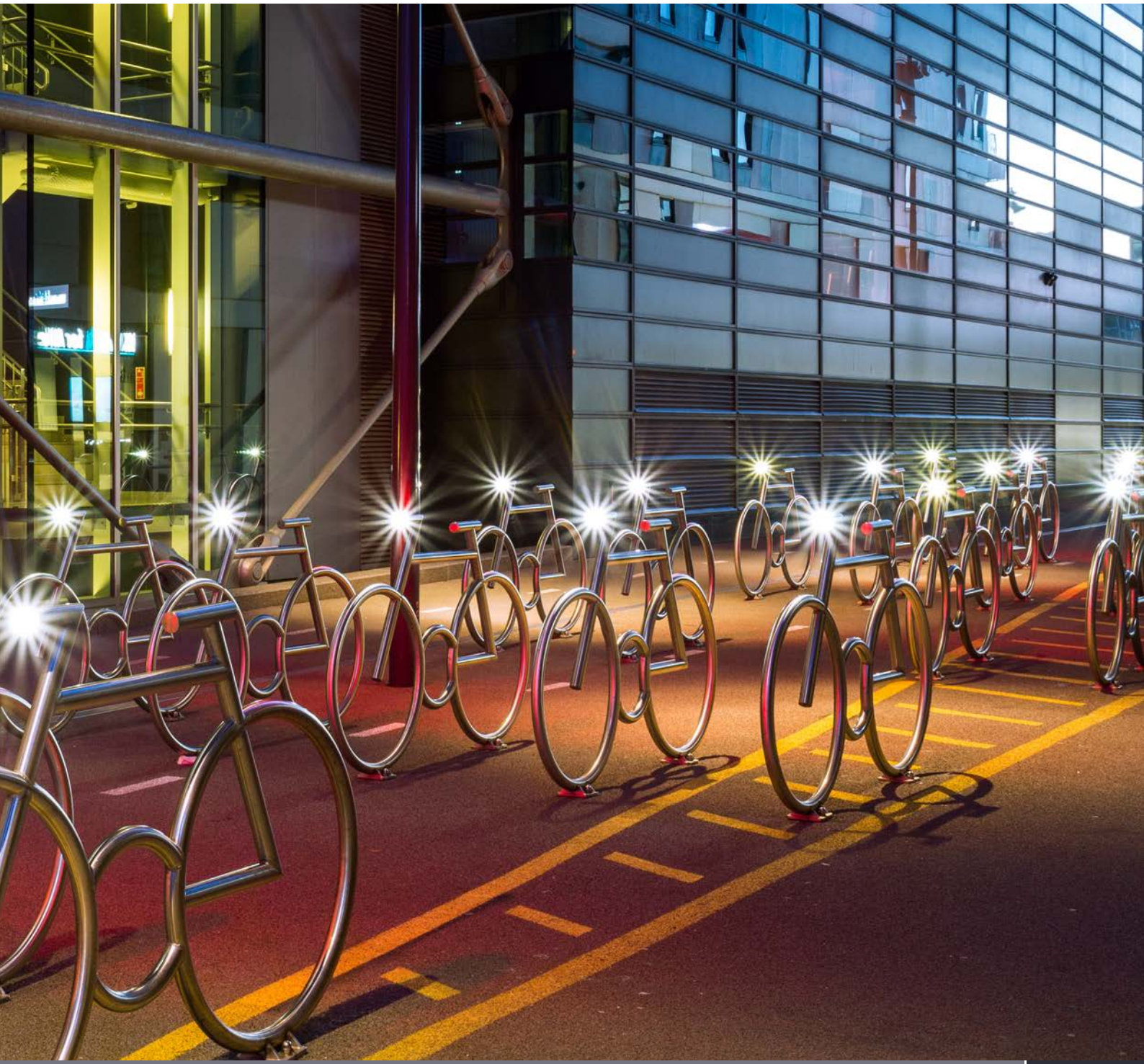


7. Administrative requirements

The Research Council of Norway deals with the preapproval process for tax deduction schemes. The council also manages the submission of the annual reports, which has a deadline of 1 March annually, for tax deduction schemes. Applications for grants, loans and other forms of financial support are handled directly by the relevant funding bodies.

8. Statutory reference

- Statutory reference – Sections 16-40 and 16-41 in the Norwegian Taxation Act
- EU No. 651/2014 Article 2 (18)
- Year of statutory regime – 2002



Peru

This chapter is based on information as of February 2025.

In Peru, tax benefits related to investments in scientific research, technological development and technological innovation (R&D&I investments) are applicable by local corporate taxpayers. The Peruvian government provides an additional deduction of the amount of the investment: 140%, 90% or 60%, depending on the taxpayer income level and the residence country of the service provider of the R&D&I services. The R&D&I projects subject to the tax benefits must be previously approved by CONCYTEC (National Board of Science, Technology and Technology Innovation).

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1. Overview

In 2015, the Peruvian government, through its Legislative Power (Congress), identified that investment in R&D&I was extremely low (0.12% of the GDP), much lower than the average in Latin America, and private investment only represented 20% of the total of R&D investments.

In this context, to attract more private investments in innovation projects, it was proposed to grant a tax incentive for research, development and technological innovation (thus, R&D&I projects).

The proposed tax incentive regarding the R&D&I projects is intended to achieve the following specific objectives: (1) increase the private sector investments in R&D&I, (2) generate a real commitment in R&D&I projects, and (3) allow the Peruvian government to identify enterprises that are investing in R&D&I.

Currently, corporate taxpayers that invest in R&D&I projects are entitled to an additional deduction over the total amount disbursed on R&D&I projects each year to determine their Peruvian-source income tax. This additional deduction will be up to 500 tax units (TU) for each year (in 2024, approximately USD677,000). For this purpose, the projects have to be previously approved by CONCYTEC and registered before INDECOPI (National Institute for the Defense of Competition and the Protection of Intellectual Property), if that requirement applies.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

Before the tax benefit for R&D&I investments, the Peruvian Income Tax Law did not expressly grant any benefit or regulate the tax treatment of payments made related to R&D&I. It was not until Law No. 30309, issued in March 2015, that the government clearly showed its attitude toward granting a tax benefit related to these activities. However, because the tax benefit was in the form of an additional deduction instead of a tax credit, there was not much interest for private investment because the benefits did not justify the costs. Because the number of investors applying for these tax benefits was lower than expected, the government modified Law No. 30309 (via several laws) to expand the percentage of the additional deduction; however, the tax incentive cap was reduced (from 1,335 TU to 500 TU), which did not allow private corporations to invest a material amount in R&D&I projects. Therefore, the R&D&I tax incentive regime in Peru has not had a good reception by the Peruvian taxpayers.

2. Incentives available

Name of incentive	Tax incentive to private investment in R&D&I projects (Law No. 30309 and Supreme Decree No. 188-2015-EF and amendments thereof)
Type of incentive	■ Additional tax deductions

Tax incentive for private investment in R&D&I

Description of benefits

To boost private investment in R&D&I in Peru, in March 2015 the Peruvian Congress approved a new regulation, Law No. 30309 (and its amendments), that established the R&D&I tax incentive regime by granting an additional deduction for corporate taxpayers and the legal framework to obtain this benefit.

Additionally, the Peruvian Ministry of Economics issued Supreme Decree No. 188-2015-EF (Law No. 30309 regulations), which regulated the procedure to present the qualification and authorization request for applying for the benefit.

Characteristics of the Peruvian tax benefits in R&D&I investments

- Taxpayers who invest in R&D&I projects, whether related to an enterprise's business or not, that comply with the corresponding requirements, are entitled to an income tax deduction equivalent to the amount of the expense increased by a percentage, which depends on the amount of the net income that a taxpayer generates in the year in

which the expense is performed and the way in which the project will be carried out, according to the following:
- For taxpayers whose net income does not exceed 2,300 TU,[1] the percentage is:
  - 240% if the project is carried out directly by the taxpayer or through Peruvian R&D&I center
  - 190% if the project is carried out through a non-resident center
- For taxpayers whose net income exceeds 2,300 TU, the percentage is:
  - 190% if the project is carried out directly by the taxpayer or through Peruvian R&D&I center
  - 160% if the project is carried out through a non-resident center
- Note that the additional deduction is up to 140%, 90% or 60%, as the case may be.
- To apply the additional deduction of 140%, 90% or 60%, taxpayers must comply with the following requirements:
  a) The R&D&I projects must be qualified as such by CONCYTEC.
  b) The R&D&I projects must be developed directly by taxpayer or through the center. In both cases, the developer must be authorized to perform the R&D&I projects. To obtain the authorization, the project must have researchers or specialists who are registered in the professional national directory in science, technology and innovation managed by CONCYTEC as well as having equipment allocated to the project that is fully identified, indicating the activities in which it will be used.
  c) The taxpayers must control accounts for each project.
  d) The result of the R&D&I project must be registered with INDECOPI, if applicable.
- Taxpayers are allowed to perform R&D&I projects themselves or through scientific research, technological development or technological innovation centers.
- In both cases, the entity in charge of granting the qualification and authorization of the R&D&I project is CONCYTEC.
  The following procedures must be followed, as applicable, by the taxpayer or the scientific research, technological development or technological innovation center to obtain the qualification and/or authorization for the R&D&I project:
  a) Qualification and authorization procedure for the taxpayer who develops the project directly
  b) Qualification procedure of the project developed through previously authorized scientific research, technological development or technological innovation center.
  c) Procedure for project qualification for taxpayers and simultaneous authorization for scientific research, technological development or technological innovation center, whether resident or not in Peru
  d) Authorization procedure for resident scientific research, technological development or technological innovation center
  e) Authorization procedure for non-resident scientific research, technological development or technological innovation center
- The initiation and conclusion of the procedures mentioned above will occur as follows:
  a) To initiate the procedures, the taxpayer or the scientific research, technological development and/or technological innovation centers must apply to the CONCYTEC digital platform.
  b) The procedures conclude with a resolution issued by CONCYTEC, which will be duly notified.
  c) The term to resolve the procedures application is 45 working days. Beyond this term, the request is considered denied.
- The additional deduction of 140%, 90% or 60% cannot exceed the annual cap of 500 TU (approximately USD723,000).
- Scientific research, technological development and technological innovation expenses are those directly associated with the development of the project, including the depreciation or amortization of the assets used for such activities.
- For the deduction of expenses in R&D&I projects, it is understood that the expenses are incurred in the year in which they accrue, unless they are part of the cost of a project involving the recognition of an intangible asset, in which case it is understood that they are incurred in the year in which they are disbursed. In the case of fixed assets used in R&D&I projects, the depreciation rules established in the Peruvian Income Tax Law and its regulations are applied.
- The tax benefit applicable to the investment in R&D&I projects will be in force until 31 December 2025.

Guidelines around incentive applications

The request to CONCYTEC for the qualification of a project as R&D&I must contain the following information:
- Taxpayer Registry Number
- Names and surnames, or company name; non-domiciled centers must also provide the tax identification number of its original country
- Brief description of the R&D&I project, with express indication of the subject to be investigated, the objective and scope of the scientific research, technological development or technological innovatio

[1] In 2025, 1 tax unit = PEN 5,350 (approximately USD1,446). So, 2,300 TU = approximately USD3.3m.

- Methodology to be used, activities to be developed and expected results of R&D&I
- Estimated duration of R&D&I in months and years, if applicable
- Budget for the R&D&I project
- Signature of the taxpayer or their legal representative

CONCYTEC may also request additional information.

3. Eligibility requirements

Taxpayers subject to corporate income tax who declare their effective revenue based on full accountancy rules and who invest directly or through a domiciled or non-domiciled scientific research, technological development or technological innovation center in R&D&I projects, duly certified by CONCYTEC are eligible for the tax incentive. The eligibility terms are defined as follows:

Scientific research – any original and planned study aimed at obtaining new scientific or technological knowledge, which may be basic or applied.

Technological development – the application of the results of research or any other type of scientific knowledge to a particular plan or design to produce new or substantially improved materials, products, methods, processes or systems before their production or commercial use.

Technological innovation – the interaction between market opportunities and the knowledge base of the company and its capabilities, involving the creation, development, use and dissemination of a new product, process or service and significant technological changes thereof. Products or processes whose characteristics or applications, from a technological point of view differ substantially from those existing previously, will be considered new. Product and process innovation are considered.

CONCYTEC will analyze the requested project and determine whether it qualifies as an R&D&I project subject to the tax incentive.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to intellectual property (IP).

5. Technology or innovation zones

There are no technology or innovation zones that provide R&D incentives in Peru.

6. Role of governmental bodies in administering incentives

The R&D&I tax incentive operates on a self-assessment basis and is jointly administered by the Peruvian Tax Authority (SUNAT) and CONCYTEC. Under the incentive framework, CONCYTEC is in charge of keeping a registry where the research centers may apply. Additionally, CONCYTEC is in charge of certifying the R&D&I projects developed by a taxpayer or through a scientific research, technological development or technological innovation center.

7. Administrative requirements

Rules applicable to authorization procedures for domiciled and non-domiciled scientific research, technological development or technological innovation centers:

- The center may develop all the projects qualified as R&D&I.
- An entity may have the authorization as a scientific research center, technological development center or technological innovation center, or any combination of them.
- The authorization will be maintained during the validity of the tax benefit. For such purposes, the center must maintain the evaluated capacities that merited being authorized as a scientific research, technological development or technological innovation center.

Specific rules applicable to domiciled scientific research, technological development or technological innovation centers:

- To obtain authorization, domiciled centers must comply with the following requirements:
  a) Must have the equipment, infrastructure, information systems and other assets that are necessary for the development of R&D&I projects in one or more research disciplines

b) Must have researchers or specialists who have the necessary knowledge to develop R&D&I projects, in one or more research disciplines
c) Must have experience in the development of R&D&I in one or more research disciplines

Specific rules applicable to non-domiciled scientific research, technological development or technological innovation centers:

- To obtain authorization, non-domiciled centers must comply with the following requirements:
  a) Must have the equipment, infrastructure, information systems and other assets that are necessary for the development of R&D&I projects in one or more research disciplines
  b) Must have researchers who will prove their status through the specialized publications they have made, which must be registered in the databases of internationally indexed journals; researchers must be registered in the national directory of professionals in the field of science, technology and innovation managed by CONCYTEC
  c) Must have experience in the development of R&D&I in one or more research disciplines

Rules applicable to qualify as R&D&I projects and authorization for taxpayers that directly develop the project

- The taxpayer who directly develops the R&D&I project must comply with the following requirements to obtain authorization:
  - The taxpayer must have the equipment, infrastructure, information systems and assets necessary for the development of the project. These assets must be appropriate and individualized, indicating the activities in which they will be used.
  - The researchers or specialists who will be part of the project must have the necessary knowledge to carry it out, which will be supported by the information contained in the national directory of professionals managed by CONCYTEC.[2]
  - The taxpayer who develops an R&D&I project under this modality may contract one or more authorized scientific research, technological development and/or technological innovation centers to provide specific services related to the R&D&I project development.
  - The term of the authorization will be valid for the project execution period and may not exceed the term of validity of the tax benefit.
  - The taxpayer may develop one or more projects that qualify as an R&D&I project. Each project must be subject to the qualification and authorization procedure.

Rules applicable to qualification procedures of the project executed through previously authorized scientific research, technological development or technological innovation centers

- The scientific research, technological development and/or technological innovation center must be previously authorized by CONCYTEC.
- The taxpayer may develop one or more R&D&I projects under this modality.
- The previously authorized scientific research, technological development and/or technological innovation center must perform the activities related to the project core.

Rules applicable to R&D&I project qualification and simultaneous authorization procedures for the taxpayer and non-resident scientific research, technological development or technological innovation centers

- In this case, the qualification of the R&D&I projects and the authorization to the scientific research, technological development or technological innovation center will be carried out simultaneously.
- The R&D&I projects must be qualified as such by CONCYTEC. For scientific research, technological development or technological innovation center authorization, the corresponding requirements must be met for resident and non-resident centers.
- The authorization for a center is specific to the execution of the R&D&I project and its research discipline.
- For each R&D&I project, the respective qualification and authorization must be requested.
- The authorization will be granted for a period similar to the execution time of the R&D&I project.

8. Statutory reference

- Law No. 30309
- Supreme Decree No. 188-2015-EF (regulations)

[2] For this purpose, the directory will have at least the following information:
1. Personal data: names and surnames, identity document number and address
2. Academic background that allows verification of the studies completed, degrees and/or certifications, dates of them and the study center(s)
3. Work experience: details of the companies or entities, the position or activities carried out, the periods of work and the functions performed
4. Areas of knowledge according to the Organisation for Economic Co-operation and Development (OECD) of its activities, which also includes the sub-area and discipline
5. The scientific research, technological development or technological innovation projects in which researchers have participated
6. If the above is the case, the scientific production carried out

Philippines

This chapter is based on information as of February 2025.

The government's 2022 Strategic Investment Priority Plan (SIPP) categorizes R&D activities into three tiers. For R&D, it qualifies for Tier I and Tier III.

Tier I includes R&D activities classified as "Innovation Drivers," such as conduct of clinical trials, including drug trials (e.g., Contract Research Organization (CRO)); establishment of Centers of Excellence, innovation centers, business incubation hubs, smart cities and fabrication laboratories (fablabs)/co-working spaces; and development of mobility solutions and digital trade. Tier I also includes commercialization of new and emerging technologies, uncommercialized patents on products and services, and products of locally undertaken R&D. This includes startup and startup enablers under the Innovative Startup Act.[1]

[1] Board of Investments (BOI) Memorandum Circular No. 2021-001, *General Policies and Specific Guidelines Implementing the 2020 IPP*.

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On the other hand, Tier III[2] of the 2022 SIPP covers R&D and activities adopting advanced digital production technologies of the fourth industrial revolution, such as but not limited to, robotics; artificial intelligence (AI); additive manufacturing; data analytics; digital transformative technologies; nanotechnology; biotechnology; production and/or adoption of new hybrid seeds; and other Industry 4.0 technologies.

Tier III also covers highly technical manufacturing and production of innovative products and services, including, but not limited to, manufacture of equipment, parts and services; commercialization of intellectual property (IP), R&D products/services, aerospace, medical devices, and internet of things (IoT) devices and systems; full-scale water fabrication; and advanced materials.

Establishment of innovation support facilities is also covered by Tier III, including, but not limited to, R&D hubs, Centers of Excellence, science and technology parks, innovation incubation centers, tech startups, startup enablers, incubators and accelerators, and space-related infrastructures.[3]

[2] Application for registration under Tier III must be accompanied by an endorsement from the Department of Trade and Industry (DTI) – Competitiveness and Innovation Group (CIG) or any other institutions as may be identified by the BOI Board. For space-related infrastructures, the application must be accompanied by an endorsement from the Philippine Space Agency.

[3] BOI Memorandum Circular No. 2022-007, *Specific Guidelines to Implement the 2022 Strategic Investment Priority Plan*.

1. Overview

The Philippine government recognizes the economic benefits of undertaking R&D activities and grants incentives to encourage R&D investments in the Philippines. Incentives are granted to promote specific industries and generally to benefit all persons engaged in R&D activities. R&D incentives in the Philippines have been in force since the early 1990s and are being reinvented to suit the needs of developing industries and preferred areas of investment.

Even with the passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and the recently enacted Corporate Recovery and Tax Incentives for Enterprises Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act, the provisions on deductibility of R&D expenditures were retained. In general, R&D expenditures may be treated either as ordinary and necessary expenses deductible from gross income at 100% or as deferred expenses ratably distributed over a period of no less than 60 months, at the election of the taxpayer. Donations to research institutions or organizations accredited by the Philippine Council for NGO Certification (PCNC) are exempt from a donor's tax provided that no more than 30% of the donation is used for administrative expenses, and under certain conditions. Donations for R&D activities of the government and accredited non-governmental organizations (NGOs) are also deductible against the donor's gross income, subject to certain conditions.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☑

With the CREATE Act and the recently enacted CREATE MORE Act, enterprises may register with any Investment Promotion Agency (IPA) to enjoy an income tax holiday (ITH) and special income tax regime or enhanced deductions regime, and other incentives, subject to the following qualifications:

- Engage in a project or activity included in the SIPP.
- Meet the target performance metrics after the agreed time.
- Install an adequate accounting system.
- Comply with the e-receipting and e-sales requirements.
- Submit annual reports of beneficial ownership and related parties.

2. Incentives available

Name of incentive	R&D expense deduction	ITH and Special Corporate Income Tax (SCIT)/Enhanced Deductions (ED)	Exemption from donor's tax
Type of incentive	■ Tax deductions	■ Tax holiday and special tax rate or enhanced deductions for R&D enterprises	■ Tax exemptions for donations to accredited research institutions

R&D expense deduction[4]

Description of benefits

In general, R&D expenditures paid or incurred during a tax year in connection with the taxpayer's trade, business or profession may be treated as ordinary and necessary expenses, which are not chargeable to a capital account, or as deferred expenses ratably distributed over a period of no less than 60 months (beginning with the month in which the taxpayer first realizes benefits from such expenditures), at the election of the taxpayer.

R&D expenditures may be treated as deferred expenses if the following three conditions are met:

- They are paid or incurred in connection with the taxpayer's trade, business or profession.
- They are not treated as ordinary and necessary expense.
- They are chargeable to the capital account, but not chargeable to the property of a character that is subject to depreciation or depletion.

No deduction for R&D expenditures shall be permitted unless the taxpayer provides sufficient evidence, such as official receipts or other adequate records, showing the amount of the expense being deducted and the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the trade, business or profession of the taxpayer.

Guidelines around incentive applications

The tax deduction applies to current investments. The R&D expense is shown as an allowable deduction from gross income in the taxpayer's income tax return and its attachments (i.e., schedule of itemized deductions). The annual income tax return is filed on or before the 15th day of the fourth month following the close of the taxpayer's taxable year. The deduction must be claimed in the year when the expense is paid or incurred.

ITH and SCIT/ED

Description of benefits

With the passage of the CREATE Act and CREATE MORE Act, incentives are now performance-based, time-bound and targeted. The availability period for incentives will be based on both the location and industry of the registered project or activity. Location is prioritized according to the level of development. Meanwhile, the industry tiering is prioritized according to the national industrial strategy specified in the SIPP such that activities that offer technology transfer and can introduce new industries that would allow the economy to flourish may enjoy longer years of incentives.

Enterprises including individuals, partnerships and corporations — which include one-person corporations, the Philippine branch of a foreign corporation and regional operating headquarters — that are engaged in IT R&D activities and registered with any IPA (e.g., Philippine Economic Zone Authority, Board of Investments, Subic Bay Metropolitan Authority) or the Fiscal Incentives and Review Board (FIRB) during the effective period of the CREATE MORE Act may be entitled to an Income Tax Holiday (ITH) and Special Corporate Income Tax (SCIT) Rate or Enhanced Deductions Regime (EDR).

The registered export enterprise (REE) may opt for one of the following incentives:

1. ITH, which shall be followed by SCIT or EDR or
2. SCIT, which shall be in lieu of all national and local taxes and local fees and charges, and may be granted immediately at the start of commercial operations
   Or
3. EDR, which may be granted immediately at the start of commercial operations

[4] The CREATE Act, as amended by CREATE MORE Act, provides incentives known as "Enhanced Deductions" for export and domestic market enterprises registered with an IPA. Please see discussions under ITH and SCIT/ED.

The registered domestic market enterprise (DME) may opt for either:

1. ITH, which shall be followed by EDR
   Or
2. EDR, which may be granted immediately at the start of commercial operations

The elected incentive package shall be irrevocable for the entire duration of entitlement to such incentives.

The period of availment of incentives will depend on the location of the project, industry tiering and the granting authority.

For registered business enterprises (RBEs) registered with an IPA (with investment capital of PHP15 billion and below), they may avail of:

1. Four to seven years of ITH, which shall be followed by 10 years of SCIT or EDR
   Or
2. 14 to 17 years of SCIT or ED immediately at the start of commercial operations

The SCIT can only be availed of by an REE.

RBEs registered with the FIRB (with investment capital exceeding PHP15 billion) are entitled to an additional 10 years of SCIT or ED, as applicable.

Extension of availment of incentives for five or 10 years shall be allowed for the same registered project or activity if such project or activity employs at least 10,000 direct local employees and maintains the said number during its registration.

Projects or activities of registered business enterprises located in areas recovering from armed conflict or a major disaster, as determined by the Office of the President, shall be entitled to two additional years of income tax-based incentives. Meanwhile, registered projects or activities that completely relocate from the National Capital Region shall be entitled to three additional years of income tax-based incentives.

The 5% SCIT is based on gross income earned, in lieu of all national and local taxes and local fees and charges.

The enhanced deductions are as follows:

- Additional 10% for buildings and 20% for machineries and equipment as depreciation allowance
- Additional 50% for direct labor expense
- Additional 100% for R&D costs — this only applies to R&D directly related to the registered project or activity of the entity and shall be limited to local expenditure incurred for salaries of Filipino employees and consumables and payments to local R&D organizations
- Additional 100% for training expense
- Additional 50% for domestic inputs purchased
- Additional 100% for power expense
- Maximum of 50% of reinvested profit as a reinvestment allowance — this can only be availed of by enterprises in the manufacturing and tourism industry within five years from the time of such reinvestment and until 31 December 2034
- Additional 50% for exhibitions, trade missions or trade fairs
- Enhanced net operating loss carryover incurred during the first three years from the start of commercial operations, which may be carried over as deduction from gross income within the next five consecutive taxable years immediately following the last year of ITH entitlement period of the project or immediately following the year of loss for RBEs electing EDR at the onset

CREATE defines R&D as experimental or other related projects or activities:

- Whose outcome cannot be known or determined in advance based on current knowledge, information or experience, but can only be determined by applying a systematic progression of work based on principles of established science and proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions
- That are conducted for the purpose of generating new knowledge, including new knowledge in the form of new or improved materials, products, devices, processes or services

The abovementioned incentives may be claimed only on income derived from the registered activity of the registered business enterprise. Income derived from non-registered activities shall be subject to the 20%/25% regular corporate income tax, and no enhanced deduction can be deducted from the gross income.

Qualified expansion projects[5] or activities may qualify to avail of SCIT or EDR for eight years if approved by the IPA or 13 years if approved by the FIRB, subject to the qualifications set forth in the SIPP. Qualified expansion project or activity of registered export enterprises may also be entitled to duty exemption on importation, VAT exemption on importation and VAT zero-rating on local purchases.

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5 "Qualified expansion project" refers to a project of an existing enterprise that would involve the installation of additional facilities or equipment, or infusion of additional investment that will result in an increase in capacity of the same or similar activity within the same existing plant or facilities of the enterprise, and additional benefits to the economy. It shall include modernization and rehabilitation resulting in the upgrade of the registered product or service. The resulting increase in capacity or upgrade of the registered product or service shall be determined in the SIPP.

Upon positive recommendation of the FIRB, the President of the Philippines can approve, in the interest of national economic development, extraordinary incentives for up to 40 years, provided that the grant of ITH shall not exceed 10 years followed by 5% SCIT or EDR, which may be immediately granted at the start of commercial operations.

To be granted the modified set of incentives or financial support package, the project must have a comprehensive sustainable development plan and minimum investment capital of PHP50 billion or its equivalent in US dollars or minimum direct local employment generation of at least 10,000 personnel within three years from the issuance of the certificate of entitlement, among other conditions.

The CREATE MORE Act provides transitory provisions for enterprises registered prior to the CREATE Act, depending on the incentives granted, as follows:

Current incentives	Transitory period
A. Granted only an ITH	Allowed to continue to avail of the ITH for the remaining period For those that have not yet availed of the ITH, period specified in the terms and conditions of their registration
B. Granted ITH and entitled to 5% tax on gross income earned (5% gross income tax (GIT)) after the ITH	Allowed to avail of 5% GIT until 31 December 2034
C. Currently availing of the 5% GIT	Continue to avail of 5% GIT until 31 December 2034

Guidelines around incentive applications

The Certificate of Entitlement to Tax Incentives (CETI) is a requirement for all registered business enterprises to use the ITH or preferential rate granted by the CREATE Act.[6] The CETI shall be applied with the concerned Investment Promotions Agency (IPA) prior to the filing of the annual income tax return (AITR). The CETI, among other documents, shall then be attached to the AITR and filed on or before the 15th day of the fourth month following the close of the taxpayer's tax year.

Exemption from donor's tax

Description of benefits

In general, gifts in favor of an accredited research institution or organization shall be exempt from donor's tax provided that no more than 30% of the gift is used by the research institution or organization for administration purposes. Donations to an accredited NGO organized and operated exclusively for scientific, research and educational purposes shall be 100% deductible from the taxable business income of the donor subject to the accredited NGO's compliance with the level of administrative expense and use requirements. If the accredited NGO fails to comply with the level of administrative expense and use requirements, its donors shall be entitled to a limited deduction in an amount not exceeding 10% in the case of an individual, and 5% in the case of a corporation, of the donor's taxable income derived from trade, business or profession as computed without the benefit of the deduction claimed. Preapproval is required to obtain the incentive.

Guidelines around incentive applications

The tax exemption is claimed by filing with the BIR a Certificate of Donation stating that no more than 30% of the donation will be used by the accredited NGO for administration purposes. The Certificate of Donation must be filed with the donor's tax return within 30 days of the date the donation is made.

Other incentives

In addition to the above incentives, registered business enterprises may enjoy the following:

1. Duty exemption on importation of capital equipment, raw materials, spare parts or accessories
2. VAT exemption on importation and VAT zero-rating on local purchases of goods and services directly and exclusively used in the registered project or activities of a registered export enterprise.

[6] Revenue Memorandum Circular No. 28-2022. This repeals Certificate for Entitlement to ITH, now CETI.

3. Eligibility requirements[7]

The tax code does not provide for a specific definition of R&D allowable as a deduction or deferred expense. R&D expenditures incurred in connection with the taxpayer's trade, business or profession are generally deductible from gross income, except for the following:

- Any expenditure for the acquisition or improvement of land, or for the improvement of property to be used in connection with R&D of a character that is subject to depreciation and depletion
- Any expenditure paid or incurred for the purpose of ascertaining existence, location, extent or quality of any deposit of ore or other mineral, including oil or gas

For resident foreign corporations, the R&D activity must relate to a trade or business conducted in the Philippines.

Nonresident foreign corporations that are taxed based on their gross income may not claim a deduction.

4. IP and jurisdictional requirements

There is no specific jurisdictional requirement on the location of IP.

5. Technology or innovation zones

There are several IT zones throughout the Philippines. An enterprise engaged in IT service activities, such as IT R&D, may register with the PEZA to enjoy the incentives under Republic Act No. 7916 or the Special Economic Zone Act of 1995, as amended by the CREATE and CREATE MORE Acts. Incentives available to these enterprises include (1) an ITH, and after the ITH period, the 5% SCIT on gross income earned in lieu of all national and local taxes or EDR at the option of the qualified registered export enterprises or EDR only for qualified domestic market enterprises, or the 5% SCIT or EDR immediately at the start of commercial operations; (2) exemption from import duties and taxes on imported capital equipment, raw materials, spare parts or accessories directly attributable to the registered project or activity and that are not produced or manufactured locally in sufficient quantity or of comparable quality and at reasonable prices; and (3) value-added tax (VAT) exemption on importation and VAT zero-rating on local purchases of goods and services directly attributable to the registered activity or project. "Directly attributable" shall refer to goods and services that are incidental to and reasonably necessary for the registered project or activity of the registered business enterprise, including janitorial, security, financial, consultancy, marketing and promotion services, and services rendered for administrative operations such as human resources, legal and accounting. The relevant IPA shall determine what is directly attributable to the registered project or activity of the registered business enterprise.

6. Role of governmental bodies in administering incentives

The Bureau of Internal Revenue (BIR) may evaluate claims for R&D expense deductions and exemptions from donor's tax as part of a tax audit investigation.

The grant of incentives to enterprises engaged in IT R&D activities may be evaluated by the IPA or the FIRB on a case-by-case basis. However, the BIR may evaluate the proper administration of the incentives in a tax audit investigation.

7. Administrative requirements[8]

No BIR preapproval is required to claim R&D expense deductions as provided under the tax code. However, the following requirements must be complied with:

- The expense is directly attributable to the development, management, operation and/or conduct of the trade or business of the taxpayer.
- The expense was incurred during the taxable year.

[7] The SIPP shall define the coverage of the tiers and provide the conditions for a qualifying an IT activity. R&D, as defined under the CREATE Act, pertains to experimental or other related projects or activities whose outcomes cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work based on principles of established science and proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions that are conducted for the purpose of generating new knowledge, including new knowledge in the form of new or improved materials, products, devices, processes or services.

[8] BOI Memorandum Circular No. 2021-001, *General Policies and Specific Guidelines Implementing the 2020 IPP*. The registered facilities that conduct clinical trials or Contract Research Organization must submit a copy of Permit to Conduct Clinical Trial from the Food and Drug Administration before the conduct of each clinical trial.

- The expense is substantiated with sufficient evidence, such as official receipts or other adequate records, showing the amount of the expense being deducted and the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the taxpayer's trade, business or profession of the taxpayer.

For exemption from donor's tax and full deduction of the donation to a qualified institution, Section 13(C) of Revenue Regulations No. 02-03 states that the donor engaged in business shall give a Notice of Donation on every donation worth at least PHP50,000 to the Revenue District Office that has jurisdiction over its place of business within 30 days after receipt of the qualified institution's duly issued Certificate of Donation. The certificate shall be attached to the said Notice of Donation, stating that no more than 30% of the donation/gifts for the tax year will be used by such qualified institution for administration purposes.

8. Statutory reference

On 8 November 2023, the Department of Finance joined the OECD/G20 Inclusive Framework on BEPS and committed to the consistent implementation of the BEPS Package, which includes the four minimum standards.

The Philippines also expressed interest in joining the Outcome Statement of the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy of 11 July 2023.

As of 1 January 2025, there is no BEPS 2.0 Pillar Two law enacted in the Philippines.

R&D expense deduction

- Statutory reference: Section 34 (I) of the National Internal Revenue Code of 1997, as amended by TRAIN Law, CREATE Act, and further amended by the EOPT Act and CREATE MORE Act
- Year of statutory regime: 2024, 2021, 2018, 1997

Exemption from donor's tax and contribution expense deduction

- Statutory reference: Sections 101(A)(3), 101(B)(2) and 34(H)(2)(c) of the National Internal Revenue Code of 1997, as amended by TRAIN Law, CREATE Act, and further amended by the EOPT Act and CREATE MORE Act
- Year of statutory regime: 2024, 2021, 2018, 1997

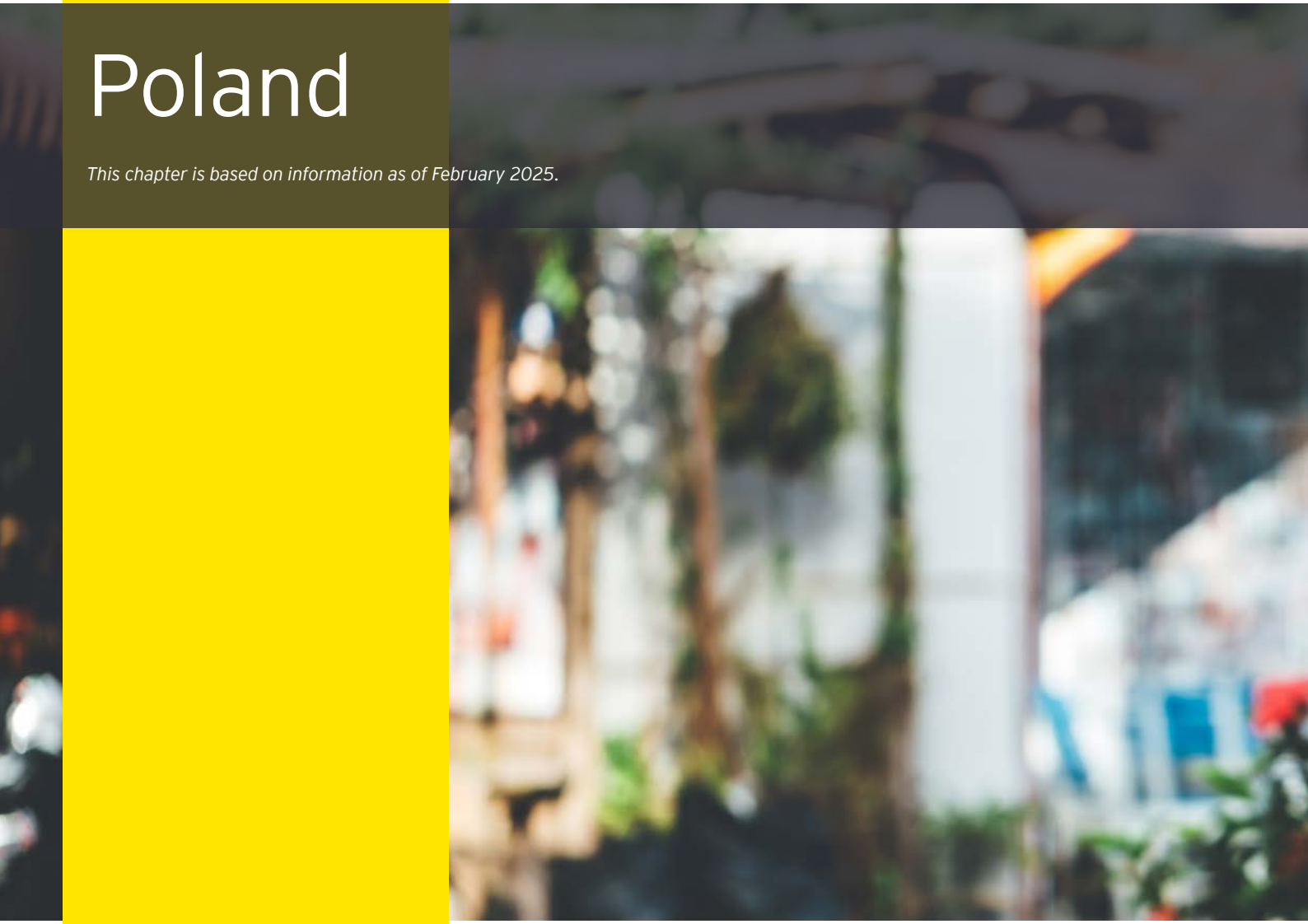
ITH and SCIT/ED

- Statutory reference: Republic Act No. 11534 (CREATE Act), Republic Act No. 12066 (CREATE MORE Act), 2022 Strategic Investment Priority Plan (Memorandum Order No. 61), BOI Memorandum Circular No. 2022-07 (Specific Guidelines to Implement the 2022 Strategic Investment Priority Plan), 2020 Investment Priorities Plan BOI Memorandum Circular No. 2020-50, BOI Memorandum Circular No. 2021-001 (General Policies and Specific Guidelines to Implement the 2020 Investment Priorities Plan), Executive Order No. 226 (or the Omnibus Investment Code of the Philippines), Republic Act No. 7916 (or the Special Economic Zone Act), as amended, and Guidelines for the Registration of Information Technology (IT) Enterprises and the Establishment and Operation of IT Parks/Buildings (2000)
- Year of statutory regime: 2024, 2022, 2021, 2020, 2017, 2000

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. We have relied upon our understanding of current Philippine tax laws, regulations, rules and issuances of the relevant tax authorities as of this date. Should these laws, regulations, rules and issuances change, some of the issues and/or conclusions discussed in this memorandum may change as well. Neither SGV & Co. nor any other member firm of the global EY organization can accept any responsibility for loss to any person acting or refraining from action as a result of any material in this publication. Please refer to your advisors for specific advice.

Poland

This chapter is based on information as of February 2025.



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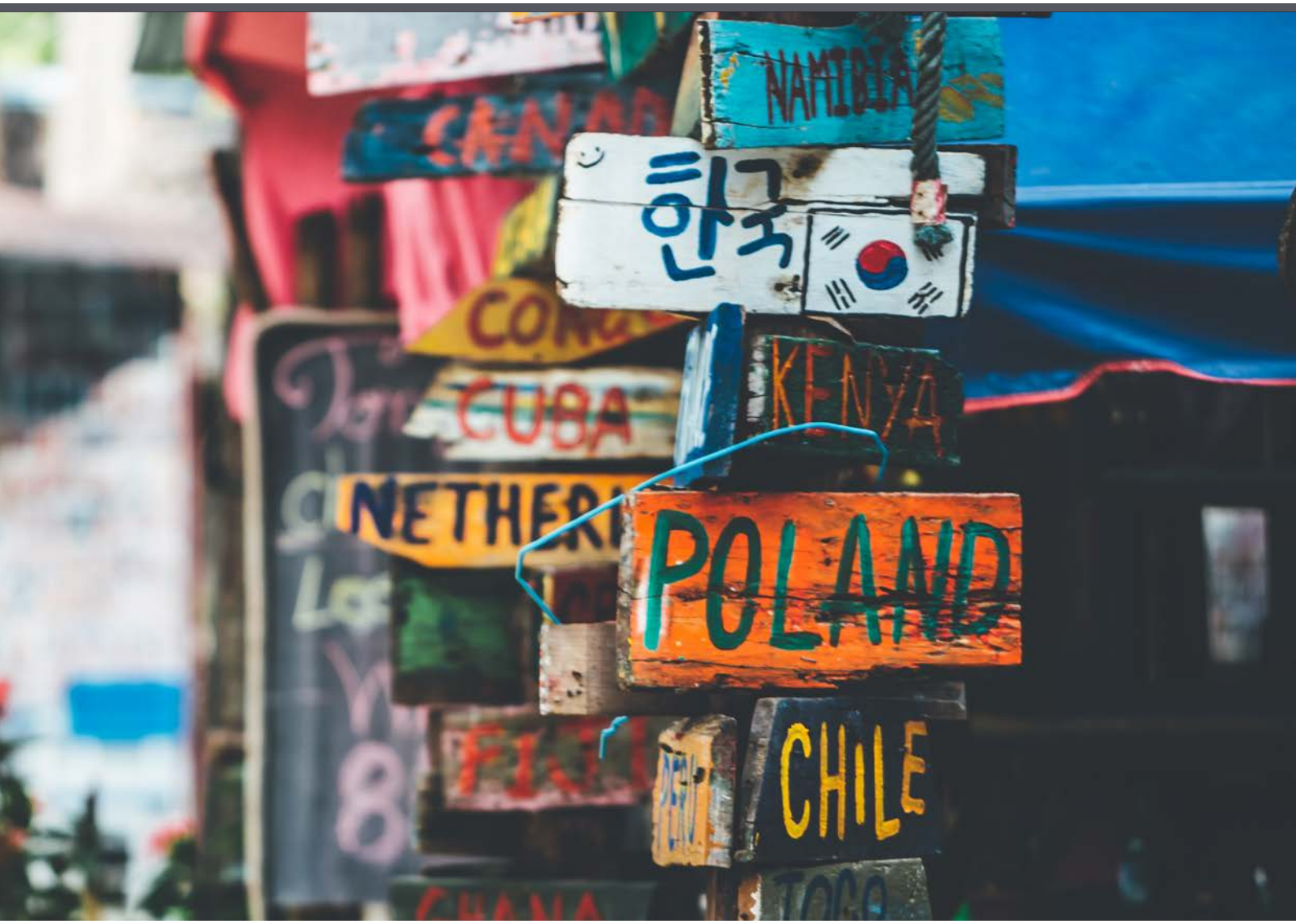
The Polish ecosystem of supporting R&D and innovative activities has gradually expanded over recent years, with the popularity of R&D credit available since 2016 growing among taxpayers in Poland. According to the latest available data of the Ministry of Finance considering corporate income tax (CIT) settlements for the 2023 tax year, about 2,500 taxpayers used the credit to report approximately PLN9.3 billion of eligible expenses. Because there is still significant room for further growth considering there are almost 660,000 CIT taxpayers, the credit is still one of the main focuses of the Ministry.

Apart from R&D credit, in the field of supporting R&D&I, Poland offers: CIT exemptions and cash grants related to new investments, prototypes and robotization reliefs, EU-funded cash grants for R&D projects, benefits for creative employees within the copyright remuneration scheme and an Innovation Box.



1. Overview

The R&D incentives system in Poland provides for tax incentives and cash grants (direct grants). The National Research and Development Center and Polish Agency for Enterprise Development is responsible for the implementation of several measures dedicated to supporting R&D projects, especially by channeling EU funds to funding R&D and innovation.

Positive changes in terms of the R&D incentives regime are being observed both in terms of direct grants and tax incentives, making the Polish R&D support system competitive and attractive for entrepreneurs. R&D tax relief, the Innovation Box, robotization relief, prototype tax relief, and relief for innovative employees are already here, and cash grants under the new EU financial perspective are available to support R&D projects conducted by entrepreneurs independently or in cooperation with research units, including those that can be augmented by investments in R&D infrastructure and implementation of innovations or green solutions. The cash grants programs provide the possibility to secure reimbursement of up to 80% of projects' costs.

In terms of R&D tax relief, starting from 2022, it is possible to additionally deduct up to 200% of employee costs of the R&D work carried out and 100% of other eligible costs. An entity with the formal status of an R&D center (RDC) may be able to deduct 200% of all eligible cost categories. The mechanism used for the R&D tax relief is based on the fact that costs associated with research and development activities have a double effect on the amount of the income tax base. For the first time, these costs are standard tax-deductible costs. Second-time costs are deducted at the time of deduction from the tax base under the R&D relief.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Incentives under the framework of Polish Investment Zone (PIZ)*	MASP	R&D tax relief – additional decrease in tax base by R&D costs*	Relief for innovative employees	RDC status	Prototype tax relief	Robotization relief	Copyright remuneration scheme	Innovation box	Grants from EU Funds/ EU Funds for Regions
Type of incentive	■ Tax exemption	■ Cash grant	■ Super deduction	■ Reduction of advance payments on payroll tax of employees	■ Super deduction	■ Super deduction	■ Super deduction	■ Payroll tax reduction	■ Preferential tax rate	■ Cash grant

**Although not based upon scientific analysis, EY clients report that these incentives deliver the most beneficial results to investors.*

Incentives for new investments under the framework of Polish Investment Zone (PIZ)

Description of benefits

The Polish Investment Zone instrument (introduced in mid-2018) is based on former Special Economic Zones. It is possible to receive a CIT exemption throughout Poland after fulfilling certain quantitative and qualitative criteria – with minimum requirements specific for a given location. The instrument allows for CIT exemption for income generated by the new investment. The maximum pool of exemption is determined as a product of regional aid intensity applicable in investment location and amount of eligible costs. The exemption is available for a period of up to 12-15 years (depending on location) or until the pool of exemption is used up.

Guidelines around incentive applications

To obtain the incentive, taxpayers must apply for a decision on support, which is issued by an area administrator (one of 14 entities with a defined geographic area under governance).

The incentive is applicable for future investments, as investments cannot start before an application for decision on support is submitted. Tax exemption must be disclosed in the annual tax return submitted to the tax authorities (forms CIT-8 or PIT-36 and CIT-8S or PIT/SE, respectively).

Governmental cash grant under the Multi-Annual Support Program (MASP)

Description of benefits

The MASP provides government-funded cash support for investments considered crucial to the Polish economy. The program offers support for the following categories of investments:

- **Strategic** – manufacturing investment of at least PLN160 million of eligible capex and creation of at least 50 new jobs
- **Innovative** – manufacturing or service investment of at least PLN7 million of eligible capex, creation of at least 20 new jobs, and implementation of a new or significantly improved product or process (innovation on Polish scale).
- **Business services center** – investment in modern business services with eligible capex of at least PLN1 million and creation of at least 100 new jobs
- **Research and development services center** – investment in an establishment dedicated to carrying out R&D services with eligible capex of at least PLN1 million and creation of at least 10 new jobs for university graduates

Depending on the type of investment, the level of support might be based on either:

- Costs of new investment expenditures
- Number of new jobs

In general, the support may amount to:

- Up to 25% of eligible investment expenditures (depending on the size of an enterprise-investor, investment location, type of investment and the number of qualitative criteria fulfilled)
- Up to PLN40,000 per new job created (depending on the size of an enterprise-investor, investment location, type of investment and the number of qualitative criteria fulfilled)

Guidelines around incentive applications

The cash grants are applicable to future investments, which have not been started before applying for the aid. The application consists of two main documents: "Information about the project form," which requires information about the investor and the project, and "Incentive effect analysis," which has to present the investor's decision-making process and justify that the pursued aid incentivizes them to implement the investment in Poland.

The grants are paid in tranches in accordance with a schedule agreed to with the Ministry of Economic Development and Technology. It is required that at least 15% of a grant is spent on cooperation with educational and scientific entities.

Grants for projects involving transition to a net-zero economy

The Ministry of Economic Development and Technology may grant support for strategic projects involving transition to a net-zero economy.

Funding is granted for an initial investment in the territory of the Republic of Poland that involves the production of:

- Batteries
- Solar panels
- Turbines
- Heat pumps
- Electrolyzers
- Carbon capture and storage (CCUS) facilities
- Components intended for direct use as materials to produce the equipment referred to above and used for that purpose
- Production or recovery of related critical raw materials necessary to produce the above equipment and its key components

The aid intensity for a low-carbon project differs across regions; however, in any location it may not exceed:

- 35% of eligible expenses for large enterprises
- 45% of eligible expenses for medium-sized enterprises
- 55% for small and micro entrepreneurs

Depending on the location of the investment, the maximum value of funding varies between EUR150 million and EUR350 million.

Funding for investments involving the production of heat pumps and key components for direct use as heat pump materials is reduced by 50% relative to the above figures.

R&D tax relief

Description of benefits

R&D tax relief allows for an additional decrease in a taxpayer's tax base by applying a super deduction of certain categories of R&D expenses borne by a taxpayer carrying out R&D activities. The deduction is calculated with reference to the amount of costs incurred for conducting R&D.

From 2022 onward, 200% of employee costs of the R&D work carried out and 100% of other eligible costs may be additionally deducted from the tax base (200% of all eligible categories of costs for entities holding the R&D center status).

If the additional deduction exceeds the company's tax base for a given year, the excess can be either consumed through relief for innovative employees or carried forward for six consecutive years after the year in which costs were incurred. The relief also can be applied retroactively – up to five years back.

The Polish Ministry of Finance is currently working on remodeling the mechanics of this relief to make it BEPS Pillar Two-compliant and secure the attractiveness of its application.

Guidelines around incentive applications

Claims for R&D tax relief are made through the annual tax return. Proper records of R&D eligible costs have to be kept, and amounts of costs must be disclosed in the annual tax return submitted to the tax authorities (CIT-BR or PIT-BR appendix to CIT-8 or PIT-36 form, respectively).

Relief for innovative employees

Description of benefits

Tax relief for innovative employees allows for the faster deduction of unsettled R&D tax relief. Taxpayers whose income for a given tax year is lower than the available deduction for R&D relief are able to settle the excess in the following year. They can achieve this by reducing advances on income tax (PIT and flat-rate income tax) deducted monthly from the income of their employees due to, for example, the employment relationship, performance of services under a contract of mandate or for a specific work, or copyright. The relief applies only to employees directly working on the implementation of R&D activities for at least 50% of their work time.

Guidelines around incentive applications

The tax relief for innovative employees may be applied starting from the month following the month in which a company submitted its annual income tax return for a given year until the end of the tax year in which the tax return was submitted. The amount of the relief is limited to the product of (1) the undeducted amount of R&D credit claim and (2) the tax rate applicable to that taxpayer in a given tax year.

R&D Center status

Description of benefits

The Ministry of Economic Development and Technology may grant R&D Center (RDC) status for entrepreneurs who carry out R&D activities, which results in (1) higher tax deductions within the R&D relief, (2) additional categories of eligible costs and (3) exemption from real estate, agricultural and forest tax.

Guidelines around incentive applications

The formal status of an RDC may be obtained, at the earliest, in the second tax year of a taxpayer's activity. To obtain the status, taxpayers must apply to the Minister of Economic Development and Technology with attachments proving fulfilment of entry conditions (including audited financial statements for the recent tax year).

Prototype tax relief

Description of benefits

The prototype tax relief allows qualifying costs related to the technological startup and implementation of a new product developed by a taxpayer into the market. The relief is intended only for manufacturing activities (not services). The prototype tax relief provides the possibility to apply an additional 30% deduction of the costs of trial production of a new product and of implementing a new product on the market to be deducted from the tax base. Consequently, the actual benefit of this tax reduction is 5.7% of eligible costs. The deduction is limited, as it must not exceed 10% of income for a given tax year.

Guidelines around incentive applications

Claims for prototype tax relief are made through the annual tax return. Proper records of eligible costs have to be kept, and costs must be disclosed in the annual tax return submitted to the tax authorities (form CIT-8/O or PIT-36).

Robotization relief

Description of benefits

The robotization tax relief allows the deduction of an additional 50% of eligible robotization costs from the tax base. The credit applies to tax-deductible costs: depreciation and amortization incurred in connection with assets fulfilling applicable definitions of an industrial robot and peripherals, as well as staff training costs and lease fees incurred in 2022 through 2026. The effective benefit from the credit, meaning tax reduction is 9.5% of incurred eligible expenses.

Guidelines around incentive applications

Claims for robotization relief are made through the annual tax return. Proper cost records have to be kept, and the information on applied deductions must be disclosed in the annual tax return submitted to the tax authorities (CIT-RB or PIT-RB appendices to CIT-8 or PIT-36 form, respectively).

Copyrights remuneration scheme

Description of benefits

Employees who transfer the copyright to their works to their employer are entitled to apply tax deductible costs increased to 50%. These increased deductible costs reduce taxable personal income of employees, and therefore, growth in net salary can be observed without any additional costs to the employer. The deduction is calculated with reference to the amount of work devoted to conducting inter alia R&D works or creative activity in the field of computer programming. The maximum amount of the benefit per employee depends on the salary but must not exceed approximately PLN38,000 per year.

Guidelines around incentive applications

Implementation of the scheme requires relevant documents and processes to be implemented by a company willing to offer this benefit to its employees, including specific clauses to the employment contracts regarding transfer of proprietary rights to an employer; procedures for recognizing, verifying and valuing the works; and processes to transfer the value of the works reported by each employee to their monthly salary.

Grants from EU funds

Description of benefits

Grants from EU funds for R&D activities are implemented under European Funds for Modern Economy, as part of the SMART Path measure. The SMART Path is addressed to enterprises planning to implement comprehensive projects in the field of:

- R&D works
- Implementation of innovations
- Development of R&D infrastructure
- Internationalization
- Development of competences of employees and people managing the company
- Digitization and greening of enterprise operations

For large enterprises, the implementation of the R&D module is obligatory. In the case of small and medium-sized enterprises (SMEs), the project must include at least one of two modules: the R&D module or the innovation implementation module. Other modules can be implemented by the company depending on the needs and specifics of the project. The implementation of the results of the R&D module can be financed under the innovation implementation module or from the company's own funds.

EU cash grants for R&D works

Support is granted under the FENG SMART Path program and according to the EU's rules on support for R&D projects. The maximum aid level depends on the company's size and the type of R&D work that is conducted by the entity. The grant is calculated based on the volume of R&D expenditures.

The basic maximum levels of support are as follows:

	Entity size					
	Micro/small		Medium		Large	
	Basic	With additional bonus*	Basic	With additional bonus*	Basic	With additional bonus*
Industrial research	70%	80%	60%	75%	50%	65%
Experimental development	45%	60%	35%	50%	25%	40%

**Maximum aid levels may be reached if additional requirements regarding the dissemination of results of the project are met.*

Aid amounts applicable to modules other than R&D range from 20% to 80%, depending on the scope of a module/initiative, size of an enterprise and location of the project.

Support granted under EU funds for regions contains similar conditions to nationwide EU cash grants for R&D works. The basic maximum levels of support depend on the type of investment and entrepreneur and generally are equal to those for nationwide EU cash grants for R&D works.

The National Centre for Research and Development is responsible for managing the program regarding large enterprises, their consortia and the consortia of SMEs with research organizations.

The Polish Agency for Enterprise Development is responsible for servicing SMEs and SME consortia.

Guidelines around incentive applications

The support is applicable to future projects and investments, which have not been started before the application for support is filed. The application for funding must include detailed information, including the justification of an innovation, a complete research plan, the definition of market demand and a plan for implementation of results of a project into the market. Once the application is submitted, it is evaluated against a set of predefined assessment criteria. The grants are paid in accordance with a schedule agreed upon between the aid beneficiary and the institution responsible for granting support.

3. Eligibility requirements

Incentives for new investments: PIZ and the MASP

In principle, the following capital expenditures may be treated as eligible:

Investment expenditures:
- Purchase of land
- Purchase of construction works and materials
- Purchase of fixed and intangible assets
- Financial lease of other fixed assets
- Lease of land and buildings
- Two-year employment costs of newly created jobs

In the case of investments of large enterprises, all assets must be new and acquired based on arm's-length conditions to be eligible.

The main entry conditions for PIZ are as follows:
- An investment must not begin prior to applying for the aid (applies also to MASP).
- Goals of an investment must fit into a definition of initial investment and include at least one of the following: setting up of a new establishment; extension of capacity of existing establishment; diversification of the output of an establishment into products or services not previously produced in that establishment; fundamental change in the overall production process/provision of services in an establishment; an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased (applies also to MASP).
- New investment must be executed.

- Minimal investment costs are required within a PIZ and vary depending on the unemployment rate in a location (in comparison to the average unemployment rate in the country), the type of investment (industrial or in the business services sector) and the enterprise size, from PLN200,000 to PLN100 million. In the case of investment in an existing establishment, minimum investment thresholds are reduced by 50%.
- The required number of qualitative criteria has to be fulfilled – between four and six (out of 12 or 13) – depending on the location and type of investment

The basic entry conditions for the MASP for large enterprises* are as follows:

Investment type	Entry criteria
Strategic	PLN160 million and 50 new jobs
Innovative	PLN7 million and 20 new jobs
Business services center	PLN1 million and 100 new jobs
R&D services center	PLN1 million and 10 new jobs for university graduates

**There is a possibility to apply reduced entry conditions to investments of SMEs, in the case of investments in existing establishments or in specifically defined disadvantaged locations.*

Grants for projects involving transition to a net-zero economy

To take advantage of the funding awarded, the entrepreneur must fulfill the following requirements:

- Does not start the project prior to submitting the application for aid
- Undertakes to carry out a project with a minimum of EUR110 million of eligible expenditures and complete it no later than seven years after the project work starts
- Undertakes to meet at least five of the following complementary conditions:
  - Creation of specialized jobs
  - A net increase in the number of employees above the minimum threshold
  - Eligible expenses incurred above the minimum threshold
  - Cooperation with secondary schools or entities in the higher education and science system
  - Has SME status
  - Location of the investment in an area suffering from the risk of exclusion
  - Robotization and automation of processes
  - Investment in renewable energy sources
  - Realizing the potential of human resources
  - Promoting education and building vocational qualifications along with cooperation with sectoral education establishments
  - Creating regional connections and/or links
  - Taking actions in the field of employee care
  - Conducting business activities with a low negative impact on the environment
  - Conducting R&D activities

Moreover, there are additional requirements to qualify:

- Creation of at least 50 new jobs as a result of the low-carbon project
- Maintenance of the project at the site for at least five years, and for SMEs for at least three years from the date of its completion (however, the replacement of obsolete or broken installations or pieces of equipment during this period is allowed, provided that the economic activity is maintained at the site for the minimum period)

Eligible expenses in a low-carbon project include:

- Costs related to the acquisition of land or the right of perpetual usufruct of land
- The purchase price or the development cost of fixed assets
- The cost of expansion or modernization of existing fixed assets
- The price of acquisition of intangible assets related to technology transfer through the acquisition of patent rights, licenses, know-how and unpatented technical knowledge
- The cost of renting or leasing land, buildings and structures, provided that the lease period is at least five years (in the case of SMEs at least three years) from the date of completion of the low-carbon project
- The purchase price of assets other than land, buildings and structures covered by a lease, where the lease is a finance lease and features the obligation to acquire the leasehold at the end of the lease term

R&D tax relief

The taxpayer must conduct activities in the scope of R&D works as defined in the tax law.

Eligible expenses include costs borne during R&D work covering:
- Research (basic research and applied research)
- Development works (prototypes, pilot projects and demonstration projects)

R&D tax relief allows for an additional decrease in tax base by certain categories of R&D expenses that were incurred and treated by a taxpayer as tax deductible:
- Wages and social contributions of employees involved in R&D activities
- Commodities and raw materials
- Expertise, opinions, advisory services and similar services, as well as results of research provided by scientific units (related to R&D activities)
- Costs of using the R&D equipment (also, purchase of services related to the use of R&D equipment)
- Tangible and intangible assets depreciation
- Administrative costs of obtaining and maintaining a patent (e.g., payments to Patent Office for prolongation of patent)

Taxpayers with RDC status may additionally treat as eligible:
- Depreciation of buildings used to conduct R&D activity
- Expertise, opinions, advisory services and similar services, as well as results of research conducted by entities other than scientific units

The R&D tax relief may be applied once company processes fall within R&D activity and the costs connected to them have been identified and properly evidenced.

Relief for innovative employees

The relief for innovative employees is an instrument complementary to R&D relief and is available to companies that carry out R&D activities and incur related costs, but do not have a tax base in a given tax year sufficient to use the entire claim resulting from R&D relief. The relief for innovative employees can be applied in the following year only to advances on payroll tax related to salaries of employees whose engagement in R&D activities amount to at least 50% of their work time.

RDC status

Criteria that must be met by an entrepreneur to obtain RDC status are as follows:
- Must obtain net revenues (excluding value-added tax) from the sale of goods, products and financial operations for the previous financial year in the amount of at least:
  - PLN5 million, with at least 20% of net revenues constituted from sales of research and development services carried out by the entrepreneur, which are classified as services in the field of research and development services within the meaning of the provisions on the Polish classification of products and services or sales of industrial property rights
  - PLN2.5 million but less than PLN5 million, with at least 70% of net revenues being from the sale of R&D services rendered by the entrepreneur, classified as research and development services as defined in the provisions on the Polish classification of products and services or rights industrial property
- Fulfilment of the above must be confirmed by an audited financial statement and auditor report.
- Must apply accounting regulations.
- Must submit an application for the RDC status to the Minister of Economic Development and Technology.
- Must submit declarations confirming lack of arrears in taxes and social security and health insurance contributions.

Prototype tax relief

In the case of trial production, eligible costs include:
- The purchase price or production cost of new fixed assets necessary to launch a trial production of a new product
- Costs of improving fixed assets to adapt them to starting up trial production of a new product
- Costs of materials and raw materials purchased exclusively for the purpose of trial production of the new product

In the case of launching a new product on the market, eligible costs include:
- Costs of research, expert opinions and preparation of documentation necessary to obtain a certificate, permit, etc.
- Costs of product lifecycle analysis
- Costs of an environmental technology verification system

Robotization relief

The relief provides a possibility to apply a 50% increase to tax-deductible costs related to investments in robotization of activities. Eligible costs cover:

Costs of purchasing new:
- Industrial robots
- Machines and peripheral devices for industrial robots functionally related to them (e.g., tracks, turntables, controllers, cleaning stations)
- Machines, equipment and other things functionally related to industrial robots to ensure ergonomics and safety for humans (e.g., sensors, controllers, relays)
- Machines, equipment and systems for remote management, diagnosis, monitoring or servicing of industrial robots (e.g., sensors, cameras)
- Devices for human-machine interaction

- Training of staff who will operate the purchased industrial robots
- Software for robots and related equipment

Copyrights remuneration scheme

- The scheme (increased tax-deductible costs) may be applied to employees' income derived from the transfer of copyrights to works resulting from specifically defined activities, including R&D, creative activity in the field of computer programming, journalistic activity.
- The employment contract has to foresee division of the salary in part related to standard employment duties and royalty for transfer of copyrights.
- The works created must meet definitions in the Copyright Act.

Grants from EU funds

EU cash grants for R&D and innovation, and EU funds for regions

Depending on the scope or goal of a project, the main categories of eligible expenditures may be:

- Wages and social contributions of employees involved in R&D activities
- Subcontractors' works related to R&D activities
- Other direct costs, including:
  - Depreciation and the use of research equipment, intangible assets, buildings and land
  - Materials and products used in R&D works
  - Other operating costs
- Indirect costs (e.g., administrative costs, costs of remuneration of management staff, traveling expenses)
- Purchase or own development of fixed and intangible assets necessary to establish or expand R&D infrastructure
- Purchase or own development of fixed and intangible assets necessary to implement R&D results into business activities
- Staff training
- Promotion of new solutions in foreign markets
- Costs driven by digitization of production, processes, products, services, business models and cybersecurity
- Expenses to boost the company's transformation toward sustainable growth and the circular economy

4. IP and jurisdictional requirements

The Innovation Box regime (IP Box) was implemented in 2019 into the Polish tax system.

The IP Box is aimed at incentivizing innovative R&D activities by taxing profits from commercialization of qualifying IP rights at a preferential 5% rate instead of standard CIT rate of 19%.

The preferential 5% tax rate might be applied to the "qualified income" obtained from the qualifying IP created, developed or improved by a taxpayer as part of R&D activity.

Qualifying IP rights, protected under national or international law, include:

- Rights for inventions (patents)
- Protection rights for utility models
- The rights in registration for industrial designs
- The rights in registration for topographies of integrated circuits
- Additional protection rights for patents for medicinal products and plant protection products
- The rights in registration for authorized medicinal and veterinary products
- The rights in registration for new varieties of plants or animals
- The rights to computer software

Qualified income is calculated according to the formula:

$$\text{Qualified income} = \text{nexus indicator} \times \text{income from qualified IP rights}$$

Nexus is calculated in the following way:

$$\frac{(a + b) * 1.3}{a + b + c + d}$$

Where the letters correspond to:

a. Costs of conducting R&D activity related to qualified intellectual property rights
b. Costs of acquisition of results of R&D works from an unrelated entity
c. Costs of acquisition of results of R&D works from related entity
d. Costs of acquisition of qualified intellectual property rights

The types of income from qualifying IP rights include:

- Fees and royalties under license agreement for qualifying IP
- Income from sale of qualifying IP
- Income from the qualified IP embedded in the sale price of products and services
- Compensation for infringement of rights arising from qualifying IP obtained in litigation, including court proceeding or arbitration

5. Technology or innovation zones

There are no technology or innovation zones in Poland; however, tax incentives are provided through PIZ.

6. Role of governmental bodies in administering incentives

Incentives for new investments under the framework of PIZ

Exemption can be granted based on a decision on support within PIZ issued by 1 of 14 area administrators (on behalf of the Ministry of Economic Development and Technology). Investors apply for the decision on support on an individual basis.

Cash grant under MASP

To benefit from the MASP, an investor must apply for a grant and begin negotiations with the Polish Investment and Trade Agency (PITA) and the Ministry of Economic Development and Technology. The application is evaluated by PITA, then the Ministry, as well as the Interministerial Team for Investments of Major Importance to the Polish Economy. Support is granted in the form of a cash grant based on a bilateral agreement between the Minister and the investor.

Grants for projects involving transition to a net-zero economy

The Ministry of Economic Development and Technology in consultation with the Polish Investment and Trade Agency administers net-zero grants for new investments and is responsible for evaluating applications and granting the public aid. Investors apply for grants on an individual basis, as there is no formal call or invitation involved.

R&D tax relief

There are no formal calls or invitation involved. However, taxpayers should consider securing the relief (e.g., scope of activities, details regarding eligibility of costs) via an individual tax ruling issued by the Director of National Tax Information. The deduction is disclosed in the annual tax return by taxpayers. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years.

Relief for innovative employees

There are no formal calls or invitations involved. The reduction of payroll tax advances is applied on an ongoing basis in monthly tax calculations. However, taxpayers should consider securing the relief via individual tax ruling issued by the Director of National Tax Information. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years.

RDC status

The Ministry of Economic Development and Technology administers the matter and is responsible for evaluating applications and granting the RDC status. Investors apply for RDC status on an individual basis, as there is no formal call or invitation involved.

Prototype tax relief

There is no formal call or invitation involved. However, taxpayers should consider securing the relief (e.g., scope of activities or investment, details regarding eligibility of costs) via an individual tax ruling issued by the Director of National Tax Information. The deduction is disclosed in the annual tax return by taxpayers. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years.

Robotization relief

There is no formal call or invitation involved. However, taxpayers should consider securing the relief (e.g., scope of investment, details regarding eligibility of costs) via an individual tax ruling issued by the Director of National Tax Information. The deduction is disclosed in the annual tax return by taxpayers. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years.

Copyrights remuneration scheme

There is no formal call or invitation involved. The deduction is applied on an ongoing basis in monthly payroll calculations and reported to tax authorities. Final settlement takes place within the annual personal tax return filed by employees. Tax authorities may review the deduction during a regular tax audit.

Innovation Box

There is no formal call or invitation involved. However, taxpayers should consider securing the incentive (e.g., scope of activities, details regarding eligibility of costs) via an individual tax ruling issued by the Director of National Tax Information. The deduction is disclosed in the annual tax return by taxpayers. Tax authorities may review the deduction during a regular tax audit. In Poland, the statutory limitation period is five years.

Grants from EU funds and EU funds for regions

EU cash grants for R&D and innovation: The National Centre for Research and Development is responsible for managing the program regarding large enterprises, their consortia and the consortia of SMEs with research organizations. The Polish Agency for Enterprise Development is responsible for servicing SMEs and SME consortia.

EU funds for regions: In this case, the funds are managed by respective local government institutions — i.e., voivodeship administration.

7. Administrative requirements

Incentives for new investments under the framework of PIZ

To allow monitoring of the status of meeting the conditions set in the decision on support within PIZ, the company must submit reports to the area administrator, including information on progress in achieving the level of eligible costs and level of new jobs created in accordance with the investment. The period covered by each report may differ, but the reports are usually required to be submitted on a quarterly basis.

Cash grant under MASP

By 30 September of each year in which the support is granted, the investor shall submit to the Ministry of Economic Development and Technology a financial and substantive report covering the period from the beginning of the investment to the date of the report, including the performance of contractual obligations and a year-end forecast.

By 31 March of each year in which the support is granted, the investor shall submit to the Ministry of Economic Development and Technology a financial and substantive report for the previous year that covers the number of jobs created, maintained employment and the total amount of incurred eligible costs from the date of the beginning of the investment.

Grants for projects involving transition to a net-zero economy

Support will be available through a call for proposal, followed by an application evaluation done according to specified evaluation criteria. The administrative requirements for grants for projects involving transition to a net-zero economy have not been currently specified.

R&D tax relief

A company reports deductions resulting from R&D tax relief together with the annual CIT settlements. There is no specific separate reporting requirement apart from having internal justification and documentation supporting classification of certain costs as eligible R&D expenditures.

Relief for innovative employees

There is no specific separate reporting requirement apart from having internal justification and documentation supporting application of the incentive — records of eligible R&D costs and timesheets proving engagement of particular employees in R&D activities.

RDC status

Each year, entrepreneurs must submit to the Ministry of Economic Development and Technology financial statements with auditor reports, a description of the R&D activities of the past year, and statements confirming they have no outstanding tax or social security liabilities.

Prototype tax relief

A company reports deductions resulting from prototype tax relief together with the annual CIT settlements. There is no specific separate reporting requirement apart from having internal justification and documentation supporting classification of certain costs as eligible prototype expenditures.

Robotization relief

A company reports deductions resulting from robotization relief together with the annual CIT settlements. There is no specific separate reporting apart from having internal justification and documentation supporting classification of certain costs as eligible robotization expenditures.

Copyrights remuneration scheme

A company implements increased deductible costs every month and should disclose them in the employee annual tax settlement. The company also should have a procedure of recognizing creative works and methods of calculating time spent on creative works.

Grants from EU funds and EU funds for regions

Support is available through calls for proposals, followed by an application evaluation done according to specified evaluation criteria.

Reports on project progress and the refund of incurred costs should be submitted at least once every six months.

8. Statutory reference

Incentives for new investments in PIZ

PIZ regulations are introduced by the Act on supporting new investments of 10 May 2018 (Journal of Laws of 2024, item 459) and Regulation of Council of Ministers of 27 December 2022 on state aid granted to certain entrepreneurs for the implementation of new investments (Journal of Laws of 2025, item 108).

Cash grant under MASP

MASP regulations are introduced in the "Program of support of investments of considerable importance for the Polish economy for years 2011–2030," adopted by the Council of Ministers on 5 July 2011. The program was revised on 1 October 2019 and 5 June 2023.

R&D tax relief

R&D tax relief is regulated in article 18d of Polish CIT Act (Journal of Laws of 2025, item 278) and article 26e of Polish PIT Act (Journal of Laws of 2025, item 163).

Relief for innovative employees

Relief for innovative employees is regulated in article 18db of Polish CIT Act (Journal of Laws of 2025, item 278) and article 26eb of Polish PIT Act (Journal of Laws of 2025, item 163).

RDC status

RDC status is regulated by the Act on certain forms of support for innovative activity of 30 May 2008 (Journal of Laws of 2022, item 2474).

Prototype tax relief

Prototype tax relief is regulated in article 18ea of Polish CIT Act (Journal of Laws of 2025, item 278) and article 26ga of Polish PIT Act (Journal of Laws of 2025, item 163).

Robotization relief

Robotization relief is regulated in article 38eb of Polish CIT Act (Journal of Laws of 2025, item 278) and article 52jb of Polish PIT Act (Journal of Laws of 2025, item 163).

Copyrights remuneration scheme

Regulation on the copyright remuneration scheme is provided in article 22 of Polish PIT Act (Journal of Laws of 2025, item 163).

Innovation Box

Innovation Box regime is regulated in article 24d of Polish CIT Act (Journal of Laws of 2025, item 278).

Grants from EU Funds and EU Funds for Regions

Rules for EU cash grants for R&D and innovation or regional support programs are stated in the Operational Program documents and implementing documentation.

Net-zero grants for new investments are regulated in the "Regulation of the Minister of Economic Development and Technology of September 29, 2023 on granting public aid for the implementation of investment projects of strategic importance for the transition to a net-zero-emission economy" (Journal of Laws of 2024, item 1242).

Portugal

This chapter is based on information as of February 2025.

The Portuguese government is very supportive of R&D activities, and the related incentives programs are being maintained and reinforced. R&D and innovation are seen as cornerstones of Portuguese economic development.

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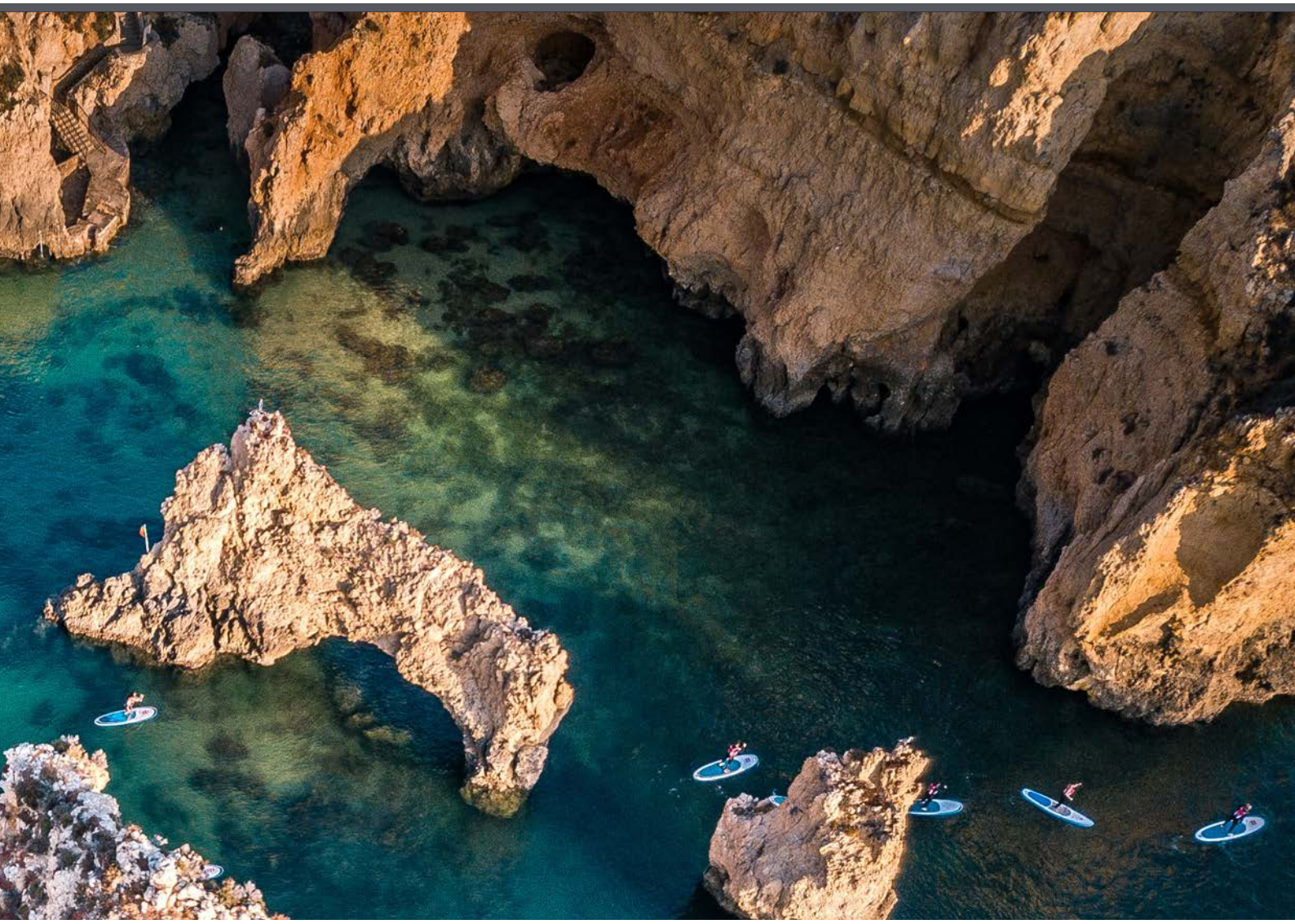

1. Overview

The Portuguese government has introduced several R&D incentive programs to attract investors to the country and encourage companies to undertake R&D activities. The incentives in force may be provided in the form of cash grants, tax credits or income from the sale or granting of the temporary use of industrial intellectual property (IP) rights. Pharmaceutical companies can benefit from these and other specific incentives.

To stimulate R&D activities, Portugal has created a competitive package of cash grants and tax incentives, which may be applied simultaneously. It is possible to receive a nonrefundable cash grant with the R&D tax credit.

The cash grant program (SI I&D) set for R&D projects is based on European Union-funded incentives. A new program is available for the period from 2022 to 2027. The program awards a cash grant of 25% to 80% of the eligible R&D expenses. These cash grants are in the form of real costs and/or simplified cost options.

The R&D tax credit (SIFIDE) consists of a tax deduction to companies' tax liability of 32.5% of expenses incurred in that period plus an incremental rate of 50% of the increase in expenses incurred during that period compared to the average from the previous two fiscal years up to EUR1.5 million. This benefit was extended until 2025.

These incentives have been in place for a significant amount of time. SIFIDE is one of the most mature regimes, dating back to 1997. Cash grants were approved in 2007.

In 2012, the Ministries of Health and Finance signed an agreement with the pharmaceutical industry to reduce the expenses of the National Health System (commonly known as SNS) for drugs used in an ambulatory environment. To reduce SNS' expenses, pharmaceutical companies are granting a special discount on the medicine that they sell to the SNS, which is known as the Special Contribution on the Pharmaceutical Industry (SCPI).

The agreement between the Ministries of Health and Finance and the pharmaceutical industry foresees the possibility of deducting the full amount of R&D expenses related to the SCPI, in order to stimulate investment in R&D activities in Portugal.

Portugal also has a patent box regime that follows the "modified nexus approach" set out by Action 5 of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action Plan. Accordingly, the gains obtained from the disposal or lease of patents and other industrial IP rights subject to registration and developed in Portugal will benefit from a reduced tax rate since the eligible income will be adjusted downward by up to 85%.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	R&D cash grant (SI I&D)*	R&D cash grant (SI I&D)*	Portuguese non-habitual resident individuals regime/tax incentive for scientific research and innovation)	Deduction from income derived from patents and industrial IP developed in Portugal	R&D deduction regarding the SCPI
Type of incentive	■ Cash grant	■ R&D tax credit	■ Personal income tax favorable tax regime (20% flat tax rate on employment income plus other exemptions)	■ Patent-related incentives	■ Tax deduction

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D cash grant (SI I&D)

Description of benefits

Portuguese legislation includes a financial incentive for research and development (R&D) activities promoted by companies. This measure aims to promote the development and investment in industrial research and experimental development at individual companies or consortia led by companies, fostering economic valorization and innovation in priority areas. The measure also aims to support company activities related to training and building capacity of internal R&D competencies and enhancement of R&D results. The measure is meant to strengthen R&D in businesses, as well as the relationship between companies and knowledge centers, accelerating the transfer and use by companies of R&D technologies, knowledge and results.

The incentive is based on the PT2030 Incentives program, which supports interventions in Business research and development (Business R&D), Business research, development and innovation (Business R&D&I), and Qualified and Knowledge-Associated Entrepreneurship. Projects must follow the following requirements:

- The incentive must be calculated by applying a base rate to eligible expenses up to 50% for industrial research and 25% for experimental development.
- The base incentive rates can be increased up to 80% if certain conditions are met:
- The base incentive rates can be increased up to 80% if certain conditions are met:
  i) The base rate can be increased 20% for micro and small companies and 10% for medium-sized companies.
  ii) The base rate can be increased up to 15% when the operation meets one of the "Effective Collaboration" or "Wide Dissemination of Results" criteria.
  iii) The base rate can be increased up to 15% when the operations are located in the North, Center or Alentejo regions and up to 5% when the operations are located in other regions with more limited regional aid.
  iv) The base rate can be increased up to 5% when the operations are fundamentally oriented toward sectoral, transversal or territorial public policies.

Guidelines around incentive applications

The incentive is applicable to future investments. The deadlines are related to the application periods set by the grants managing authority.

R&D tax credit (SIFIDE)

Description of benefits

SIFIDE is a tax incentive system for corporate R&D that aims to provide companies in Portugal with a way to promote R&D, especially to boost productivity, economic development and the qualifications of the workforce. The SIFIDE tax credit consists of two components:

- A base rate of 32.5% applicable to R&D expenses of the current tax year
- An incremental rate of 50% on expenses incurred during the period, in comparison with the simple average of the two previous tax years, with a limit of EUR1.5 million

According to the Portuguese tax legislation, for taxpayers that are small and medium-sized enterprises (SMEs) that have not completed two fiscal years or benefited from this incremental rate, an increase of 15% to the base rate will apply. Tax credits that are not deductible because of insufficient tax payable in the period in which they were granted may be deferred up to the 12th immediate tax year. Preapproval from the Portuguese Innovation Agency (ANI) is required to obtain the incentive. SIFIDE is an incentive that should be maintained by the government until at least 2025.

Guidelines around incentive applications

The incentive is applicable to current investments and may be applied retroactively. The SIFIDE tax credit can be claimed through the annual corporate income tax return (*Formulário Modelo 22 de IRC*). The application for the SIFIDE tax credit must be submitted by 31 May of the year following the year in which the expenditure was incurred.

This credit reduces the entity's effective tax rate for Pillar Two purposes.

Tax incentive for scientific research and innovation

Description of benefits

Tax incentive for scientific research and innovation

The 2024 State Budget introduced a tax incentive for scientific research and innovation that allows several professions to benefit from a reduction in income tax for 10 years.

Under this regime, taxpayers becoming tax residents under Portuguese domestic law who have not been resident in Portugal in any of the prior five years may benefit from a specific tax incentive for scientific research and innovation, as long as they carry out activities that fall within one of the following criteria:

- Teaching jobs in higher education and jobs in scientific research, including scientific employment in entities, structures and networks within the national science and technology system, as well as jobs and members of governing bodies in entities recognized as technology and innovation centers
- Qualified jobs within the scope of contractual benefits toward productive investment
- Qualified jobs recognized by AICEP Portugal Global – Trade & Investment Agency or by IAPMEI – Agency for Competitiveness and Innovation, as relevant to the national economy, particularly in the context of attracting productive investment
- Jobs as research and development personnel, whose costs are eligible for the purposes of the tax incentive system in research and business development, in accordance with the Investment Tax Code
- Jobs in entities certified as startups under the Portuguese Start-Up Law
- Jobs or other activities carried out by tax residents in the autonomous regions of the Azores and Madeira, under terms to be defined by regional decree

Individuals who meet the abovementioned requirements may be taxed at a special rate of 20% on employment or self-employment income earned within the scope of the mentioned activities for 10 consecutive years. Taxpayers will be taxed as long as they continue to earn active income with a maximum interim period of six months between activities or jobs.

Under this special regime, eligible taxpayers will be exempt from foreign income from several categories of income (i.e., employment income performed abroad, self-employment income performed abroad, foreign rental income, capital gains in foreign assets), except for pension income. Income derived from prohibited list tax havens will be subject to a 35% rate.

This special regime can only be used once and is not available for taxpayers who benefit or have benefited from the NHR.

Guidelines around incentive applications

To receive the incentive, beneficiaries must register with the relevant authorities based on their profession. These registrations and the communication of relevant data to the Tax Administration are regulated by an ordinance issued by the government members responsible for finance, economy, science and higher education.

Patent box – deduction from income derived from patents and industrial IP developed in Portugal

Description of benefits

The patent box regime was amended to align it with the "modified nexus approach" contained in the OECD's BEPS Action 5 recommendations. The new patent box regime provides (in proportion to incurred eligible expenses) for an exclusion of up to 85% from the taxable basis in relation to income derived from contracts of transfer or of temporary use of patents, industrial designs or models, and rights over software programs.

To benefit from this regime, several conditions should be met, namely:

- IP is effectively used for activities carried out by the licensee.
- If the licensee is a related company, the IP is not used to create deductible expenses for the taxpayer.
- The licensee is not domiciled in a tax haven.

Guidelines around incentive applications

The incentive applies to patents and other industrial models or drawings registered on or after 1 July 2016. To receive the deduction, the IP should be registered, but no application is needed to benefit from this tax deduction. The deduction can be claimed through the annual corporate income tax return (*Formulário Modelo 22 de IRC*). The tax return has to be submitted by the end of the fifth month after the end of the company's fiscal period.

R&D deduction regarding the SCPI

Description of benefits

The Ministries of Health and Finance in 2012 signed an agreement with the pharmaceutical industry to reduce the expenses of the SNS for drugs used in an ambulatory environment. Under the agreement, pharmaceutical companies are granting a special discount, the SCPI, for the medicine that they sell to the SNS.

The agreement between the Ministries of Health and Finance and the pharmaceutical industry foresees the possibility of deducting R&D expenses related to the SCPI to stimulate investment in R&D activities in Portugal.

The amount of the deduction must be certified by the last day of January of the following year by an accounting firm.

Guidelines around incentive applications

To benefit from this incentive, the company must formalize its adherence in writing to the Portuguese Pharmaceutical Industry Association (APIFARMA) if the company is an associate of APIFARMA, or to the National Authority of Medicines and Health Products (INFARMED I.P.) if the company is not an associate of APIFARMA.

Incentive System for Climate and Energy Transition

Description of benefits

The Portuguese legislation includes a financial incentive to support the transition to a low-carbon economy, increasing business competitiveness through decarbonization, renewable energy production and circular economy practices. This measure aims to promote sustainability and economic efficiency by reducing greenhouse gas (GHG) emissions, improving energy efficiency and enhancing resource circularity.

This incentive system is part of the Portugal 2030 Incentives Program and supports three key areas of intervention:

a) **Decarbonization of companies:** Supports the reduction of GHG emissions and promotes energy efficiency in businesses. Companies are encouraged to adopt low-carbon technologies, integrate renewable energy solutions and optimize production processes to improve sustainability.
b) **Diversification of renewable energy production:** Supports the adoption of renewable energy projects to increase energy independence and sustainability by financing new renewable energy infrastructures.
c) **Circular economy:** Supports the development of new products, resource optimization, waste reduction, eco-design and the use of recycled materials in production processes. These efforts drive the transition from a linear to a circular economy, minimizing waste and maximizing resource longevity.

This financial support is available in the form of grants and hybrid (grant + loan) funding models, depending on the type of intervention. Funding rates range from 30% to 100% of eligible expenses, with additional incentives for SMEs and projects in certain regions.

Guidelines around incentive applications

The incentive is applicable to future investments, and applications must be submitted within the deadlines established by the managing authority.

3. Eligibility requirements

R&D cash grant (SI I&D)

For R&D projects, eligible expenses include, among others:

- Costs related to technical personnel of the beneficiary dedicated to R&D activities, including the energizing of R&D centers, as well as expenses for scholarship holders and workers on secondment or detachment, whose remuneration is supported by the beneficiary
- Acquisition of patents from external sources or by those so licensed
- Costs related to raw materials and consumable materials
- Costs related to the acquisition of necessary components for the construction of pilot or experimental installations and/or demonstrations and for the construction of prototypes
- Acquisition of services from third parties, including technical, scientific and consulting assistance, as well as costs resulting from the use of open innovation electronic platforms and crowdsourcing
- Acquisition of instruments and technical and scientific equipment indispensable to the project
- Costs associated with patent applications, utility models, designs or models, including fees and other related expenses
- Costs associated with the promotion and disclosure of the results of projects related to the process or product innovation that has commercial application, including registration and rental of spaces abroad, excluding current expenses and/or for commercial purposes
- Travel and stays abroad that result from needs strictly related to scientific and technological development of the project activities
- Costs related to the certification process of the research, development and innovation management system
- Expenses resulting from the services of chartered accountants (TOC) or statutory auditors (ROC)
- Allocation of indirect costs

Qualifying activities include:

- Industrial investigation – planned or critical investigation intended for the acquisition of new knowledge; e-capacities for developing new products, processes or services; or for the introduction of significant improvements in existing products, processes or services, including the creation of complex system components necessary for industrial investigation for validation of generic technology
- Experimental development – acquisition, combination, conception and use of existing knowledge, scientific techniques and technologies for the elaboration of plans and devices or the conception of new or improved products, processes and services

In addition, to apply for the R&D cash grant (SI I&D), the following conditions must be met:

- The company was established in Portugal.
- The company has a sound financial situation (total equity to total assets ratio higher than 15% for SMEs and 20% for non-SMEs).
- The company has no tax or social security debts.
- The company will start the project after the application is submitted.
- The project will receive the cash grant for a maximum period of two years in individual projects and three years in consortium projects.
- A non-SME that does not qualify as a small mid cap is performing a project above EUR10 million.

R&D tax credit (SIFIDE)

Eligible expenses include:

- The acquisition cost of new tangible fixed assets, except for buildings and land, connected with R&D activities
- Expenses related to personnel directly involved in R&D activities (PhD costs are eligible at 120%)

- Expenses involving directors and professionals participating in the management of R&D institutions
- Operating expenses of up to 55% of wages of personnel directly involved in R&D activities
- Costs regarding the subcontracting of R&D activities from public entities or from entities recognized as possessing R&D capabilities
- Expenses incurred to raise capital for institutions that perform R&D and contributions to investment, private or public funds that are targeted to finance entities dedicated to R&D; in this matter, it is important to highlight that from 1 January 2024, stricter rules have been introduced for indirect investment in R&D activities, particularly through investment in R&D funds
- Costs regarding registry and maintenance of patents
- Costs associated with the acquisition of patents that are related to the development of R&D activities (only eligible for SMEs)
- Costs of R&D audits
- Expenses with demonstration actions that result from supported R&D projects

Qualifying activities include:
- Basic research
- Applied research
- Experimental development

Qualifying industries include entities that are engaged in agricultural, industrial, commercial or service-related activities as a core or supplementary business.

In addition, the company must meet the following eligibility requirements to apply for R&D tax credits (SIFIDE):
- Companies must be established in Portugal.
- Companies must have no debts to the tax authorities or social security.
- Indirect methods cannot determine taxable income.

Tax incentive for scientific research and innovation

Eligibility requirements are as follows:
- The taxpayers have not been resident in Portugal in any of the prior five years.
- The taxpayers, when eligible, must fit into the following categories: (1) professionals in teaching careers in higher education and scientific research, integrated into the national science and technology system; (2) qualified positions associated with contractual benefits of productive investment, as established in specific legislation; or (3) research and development positions that require doctoral-level qualifications, under certain predefined conditions.

Deduction from income derived from patents and industrial IP and rights over software programs developed in Portugal

To be eligible for the deduction, patents, industrial designs or models, and rights over software programs must be registered.

R&D deduction regarding the SCPI

Eligible expenses include:
- The acquisition cost of new tangible fixed assets, except for buildings and land, connected with R&D activities
- Expenses related to personnel directly involved in R&D activities
- Expenses involving directors and professionals participating in the management of R&D institutions
- Operating expenses of up to 55% of wages of personnel directly involved in R&D activities
- Costs regarding the subcontracting of R&D activities from public entities or from entities recognized as possessing R&D capabilities
- Costs regarding registry and maintenance of patents
- Costs associated with the acquisition of patents that are related to the development of R&D activities (only eligible for SMEs)
- Costs of R&D audits

Incentive System for Climate and Energy Transition

Eligible expenses include:

(a) Decarbonization of companies:
- Investment costs or additional costs necessary to achieve highest energy efficiency
- For non-building interventions, the total investment costs associated with energy efficiency
- For building interventions, total investment costs
- Applicable tangible assets, intangible assets and other investment expenses
- Expenses related to HR contracting and training on energy efficiency and sustainability

(b) Diversification of renewable energy production:
- Acquisition and installation costs related with renewable energy production systems (e.g., solar, wind, biomass)
- Installation costs of storage solutions for renewable energy
- Costs related to the adaptation of existing infrastructure to integrate renewable energy sources
- Acquisition costs of relevant intellectual property rights, patents or licenses
- Consulting and technical assistance costs related to renewable energy implementation

(c) Circular economy:
- Acquisition cost of equipment and machinery
- Acquisition cost of relevant intellectual property rights, patents or licenses
- Costs related to consultancy services for the development of sustainable practices

4. IP and jurisdictional requirements

Effective date

The patent box regime applies to assets related to qualifying registered IP (e.g., on internally generated IP, IP acquired from a related party and/or IP acquired from a third party).

Qualifying IP

The qualifying IP includes:
- Patents
- Drawings or industrial models
- Rights over software programs

Types of income

Income derived from IP, such as royalties, compensation and capital gains.

Calculation of income

Only 15% of income contributes to the determination of taxable income. This income must proceed from the assignment or temporary use of patents, drawings and industrial designs, and rights over software programs subject to registration, including those resulting from IP infringement. Income is defined as the positive difference between the income and gains earned in the tax period in question and expenses or losses incurred or borne in that same tax period by the taxable person for carrying out R&D activities that have resulted, or have benefited, from the industrial property right to which the income is attributable.

The deduction to taxable income must not exceed the amount obtained by applying the following formula:

DQ / DT x RT x 85%

DQ = eligible expenses incurred to develop the assets protected by the industrial IP, which correspond to the expenses and losses incurred or borne by the taxpayer with R&D activities conducted by the taxpayer that resulted, or which have benefited from, the industrial IP rights concerned, as well as concerning the employment of such activities with any other entity, provided it is not in a special relationship

DT = total expenses incurred to develop the assets protected by the industrial IP, which correspond to the expenses and losses incurred or borne by the taxpayer with R&D activities conducted by the taxpayer that resulted, or which have benefited from, the industrial IP rights concerned, as well as concerning the employment of such activities with any other entity, including with entities with which it has a special relationship, as well as, when applicable, the expenses for the acquisition of the industrial IP rights

RT = total income derived from IP, which means the positive difference between income earned from contracts whose purpose is the sale or temporary use of industrial IP rights and the expenses incurred in the development of R&D activities, in the same tax year and in previous periods of taxation

IP regime rate

From July 2016 onward, corporate income derived from contracts related to the transfer or temporary use of property rights on patents, industrial designs and rights over software programs will contribute to the determination of taxable profit for just half of its value.

Can work be performed outside the country?

Yes, the work can be performed outside of Portugal, under certain conditions.

Must the IP be registered/owned locally?

The IP must have local ownership. The regime will not be applied if the buyer is resident in a tax haven.

IP and jurisdiction requirements

Corporate income derived from contracts related to the transfer or temporary use of property rights on patents and industrial designs will contribute to the determination of taxable profit for just half of its value.

To benefit from this regime, several conditions must be met, including:
- The buyer must use the rights in an activity of commercial, industrial or agricultural nature.

- The use of rights by the purchaser does not materialize on goods or services that result in deductible expenses to the selling entity (or another entity that forms part of the same Consolidated Group of Taxation) if the purchaser is a related entity.
- The purchaser must not be resident in a tax haven.
- Patents, industrial designs or models, and rights over software programs must be registered.
- Capital gains can benefit from the reinvestment regime.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Portugal.

6. Role of governmental bodies in administering incentives

The R&D tax credit (SIFIDE) operates on a self-assessment basis, through an application, and is administered by the ANI (*Agência Nacional de Inovação*, or National Innovation Agency). The ANI determines whether the company's activities qualify.

The AICEP (*Agência para o Investimento e Comércio Externo de Portugal*, or Agency for Investment and Foreign Trade) and IAPMEI (*Agência para a Competitividade e Inovação*, or Agency for Competitiveness and Innovation) are the two main governmental bodies that administer the cash grant funding regimes. These entities collect and decide on the applications for the R&D cash grant (SI I&D).

7. Administrative requirements

For the R&D cash grant, companies must present an application prior to the start of the R&D project.

For the R&D tax credit, companies must present an application each year, up to seven months after their fiscal year-end.

For the tax incentive for scientific research and innovation, individuals should file a request with the Portuguese tax authorities.

8. Statutory reference

- *Regulamento Específico da Área Temática Inovação e Transição Digital, no âmbito dos Sistemas de Incentivos do Portugal* 2030, Ordinance No. 103-A/2023 and following amendments
- *Código Fiscal do Investimento,* approved by Decree-Law No. 249/2009 and subsequent amendments
- *Código do Imposto sobre o Rendimento das Pessoas Coletivas,* Law No. 2/2014, from 16 January and following amendments
- *Estatuto dos Benefícios Fiscais – Law n.º 215/89 from 1st July*
- Agreement between the Portuguese State, represented by the Ministers of Finance, Economy and Health, and the Pharmaceutical Industry

Romania

This chapter is based on information as of February 2025.

A 50% super deduction for corporate income tax purposes with respect to qualifying R&D expenses is available, and 50% of the fiscal value of an asset used for R&D purposes may be deducted during the first year of use under the accelerated tax depreciation regime. Moreover, a corporate income tax exemption is available for taxpayers that exclusively perform R&D and innovation activities, as well as related activities. In addition, a salary income tax exemption is available for salary income earned from performing activities in applied R&D or technological development fields.

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1. Overview

Currently, there are four R&D incentive programs in Romania:

- Corporate income tax exemption for taxpayers that exclusively perform R&D and innovation activities, as well as related activities
- Super deduction (for corporate income tax purposes) on qualifying R&D expenses
- Accelerated depreciation on qualifying R&D assets
- Salary income tax exemption in respect of activities performed in applied R&D or technological development fields

The provisions regulating the corporate income tax exemption were introduced in the Romanian Tax Code in January 2017; currently, no guidelines or norms to apply these provisions have been issued.

The super deduction on R&D consists of an additional deductible allowance for corporate income tax/ minimum turnover tax (MTT) purposes of 50% for eligible expenses related to R&D activities (which must belong to the category of applied research and/or technological development). The incentive has been available for some time; however, due to the lack of clarity of the legislative provisions (e.g., the related application norms were not aligned with the provisions of the Tax Code), it was often not applied by companies performing R&D activities. The updated application norms that were published in July 2016 brought several amendments and clarifications. In December 2022, the norms were further amended, bringing some clarifications into the application of the R&D incentive. For large taxpayers, a certification of the R&D activities is required to be performed (based on a specific procedure) by a designated R&D expert nominated by the Ministry of Research, Innovation and Digitalization.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

The salary income tax exemption with respect to activities performed in applied R&D or technological development fields is available for employees carrying out an R&D activity based on a Romanian individual labor contract, a work relationship, a special statute provided by law, or an assignment agreement concluded with or at a public or private entity/institution included in the national system for R&D.

For fiscal depreciation purposes, taxpayers subject to corporate income tax may opt to use the accelerated depreciation method for technological equipment, machinery, tools and installations, computers and peripherals, and patents. Both companies and the government are familiar with administering the accelerated depreciation provision, as it has been available for a long time (not only for assets used for R&D activities).

2. Incentives available

Name of incentive	Corporate income tax exemption	Accelerated depreciation method	Additional deductions for eligible R&D expenses*	Income tax exemption on salary income attributable to activities performed in applied R&D or technological development fields
Type of incentive	■ Corporate income tax exemption for companies that exclusively perform R&D and innovation activities	■ Accelerated depreciation on R&D assets	■ Super deduction	■ 10% tax exemption

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Corporate income tax exemption

Description of benefits

In January 2017, a corporate income tax exemption was introduced for taxpayers that exclusively perform R&D and innovation activities, as well as related activities. The exemption is available for newly setup taxpayers for the first 10 years of their activity; or, for taxpayers that were already set up when these provisions entered into force, for 10 years from the entry into force of these provisions.

Guidelines around incentive applications

The corporate income tax exemption provision was introduced in the Romanian Tax Code since January 2017. So far, no norms or guidelines for applying this provision have been issued.

Accelerated depreciation method

Description of benefits

Under the accelerated depreciation method, a maximum of 50% of the fiscal value of the asset may be deducted during the first year of use, while the rest of the asset's value may be depreciated over the remaining useful life. The accelerated depreciation applies also to equipment used for R&D purposes.

Guidelines around incentive applications

The accelerated depreciation incentive applies to future investments. The accelerated depreciation method is claimed in the quarterly or annual corporate income tax (CIT) returns (i.e., Forms 100 and 101). The depreciation method should be chosen before the assets start to be depreciated.

Additional deductions for eligible R&D expenses

Description of benefits

By law, the 150% super deduction can be applied only to expenses incurred in relation to applied research and technological development. Under the incentive, the taxpayer would benefit from an additional deduction for CIT/MTT purposes representing 50% of R&D expenses.

Guidelines around incentive applications

As a condition for being granted the supplementary deduction, the R&D activity must belong to the category of applied research and/or experimental development. The super deduction is claimed in the quarterly or annual CIT returns (i.e., Forms 100 and 101). In general, the super deduction should be claimed upon the recognition of the R&D expenses.

Income tax exemption on salary income attributable to activities performed in applied R&D or technological development fields

Description of benefits

Income earned as a result of performing activities in applied R&D or technological development fields will be exempt from Romanian salary income tax (10%).

Guidelines around incentive applications

The exemption is available for employees carrying out an R&D activity based on a Romanian individual labor contract, a work relationship, a special statute provided by law or an assignment agreement concluded with or at a public or private entity/institution included in the national system for R&D.

To benefit from the tax exemption on salary income and assimilated income, several conditions specifically provided by the law must be cumulatively met (see eligibility requirements below). For assigned personnel who are carrying out R&D activities in Romania, the eligibility requirements must be fulfilled by the income payer.

3. Eligibility requirements

Corporate income tax exemption

To benefit from the corporate income tax exemption, taxpayers must exclusively perform R&D and innovation or other related activities.

R&D and innovation activities include:

- Scientific research, which in turn includes fundamental and applied research. Fundamental research implies experimental or theoretical activities undertaken mainly for acquiring new knowledge regarding fundamental phenomena and observable facts, without the particular aim of immediate practical application or use. Applied research implies the original investigation undertaken for acquiring knowledge with a specific practical objective.
- Experimental development, which is defined as the systematic activity, starting with knowledge resulting from research and/or practical experience, that has the purpose of developing new materials, products or devices, the setup of new processes, systems and services or the substantial improvement of the existing ones.
- Innovation based on scientific research and experimental development. Innovation is defined as the implementation of a new product, service or process or the substantial improving of it, or involves the implementation of a new marketing or business method in practice, in the workplace organization or external relationships.

Accelerated depreciation method

The accelerated depreciation method can be applied in connection with technological equipment, machinery, tools and installations, computers and peripherals, and patents.

There is no specific limitation on the activity in applying the incentive.

Additional deductions for eligible R&D expenses

For additional deductions, eligible expenses include the following:

- Depreciation expenses of new tangible fixed assets created or acquired by taxpayers that are used in R&D activities and related expenses regarding maintenance of and repairs to such assets performed by third parties
- Expenses incurred with salaries of personnel directly involved in R&D activities
- Depreciation expenses of intangible assets acquired by taxpayers that were used in R&D activities
- Operating expenses, including costs of consumables, expenses for materials that are included in inventory, raw materials expenses, expenses with animals used in experiments, and similar products used in R&D activities
- Overhead expenses, which can be allocated directly or proportionally (considering an allocation key) to the results of an R&D activity

The R&D activities should be included in a project detailing at least the following: (1) the scope and objective of the R&D activities, (2) the field of R&D, (3) the time period, (4) sources allocated to the project (e.g., financing sources and, if applicable, the team and research infrastructure), (5) budget, (6) the category of the expected result (e.g., studies, technologies, IT products) and (7) innovative character.

If the R&D expenses are carried out by several taxpayers through collaboration, association or agreement, the tax incentives are individually computed for each taxpayer, depending on each member's eligible expenses.

The R&D activities can be performed in Romania or in another EU or European Economic Area (EEA) Member State. No industry sectors are specifically excluded.

Given that the allowance is applicable only to certain specific types of R&D activities, a detailed analysis should be performed before reaching a conclusion with respect to eligibility (as the eligibility criteria are not straightforward). *Moreover, The Registry of Experts for Research & Development Activities (REXCD) was set up by the government for classifying the R&D activities. Starting with 1 January 2023, large taxpayers are obligated to request certification of the R&D activity by a designed expert from REXCD to benefit from this incentive.*

Income tax exemption on salary income attributable to activities performed in applied R&D or technological development fields

To benefit from the tax exemption on salary income and assimilated income, several conditions must be cumulatively met, including the following:

- R&D project details as defined by the law
- Time sheet related to the R&D project
- The applicable legislation defines the term "R&D project," which must contain the following elements: the purpose, the domain of R&D, the objective, the period when the R&D project is undertaken, the type of funding sources (public/private/national/external), the budget expressly mentioning the expenses with the salary income and assimilated income related to the allocated personnel, the novelty or innovation of the result, the result indicators defined by the law (which should be quantified through the R&D project).

The tax exemption is allowed even if the objectives of the R&D project are not accomplished.

Also, details are provided with respect to the supporting documentation that must be prepared and made available to apply the exemption.

4. IP and jurisdictional requirements

Regarding the additional deduction, R&D activities can be performed in Romania or in another EU or EEA Member State.

5. Technology or innovation zones

There are no technology or innovation zones related to R&D incentives in Romania.

6. Role of governmental bodies in administering incentives

Incentives are applied directly by relevant taxpayers. Appropriate application of these incentives by taxpayers is checked by the tax authorities during profits tax audits.

The Registry of Experts for Research & Development Activities was set up by the government, which may be consulted for classifying the R&D activities.

7. Administrative requirements

Additional deductions related to R&D expenses must be presented on a distinct row in the annual profits tax return and also separately in the Corporate Income Tax Register. Also, please refer to the requirements detailed in the "Eligibility requirements" section above in relation to the additional deductions for eligible R&D expenses and for the salary income tax exemption in respect of activities in applied R&D or technological development fields (e.g., the requirement that the R&D expenses be included in a project). There is no specific administrative requirement for the accelerated depreciation method.

8. Statutory reference

- Corporate income tax exemption: Article 22^1 of the Tax Code and Government Ordinance No. 57/2002
- Accelerated depreciation method: Article 28 of the Tax Code
- Additional deductions: Article 20 of the Tax Code and the norms regarding the deductions for R&D expenses in the computation of the tax result, approved via Order 1056/4435 of 5 July 2016
- Salary income tax exemption: Article 60, point 3 of the Tax Code and Order No. 2326/2855/2017, effective 5 September 2017, on qualifying as applied R&D and/or technological development activity

Singapore

This chapter is based on information as of February 2025.

Tax and cash grant incentives targeted at R&D activities in Singapore include a Qualifying Refundable Tax Credit, up to 400% tax deduction for qualifying R&D expenditure incurred on qualifying R&D activities performed in Singapore, R&D cash grant schemes and the intellectual property (IP) development incentive.

1. Overview

In the 2024 budget announcement, the Singapore government introduced the Refundable Investment Credit (RIC), which is a Pillar Two-compliant refundable tax credit that covers up to 50% of qualifying expenditures for targeted projects. It aims to stimulate investments in R&D, digital services and decarbonization efforts by enhancing productive capacity and innovation.

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Following the gazette of the Income Tax (Amendment) Bill 2024, the Singapore Economic Development Board (EDB) and Enterprise Singapore (Enterprise SG) published further details on the RIC scheme in January 2025. This includes qualifying activities, assessment criteria and the claims process, making sure that businesses can align their investment strategies with Singapore's economic priorities.

The announcement followed the introduction of the Enterprise Innovation Scheme (EIS) in Singapore's Budget 2023, offering up to a 400% tax deduction on five categories of qualifying activities from the year of assessment (YA) 2024. In addition to the enhanced tax deductions, eligible businesses may convert up to SGD100,000 of total qualifying expenditure per YA into a non-taxable cash payout at a 20% conversion rate, subject to conditions and caps.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Enhanced R&D deduction*	RISC and FSTI 3.0 cash grants	Intellectual Property Development Incentive	Refundable Investment Credit
Type of incentive	■ Super deduction	■ Cash grants	■ Reduced tax rates	■ Refundable tax credit

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Enhanced R&D deduction

Description of benefits

From YA 2024 under the EIS, the enhanced R&D deduction has been updated to provide up to a 400% enhanced deduction on qualifying R&D expenditures from YAs 2024 to 2026 incurred on qualifying R&D projects performed in Singapore. The deduction applies to the first SGD400,000 of qualifying R&D expenses incurred every year during the basis period. Beyond the initial SGD400,000, the taxpayer could enjoy a 250% enhanced R&D deduction.

Under the EIS, a 400% tax deduction will also be granted on up to SGD50,000 of qualifying innovation expenditure incurred by businesses for each YA on qualifying innovation projects carried out with partner institutions. Qualifying innovation projects refer to projects that predominantly involve one or more of the following innovation activities:

- Research and experimental development activities
- Engineering, design and other creative work activities
- IP-related activities
- Software development and database activities

For R&D projects performed overseas, the R&D incentive provides a 100% deduction on qualifying R&D expenditures incurred on qualifying R&D projects relating to the claimant's trade or business. Unused losses may be carried forward indefinitely, subject to satisfaction of the shareholding test.

Guidelines around incentive applications

As the incentive is statutory based, the claims follow the corporate tax filing timeline. The enhanced tax deduction is claimed against taxpayers' taxable profits in the year the expenditure was incurred. Corporate tax returns are filed on a preceding-financial-year basis.

Cash grants

Description of benefits

Some of the common grants applicable to R&D, such as the Research Incentive Scheme for Companies (RISC), Enterprise Development Grant and FSTI 3.0 grant, are government cash grants that co-fund the qualifying R&D expenses incurred by companies to set up/expand innovation labs and develop talent in FinTech/technology sectors.

The support level varies from scheme to scheme. Generally, eligible expenditures include manpower-related costs, equipment and materials, professional services and IP rights.

Guidelines around incentive applications

Cash grants are applicable for future investments, and, typically, support is granted only on (parts of) projects that have not commenced.

Intellectual Property Development Incentive

Description of benefits

The incentive was introduced to encourage the use and commercialization of IP rights arising from R&D activities. An approved Intellectual Property Development Incentive (IDI) company is eligible for a reduced corporate tax rate of either 5% or 10% on qualifying IP income derived by the company during the qualifying incentive period. For further details, please refer to Section 4 below.

Guidelines around incentive applications

Similar to the cash grants, being a discretionary incentive, the IDI may be granted for future investments and only incremental expansion, upon application to and approval from the authorities.

Refundable Investment Credit

Description of benefits

The RIC supports a wide range of investment activities aligned with Singapore's key economic priorities. The incentive is administered by the EDB and Enterprise SG and is available for businesses undertaking projects in:

- New productive capacity investments
- Expansion of digital services, professional services and supply chain management
- Establishment of headquarters or centers of excellence
- R&D and innovation activities
- Decarbonization-related solutions
- Commodity trading activities

The tax credit applies to qualifying expenditures incurred in Singapore over a specified qualifying period. Support levels are determined based on the project's economic impact and investment scale, with unused credits refundable in cash after four years under the Qualified Refundable Tax Credit (QRTC) framework.

Qualifying expenditures include:

- Professional fees, materials and consumables
- Freight and logistics costs
- Training costs for capability development
- Intangible asset costs
- Financing costs (only for R&D, innovation and ecosystem development projects)

Certain costs, such as depreciation, amortization, non-Singapore-based manpower costs and foreign-incurred expenses, are excluded from eligibility.

Guidelines around incentive applications

Interested companies may approach the EDB and Enterprise SG to initiate the discussion for incentive applications.

3. Eligibility requirements

Enhanced R&D deduction

R&D is defined as any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the objective of acquiring new knowledge or using study results for the production or improvement of materials, devices, products, production or processes (with specified exclusions).

Eligible expenditure includes staff costs, consumables and contracted R&D expenditure, net of government grants or subsidies. Where the R&D work is contracted to an R&D organization and a breakdown of the expenditure is not available, the qualifying R&D expenditure can be deemed to be 60% of the payments made to the R&D organization.

Any business carrying on qualifying R&D projects in Singapore is eligible for the enhanced tax deduction. No industry sectors are specifically excluded. However, research in the social sciences or the humanities cannot be claimed unless they are activities that support a qualifying project.

To claim the R&D tax deduction, the claimant must be the beneficiary of the R&D activities. From YAs 2024 to 2026, qualifying R&D costs incurred for R&D activities performed in Singapore are eligible for up to a 400% enhanced deduction, for the first SGD400,000; beyond the initial SGD400,000, taxpayer would enjoy a 250% enhanced deduction on qualifying R&D expenses. Qualifying R&D expenditures associated with overseas activities are eligible for a 100% base R&D deduction, so long as the R&D activities performed are related to the claimant's trade or business.

Cash grants

There are no published eligibility criteria for cash grants.

There is also no eligibility restriction on specific industries; however, as it is a discretionary incentive, grants are provided selectively to R&D labs/centers and large projects in certain strategic technology areas identified by the Singapore government.

Different grants may also be offered by different agencies based on the industry classification of the company.

Refundable Investment Credit

To qualify for the RIC, businesses must meet a set of quantitative, qualitative and track record criteria:

Quantitative factors – the level of RIC support varies according to the scope and scale of the project:
- 10% for projects involving at least SGD3 million investment and eight employees
- 30% for projects with SGD5 million investment and 10 employees, leading to capability expansion
- 50% for leading-class projects, contributing to industry leadership, requiring at least SGD7 million investment and 18 employees

Qualitative factors:
- Development of local capabilities and skill sets
- Resource efficiency improvements
- Broader economic spillover effects through industry collaboration

Track record:
- Demonstrated success in past projects in Singapore or globally
- Organizational resources to execute the proposed project successfully

Applicants must benchmark their projects against Singapore's sectoral development levels, making sure that investments contribute to national economic priorities.

4. IP and jurisdictional requirements (patent box regime)

The IDI was introduced with effect from 1 July 2018 to encourage the use and commercialization of IP rights arising from R&D activities. An approved IDI company is eligible for a reduced corporate tax rate of either 5% or 10% on a percentage of qualifying IP income derived by it during the qualifying incentive period.

The incentive period is limited to an initial period not exceeding 10 years and may be further extended for a period or periods not exceeding 10 years each (with the earliest effective date being 1 July 2018).

The IDI is aligned to the OECD modified nexus approach and uses R&D expenditures incurred by the approved company (includes outsourced third-party R&D expenditures and R&D undertaken by the company itself) as a proxy to determine the level of benefits accorded under the IDI.

Qualifying IP income refers to royalties or other income receivable by the approved IDI company as consideration for the commercial exploitation of qualifying IP rights (IPR) (i.e., patents and copyrights subsisting in software) elected into the IDI. Election of qualifying IPR into the IDI is irrevocable.

As the IDI is a discretionary incentive administered and awarded by the EDB, eligible companies are required to fulfill substantive commitments in areas of business spending, fixed assets expenditures, creation of skilled jobs and the requisite qualitative aspects, such as contributing to the advancement of capabilities and other ancillary economic spin-offs for the wider Singapore economy.

For a five-year award, the following minimum commitments will be required:

	IDI 5%	IDI 10%
Incremental fixed asset investment or total annual business expenditure	SGD10.5m	SGD6.5m
Incremental number of skilled jobs created	20	15

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Singapore.

6. Role of governmental bodies in administering incentives

The qualifying R&D expenditure claim is processed and verified by the Singapore tax authority — the IRAS — for the enhanced R&D deduction. The IRAS also monitors the activities that are claimed to ensure compliance with the enhanced R&D deduction regime.

The EDB, Monetary Authority of Singapore (MAS) and Enterprise SG administer the discretionary R&D incentives, including cash grants and the RIC.

7. Administrative requirements

Companies are not required to seek government preapproval for the enhanced statutory R&D tax deduction.

To be eligible for the **enhanced tax deduction**, a company must submit the claim in its income tax return and tax computation, along with the completed R&D claim form, by the annual filing deadline of 30 November.

All claimants are required to complete an R&D claim form, which includes a detailed description of each R&D project claimed, based on prescribed guidelines. If a company wishes to claim more than 60% of the sum payable to an R&D organization, the claimant must submit to the IRAS copies of invoices issued by the R&D organization detailing a breakdown of the expenditure items.

For **discretionary incentives**, approval must be granted by the respective statutory agencies.

For the **R&D cash grant**, claims may be made on a half-yearly basis using the prescribed format as provided by the relevant authority once the R&D cash grant has been awarded. Companies are also required to submit a yearly progress report and a final report at the end of the project.

Refundable Investment Credit (RIC) compliance and claims process

Companies awarded the RIC must adhere to strict compliance and reporting requirements, including:

- Economic milestone conditions: Businesses must implement the approved project and meet minimum investment and employment levels.
- Annual progress updates: Investment and employment levels must be externally audited.
- Audit checks: The EDB and Enterprise SG may conduct site visits and review compliance with the incentive's terms.

Claims process:

- Companies should submit one claim per financial year, which must undergo external audit.
- Upon verification, a Letter of Confirmation will be issued, specifying the amount of RICs granted and the payment schedule.
- The IRAS will maintain an RIC account for each company, applying the credits on a first-in, first-out basis.
- Businesses may opt to receive unused RICs as a cash payout, with further election details to be announced.

8. Statutory reference

Income Tax Act, Sections 2, 14C, 14D, 43X and 93B

Slovak Republic

This chapter is based on information as of February 2025.

In recent years, Slovakia significantly amended its legislative framework for investment incentives. The changes were made to create a more investment-friendly environment by providing clearer definitions, setting strict deadlines and providing a more robust framework for the approval process of the investment aid.

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The latest addition to the investment incentive framework was the introduction of the super tax deduction for tax depreciation and amortization on capital expenditures (capex) spent on assets related to Industry 4.0. The scheme offers a super deduction of up to 55% of yearly depreciation and amortization, favors profit-making companies that recognize positive tax base and is expected to be utilized predominantly in instances in which general investment aid cannot be used due to a low number of jobs created.

Given the variety of the incentives available, it is important for businesses to understand their mechanics and subsequently choose the one that proves to be the most suitable to them.

1. Overview

Slovakia has long been overlooked as a location for performing R&D activities in the European Union due to undercapitalization of the R&D sector. Nevertheless, foreign direct investment has accelerated the pace of innovation in industry and services in Slovakia. Moreover, the Slovak government has strengthened its focus on R&D in recent years, offering targeted stimuli to support R&D activities with the aim of supporting projects with high added value to increase the development of a knowledge-based economy.

Slovak legislation has a unified system to stimulate R&D activities to set rules and procedures for providing incentives for such activities carried out by businesses of all sizes and across all sectors. Eligible costs of qualifying R&D projects can be supported either through cash grants from the state budget or via income tax relief (through a tax credit). The administration and provision of these incentives are overseen by the Ministry of Education (for cash grants) and the Ministry of Finance (for tax credits).

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☑
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

Besides the direct stimuli on R&D, an enterprise may apply for stimuli from the state budget under general investment aid, upon which the establishment or expansion of a center for innovation and technology may be supported by various types of incentives, including cash grants, tax credits, transfer of immovable assets or exchange, replacement of immovable assets, or rent at a price lower than the market price.

Taxpayers can apply for an additional deduction (the so-called super tax deduction) of R&D costs via their corporate income tax (CIT) return, thereby decreasing their tax base and final tax liability. This deduction is not subject to an approval process and requires preparation of an R&D project plan, which does not have to be submitted to the tax authorities in advance.

The Slovak legislation also provides for a special tax regime related to some intangible assets consisting of partial tax exemption of revenues generated from such assets as a result of the taxpayer's own development activities. The exemption applies in tax periods during which the intangibles are tax depreciated. Similar to the super tax deduction, no prior approval is needed for this incentive; however, taxpayers should share some information about the patent/developed software and be ready to present evidence of incurred costs and additional details within eight days upon the request.

2. Incentives available

R&D subsidy	R&D income tax relief	Investment aid for technological centers*	Subsidy on scientific and technical services	Super tax deduction for R&D costs	Super tax deduction for Industry 4.0 capex	Patent box
Types of incentives	■ Cash grant	■ Tax credit	■ Cash grants ■ Tax credits ■ Transfer or rent of immovable property or exchange of immovable property at a price lower than market price	■ Cash grants	■ Tax deduction	■ Tax exemption

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D subsidy

Description of benefits

The R&D subsidy is designed to:
- Support basic and applied research and experimental development.
- Develop project feasibility studies.

The maximum amount of grants ranges from 25% to 100% of eligible costs, depending on the type of R&D project and size of the enterprise.

Guidelines around incentive applications

The R&D subsidy is applicable to future investments. To claim a subsidy, taxpayers must submit a request to the Ministry of Education, which has the discretion to accept or deny the request. Work on the project should not begin prior to the submission of the incentive request to the Ministry of Education. The maximum duration of basic and applied research and experimental development is three years.

R&D income tax relief

Description of benefits

Similar to the R&D subsidy, R&D income tax relief is available (in the form of a tax credit) to companies that pursue projects involving basic and applied research, experimental development and feasibility studies. In determining the amount of the tax credit, the government takes into account the direct and indirect R&D expenses incurred by the taxpayer, the size of the company and the type of project. Once the credit amount is determined, it is applied proportionally to the tax base.

The tax credit may be applied for up to three consecutive tax years (the first tax year is the year when the decision on the approval of granting the incentive is issued by the Ministry of Education).

Guidelines around incentive applications

The R&D tax credit is applicable to future investments. Taxpayers must submit a request to apply the credit to the Ministry of Education, which presents the claim to the Ministry of Finance for its approval. The credit is claimed via the CIT return. The deadline for filing the CIT return is the end of the third month following the relevant fiscal year. Work on the project should not begin prior to submission of the request to the Ministry of Education. The maximum duration of basic and applied research and experimental development is three years.

Investment aid for technology centers

Description of benefits

Investment aid may be granted upon the submission of a request for investment aid for the establishment or expansion of a center for innovation and technology and its approval by the Ministry of Economy and the Slovak government. Because there is no legal entitlement to the provision of state aid, the Ministry of Economy and the government have the discretion to accept or deny the request.

Investment aid can be provided in the form of:
- Income tax relief
- A subsidy for the acquisition of tangible and intangible fixed assets
- A contribution for the creation of new jobs
- A transfer or rent of immovable assets from the state or municipality at a price lower than the general value of the asset or rent lower than according to official appraisal

The investor may request aid in one or several forms; the total aid, however, may not exceed the maximum amount of aid permissible in the given region.

The amount of aid can be up to 50% of eligible costs and depends on the region where the project is realized and on the size of the enterprise. For districts belonging to territories identified for support from the Just Transition Fund (JTF) under Regulation (EU) 2021/1056 of the European Parliament and of the Council establishing the Just Transition Fund, the maximum aid intensity shall be increased by 10%.

If the amount of investment aid exceeds the thresholds for notification (EUR33 million in areas with aid intensity of 40% or EUR41.25 million in areas with aid intensity of 50%), the granting of investment aid is subject to notification to and approval by the European Commission.

Guidelines around incentive applications

The incentive is applicable to future investments. Work on the investment project should not begin prior to submission of the investment plan to the Ministry of Economy. Investment project requirements stipulated by legislation should be met by the end of three years after the investment aid was approved (an extended period of five years should apply to large investment projects in the sense of Commission Regulation (EU) No. 651/2014).

Subsidy on scientific and technical services

Description of benefits

A subsidy on scientific and technical services may be granted upon successful application to the specific funding programs of the Ministry of Education, usually administered by the Slovak Research and Development Agency.

Specific funding programs have predefined amounts of funds, and the funding amounts vary by the type of program. This is a minor scheme, meaning that the funds available typically do not exceed hundreds of thousands of euros. Taxpayers are required to obtain approval from the Ministry of Education to obtain the subsidy.

Guidelines around incentive applications

The incentive is applicable to future investments. The subsidy is available for scientific activities such as the collection, monitoring and analysis of data; consultancy in the R&D; patenting and licensing activities; and activities supporting international scientific cooperation. Specific funding programs are published on the website of the Central Information Portal for research, development and innovations. Based on the published programs, a request is filed with the relevant authority, i.e., the Ministry of Education, the Slovak Academy of Sciences or other central state authority. There is no legal entitlement to the subsidy.

Super tax deduction for R&D costs

Description of benefits

Taxpayers can claim the R&D super tax deduction — i.e., additional tax deduction — for qualifying R&D costs, meaning that eligible costs can be deducted from the tax base more than once. The base rate of the super deduction of R&D costs is 100%.

On top of the base R&D super deduction, an additional incremental deduction of 100% of the year-on-year increase (measured against the prior two years) can be claimed by taxpayers on tax returns. Finally, any unused R&D super deduction can be carried over. The period for utilization of unused super deduction is five years.

Guidelines around incentive applications

The deduction is applied in the CIT return, and no approval process is necessary beforehand. In other words, if a taxpayer has fulfilled the required conditions, it can apply the tax deduction without the difficulties associated with the administratively burdensome request and approval process.

Taxpayers interested in the super tax deduction of R&D costs must prepare a written R&D project plan and have it signed by an authorized signatory. An R&D project plan for R&D projects need to be prepared and signed by the authorized signatory by the deadline for submission of the corporate income tax return (which is generally due within three to six months from the end of the tax period, depending on whether an extension of the deadline is sought).

The R&D project plan must define the object of R&D (the starting and expected completion dates of the project, the objectives of the project that are attainable during the implementation period and measurable after its completion, total estimated costs of the project, etc.). The project plan is not required to be submitted to the tax authorities, but the taxpayer must be ready to provide it within eight days upon request in the case of a tax audit.

For the deduction to be applied, separate accounting evidence must be kept documenting all costs related to the R&D project.

Super tax deduction for Industry 4.0 capex

Description of benefits

Taxpayers eligible for this scheme can benefit from an additional tax deduction from 15% to 55% for tax depreciation or amortization on capex spent on assets related to Industry 4.0.

The Industry 4.0 super tax deduction rate depends on the:

- Contemplated amount of the total eligible capex during the period from 2022 to 2027 or from the financial year commencing in 2022 until the end of the financial year commencing in 2027 (the latter applies if the taxpayer reports on a financial year basis)
- Multiplier ratio between the (i) contemplated amount of the total eligible capex during the period set forth by the investment plan and (ii) average annual capex spending on assets related to Industry 4.0 during the period from 2019 to 2021 or from the financial year commencing in 2019 until the end of the financial year commencing in 2021, measured in percentage

The minimum total eligible capex contemplated in the investment plan is EUR1 million, and the minimum multiplier ratio is 700%.

Guidelines around incentive applications

This is a temporary instrument that will reward capex spent in the period from 2022 to 2027. Its aim is to fuel capex on assets bringing higher added value and fostering future growth of the Slovak economy upon the transformation to Industry 4.0. Only businesses that already carried on business in Slovakia prior to 2019 can benefit from this scheme.

The list of the assets eligible for the Industry 4.0 super tax deduction is included in the Income Tax Act. The Industry 4.0 super tax deduction rate can be claimed over the depreciation or amortization period, but it cannot be claimed over more than 10 consecutive tax periods following the period in which the asset was put in use. The deduction is claimed via the CIT return.

For the purpose of this scheme, an investment plan addressing the eligible capex spending must be drawn up. The investment plan is not required to be submitted to the tax authorities, but the taxpayer must be ready to provide it within eight days upon request during a tax audit.

The Industry 4.0 super tax deduction came in effect on 1 January 2022.

Patent box

Description of benefits

Under the patent box regime, taxpayers can enjoy a partial tax exemption of income generated from some intangible assets created by a taxpayer's own development activities in the territory of Slovakia.

The exemption of 50% applies to income generated from provision of right to use (licensing) a patent, design, utility model or computer program (software) created by a taxpayer in Slovakia.

The same exemption of 50% also applies to income generated from the sale of products in which a patent, utility model or design created in Slovakia has been used (embedded royalty). These intangibles could be used in own production or in production by third parties that were provided the right to use the intangibles in their manufacturing process.

The exemption resulting in the taxation of the eligible income at the effective tax rate of half of the applicable statutory corporate income tax rate applies in tax periods during which the respective intangibles are tax amortized.

Guidelines around incentive applications

The deduction is applied in the CIT return, and no approval process is necessary beforehand. In other words, if a taxpayer has fulfilled the required conditions, it can apply the tax exemption without the difficulties associated with the administratively burdensome request and approval process.

Taxpayers interested in the patent box regime must maintain evidence of development costs, capitalized development costs and costs for intangibles developed by third parties that were used in the development process. The evidence is not required to be submitted to the tax authorities, but the taxpayer must be ready to provide it within eight days upon request (even outside the tax audit procedure).

3. Eligibility requirements

Generally, incentives may be granted to any entity from any industry; however, specific requirements regarding entity and industry may be stipulated by the particular funding program.

Specific eligibilities for each incentive are below.

R&D subsidy and R&D income tax relief

Qualifying expenses include direct costs (e.g., wage costs, costs of business trips, costs of repairs, procurement, expenses) and indirect costs (e.g., depreciation of assets or costs of utilities), depending on the type of R&D project.

Companies are required to meet one of the following conditions after incentive approval:

- The entity applying for an incentive creates a new working position, whereby the new workplace focuses on R&D and will continue to carry out such activity for at least five years after provision of the incentive.

Or

- An existing workplace focusing on R&D is expanded using the funds of the entity applying for an incentive, whereby the expanded workplace must continue to carry out such activity for at least five years after provision of the incentive and the recipient of the incentive must not decrease its own annual R&D-related expenses below the level spent before provision of the incentive.

Investment aid for technology centers

Qualifying activities include the establishment or expansion of a center for innovation and technology. Specific conditions for granting investment incentives are as follows:

- The acquisition of tangible and intangible assets in a minimum amount specified separately for the subsidy for the acquisition of tangible and intangible fixed assets (at least EUR400,000 for non-priority areas and at least EUR200,000 for priority areas) and for the rest of the forms of investment aid (at least EUR200,000 for non-priority areas and at least EUR100,000 for priority areas).
- The investment project must have already led to the creation of at least 20 new jobs in non-priority areas and at least 10 in priority areas.
- Employees must be remunerated by multiplying the average gross monthly wage for the relevant workplace applicable for the previous calendar year in a specific Slovak district by factor of 1.7 in non-priority areas and at least 2.0 in priority areas.

To qualify for the priority areas, investment projects in technology centers must be exclusively dedicated to the development or innovation of technically advanced products, technologies or production processes, provided that the development or innovation activity aligns with a pertinent SK NACE sector. The list of the relevant sectors designated as priority areas includes:

- C10 Manufacture of food products
- C20 Manufacture of chemicals and chemical products
- C21 Manufacture of basic pharmaceutical products and pharmaceutical preparations
- C26 Manufacture of computer, electronic and optical products

- C27 Manufacture of electrical equipment
- C28 Manufacture of machinery and equipment n.e.c.
- C29 Manufacture of motor vehicles, trailers, and semi-trailers
- C30 Manufacture of other transport equipment

The product or service associated with the development or innovation must align with one of the relevant technologies outlined below:

- Autonomous and collaborative industrial robots and artificial intelligence
- Industrial Internet of Things
- Simulation
- Augmented reality with real-time information
- Additive, auxiliary production
- Big data and their analysis
- Cloud and cybersecurity

Further, the following conditions must be met:

- The applicant must maintain a clean criminal record.
- The applicant cannot have arrears to Slovak tax, customs, social security or public health insurance authorities. If the applicant has such arrears, the Ministry of Economy should ask the applicant to settle them; if the arrears are not settled afterward, the application should be denied.
- The applicant cannot be subject to an execution order or enforcement proceedings.
- The applicant cannot have breached, in the three-year period prior to the submission of the investment aid application, the ban on illegal employment pursuant to a separate law.
- The applicant cannot have been barred, by a final and enforceable court judgment, from receiving subsidies or similar support from public funds or from receiving aid and support available from European Union funds under a separate regulation.
- The applicant cannot have had a decision approving investment aid or a decision granting investment aid revoked in the three-year period preceding the submission of the investment aid application due to the breach of conditions under which the investment aid was granted.
- The applicant cannot be liable to return received aid based on a prior decision of the European Commission declaring the aid granted by the Slovak Republic unlawful and incompatible with the internal market.
- The applicant cannot be an undertaking in difficulty pursuant to EU Regulation No. 651/2014, nor can the court have ruled to commence restructuring proceedings.
- The applicant cannot be in liquidation.
- The applicant must be registered in the Slovak Register of Public Sector Partners within 45 working days of submitting the investment aid application if subject to such registration.
- The amount and structure of the eligible investment costs must be in line with the investment aid granting decision.
- Fixed assets must be maintained throughout the period of receiving the investment aid – for at least three years (for small and medium-sized enterprises (SMEs)) or five years (for large undertakings) from the completion of investment project works.
- The acquired assets must be insured against the risk of theft, damage and destruction insofar as their nature so permits.
- All new jobs must be created within the period specified in the investment aid granting decision; this period may not exceed three years from the completion of investment project works.
- Each newly created job must be maintained for at least three years, or in the case of a large undertaking, for at least five years from the day the job was first created.
- If no new jobs are created, the beneficiary is required to maintain the number of jobs corresponding to the average number of jobs in the last 12 months prior to submitting the investment aid application during the investment project implementation and for a period of three years (for SMEs) or five years (for large undertakings) from the completion of investment project works.
- Investment project works must be completed, and the business activity specified in the investment project must start within three years or, in the case of large investment projects (investment above EUR50 million), within five years of receiving the investment aid granting decision.
- The beneficiary is not entitled to implement any unauthorized changes affecting the nature of the investment project or the conditions under which the investment aid was granted throughout the period of receiving the investment aid, for at least three years (for SMEs) or five years (for large undertakings) after the investment project completion.

Qualifying expenses include:

- Capex on or rental costs of new tangible fixed assets (e.g., land, buildings and plant/machinery) acquired under market conditions
- Capex on intangible fixed assets (e.g., patents, licenses, know-how or unpatented technical knowledge), acquired under market conditions, excluding intangible fixed assets acquired from related parties
- Salaries of employees employed with connection to the investment project (calculated as the total salary costs for 24 months)

Subsidy on scientific and technical services

Qualifying activities include scientific and technical services (e.g., scientific knowledge sharing, licensing, advisory, research, technical standardization and education). Qualifying expenses include direct costs (e.g., wage costs and costs of business trips).

Super tax deduction for R&D costs

Qualified costs include costs directly associated with the R&D project — e.g., salaries, asset depreciation charges, materials, utilities, software licenses and certifications. Indirect costs, such as general overheads (HR, finance) and costs for outsourced services, licenses (other than licenses for specific software directly used for R&D activities) and costs of intellectual property (IP) acquired from a person other than the person holding a certificate of competency to perform R&D issued by the Slovak Ministry of Education, would not qualify for an additional deduction. Incurred costs that are only partially related to the implementation of the R&D project are only partially qualified for the R&D allowance.

Super tax deduction for Industry 4.0 capex

The Industry 4.0 super tax deduction can be claimed only for:

- Capex not funded from public finances
- Capex for which R&D super tax deduction is not claimed

The assets eligible for Industry 4.0 super tax deduction, inter alia, include:

- Equipment, machinery, automation technology and communication technology
- Software used in conjunction with the eligible assets listed by the Income Tax Act, such as software for the management of the production and logistics process aimed to optimize the production and supply chain, process automation and data exchange systems in manufacturing technologies leveraging embedded sensors, intelligent robots, 3D printers, cloud computing/ cognitive computing, and software facilitating creation of a smart factory
- So-called technical improvements of the above (refurbishments of the pre-existing assets resulting in better performance, new features, etc.)

Patent box

The exemption is applicable during the tax periods in which the capitalized costs of development of intangible assets are tax amortized. Thus, the condition for application of the exemption is the correct accounting of development costs and their subsequent amortization. The exemption is applicable only when intangibles are developed in the territory of Slovakia.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to IP.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Slovakia.

6. Role of governmental bodies in administering incentives

The decision on the amount of R&D incentives is at the discretion of the government and depends on available state budget resources, with the exception of the super tax deduction for R&D costs, the super tax deduction for the Industry 4.0 capex and application of the patent box, which can be applied without prior consent and with no connection to budget resources. The Ministry of Education administers the R&D subsidy, R&D income tax relief and the subsidy on scientific and technical services, with help from the Slovak Innovation and Energy Agency (SIEA) and the Slovak Research and Development Agency. The Ministry of Economy administers investment aid for technology centers. Any incentives granted in the form of a tax credit are granted by the Ministry of Finance.

7. Administrative requirements

The approval process of an application for R&D subsidy and R&D income tax relief includes the following:

- The application is filed under particular funding programs with the Ministry of Education before commencement of work on the project (the application should meet all conditions stipulated by law, including all obligatory attachments).

- The Ministry of Education evaluates the project and seeks two independent expert opinions in determining its decision on approval of the incentives.
- If the amount of incentives does not exceed EUR2 million, the Ministry of Education issues the decision on whether the incentives are granted.
- If the amount of incentives exceeds EUR2 million, the government is required to make the approval.
- If the project exceeds the state aid notification threshold, the granting of the incentive is subject also to approval by the European Commission.
- Agreement for granting incentives is concluded with the Ministry of Education.

Applicants for the R&D subsidy and R&D income tax relief are obliged to register with the Public Partners Register held by the Ministry of Justice.

The approval process for an application of investment aid for technological centers includes the following:

- The investment project is filed with the Ministry of Economy (the investment project should meet all conditions stipulated by law, including all obligatory attachments) prior to the commencement of work on the respective project.
- The Ministry of Economy will evaluate the regional impact of the investment and arrange for an independent expert to prepare a report evaluating whether the conditions for investment aid have been met.
- The Ministry of Economy issues a proposal for investment aid.
- The Ministry consults on the requested aid with the Ministry of Finance and/or Ministry of Labor, Social Affairs and Family. The Ministry will then prepare an overall report on the investment aid.
- If supported by the other ministries, the Ministry of Economy issues the offer, which includes the actual amount of investment aid offered.
- The beneficiary files a request for investment aid based on the offer received.
- The Ministry of Economy approves the request.
- The government approves the request if not subject to state aid notification to the European Commission.
- If the project exceeds the state aid notification threshold, the granting of the incentive is also subject to approval from the European Commission.
- The decision is issued to the beneficiary.
- The beneficiary is required to prepare and present annual monitoring reports on realization of the project and a final evaluation report within three months of the conclusion of the investment project. Furthermore, the annual reports on the use of investment are required to be submitted for at least five years after the investment project is finalized, and also during the entire period of use of the tax credit (i.e., up to 10 years). The annual monitoring reports and final evaluation report must be reviewed and confirmed by an external auditor. The audited financial statements are required to be enclosed with annual reports on use of the investment.

8. Statutory reference

- Act No. 185/2009 Coll. on Research and Development Incentives
- Act No. 172/2005 Coll. on the organization of state support of R&D
- Act No. 57/2018 Coll. on Regional Investment Aid
- Act No. 595/2003 Coll. on Income Tax Act
- Commission regulation (EC) No. 651/2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty (general block exemption regulation)
- Regulation No. 195/2018 Coll. on maximum intensity of investment aid (amended regulation approved by the government)
- Decree No. 39/2020 Coll. of the Ministry of Economy of the Slovak Republic, amending Decree No. 187/2018 Coll. of the Ministry of Economy of the Slovak Republic laying down the details of investment aid application, acceptance of investment aid offer, annual report on investment project's implementation, report on investment project's completion, annual report on investment's utilization, final evaluation report and investment publicity board, as amended by Decree No. 39/2020 Coll.

Slovenia

This chapter is based on information as of February 2025.

R&D and investment allowances are corporate income tax reliefs that may reduce a company's tax bill if the company is liable for corporate income tax in Slovenia. When claiming R&D tax relief, the taxpayer has to prove to the tax authorities that the project and its expenses qualify as R&D. Given that this can be challenged by the tax authorities, taxpayers more often use the general investment tax relief (40% of investments, excluding office furniture and certain vehicles), for which no supporting documentation is required and cannot be used together with the R&D tax relief. According to the Financial Administration of the Republic of Slovenia (FURS), the largest share (37.3%) of the total reductions in the tax base and tax deductions for 2023

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is attributed to the investment deduction. Following this, with a share of 34.8%, are the coverage of losses, and with a share of 11.9%, the deduction for investments in research and development.

1. Overview

R&D incentives are used to recognize the significant contribution that R&D plays in building globally competitive companies and as a tool to attract foreign investors. There are several incentives to attract R&D activity in Slovenia.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☑
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	General R&D tax relief*	Cash grants	Financial support – reimbursable means	Loans
Type of incentive	■ Super deduction	■ Cash grants	■ Financial support	■ Loans

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

General R&D tax relief

Description of benefits

As of 1 January 2022, taxpayers can receive a triple tax deduction for investments in R&D. Under this incentive, a 100% corporate income tax (CIT) base deduction is available on R&D investments and certain expenses incurred. The R&D tax relief, tax relief for investments in the digital and green transition, and general investment tax relief cannot be claimed at the same time. Similarly, any R&D investments funded from the budgets of the Republic of Slovenia or the European Union (EU) should also be excluded. The unused amount of the tax relief can be carried forward for five tax periods, where the tax base shall first be reduced by the oldest unused tax relief. The taxpayer has to evaluate whether the project and its expenses qualify for R&D tax relief.

A general limitation of tax base reduction after utilization of tax reliefs and tax losses carried forward took effect as of 1 January 2020. The maximum reduction of tax base is limited to 63% of the tax base for a tax period, which means setting a minimum effective corporate tax rate of 8.14%.

Guidelines around incentive applications

R&D tax relief is applicable for investments in a tax period and is claimed with the CIT return. As the incentive is statutory-based, the claims follow the corporate tax filing timeline. To claim R&D tax relief, a prescribed form (in Slovene: *"Obrazec za uveljavljanje davčne olajšave za vlaganja v raziskave in razvoj za davčno obdobje (oddo)"*) should be submitted with the CIT return. The form specifies all costs from various projects and programs and is filed as an appendix to the CIT return. Additionally, a taxpayer should provide a more detailed report on relevant R&D investments, to be submitted on request by the tax authorities.

Cash grants

Description of benefits

Cash grants are a form of state aid. Therefore, in line with common European rules on state aid, a cash grant should be implemented as a public tender. Every public tender is published in the Official Gazette of the Republic of Slovenia. Cash grants are usually provided as a subsidy.

On 17 December 2020, the European Council decided to adopt the next long-term EU budget for the period 2021–27. The European Commission has started committing the funds under the next Multiannual Financial Framework as of 1 January 2021, following the adoption of the relevant sector-specific rules as well as of the annual budget for 2021 by the European Parliament and the Council. Over the planned seven years, Slovenia is to receive nearly EUR4.5 billion under the new Cohesion Policy and Common Agricultural Policy. Additionally, Slovenia is eligible for EUR5.2 billion under the Recovery and Resilience Facility (RRF), of which EUR1.6 billion is available as grants and EUR3.6 billion as loans. The facility is the centerpiece of the Next Generation EU, a temporary recovery instrument to help repair the immediate economic and social damage brought about by the COVID-19 pandemic.

The National Recovery and Resilience Plan (NOO) was adopted by the government on 28 April 2021, confirmed by the Commission on 1 July 2021 and adopted by the Council on 28 July 2021. Since its endorsement, circumstances have arisen that have significantly affected its implementation. To this end, the Slovenian government proposed an amendment to the NOO, which was approved by the Council on 17 October 2023. The amendment focused on:

- Additional EU funding to achieve the objectives of the new REPowerEU plan
- The reduction of the available grants under NOO (Slovenia is eligible for EUR286 million less in grants due to its better development)
- Additional loans from the NOO
- Other objective circumstances (high inflation and supply chain disruptions due to the war in Ukraine)

To this end, the plan consists of 48 investments and 34 reforms. They will be supported by EUR1.07 billion in loans (increase from previous EUR0.7 billion in light of the damage caused by August 2023 catastrophic floods) and EUR1.61 billion in grants (out of which EUR122 million is dedicated for REPowerEU purposes). Forty-nine percent of the plan will support climate objectives and 20% of the plan will foster the digital transition. All reforms and investments have to be implemented within a tight time frame, as the Regulation on the RRF foresees they have to be completed by August 2026. Given the limited resources, other investments, measures and projects that could not be placed in the plan will be financed from other funds, under other funding schemes and from the state budget. In addition to direct actions by the Ministry, companies will be able to obtain resources via the Slovene Enterprise Fund, Slovenian Regional Development Fund, SPIRIT, Slovenian Tourist Board and SID Bank.

The public agency SPIRIT[1] currently does not have any open tenders, but new public tenders are anticipated to open following the adoption of programs prepared according to the new cohesion policy.

As part of international initiative EUREKA, two public tenders, led by the Ministry of Economic Development and Technology, are open. The successful applicants will receive co-financing of the Slovenian part of the international R&D projects (at least two independent project partners, one from Slovenia and one foreign partner), which are approved at the meetings of the EUREKA program by the Committee of High Representatives of the EUREKA program (network project) or in the framework of the cluster strategic initiative. The ultimate goal of any project to receive the EUREKA designation is for it to be a new product, process or service. The previous deadline for the R&D and innovation project applications under the Eurostars program was 17 January 2025. The next call for R&D and innovation projects under the Eurostars program was scheduled to opened in May 2025. An open call for network projects applications lasts from 1 January 2020 to 31 December 2025.

[1] SPIRIT is a public agency of Slovenia for the promotion of entrepreneurship, innovation, development investment and tourism.

Guidelines around incentive applications

Cash grants are intended to accelerate growth for innovative companies that are located in Slovenia. To qualify for a specific cash grant, the company must fulfill conditions specified in each public tender.

Financial support — reimbursable means

Description of benefits

All forms of financial support are a form of state aid. Therefore, in line with common European rules on state aid, financial support should be implemented as a public tender. Every public tender is published in the Official Gazette of the Republic of Slovenia. The Ministry of Finance regularly publishes a list of open state aid. Financial support can be provided as a loan, guarantee or capital increase (venture capital funds).

In December 2022, Slovenia launched implementation of financial instruments within a framework of the implementation of the cohesion policy of the 2021–27 period. In this respect, EUR437 million is earmarked from reimbursable European funds that are available to Slovenia within the 2021–27 financial framework until 2029 for the purpose of financing development and entrepreneurship. In total, EUR183 million will be available for enterprises and other end users. These funds will be managed by the SID Bank. Financial instruments are expected to promote investments and current operations with debt and equity financing. Accordingly, private operators will transfer all the benefits (e.g., lower interest rate, lower required insurance, a moratorium on repayment of a loan, longer maturity of loans) that they will obtain from the SID Bank to the final recipients (companies, public institutes, municipalities and individuals). The funds will be transferred to research, development and innovation projects and investments; small and medium-sized enterprises (for the startup of the company and the early-growth phase and for the growth and development of the company); and energy efficiency and urban development projects.

Guidelines around incentive applications

Financial support is intended for new investments or activities that are not yet started or realized. To qualify for specific financial support, the company must fulfill conditions specified in a public tender. No preapproval is required before the start of the activities.

Loans

Description of benefits

Legal entities established in Slovenia that are performing R&D activities (industrial research and experimental development) and/or investing in tangible and intangible assets for the purpose of R&D activity and that aim to introduce new products or solutions to the existing market (or when entering new markets) may obtain a loan from SID Bank with more favorable terms and conditions. Loans granted are regarded as state aid. The interest rate is usually based on the rating of the company, the quality of the submitted insurance collateral, loan maturity and other risk parameters.

Slovenia's SID bank offers different loans with more favorable terms and conditions, such as financing technological-development projects (RRI-2), financing innovation and digitalization (SID Digital), financing sustainable projects and companies (SID green), etc.

Guidelines around incentive applications

Loans are applicable to future investments. The eligible company must submit an application to the specified institution before the project has started. The project must be carried out in Slovenia.

If the conditions specified in the tender are fulfilled, an application without preapproval is sufficient. The amount of the incentives is usually limited, hence the tender may be closed before the end of the calendar year.

3. Eligibility requirements

General R&D tax relief

The design of the R&D regime is strongly based on the Organisation for Economic Co-operation and Development (OECD) 2015 Frascati Manual and interpretations contained therein.[2] For R&D to qualify for tax relief, a company must be carrying on a project that seeks an advance in science or technology. The company must 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.

[2] OECD (2015), Frascati Manual 2015: Guidelines for Collecting and Reporting Data on Research and Experimental Development, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264239012-en.

The advance being sought must constitute an advance in the overall knowledge or capability in science or technology, not a company's own state of knowledge or capability alone. Once the advance in science or technology has been articulated, the scope of the R&D project has been defined and the project activities falling within the definition of R&D for tax purposes have been identified, the tax rules in the Slovenian Corporate Income Tax Act set out expenditures that may be eligible for relief and conditions that must be satisfied for the expenditure to qualify for relief. Any business carrying on qualifying R&D projects may claim general R&D tax relief.

Qualifying expenses for the general R&D tax relief are those incurred for internal and external R&D activities. For internal R&D activities, the following costs should be stated:

- Costs of material
- Service costs
- Labor costs
- Purchasing cost of R&D equipment

For external R&D activities, the following costs should be stated:

- Costs of contracts with external experts and researchers performing the work on R&D projects or programs
- Costs of contracts for performing R&D activities concluded with R&D organizations and other parties that are registered for performing R&D activities

Cash grants and financial support

Eligibility requirements are different for each tender. Usually, a cash grant is given up to a certain percentage of the total value of the investment or project; therefore, an applicant has to secure a portion of the resources. Additionally, eligible costs, which can be included in a cash grant or financial support request, are defined.

Loans

Any legal entity established in Slovenia that is carrying out eligible activities in Slovenia may file an application for a loan at the SID Bank. The loan may cover up to a specific percentage of the eligible costs for a project.

4. IP and jurisdictional requirements (patent box regime)

There are no jurisdictional requirements related to intellectual property (IP). Slovenia has not implemented a patent box regime.

5. Technology or innovation zones

Incubators have been developed in Slovenia in the past 20 years. Among the different types of incubators, technological parks are especially important for R&D activities because mostly high-tech companies are incubated. University incubators focused on applied technologies and the transfer of theory into practice are also especially important. Incubators can apply for specific allocated funds from the Slovene Enterprise Fund (SPS) and for other public tenders organized by SPS or SPIRIT. Additionally, they can apply for EU funds. Incubators provide business premises for newly established companies on more favorable conditions and provide them with advisory, management and administrative services.

The Slovene Association of Technology Parks and Incubators integrates eight business or entrepreneurship incubators, three university incubators and two technological parks. The purpose of the organization is the formation of common interests and representation to the competent ministries, experience and knowledge exchange and transfer among members, cooperation in EU projects, and comparison to related institutions in developing environments and common promotion.

Only newly established high-tech companies can apply to be integrated into technological parks. Entrepreneurial incubators are designed for all other types of newly established companies. To receive incentives, the incubators have to meet conditions set in the Supportive Environment for Entrepreneurship Act to apply for state funds. Newly established companies can benefit from more beneficial conditions and services provided by an incubator only for a limited period, usually up to three years.

An incubator must be registered in the record of innovative environment subjects, led by SPIRIT. Subscription or renewal should be done on an annual basis based on a public invitation.

6. Role of governmental bodies in administering incentives

General R&D tax relief

Eligible projects are not subject to prior evaluations or approvals by the tax authorities or other governmental bodies. However, if in the course of a tax audit the tax authorities determine that R&D expenses were unjustified (i.e., that those expenses should not be deducted from the taxpayer's taxable base), they may reassess the tax base and impose late-payment interests on underpaid tax. Penalties for a tax offense may also be imposed in certain circumstances. The relative statute of limitations for the reassessment of the tax base is five years, while the absolute statute of limitations is 10 years.

Cash grants and financial support

Cash grants and financial support programs are run by different public institutions (different public funds or agencies or SID Bank) and/or by the competent ministry.

The SPS was established to improve access to financial resources for different development — business investments of micro, small and medium-sized enterprises — via financial engineering, which is mainly based on financial instruments with refundable means (loans, guarantees for loans, subsidized interest rates, venture capital), allowing for the combination of financial resources from different financial institutions.

The Slovenian Research Agency (ARRS) was established to select and finance research and infrastructure programs that provide a public service in the research field and to manage young researchers' projects and other projects assigned to ARRS as part of the National Research and Development Programme and the annual plan of the Ministry of Education, Science and Sport.

Loans

The terms and conditions of every public tender for loans (program of public tender) require approval from the Ministry of Finance before being published on the website of SID Bank and before becoming binding. Applications are, however, approved by SID Bank.

7. Administrative requirements

General R&D tax relief

To be eligible for R&D tax relief, the company must submit the prescribed form with the CIT return. However, the company must have prepared a special business plan or development project documentation, which should be submitted to the tax authorities only upon request. If the tax authorities are not sure whether specific costs or investments can be classified as investment in R&D, they may request a preliminary opinion from the ministry competent for technology, which should issue the opinion within 30 days of the request.

According to information obtained from the tax authorities, an option to request prior opinion regarding eligibility of the project for R&D tax relief should be available to taxpayers. In such a case, the taxpayer would submit a request for opinion to the tax authorities, and the tax authorities would forward the request to the ministry responsible for technology to obtain the opinion for the taxpayer.

Cash grants, financial support and loans

The Slovenian Ministry of Economic Development and Technology regularly publishes information about international or EU public tenders focused on innovation projects and related research. Eligibility requirements for each tender are different and subject to prior approval by the European Commission or other designated body.

At the national level, subsidies for innovative companies, guarantees for bank loans, and refundable or nonrefundable funding for companies performing R&D activities are offered by specified institutions (the competent ministry, SPIRIT, ARRS, SPS, SID Bank). Similarly, eligibility requirements for tenders depend on a particular tender and competent body offering the incentive.

The objective of such incentives is to increase business investments in R&D to promote the integration of the Slovenian economy into international scientific research programs, to promote employment and training of researchers and developers, and to construct a proper national innovation system.

Cash grants and financial support

All cash grant and financial support requests must be sent to the institution that runs the applicable program by the specified date. In accordance with the rules of specific public tender, the institution may approve the grant application within the set deadline after the final date for sending the request.

Loans

An application for a loan with the accompanying enclosures has to be submitted to the specified institution (SID Bank or SPS).

8. BEPS updates and sustainability incentives

Sustainability incentives

New tax relief for investment in digital and green transition has been, effective from 1 January 2022, providing of up to 40% of the amount representing investments in the digital transformation and green transition. Eligible investments include investments in (1) cloud computing, (2) artificial intelligence and big data, and (3) environmentally friendly technologies, such as cleaner, cheaper, and healthier public and private transport, decarbonization of the energy sector, energy efficiency of buildings, and the introduction of other climate neutrality standards.

The new relief is mutually exclusive with the R&D investment relief and cannot be claimed if investments were financed from the budgets of self-governing local communities, the budget of the Republic of Slovenia or the EU budget, and if these funds have the nature of a grant.

BEPS updates

Minimum tax was implemented into Slovenian legislation in 2023, following the EU Directive and OECD Base Erosion and Profit Shifting (BEPS) Pillar Two initiative. The minimum tax is structured as a "top-up tax" that brings the total amount of taxes paid on the group's excess profit up to the minimum tax rate of 15% at the jurisdictional level.

Minimum tax is applicable for entities located in Slovenia that are part of an international or domestic group, whose annual revenues reported in the consolidated financial statements of the parent entity for at least two of the four financial years immediately preceding the testing financial year amount to EUR750 million or more. Constituent entities in Slovenia are subject to minimum tax, i.e., qualified domestic top-up tax and top-up tax according to the income inclusion rule (IIR) and undertaxed payment rule (UTPR). While QDMTT and IIR are applicable for financial years starting on 31 December 2023, UTPR is applicable from 31 December 2024 onward.

9. Statutory reference

- Slovenian Corporate Income Tax Act ("*Zakon o davku od dohodkov pravnih oseb – ZDDPO-2*," Official Journal 117/2006 and subsequent amendments)
- Rules on exercising the rights to relief concerning investments in R&D ("*Pravilnik o uveljavljanju davčnih olajšav za vlaganja v raziskave in razvoj*," Official Journal 138/2006, 75/2012)
- Act Regulating Supportive Environment for Entrepreneurship (Official Gazette of RS, No. 13/18, 204/21, 29/22, 65/23 – ZSInv)
- Every public tender has its own legal framework.

South Africa

This chapter is based on information as of February 2025.

R&D incentives in South Africa aim to provide an enabling environment for research and knowledge production that promotes the strategic development of basic sciences and priority science areas through science promotion, including technological R&D, human capital development, the provision of research infrastructure and relevant research support, in pursuit of South Africa's transition to a knowledge economy.

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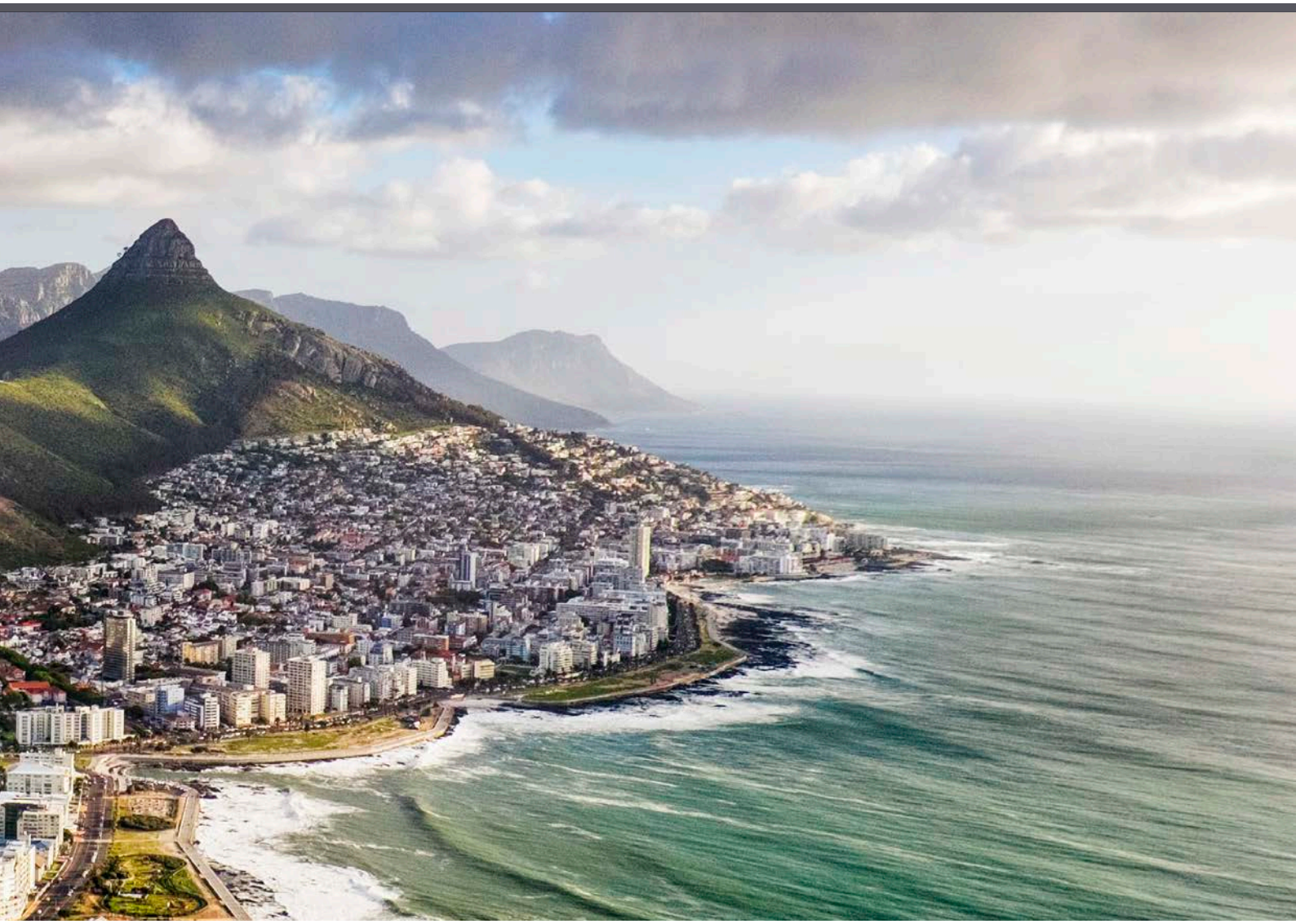


1. Overview

Regarding the super deduction and accelerated depreciation incentives, the South African government's objective is to incentivize scientific and technological R&D that represents innovation coming out of the country and to encourage businesses to invest in R&D in South Africa. Advancements and improvements are not incentivized if they cannot be proven to be innovative and representative of global advancement.

The R&D regime has been available since November 2006, and legislation has since been updated to require preapproval for the super deduction. This tax incentive currently has a sunset clause of 31 December 2033 (previously 31 December 2023).

With effect from 1 January 2024, the legislation for South Africa's R&D was amended. Some of the main legislated amendments include a grace period that will allow taxpayers to include certain qualifying expenditures incurred up to six months prior to the application being submitted to the Department of Science and Innovation (DSI). Taxpayers will only be able to go back as far as 1 January 2024 in this regard. Previously, only those qualifying costs incurred from the date of the application submission were considered for the super deduction. In addition, the R&D definition has been revised to make it simpler to understand and adjudicate, providing an easier application process. Furthermore, the exclusion of R&D activities involving internal business processes, which were not intended for sale or licensing, has been relaxed to allow more taxpayers to qualify for the R&D incentive. Lastly, a fine or imprisonment has been introduced for any employee of the DSI who contravenes the secrecy requirements in S11D.

Currently, taxpayers incurring expenditures directly attributable to scientific or technological R&D can claim 150% of qualifying expenditures preapproved by the DSI. New and unused R&D machinery or plants will qualify for a three-year write-off (50%, 30% and 20%) if they meet certain criteria.

The incentive is available to businesses of all sizes and in all sectors only if they are registered in South Africa. To qualify for the deduction, the R&D activities against which the expenditure is incurred must be preapproved by the Minister of Higher Education, Science, and Innovation.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

With regard to cash grants, the Support Programme for Industrial Innovation (SPII) is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. SPII is focused on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced.

The Technology and Human Resources for Industry (THRIP) program is intended to leverage collaborative partnerships between government and industry (working with academia) for R&D in science, engineering and technology on a cost-sharing basis, to produce highly skilled human resources and technology solutions for improved industry competitiveness.

2. Incentives available

Name of incentive	Section 11D*	Section 12C(1) (gA)	Support Programme for Industrial Innovation (SPII)	Technology and Human Resources for Industry (THRIP)
Type of incentive	■ Super deduction	■ Accelerated depreciation on qualifying R&D assets	■ Cash grants	■ Cash grants

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Section 11D

Description of benefits

Since November 2006, a super deduction equal to 150% is allowed per year for qualifying direct R&D costs. The incentive is contained in Section 11D of the Income Tax Act, No. 58 of 1962 (Income Tax Act). As a result of amendments to Section 11D that took effect on 1 October 2012, taxpayers must obtain preapproval of projects from an R&D Adjudication Committee to qualify for the super deduction. If a company is in an assessed loss position, the additional deduction will increase the assessed loss. The loss can be used against future taxable income and can be carried forward indefinitely provided the taxpayer continues trading.

Guidelines around incentive applications

The super deduction is applicable for current and future investments. Since the preapproval process was introduced, retrospective claims can only be included in tax returns covering periods before October 2012. Once tax returns have been assessed, they prescribe after three years.

Preapproval needs to be obtained from the DSI; upon approval, certain expenditures incurred on the approved project(s), applicable to expenditures incurred up to six months prior to the date of filing the application but only as far back as 1 January 2024, will be eligible for the 150% deduction at the time of filing the tax return.

Section 12C(1)(gA)

Description of benefits

Under Section 12C(1)(gA) of the Income Tax Act, capital expenditures incurred to develop, construct or purchase new and unused assets that are solely and directly used in the conduct of qualifying R&D activities qualify for accelerated depreciation at a rate of:

- First year asset is in use: 50%
- Year two: 30%
- Year three: 20%

If a company is in an assessed loss position, the allowance deduction will increase the assessed loss. The loss can be used against future taxable income and can be carried forward indefinitely provided the taxpayer continues trading.

Guidelines around incentive applications

The incentive is applicable for current and future investments. The accelerated depreciation commences in the year the asset was brought into use. No preapproval is required to claim the accelerated allowance.

SPII

Description of benefits

The SPII, which is administered by the Department of Trade, Industry and Competition (DTIC), provides financial assistance in the form of cash grants for the development of innovative products and/or processes. The SPII is focused specifically on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced. The SPII offers two schemes as described below.

- SPII Product Process Development (PPD) scheme: this scheme applies to small, very small and micro enterprises and to individuals in the form of a non-taxable and non-repayable grant. It provides for a grant (maximum ZAR2 million per project) that ranges between 50% and 85% of the qualifying costs incurred during the technical development stage. The percentage is based on the percentage ownership by certain disadvantaged groups.
- SPII Matching scheme: this scheme is available to all enterprises and individuals. It provides for a non-taxable and non-repayable grant (maximum ZAR5 million per project) that ranges between 50% and 75% of the qualifying costs incurred during the technical development stage. The percentage is based on the percentage ownership by certain disadvantaged groups.

Guidelines around incentive applications

The incentives are applicable for qualifying future projects. A complete application must be submitted to the DTIC.

THRIP

Description of benefits

The THRIP, which is administered by the DTIC, provides financial assistance in the form of cash grants for research and development in science, engineering and technology that is conducted collaboratively between industry and government (working with academia). The THRIP is focused specifically to increase the number of people with appropriate skills in the development and management of research-based technology for industry.

THRIP is a cost-sharing grant of up to ZAR5 million per year for a period of three years for approved projects engaged in applied research and development in science, engineering and/or technology.

Guidelines around incentive applications

The incentives are applicable for qualifying future projects. A complete application must be submitted to the DTIC.

3. Eligibility requirements

Section 11D

Eligible expenditures include all expenditures actually incurred by a taxpayer directly and solely with respect to scientific and/or technological R&D undertaken in South Africa if those expenditures are incurred in the production of income and in the carrying out of any trade.

No deduction shall be allowed for expenditures incurred with respect to the following:
- Market research, market testing or sales promotion
- Routine testing, analysis, collection of information or quality control in the normal course of business
- Social science research, including the arts and humanities
- Oil and gas or mineral exploration or prospecting, except R&D that is carried on in the development of the technology used for exploration or prospecting
- The creation or development of financial instruments or products
- The creation or enhancement of trademarks or goodwill
- Patent, trademark and other intellectual property (IP) registration costs

The criteria to qualify for the R&D super deduction are as follows:
- Discovery of new scientific or technological knowledge aimed at resolving scientific or technological uncertainty and the resolution of which is not readily deducible by a person skilled in the relevant scientific or technological field
- The development of new or significant improvements on products, services or processes
- Creating or developing a multi-source pharmaceutical product as defined in the World Health Organization Technical Report Series, No. 937 (conforming to Regulation 344 of 23 April 2015)
- Conducting a clinical trial as defined in the guidelines for good practice in the conduct of clinical trials with human participants in South Africa issued by the Department of Health (2006) (conforming to regulation 346 of 23 April 2015)

Section 12C(1)(gA)

The criteria to qualify for the accelerated depreciation incentive are as follows:
- Assets need to have been acquired by the taxpayer under an agreement formally and finally signed by all parties on or after 1 January 2012.
- Assets were thereafter brought into use by the taxpayer solely and directly for purposes of Section 11D R&D.

SPII

The criteria to qualify for cash grants are as follows:
- Development should represent a significant advancement in the field of technology.
- Development and subsequent production must take place within South Africa.
- IP must reside in a South African-registered company.
- Participating businesses must be South African-registered enterprises.
- Government-funded institutions (e.g., the Council for Scientific and Industrial Research) do not directly qualify for support but may participate as a subcontractor.
- There may be no simultaneous applications from the same company.

The qualifying costs in SPII are as follows:
- Personnel-related costs
- Travel expenses (defined maximum)
- Direct material
- Capital items and tooling
- Software (not general software)
- Documentation
- Testing and trials
- Licensing costs
- Quality assurance and certification
- Patent costs
- Subcontracting and consulting

The following are non-qualifying costs/projects:
- Projects receiving other government funding
- Military projects
- Projects in which SPII contribution is not significant (at least 20% of project costs)
- Production and commercialization costs
- Marketing and administrative costs
- Costs for product/process development for a single client
- Costs for basic and applied research
- Costs for projects that, at the time of application, are more than 50% (70% for PPD) complete
- All costs incurred prior to submitting a duly completed application

THRIP

The criteria to qualify for cash grants is as follows:

- The project must be applied research in the fields of science, engineering and/or technology whose outputs could make a significant contribution toward improving the applicant's competitive edge.
- The project intention should be to innovate in terms of either of the following:
  - Lead to the creation and transfer of new knowledge into a process or product (prototype)
    Or
  - Transfer of existing knowledge into a new process or product to benefit the applicant
- The project must have clearly defined scientific and technology outputs plus human resource outputs expected for each year of support.
- The project must demonstrate the following:
  - Causality (demonstrable output or outcome)
  - Implementation (the way in which the output or outcome will be used by the applicant)
  - Additionality (the degree to which the research would not have been undertaken without THRIP) that will follow from THRIP support

The qualifying costs in THRIP are as follows (all are subject to certain limitations):

- Personnel
  - Technical research assistant remuneration (including post-doctoral fellows)
  - Remuneration for the research leader at the Higher Education Institute (HEI)
  - Specialist, technical, scientific, consultation or contracting personnel (must not be employees of the HEI where the project is based)
- Running cost and overheads
  - Overheads (printing, fax and telephone)
  - Material/consumables
- Local travel (including accommodation)
- Local conferences and workshops
- International travel (including accommodation)
- Bursary grants
- Costs of registration and litigation of applicants

The following are non-qualifying costs/projects:

- Value-added tax
- Rental of facilities of the HEI
- Journal/literature subscription fees
- Professional organization subscription fees
- In-kind contributions
- Contributions from companies owned wholly or partly (more than 25%) by the HEI receiving the grant
- Donations
- Services and/or products (including salary cost) provided by the project's industrial partners and their shareholders and/or employees (except through Technology Innovation Promotion through the Transfer of People (TIPTOP))

4. IP and jurisdictional requirements

Effective date

- Super deduction: November 2006
- Accelerated depreciation: November 2006
- Cash grants: April 1993

Qualifying IP

Inventions, functional designs and computer programs qualify as IP.

Can work be performed outside the country?

Expenditures related to work done outside the country will not be eligible for the super deduction. Only expenditures incurred in South Africa will be eligible. Development and subsequent production must take place within South Africa to be eligible for SPII assistance.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in South Africa.

6. Role of governmental bodies in administering incentives

Under the amendments to Section 11D made by the Taxation Laws Amendment Act, No. 24 of 2011 (effective 1 October 2012), the R&D Adjudication Committee consisting of officials from the National Treasury, DSI and South African Revenue Service is required to preapprove projects before the super deduction can be claimed. The DTIC administers the SPII and THRIP programs.

7. Administrative requirements

Section 11D

Taxpayers may still claim the deduction under the previous legislation to the extent that the expenditure is incurred prior to 1 October 2012. Any expenditure thereafter must pass through a preapproval process. The preapproval process consists of the submission of a preapproval application form, approval or rejection by the adjudication committee, and the submission of progress reports.

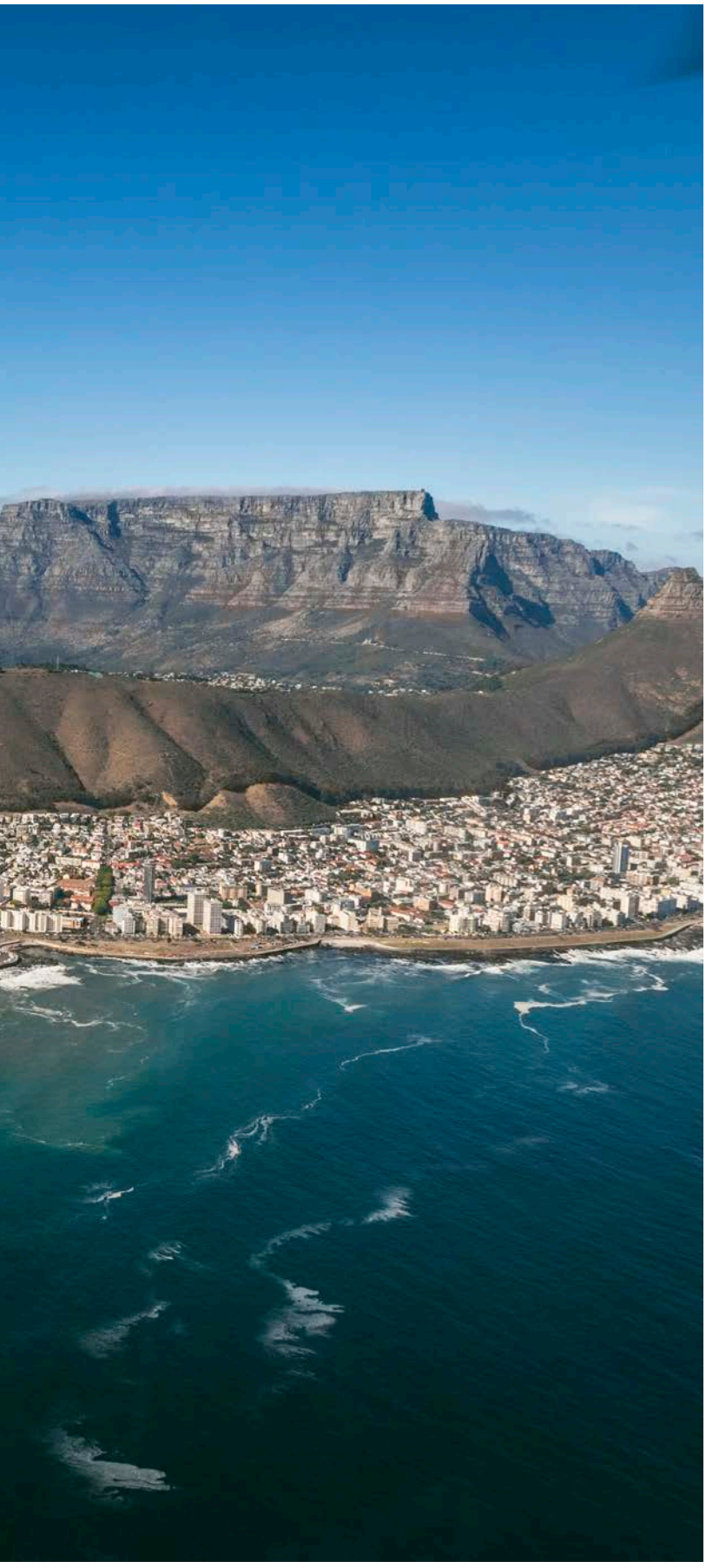
The compliance process is detailed below:

- Submission of preapproval application form to the DSI
- Progress update report filed annually for approved projects still ongoing 12 months after the close of the year of assessment in which approval was granted:
  - Progression of the project (what stage it is in)
  - Scientific and/or technological uncertainties overcome or advancement achieved
  - Type of R&D activities performed
  - Universities and contractors used in the process
  - Description of work performed in and outside of South Africa
  - Types of records kept
  - R&D expenditure to date
  - The R&D's sources of funding
  - Employment created
  - Skills developed (training)
- Notification of change document indicating any material change(s) made to any ongoing project, program, or scientific or technological area that has been approved, with the form only needing to be submitted for any material changes in the project before the progress report is due

SPII

All South African-registered enterprises engaged in pre-competitive development activity in manufacturing, services or related industrial fields, or software development, that intend to lead to commercialization of the product being developed, may apply for SPII assistance.

- The application form must be submitted to the DTIC.
- If approved, claims are on achievement of milestones as agreed in the contractual terms and conditions with the DTIC.



THRIP

All South African-registered enterprises that have a partnership with at least one partner being a South African research institution:

- Higher education institutions (public)
- Science engineering and technology institutions
- National research facilities

The duration of the partnership must be equal to or more than the period of the THRIP project.

The project must include at least four registered South African students at fourth-year level of study or higher who must be involved or trained through the research being conducted.

8. Statutory reference

- Super deduction: Section 11D of the Income Tax Act, No. 58 of 1962, as amended by the Taxation Laws Amendment Act, No. 24 of 2011
- Accelerated depreciation: Section 12C(1)(gA) of the Income Tax Act

South Korea

This chapter is based on information as of February 2025.

R&D tax incentives in South Korea aim to encourage R&D activities and investment in tangible assets and R&D facilities that enhance productivity and competitiveness of the country's industries. Of the various R&D tax incentives available, the tax credit for R&D expenditures and integrated tax credit for investment are the most notable. The South Korean government is increasingly promoting investment in R&D, innovation and value creation to respond to the significant changes in both the domestic and global economy.

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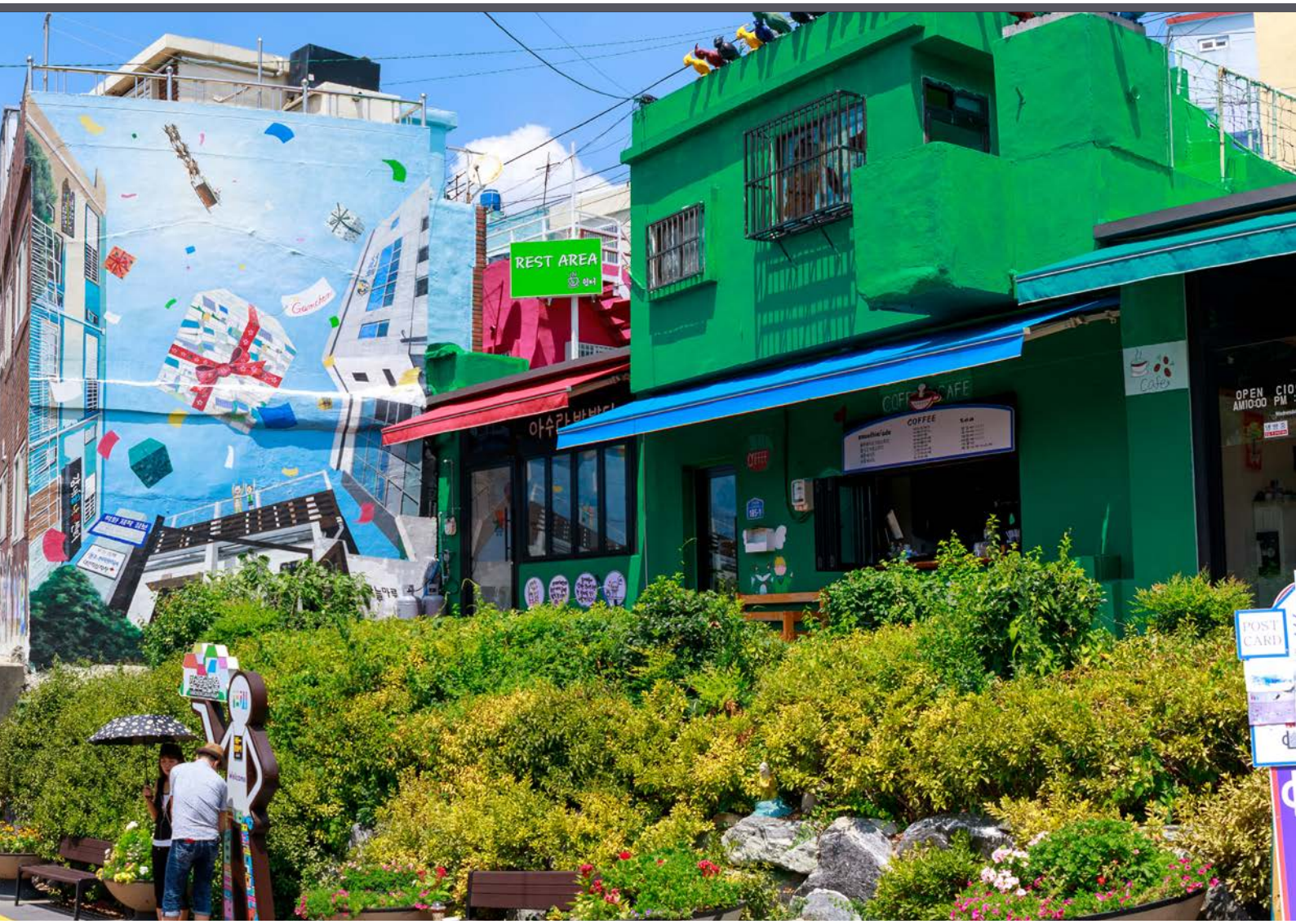


1. Overview

The R&D tax incentives regime in South Korea is mature, having existed for more than 10 years. The Tax Incentives Limitation Law (TILL) that currently governs R&D tax incentives was enacted on 1 January 1999.

Types of incentives	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Tax credit for R&D expenditures	Tax credit for investment in R&D facilities
Type of incentive	■ Tax credit	■ Tax credit

Tax credit for R&D expenditures

Description of benefits

The following three types of tax credits are available under the tax credit regime for qualifying R&D expenditures for companies in South Korea:

- Tax credit for R&D expenditures in national strategic technologies (technologies that are critical to the purpose of national economic security and have a great ripple effect on the economy, social security values and industries), which applies to R&D expenditures incurred from 1 July 2021 to 31 December 2027(*)(**)
  - 30% of R&D expenditures; 35% for companies that no longer qualify to be a small or medium enterprise (SME) for three fiscal years from the year when the event took place; 40% of R&D expenditures for SMEs
  - Three times the share of R&D expenditure to total sales amount, which is capped at 10% of R&D expenditures
- Tax credit for R&D expenditures in new growth sectors or to secure source (original) technologies, which applies to R&D expenditures incurred until 31 December 2027(**)
  - 20% (25% for companies that no longer qualify to be an SME for three fiscal years from the year when the event took place) of R&D expenditures; 30% of R&D expenditures for SMEs
  - Three times the share of R&D expenditure to total sales amount, which is capped at 10% of R&D expenditures
- Ordinary tax credit for R&D expenditures (***)(****):
  - Large corporations: the tax credit equals the greater of (i) 25% of current-year R&D expenditures exceeding the prior-year R&D expenditures, or (ii) 50% of the share of R&D expenditures out of total revenue, which is capped at 2% of R&D expenditures.
  - MMEs: the tax credit equals the greater of (i) 40% of current-year R&D expenditures exceeding the prior-year R&D expenditures, or (ii) 8% of current-year R&D expenditures.

- SMEs: the credit equals the greater of (i) 50% of current-year R&D expenditures exceeding the prior-year R&D expenditures, or (ii) 25% of current-year R&D expenditures. In the first fiscal year where companies no longer qualify as an SME, a tax credit of 20% applies for the tax years ending within three years from the date of the tax year in which the SME does not qualify for the first time; a tax credit of 15% then applies for the tax years ending within two years from the end of the aforementioned period.

(*) The tax credit scheme was effectuated as of 28 December 2021.

(**) A company may select and apply either the tax credit for R&D expenditures in national strategic technology or the tax credit for R&D expenditures in new growth engine sectors or to secure source (original) technologies, even if satisfied at the same time.

(***) A company is allowed to elect to apply the tax credit for R&D expenditures in new growth engine sectors or to secure source (original) technologies or the ordinary tax credit for R&D expenditures.

(****) Please note, (ii) should apply if companies incurred no R&D expenditures during the four preceding fiscal years, or the R&D expenditures made during the immediately preceding year is less than the average annual R&D expenditures during the four preceding fiscal years.

Unused tax credits for R&D expenditures can be carried forward for up to 10 years for the ordinary tax credit, the tax credit in R&D expenditures in new growth engine sectors or to secure source (original) technologies, and the tax credit for R&D expenditures in national strategic technologies. Amendment of a prior tax credit applied for and claimed is available so long as the amended corporate income tax (CIT) return for claiming a refund of the tax credit is filed within five years of the original filing due date.

Guidelines around incentive applications

A domestic corporation may apply for the tax credit for qualifying R&D expenditures made during the current fiscal year. To apply for and claim the tax credit for R&D expenditures, a domestic corporation is required to file, along with its annual CIT return, an application form (Form 1 under the TILL), a detailed statement of R&D expenditures (Form 3 under the TILL) and an R&D plan to the competent tax office within three months of the end of its fiscal year.

Tax credit for investment in R&D facilities and assets

Description of benefits

The TILL stipulates the integrated tax credit for investment of business-purposed fixed assets. Under the integrated tax credit for investment, an additional tax credit (10% for SMEs, 7.5% for those that no longer qualify to be an SME for three fiscal years from the year the event took place, 5% for MMEs and 1% for large corporations) of the investment amount in business-purposed fixed assets, including R&D facilities or fixed assets, may be available. The tax credit ratio will be increased to 12% for SMEs, 9% for those that no longer qualify to be an SME for three fiscal years from the year the event took place, 6% for MMEs and 3% for large corporations for the listed investment of facilities in new growth sectors or to secure source (original) technologies(*). For the listed investment of facilities in national strategic technologies, 25% applies for SMEs, 20% for companies that no longer qualify to be an SME for three fiscal years from the year the event took place and 15% for large corporations. For an investment of facilities to be recognized as in a new growth sector or to secure source (original) technologies or national strategic technologies and, therefore, be eligible for a higher tax credit ratio, prior approval must be obtained from the deliberative committee on research and development tax credits technology. In addition, if the amount invested in the current taxable year exceeds the average annual investment or acquisition amount for the preceding three years, an additional deduction will be granted for 10% of the excess amount (limited to twice the basic additional tax credit).

Unused tax credit for investment in R&D facilities can be carried forward for up to 10 years. Amendment of a prior tax credit applied for and claimed is available so long as the amended CIT return for claiming a refund of the tax credit is filed within five years of the original filing due date.

(*) As of 1 February 2025, the government is currently discussing legislation increasing the investment tax credit rate.

Guidelines around incentive applications

A domestic corporation may apply for a tax credit for investment in R&D facilities or fixed assets that has been made to construct or deploy qualifying R&D facilities during the current fiscal year. To apply for and claim the tax credit for investment in R&D facilities, a domestic corporation is required to file, along with its annual CIT return, the application form (Form 1 under the TILL) to the competent tax office within three months of the end of its fiscal year. A domestic corporation also shall manage R&D expenditures in new growth sectors or to secure source (original) technologies separately from ordinary R&D expenditures.

3. Eligibility requirements

Qualifying R&D activities include those conducted in a dedicated R&D center of the corporation or the corporation's internal R&D department, both of which should be registered with the government (i.e., Ministry of Science and Information & Communication Technology (ICT) in South Korea).

Eligible R&D expenditures are defined as contracted, salary and materials expenditures that are directly related to R&D. Additionally, manpower development expenditures are also viewed as qualifying R&D expenditures so long as they are incurred by dedicated R&D centers or R&D departments. Ineligible expenditures include (but are not limited to) the following:

- General management and supporting activities
- Market research and promotional activities or general quality testing
- Repetitive information gathering activities
- Activities to investigate and analyze the efficiency of management or business
- Legal and administrative activities, such as application and protection of patent rights, etc.
- Exploration and investigation activities, such as identifying and locating mineral and other resource reserves
- Research activities commissioned by others
- Activities that simply produce already planned content
- Repeatedly producing software that has already been commercialized or serviced through replication
- Activities that simply supplement, transform or improve products, technologies, services and designs that have already been researched and developed in the identical manner

For the tax credit for investment in R&D facilities, qualifying R&D facilities include (but are not limited to) the following:

- Facilities for qualified research and experiments
- Facilities for qualified vocational training

4. IP and jurisdictional requirements

R&D activities resulting in new intellectual property (IP) may be performed outside of South Korea, and the IP does not have to be registered or owned locally. However, the company claiming the R&D incentives must be the beneficiary of the results of the R&D activities and be incorporated in South Korea.

Temporary tax benefits for technology transfers among Korean residents are available (Korean patent box regime). Under this regime, when SMEs and MMEs transfer qualified patents, technologies, etc., to a Korean resident, 50% of the transfer gain from such transfer is exempt from tax. In cases where SMEs and MMEs lend qualified patents, technologies, etc., 25% of the related income from such lending is exempt from tax. The temporary tax benefit applies to transfers and leases that take place until 31 December 2026.

5. Technology or innovation zones

If qualified, the companies located within an R&D Special Zone as prescribed under the Special Law on the Promotion of R&D Special Zones are able to enjoy certain tax exemptions.

6. Role of governmental bodies in administering incentives

Each year, the Korean National Tax Service reviews R&D tax incentive applications that have been submitted with its annual CIT return and processes the R&D tax credit claims. The R&D tax credit claims may also be subject to written information requests or a tax audit in the future. From 2020, a domestic corporation can make a request to the Korean National Tax Service for pre-examination about applicability of R&D tax credit claims. The National Tax Service will examine and determine the type of R&D expenditure qualifying for the tax credit for the corporation that applies.

7. Administrative requirements

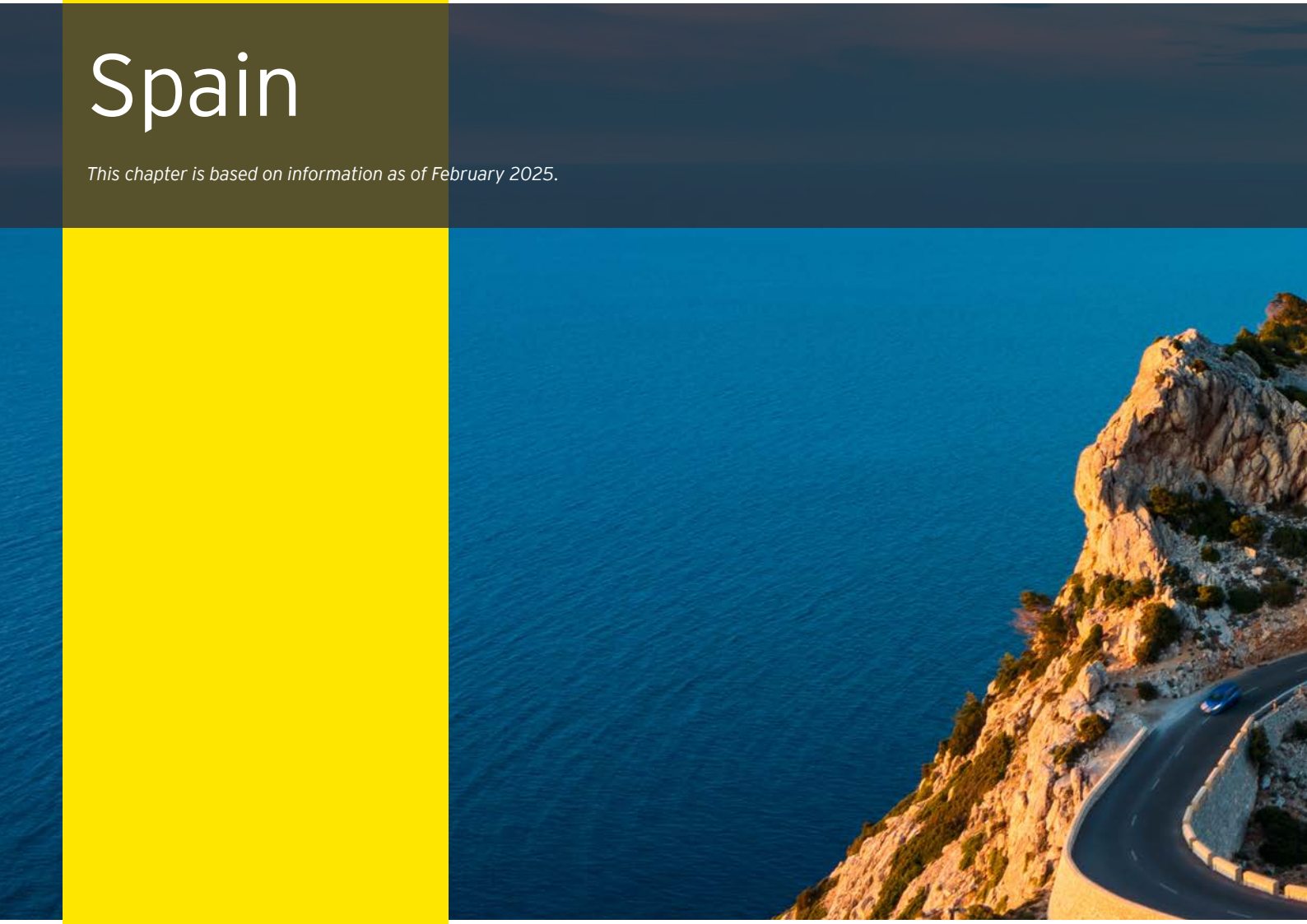
According to the Basic Research Promotion and Technology Development Support Act, a dedicated R&D center or R&D department set up by a company should be registered with the Ministry of Science and ICT to benefit from R&D tax incentives.

8. Statutory reference

- Tax credit for R&D expenditures – Article 10 of the TILL
- Temporary tax benefits for technology transfer – Article 12 of the TILL
- Tax credit for investment in R&D facilities – Article 24 of the TILL

Spain

This chapter is based on information as of February 2025.



Tax benefits regarding R&D and innovation activities have always received preferential treatment in the Spanish tax system. In-depth reform of the Spanish Corporate Income Tax (CIT) Law has taken place for tax periods starting as of 1 January 2015, which not only maintained the previous R&D tax regime but also introduced some improvements.

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1. Overview

Spanish R&D tax/labor incentives take the following forms:

- Tax deferrals and accelerated depreciation on the R&D assets
- Tax credits provided for expenses and investments related to R&D and technological innovation (TI) activities
- Patent-related incentives consisting of a partial exemption and tax allowances
- Reduced social security contributions

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Tax credit for R&D expenses*	Reduced social security contributions	Patent box regime*
Type of incentive	■ Tax credits	■ Partial exemption	■ Partial tax exemption

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Tax credit for R&D expenses

Description of benefits

- Spanish companies may benefit from a tax credit equal to 25% of R&D expenses incurred in the tax year. 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.
- The tax credit base is formed of R&D expenditures and amounts invested in fixed and intangible assets (excluding real estate and land) directly related to R&D activities.
- For investments made in tangible and intangible assets (excluding buildings and land), an additional tax credit is applicable equal to 8% (applicable to the aforementioned investments) as long as such investments exclusively relate to R&D activities.
- 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.
- The expenditure must be individualized by projects. The amount of R&D expenses will be reduced by 100% of the subsidies received to encourage such activities, which are allocated to the tax period as income.

- The Spanish CIT Act also states that the execution of TI activities gives the right to apply a tax credit on the expenses incurred in a tax period related to TI activities. The percentage of the tax credit applicable is 12%.
- For tax years 2020 and 2021, the percentage applicable to TI activities related to new or substantially improved production processes in the value chain of the automotive industry will be increased by 38 points for small and medium-size enterprises (SMEs). For large companies, the base percentage will be increased 3 points, provided that (i) they establish an effective collaboration with an SME (subcontracting does not qualify) and (ii) at least 30% of the project expenditure is borne by the latter.
- This incremental tax credit is only applicable to the expenses incurred as of 25 June 2020 and has two caps: (i) an absolute cap of EUR7.5 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.
- The application of this enhanced percentage requires companies to obtain a reasoned report issued by the Ministry of Science and Innovation.
- If the amount of the R&D tax credits for the fiscal year exceeds 10% of the tax due, the tax credits may offset up to 50% of the gross tax due. Otherwise, the tax credits may offset only up to 25% of the gross tax due. Unused credits may be carried forward for 18 years.
- As of 2015, the CIT Law sets forth a new statute-of-limitations period of 10 years (previously four years).

Option to exclude the limit and get the refund of the tax credit (monetization procedure)

- As of 1 January 2013, if the taxpayer complies with certain specific requirements, it 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 administration. In such a case, interest for late payment will not apply.
- The limit established for this option is EUR1 million for TI activities and EUR3 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.

To apply this option, certain conditions should be met:

- Only up to one year must have elapsed from the period in which the R&D tax deduction was generated without applying the tax credit.
- The company must maintain or increase (i) its general average workforce size or (ii) the specific average workforce exclusively carrying out R&D activities, from the end of the period where the tax incentive was generated until 24 months elapsed from the tax year when this option (monetization procedure) is applied.
- During the following two periods since the CIT return where this option was applied, an amount at least equal to the tax credit to be applied or refunded under this option (monetization procedure) must be assigned to R&D expenses or fixed or intangible assets that are exclusively assigned to R&D activities.
- Finally, the company must obtain a duly reasoned report, issued by the competent authority, about the qualification of the activities carried out by the company as R&D/TI activities.
- As of 2015, an additional amount of EUR2 million can be subject to this option (monetization procedure) annually for those taxpayers whose R&D expenses are higher than 10% of the turnover.

Guidelines around incentive applications

Incentive credits are applied in the annual CIT return. Corporate income tax is filed during the 25 days following the six-month period from the taxpayer's financial year-end.

Reduced social security contributions

Description of benefits

- This is a government incentive regulated by Royal Decree 475/2014 that allows firms to reduce 40% of social security payments for employees dedicated full-time to research, development and technological innovation activities.
- The relief is compatible with other government-aided R&D and innovation programs (subsidies and subsidized loans), except aid programs exclusively related to hiring of personnel. This reduced contribution is compatible with other social security incentives. Also, the relief is compatible with R&D tax credits when the reduced social security contribution and the tax credit are not applied to the same expense (the taxpayer can elect the incentive to be applied). However, as an exception, the reduced social security contributions and R&D tax credits can be applied over the same expense for entities qualified as "Innovative SME" (*PYME innovadora*).

Guidelines around incentive applications

- The reduced social security contributions can be applied automatically by informing the Social Security Treasury of the date the company wants to apply this benefit, as stated in Royal Decree 475/2014.
- Companies applying this incentive to 10 or more employees need to undergo a validation process with a certification entity registered with the National Accreditation Body (ENAC) and then request a reasoned report from the Ministry of Science and Innovation guaranteeing compliance with exclusive dedication to research, development and technological innovation activities. The reasoned report must be submitted to the Social Security Treasury no later than six months after the end of the fiscal year in which the relief was applied.
- The employees contracted after 1 September 2023 will only be eligible for the incentive in the first three years of the contract and only in certain types of contracts.

Patent box regime

Description of benefits

In accordance with the Spanish CIT Law, 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%. The qualifying intellectual property (IP) must have been developed (at least partially) by the licensor.

There is patent box relief, provided that:

- The assigning entity has totally or partially created the assets to be assigned.
- The rights to use the assets are used by the assignee in the pursuit of an economic activity.
- The assignee is not resident in a country or territory that does not levy taxes or is considered a tax haven.
- If a single assignment agreement includes the provision of accessory services, a distinction must be made therein of the consideration payable for those services.
- The assignor must make the necessary book entries to determine the income and expenses, direct and indirect, corresponding to the assets under assignment.
- The relief is calculated on the basis of income (positive difference between revenues derived from the assignment of the right of use/exploit of certain intangibles and certain deductible amounts as amortization, impairments or expenses related to the intangible).
- The general framework is based on the "nexus or link approach" endorsed by the G20/OECD: the tax incentive (up to 60% reduction) will be linked to the "qualifying costs" (i.e., excluding the outsourcing costs with related parties and the intangible assets acquisition costs), meaning that the qualifying income should be multiplied by the following ratio:
  - The expenses (excluding any financial expenses and the depreciation of buildings) incurred by the licensing entity directly related to the creation or development of the IP assets, including those derived from the outsourcing to third parties. These expenses will be increased by 30% with the limit of the amount included in the denominator; divided by
  - The expenses (excluding any financial expenses and the depreciation of buildings) incurred by the licensing entity related to the creation of the IP, including those derived from the outsourcing, and if applicable, from the acquisition of such IP.
- The income is calculated on a cumulative basis, meaning that the income subject to the incentive must be calculated considering all the expenses (i.e., capital and operating) and revenues related to the asset from its inception.
- The patent box regime may also apply to income deriving from the transfer of the intangible asset, unless the transfer is carried out between linked entities.
- The assignee may be a resident in a territory that does not levy taxes or is a tax haven, provided such jurisdiction is a Member State of the European Union (EU) and the taxpayer proves that the transaction is carried out for valid business reasons.

Guidelines around incentive applications

Incentive credits are applied in the annual CIT return, which is filed during the 25 days following six months from the taxpayer's financial year-end.

3. Eligibility requirements

R&D tax credits

Qualifying activities are those dealing with scientific investigation and research for the manufacture of new materials or products, technological improvement of existing methods, new software, etc. Activities that do not entail significant scientific or technological novelty; activities relating to industrial production and the provision of services or distribution of goods and services; or activities relating to exploration, drilling or prospecting for minerals and oil and gas are not deemed to be R&D or technological innovation activities.

R&D investments must take place in Spain or in a Member State of the EU or European Economic Area (EEA). R&D expenses connected to the production of income generally qualify as R&D expenses without restriction, except for investments made in land or property. Expenses incurred by the taxpayer, including the depreciation/amortization of the assets used in R&D activities, shall be deemed to be R&D expenses if they are directly related to and are specifically and separately recorded against a specific project. As of 2015, the CIT Law broadens the requirements to be eligible in respect of software developments.

Regarding TI activities, eligible expenses include those that are connected with technological diagnosis; industrial designs; acquisitions related to patents, know-how and designs; and attainment of certificates (e.g., ISO 9000, GMP). Expenses incurred in IT activities shall be deemed IT expenses if they are directly related to and are specifically and separately recorded per project. As of 2015, the CIT Law includes animation and video games projects as an eligible activity for the tax benefit as IT activities.

All industries that are incorporated in Spain (or a permanent establishment) are qualified when the R&D investments take place in Spain, or in a Member State of the EU or EEA. No industry sectors are specifically excluded.

Reduced social security contributions

The relief applies to any personnel/researcher with at least 85% of annual working hours dedicated to R&D and innovation activities. Eligible research, development and innovation activities are regulated by article 35 of the CIT Law. Management, administration or marketing activities are not included.

Any private company without social security penalties can benefit from this incentive.

Companies applying this incentive to 10 or more employees need to undergo a validation process with an ENAC-registered certification entity and then request a reasoned report from the Ministry of Science and Innovation guaranteeing compliance with exclusive dedication to research, development and innovation activities. The reasoned report must be submitted to the Social Security Treasury no later than six months after the end of the fiscal year in which the relief was applied.

4. IP and jurisdictional requirements

Effective date

The new patent box regime is applicable as of 1 January 2018 but includes grandfathering provisions for intangible assets created before 1 July 2016 allowing the interim application of the precedent regimes until 30 June 2021.

Qualifying IP

Qualifying IP includes patents, utility models, supplementary protection certificates for medicinal and phytopharmaceutical products, legally protected designs arising from R&D or technological innovation activities and copyrighted advanced software arising from R&D activities.

Types of income

Income derived from the assignment of the right of use or exploit (or transfer if carried out after 29 September 2013) of certain intangibles

Calculation of income

Accounting income

IP regime rate

The tax incentive (up to 60% reduction) is linked to the "qualifying costs" (i.e., excluding the outsourcing costs with related parties and the intangible assets acquisition costs), meaning that the qualifying income should be multiplied by the following ratio:

- The expenses (excluding any financial expenses and the depreciation of buildings) incurred by the licensing entity directly related to the creation or development of the IP assets, including those derived from the outsourcing to third parties. These expenses will be increased by 30% with the limit of the amount included in the denominator; divided by
- The expenses (excluding any financial expenses and the depreciation of buildings) incurred by the licensing entity related to the creation of the IP, including those derived from the outsourcing, and if applicable, from the acquisition of such IP.

Can work be performed outside the country?

The assignee must not be resident in a country that does not levy taxes or is considered a tax haven. From 29 September 2013, if the assignee is a resident in a country or territory that does not levy taxes or is considered a tax haven, but is a Member State of the EU, the taxpayer may prove that the transaction is carried out for valid business reasons.

Must the IP be registered/owned locally?

The registration requirement of qualifying assets depends on their nature and is ruled by the specific national and international legislation.

5. Technology or innovation zones

Some regions in Spain have improved their R&D incentives. As an example, the government encourages innovation and technical research in the Canary Islands by providing incentives to the R&D expenses incurred therein. In this sense, the regime is identical, but both the tax credits and the limits of the deduction are increased by 80% with at least 20 units of increase, with regard to the rest of the Spanish state. All industries are eligible for the incentives as long as the R&D work attempts to advance the underlying science or technology, creates new or improved products or processes, is innovative, is undertaken through systematic investigation and is documented.

Additionally, the Basque Country has its own R&D regime that improves the tax benefits of the standard federal regime. In this context, the general tax credit is 30% and 20% for TI; however, if the expenses incurred exceed the average amount of those costs in the preceding two years, the rate of 30% applies to an amount equal to the average, while a rate of 50% applies to the excess. Furthermore, an additional 20% tax credit may apply to certain R&D expenses, and a 10% tax credit will apply to tangible and intangible investments (except real estate and land) associated with R&D activities. There is no limit on application of the tax credit on the gross tax due albeit the reimbursement (monetization procedure) is not possible in the case of lack of the gross tax due. The unused credits may be carried forward for 15 years.

6. Role of governmental bodies in administering incentives

R&D tax credits

The taxpayer may request a ruling (reasoned report) from the Ministry of Science and Innovation (or related institutions). This report would confirm or deny the R&D nature of the expenses and investments carried out by the taxpayer. The report is binding on the tax authorities. As a general rule, the request for a report should be sent with a technical analysis issued by an official certifying entity. The authorities have three months to issue the report; however, the expiration of the term has no effects for the authorities or the taxpayer, and the reports are usually issued in a longer period of time. To apply the optional regime regarding R&D tax credit (monetization procedure), the company must obtain such reasoned report on whether its activities qualify as R&D activities in any case.

The taxpayer may also request a pre-agreed valuation report of the expenses related to the project from the tax authorities. This report should be requested prior to the project commencement, and the tax authorities have six months to respond. Expiration of the term without tax authority response implies that the tax authorities accept the taxpayer's proposal.

Reduced social security contributions

Companies applying this incentive to 10 or more employees need to undergo a preapproval process with an ENAC-registered certification entity and then request a reasoned report from the Ministry of Science and Innovation guaranteeing compliance with exclusive dedication to research, development and innovation activities. The reasoned report must be submitted to the Social Security Treasury no later than six months after the end of the fiscal year in which the relief was applied.

Patent box regime

As of 29 September 2013, the taxpayer can request from the tax authorities, before transactions are carried out, a valuation of the revenues and expenses related to the assignment as well as of the income to be generated from a transfer. In addition, the taxpayer can request an agreement on the qualification of the assets under one of the qualifying categories.

7. Administrative requirements

No preapproval or specific annual compliance is required for the R&D credits and patent box regime, with the exception of the duly reasoned report in order to apply the optional R&D regime (monetization procedure) and the reduced social security contributions to 10 or more employees, as explained above.

8. Statutory reference

- Tax credit for R&D expenses:
  - Articles 35 and 39.2 of CIT Law 27/2014, 27 November
  - Article 38 of CIT Regulation approved by Royal Decree 634/2015, 10 July
- Reduced social security contributions:
  - Royal Decree 475/2014, 13 June
- Patent box regime:
  - Article 23 of CIT Law 27/2014, 27 November
  - Articles 39–44 of CIT Regulation approved by Royal Decree 634/2015, 10 July

Sweden

This chapter is based on information as of February 2025.

Sweden introduced an R&D incentive in 2014 for companies carrying out qualifying research and development to incentivize and increase commercial investment in R&D. The incentive provides a reduction in the employer's social security contributions for staff performing qualifying R&D activities. Additionally, Sweden maintains an expatriate tax regime for key foreign personnel with a scientific/technical background.

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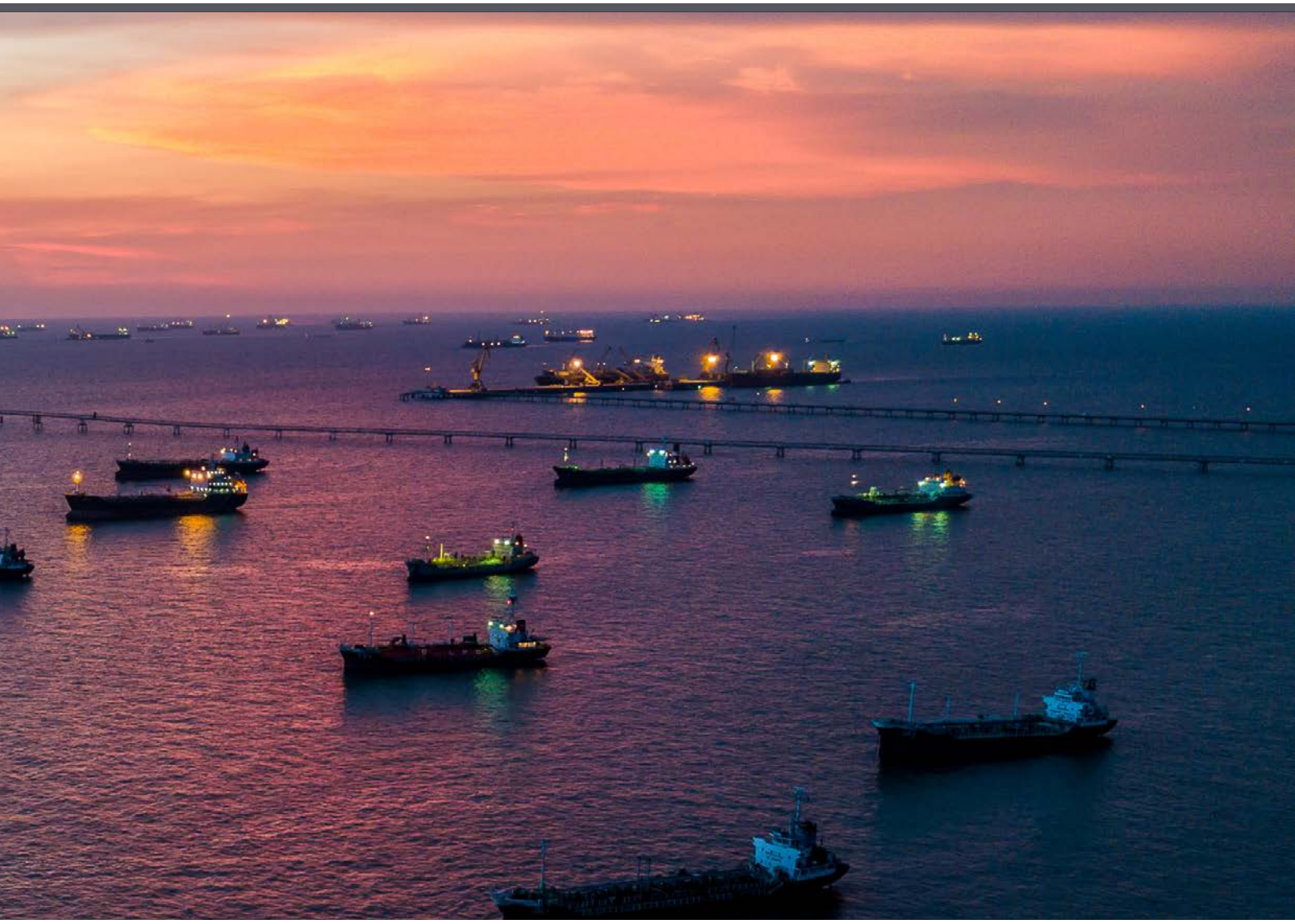

1. Overview

Currently available incentives include:

- A reduction in social security contributions for employees engaged in R&D for commercial purposes (under certain conditions)
- An expatriate tax regime with 25% tax relief for foreign key personnel who are experts and/or scientists with knowledge and skills that are scarce in Sweden, or where the employee has a gross monthly salary (cash and benefits) exceeding SEK88,200. The tax relief, previously available for up to three years, was extended to five years from 2021 and is available for seven years as of 1 January 2024 (applicable for work starting after 31 March 2023).

Please note that Swedish tax policy follows the generally accepted accounting principles (GAAP) set by the Swedish Accounting Standards Board (Bokföringsnämnden), which means that there are no specific tax rules with regard to R&D income and expense. According to Swedish GAAP, R&D income and expenses should be taxable or deducted as ordinary income or expenses. In certain specific cases, such expenses can be capitalized.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Reduced social security contributions for tasks concerning commercially performed R&D	Expatriate tax regime for certain foreign experts*
Type of incentive	■ Reduced social security contributions	■ Tax exemption

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the most beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

Reduced social security contributions for tasks concerning commercially performed R&D

Description of benefits

The Swedish government provides a reduction in contribution amounts for social security charges for R&D employees. Social security charges are currently rated at 31.42% of salary. The regime allows for the social security contributions of qualifying R&D employees to be reduced by 20% of their salary cost from January 2024 onward, 19.59% from April 2020 to December 2023, and 9.59% from January 2019 to March 2020. Previous periods remain relevant, as a company is permitted to request to amend employer returns for the previous six calendar years (i.e., for 2025, reassessment can be requested from calendar year 2019 onward).

As of 1 January 2024, the maximum reduction in social security charges is set to SEK3 million per group of companies, per month (SEK36 million per year). The total percentage of social security contributions paid for an employee can not fall below the retirement pension fund charge at 10.21%; the deduction must be adjusted where necessary to make sure that this mandatory contribution is paid.

Companies can claim the deduction for employees who spend more than 50% of their working hours (and at least 15 hours) working on qualifying R&D activities in a given month. Prior to July 2021, this was 75%. No preapproval is required.

Please note how the maximum claim has changed over time:

- From 1 January 2024, the maximum reduction in social security charges is set to SEK3 million per group of companies, per month (SEK36 million per year).
- Between 1 July 2023 and 31 December 2023, the maximum reduction in social security charges is set to SEK3,064,129 per group of companies, per month (SEK36.77 million per year).
- Between 1 July 2021 and 30 June 2023, the maximum reduction in social security charges is set to SEK1,225,652 per group of companies, per month (SEK14.7 million per year).
- Between 1 April 2020 and 30 June 2021, the maximum reduction in social security charges was set to SEK919,239 per group of companies, per month (SEK11 million per year).
- Before 1 April 2020, the maximum reduction in social security charges was set to SEK230,000 per group of companies, per month (SEK2.76 million per year).

Similarly, the reduction percentage has also changed over time. Before the current 20% rate, the deduction was 19.59% of R&D salary cost between 1 April 2020 and 31 December 2023, and 9.59% between 1 January 2019 and 31 March 2020.

Guidelines around incentive applications

The incentive is relevant to retrospective, current and future investments. The reduction can be claimed monthly through the company's employer return. The total base for social security contributions, as well as the claimed reduction, must be reported in the company's employer return. A company can also look back up to six calendar years to request an amendment to employer returns, which for 2025 is back to January 2019 – allowing for a claim for the years 2019, 2020, 2021, 2022, 2023, 2024 and 2025.

Expatriate tax regime for certain foreign experts

Description of benefits

Twenty-five percent of the salary and benefits for individuals who have been granted expatriate taxation classification is exempt from taxation and social security charges. Additionally, moving expenses to and from Sweden, some travel expenses to the home country, and school fees are exempt.

Guidelines around incentive applications

To receive the incentive, preapproval is required from the Taxation of Research Workers Board (Forskarskattenämnden) within the National Tax Administration. Two different application forms are available: one is to apply for tax relief based on the level of remuneration, and the other is to apply for tax relief on other grounds.

3. Eligibility requirements

Reduced social security contributions for tasks concerning commercially performed R&D

Qualifying R&D activities are systematic, with commercial purpose. To fulfill the research requirement, companies shall develop new knowledge. To fulfill the development requirement, companies must develop new products, services and/or production processes through the use of research material, or substantially enhance the quality of existing products, services and/or production processes. A substantial enhancement requires an alteration resulting in an essential improvement to quality, use, formation, production and/or provision. Furthermore, the development activity must be directly related to the research result. Normal operations and standard product development work do not qualify. Projects conducted under public auspices are not eligible for the incentives.

To qualify for a reduction of social security contributions in a given month, the employee must directly contribute to systematic and qualified research or development activities during at least 50% of working hours, with a minimum of 15 hours per month.

Further, as the deduction is applied to social security contributions, it may only be claimed for employees for whom a company actually pays these fees. This means that in the case of contract R&D, external consultants, or similar, the contracted company is entitled to the deduction, rather than the purchaser. It similarly means that employees located outside of Sweden generally cannot be claimed for, as in most cases social security contributions are not paid for these personnel. The employee must also be below age 65, as social security fees are not paid beyond that age.

Expatriate tax regime for certain foreign experts

The expatriate tax regime is, since 1 January 2024, granted for a maximum of seven years and is available for foreign employees intending to work in Sweden for no longer than seven years. The individual may not be a

Swedish citizen or a foreign citizen who has lived or resided in Sweden during the last five years. The employer must be established in Sweden or be a foreign corporation with a permanent establishment in Sweden. The expatriate tax regime is available only for experts/specialists, key personnel, scientists and employees with a monthly salary in excess of a certain level (one and a half price base amounts). It requires preapproval from the Taxation of Research Workers Board (Forskarskattenämnden). Application for tax relief must be submitted to the board by the employer or foreign person within three months of the start of employment. Decisions by the board may be appealed to county or national administrative courts. Employers, in reporting income to tax authorities, must include the key persons' tax-free amounts. All other reporting by employers follows standard procedures.

It should be noted that there is no legal means for extending the application period in individual cases. Applications received by the board just one day after the stipulated deadline will be considered late and will be rejected. It is therefore important to file the application on time.

4. IP and jurisdictional requirements

Sweden does not have any intellectual property (IP) tax incentives.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Sweden.

6. Role of governmental bodies in administering incentives

- The Swedish Tax Agency (Skatteverket) manages questions concerning the reduction of social security contributions for employees tasked with R&D. Legal appeals are handled by the Swedish General Administrative Court system.
- The Taxation of Research Workers Board (Forskarskattenämnden) grants expatriate taxation classification for foreign individuals.

7. Administrative requirements

The employer must submit a base of calculations for the reductions and the amount of reductions for social security fees in the payroll tax return. The employer must be able to provide the Swedish Tax Agency with information to assure that the requirements are met if subjected to screening. This includes information concerning the number of working hours, the number of working hours dedicated to R&D, and information about the specific R&D work performed by each individual employee. The Swedish Tax Agency is required to review any application for retrospective reassessment of previous tax periods, meaning that such requests typically must include this substantiation material to be approved.

The employee or employer may submit the application to the Taxation of Research Workers Board to be granted expatriate taxation classification for foreign key personnel or scientists. The application must have been received by the Taxation of Research Workers Board no later than three months from the date when the employee started working in Sweden.

8. Statutory reference

- The right to reduction of social security contributions has been in effect since 2014 and can be found in the Law on Special Deductions when Calculating Employer Contributions and General Payroll Tax for Persons Working in Research or Development (2023:747).
- Prior to 1 January 2024, the right to reduction of social security contributions was defined within the Social Security Contributions Law. This remains relevant for retrospective claims.
- The legislation regarding the expatriate tax regime has been in effect since 2001 and can be found in the Swedish Income Tax Act, Chapter 11, paragraph 22–23a.

Switzerland

This chapter is based on information as of February 2025.

The Federal Act on Tax Reform and Retirement and Survivors' Insurance Financing (TRAF) entered into force on 1 January 2020 and introduced new internationally accepted measures to secure the attractiveness of Switzerland as a business location. In addition to various other arrangements, targeted measures have been introduced to provide a tax regime compliant with the Organisation for Economic Co-operation and Development (OECD) in the field of R&D as well as intellectual property (IP).

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1. Overview

The global competition for the most attractive research locations has greatly intensified, and through a targeted research and innovation policy, Switzerland is further increasing its attractiveness.

Switzerland has several incentives to promote R&D activities and investments for companies. This includes financial contributions (grants), tax holidays and reliefs for patent-related income. In general, Swiss corporate income tax (CIT) rates are very attractive compared with other countries. Swiss taxes are deductible (i.e., a taxable expense), so the statutory tax rates have to be distinguished from the effective tax rates. The effective tax rates on profits before tax in Switzerland on the level of federal, cantonal and communal CIT range from about 11.2% to 22.3%.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

2. Incentives available

Name of incentive	Financial contributions	Tax holidays	Patent box	R&D super deduction	Accelerated depreciation on assets
Types of incentives	■ Contributions to investment costs, repayable on an interest-free basis, subject to conditions ■ Funding often limited to public partners' share of project costs	■ Relief from capital and income taxes at federal, cantonal and communal level at a maximum of 100% for maximum 10 years for one company	■ A relief for patent-related income (up to 90% on patent income for cantonal/communal purposes)	■ R&D expenses are deductible up to 150% for cantonal/communal tax purposes	■ Possibility to account a one-off depreciation under certain conditions (depends on different cantonal practices)

Financial contributions/cash grants

Description of benefits

Science-based innovation is directly promoted in Switzerland in the interests of business and society. Various departments and institutions of the public sector have budgets at their disposal. With innovation projects, networking, training and coaching, they specifically promote cooperation between science and the economy. However, some funding is only available on a subsidiary basis, so projects are only supported if they could not be achieved without funding or if potential remained untapped. In addition, many funding initiatives are specifically designed for cooperation between companies and research institutions such as universities or for consortia.

Guidelines around incentive applications

The beneficiary must fulfill various operational conditions (e.g., innovative project, export-oriented, maintenance and creation of jobs) and project-related conditions (e.g., innovation of the company, national or international target markets, or economic importance for the respective canton and Switzerland). The objective is also to guarantee sustainable development of the company.

Tax holidays

Description of benefits

Various cantons may grant tax holidays for important expansion projects of an existing company or with respect to the new establishment, when such projects are of major economic importance to the respective canton. Such economic importance is basically given if new jobs are derived and capital investments are delivered via such development or establishment projects. In the case of reorganizations, the respective canton may grant a tax holiday if the company can demonstrate that such reorganization is necessary for the maintenance of jobs and that investments in the canton will be realized.

Tax holidays are granted on the CIT and capital tax on a cantonal and communal level. However, if the company is in certain areas in the cantons of Aargau, Appenzell Ausserrhoden, Appenzell Innerrhoden, Berne, Basel-Landschaft, Fribourg, Glarus, Grisons, Jura, Lucerne, Neuchâtel, St. Gallen, Schaffhausen, Solothurn, Thurgau, Ticino, Uri, Vaud, Valais and Zurich, a tax holiday on a federal level can also be obtained. In any case, there is a maximum available relief of 100% for a maximum of 10 years. Additionally, the real estate transfer tax triggered by the change of ownership may also be waived on purchases of real estate or industrial land, depending on the cantonal practices, which can vary.

Guidelines around incentive applications

The quantity of tax holidays depends on the investments of the company and creation or maintenance of new employment in the respective canton. Any federal tax holiday may not exceed an amount corresponding to the cantonal tax holiday amount (percentage and time period). Consequently, the cantonal authorities should be addressed first.

Tax holidays require a formal application. This includes fundamental documentation related to capital budgeting, future employment and a detailed business plan. For the cantonal and communal tax holiday, the respective administrative office for economic development is the competent authority, together with the cantonal tax authority. The federal tax holiday is assessed by the State Secretariat for Economic Affairs (SECO).

The final decision on tax holidays is linked to certain terms and conditions during and after the time period of the tax holiday. Typically, the company must report that it implemented the promised investments according to its business plan during the period of the tax holiday. Furthermore, the company is obliged to continue its business activity for a defined length of time.

Patent box

Description of benefits

As of 1 January 2020, the implementation of the patent box is mandatory at the cantonal level. In the patent box, net profits from domestic and foreign patents and similar rights are taxed separately, with a maximum relief of up to 90% for qualifying patent profits (the rate is at cantonal discretion, and proper documentation is key). The benefit may be subject to limitation due to minimum taxation regulations. The patent box regime only applies to qualifying patent income, to the extent that the R&D expenditure in relation to the registered patent (or similar IP, such as supplementary protection certificates or first applicant protections) occurred at the company applying for the patent box regime (modified nexus approach as provided under Action 5 of the OECD Base Erosion And Profit Shifting (BEPS) project). The capital gains on the disposal of such registered patents among affiliated companies also qualify for the patent box. The term further includes income arising from the use of registered patents among affiliated companies. Furthermore, only registered patents and equivalent rights are included in the definition of patent income. All other IP-related income — e.g., income derived from brands, copyrighted software and non-patent-protected inventions or know-how — does not qualify for the patent box regime. In addition, an entry taxation, respectively an entry mechanism, for the patent box (which may differ from canton to canton) is applicable.

Guidelines around incentive applications

Application of the patent box is claimed within the annual tax return. For tax assessment purposes, a breakdown of income and costs by segment/source must be drawn up. This must be enclosed with the tax return. Furthermore, if a product-based approach is used to reflect income from embedded patents, it must be stated which qualifying patents are contained in the product. Changes in the composition of the qualifying patents contained in a product must be recorded and documented in a suitable manner.

To assess the entry costs, the expenses for the patent (e.g., R&D activities and acquisition costs) have to be determined. In most cantons, the costs of the last 10 years are relevant; for other cantons, different time frames may apply. Therefore, an overview of the qualifying expenses must be filed with the tax authority.

R&D super deduction

Description of benefits

The R&D super deduction is an optional measure at the cantonal level, and a maximum R&D super deduction of 50% is applicable for qualifying domestic R&D costs. The range of qualifying R&D is much broader than for the patent box — i.e., the R&D activity does not have to lead to a patent. However, expenses for market launch and market exploitation of products do not qualify as R&D activities. The applicability of the R&D super deduction is geographically restricted to R&D activities that are physically performed in Switzerland. Contract R&D activities performed by affiliates or third parties within Switzerland also qualify for the super deduction, provided that the principal is not entitled to the R&D super deduction itself.

The super deduction is calculated based on personnel costs plus a flat-rate surcharge of 35% for other costs (determination for own R&D expenses) and 80% of the expenses for domestic contract R&D activities carried out by third parties or affiliates. The benefit may be subject to limitation due to minimum taxation regulations.

Guidelines around incentive applications

The taxable person shall submit proof that the requirements for the R&D super deduction are met by enclosing the following information and documents with the annual tax return: research or project description, including time frame and budget; identification of relevant employees and connected personnel expenses; copy and cost allocation of research contracts; description of scientific goals; and characterization of activity as novel, creative, uncertain, systematic, and transferable and/or reproducible whereby the OECD Frascati Manual in its 2015 edition is referenced in local guidance. Specific characteristics of projects may trigger further documentation requirements.

Accelerated depreciation on assets

Description of benefits

The method of depreciation basically should be in line with usual business practices. However, the tax authorities in Switzerland have published the rate of depreciation that is usually acceptable and, therefore, treated as

business-related expense. Some cantons provide the possibility to account a one-off depreciation under certain conditions (depends on different cantonal practices).

Note on TRAF

TRAF, a wide-ranging reform of Switzerland's corporate tax system, entered into force on the federal level in 2020. It targeted the following objectives: safeguarding the tax appeal of Switzerland as a business location, promoting the international acceptance of Switzerland's corporate tax legislation and ensuring sufficient tax revenues to finance public activities. With respect to R&D incentives, TRAF introduced, among other measures, the following:

- An OECD-compliant (i.e., follows the modified nexus approach) patent box at the cantonal level
- Tax incentives for Swiss local R&D (i.e., an R&D super deduction up to a maximum of 50% of the relevant domestic R&D costs) at the cantonal level

Besides the abovementioned innovation-based incentives, the most important changes on the federal and cantonal levels include the following, which may affect all corporate entities:

- Abolishment of historic tax regimes (holding, mixed company, domicile company, principal and Swiss Finance Branch) and disclosure of hidden reserves upon transition
- Notional interest deduction (NID), optional at the cantonal level
- Mandatory overall limitation of tax relief at 70% or less, at the cantons' discretion
- Adjustments in taxation of dividend income from qualifying participations for individuals
- Capital tax relief, optional at the cantonal level
- Adjustments of the capital contribution principle
- Extension of the flat-rate tax credits on foreign companies' permanent establishments
- Reduction of cantonal income tax rates (change based on cantonal law)

Note on BEPS 2.0

As of 1 January 2024, Switzerland introduced a qualified domestic minimum top-up tax (QDMTT), and as of 1 January 2025 an income inclusion rule (IIR), as part of its commitment to implement the global minimum taxation agreed on by the OECD and the G20 countries under BEPS 2.0 Pillar Two. The application of the undertaxed payments rule (UTPR) has been delayed until further notice. The QDMTT and the IIR were put into force based on a temporary ordinance, and the respective law will subsequently be enacted by ordinary due procedure.

The R&D super deduction and the patent box in Switzerland have not yet been established as "qualified refundable tax credits." Without modifications, these tax incentives are expected to reduce the covered taxes under BEPS 2.0 Pillar Two. Thus, companies subject to global minimum taxation may experience limitations in the benefits derived from these incentives, necessitating a case-by-case evaluation.

Swiss tax authorities recognize incentive systems, such as refundable (QRTC) and non-refundable credits, to enhance the country's business attractiveness under Pillar 2, particularly for sustainability and R&D prone business cases. Requirements differ by canton and are evaluated on a case-by-case basis. Companies typically are required to submit a written application, governed by location promotion and regional policy laws rather than tax law.

Note on association status for participation in the EU's Horizon Europe

The Swiss Federal Council has been mandated by Parliament to continue negotiations with the EU on Switzerland's association with Horizon Europe. Currently, researchers in Switzerland can participate in the majority of the joint programs. Based on transitional regulations by the European Commission, they may do so as beneficiaries as of the program year 2025. For prior periods, the Swiss Federal Council had approved direct funding of the research projects affected by Switzerland's relegation to non-associated status.

3. Eligibility requirements

Financial contributions and tax holidays

Corporate requirements

- A growth strategy, ideally affiliated with an innovative and/or export-oriented project
- Guaranteed overall financing and long-term sustainability
- Retention and creation of jobs
- Sustainable corporate development

Project-related requirements

- Innovativeness of the line of business
- National and international target markets and no distortion of competition
- Economic importance for Switzerland
- Planned investments in research, technology, facilities, etc.

Specific requirements for tax holidays

- Reorganization of existing company
- Early contact with the responsible project manager of the economic promotion department
- A business plan
- A statement of the respective cantonal tax authorities and the local community
- Capital investments and maintenance or creation of employment

Patent box

A significant operational infrastructure (company-owned/company-occupied offices, qualified personnel, etc.) must be located at the registered office or permanent establishment of the company.

The patent box regime only applies to qualifying income from registered patents and equivalent rights, provided the R&D expenditure in relation to the registered patent (or equivalent right) occurred at the company applying for the patent box regime (modified nexus).

The definition of a patent relies on the European Patent Conventions (EPC 2000) and the Patent Act (PatG). Patents based on foreign law also qualify for the patent box. Equivalent rights include topographies, but not non-patent-protected inventions of small and medium-sized enterprises (SMEs) or copyrighted software. As an exception, software is included if it is part of an integral (patented) invention or if it is patented abroad.

R&D super deduction

The definition of R&D in Switzerland is generally based on the relevant R&D publications by the OECD and allows for a broad definition of R&D. Deductibility is tied to the scientific definition of research and development, which is typically interpreted based on the Frascati criteria, meaning that any R&D activities must be, cumulatively, novel, creative, uncertain, systematic, and transferable and/or reproducible.

4. IP and jurisdictional requirements

Tax holidays

A tax holiday at the federal level is restricted to certain defined areas in the cantons of Aargau, Appenzell Ausserrhoden, Appenzell Innerrhoden, Berne, Basel-Landschaft, Fribourg, Glarus, Grisons, Jura, Lucerne, Neuchâtel, Schaffhausen, St. Gallen, Solothurn, Thurgau, Ticino, Uri, Vaud, Valais and Zurich.

Patent box

Only companies with a registered office or permanent establishment in Switzerland may make use of the patent box rules.

R&D super deduction

Only R&D activities that are physically performed in Switzerland qualify for the R&D super deduction.

Consequently, inter alia, R&D activities performed by foreign branches do not qualify for the R&D super deduction.

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in Switzerland.

6. Role of governmental bodies in administering incentives

The Swiss tax authorities are cooperative when taxpayers seek to obtain advance tax rulings. It is very common in Switzerland to provide the tax authorities with the relevant background information and the corresponding tax consequences by a written application. The authorities will then review the proposed tax appraisal and, if they agree, show their (pre-)approval by countersignature. Such a procedure provides certainty for several years with regard to the envisaged settlement and/or reorganization, etc., for both parties (taxpayer and tax authority).

Please note that because of the current tax transparency measures based on BEPS (Actions 5 and 13), at least some rulings may be subject to information exchange.

7. Administrative requirements

Financial contributions and tax holidays require a request to the respective cantonal and, if applicable, federal authorities. After the incentive is granted, the competent authority monitors the course of the project and the development.

The R&D super deduction and the patent box are to be claimed at the latest when filing the tax return for the respective period. Detailed compliance and documentation requirements apply. Best practice includes considering the benefits of obtaining respective advance tax rulings to reach an agreement on tax parameters of projects before implementation to achieve legal certainty.

8. Statutory reference

- Financial contributions: Legislation and published (or unpublished) practices
- Tax holiday: Federal and cantonal legislation and published (or unpublished) practices
- Patent box: Federal and cantonal tax law and published (or unpublished) practices
- R&D super deduction: Federal and cantonal tax law and published (or unpublished) practices
- Accelerated depreciation on assets: Federal and cantonal tax law and published (or unpublished) practices

Thailand

This chapter is based on information as of February 2025.

Similar to other countries, Thailand is increasingly emphasizing the importance of an innovation-driven economy by encouraging both the public and private sectors to invest more in R&D activities.

To do so, the Thai government has released and revamped a number of tax incentive programs to extend support in the areas of science, technology, R&D, and innovation. This is part of the nation's policy to guide Thailand from a middle-income country to a high-income country by 2027.

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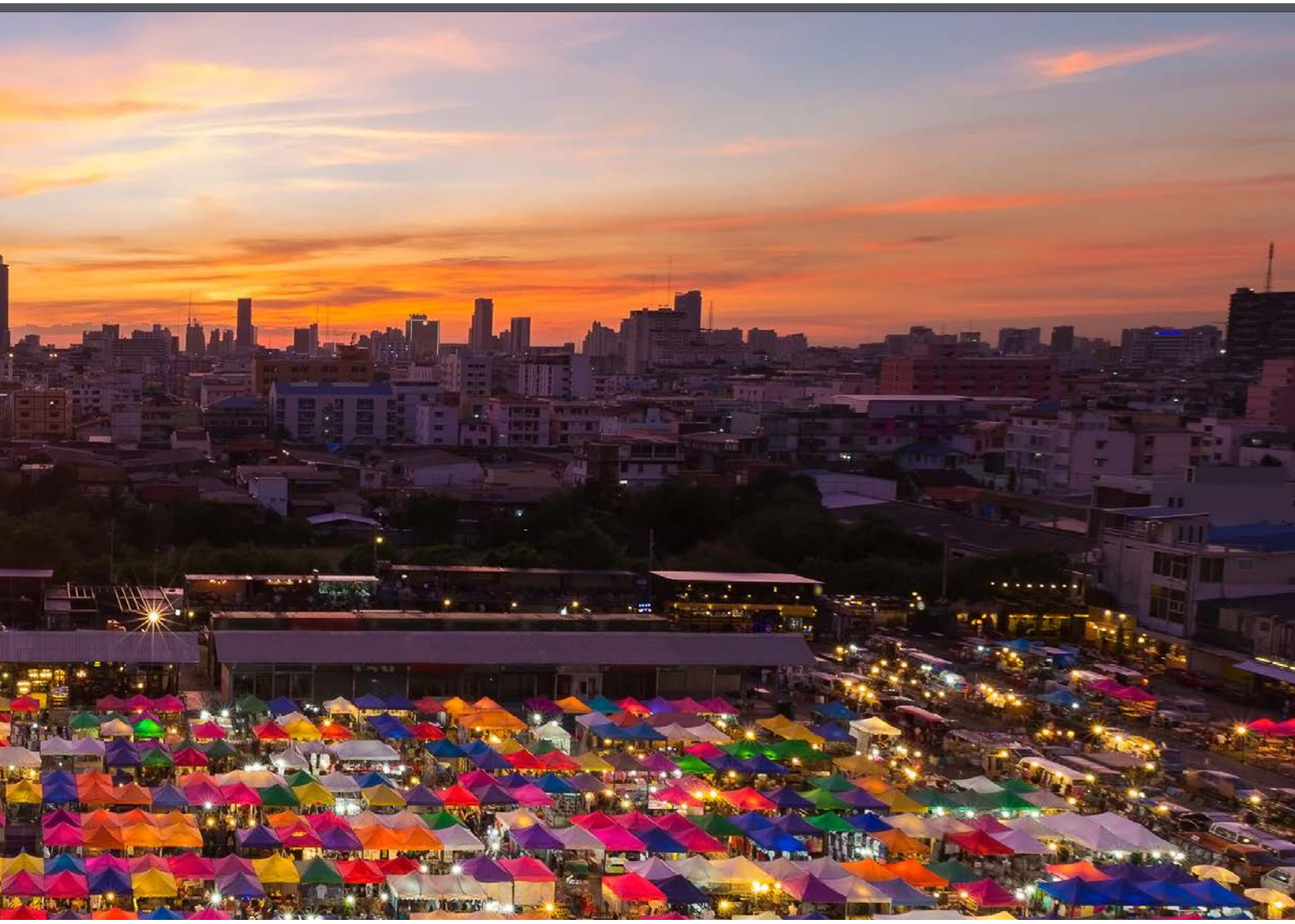

1. Overview

The Thai government encourages research and technology invention to enhance the country's competitiveness to achieve sustainable development in the long run, and it aims to attract foreign investors by providing R&D incentives to both approved Thai R&D service providers and Thai R&D service users. Currently, a 200% deduction and an accelerated depreciation rate of 40% are available for eligible expenditures incurred on R&D activities carried out in Thailand and R&D-qualified machinery and equipment, respectively. To receive the Thai R&D service provider status, companies or government entities must obtain approval from the Revenue Department (RD).

The government also provides tax holidays and nontax incentives to companies providing eligible R&D services or incurring qualifying R&D expenditures.

Apart from the above, the Thai government has also set up a fund worth THB10,000 million to subsidize investment projects, particularly for startup businesses, engaging in targeted industries that involve the use of new high technology. Chosen projects will receive a subsidy from the government for qualifying R&D expenditures.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	R&D additional deduction incentive	Accelerated depreciation	The Board of Investment (BOI) tax incentive*	BOI nontax incentive
Type of incentive	■ Additional deduction	■ Accelerated depreciation on qualifying R&D assets	■ Tax holiday	■ Nontax incentives

**Although not based upon scientific analysis, some EY clients report that this incentive delivers the beneficial results to them; however, the applicability of the incentives depends on the taxpayers' facts and circumstances.*

R&D additional deduction incentive

Description of benefits

Generally, Thai corporate entities are allowed to take a 100% tax deduction for expenses related to R&D activity. Pursuant to Royal Decree No. 598, which took effect on 25 February 2016, Thai corporate entities may take an additional 100% tax deduction (a double deduction) for R&D expenses paid to authorized government agencies or private R&D service providers.

Corporate entities that claim a deduction under this regulation are not entitled to claim a partial or full deduction under the investment promotion law.

Guidelines around incentive applications

The additional deduction is applicable to current investments and is claimed through an annual corporate income tax (CIT) return. To claim the R&D additional deduction incentive (i.e., double deductions), the R&D service provider is required to obtain an authorized R&D service provider status by submitting the application to the RD, and the service recipient is also required to have its R&D project certified by the National Science and Technology Development Agency (NSTDA). Given that this incentive operates on a self-assessment basis, it is recommended that companies maintain all of their supporting documents (e.g., project papers, service receipts) in case they are requested or the incentive is challenged by the RD.

Accelerated depreciation

Description of benefits

Pursuant to Royal Decree No. 319, when acquiring new R&D equipment and machinery, the depreciation value (for the purpose of corporate income tax calculation) will be set at 40% of the asset cost at the acquisition date (depreciation tax for machinery is normally 20% for five years, with the balance to be depreciated over the next four years). To utilize this incentive, the following conditions must be met:

1. Such machinery or equipment must exclusively be for R&D activities, not for manufacturing or providing services.
2. Such machinery or equipment must be used for basic industrial research, applied research or product quality testing.
3. Such machinery or equipment must be brand-new with a life span of two or more years and have a minimum product cost of at least THB100,000.

Any losses incurred from the accelerated depreciation may be carried forward for five consecutive years.

Guidelines around incentive applications

The depreciation is applicable to current and future investments. Claiming the R&D double deduction incentive is based on a self-assessment process. Companies claiming the incentive can include qualifying accelerated depreciation expenses in their CIT computations and submit the annual CIT return (IT.50) to the RD without preapproval from the RD. (Note: the timeline for filing IT.50 is within 150 days from the end of an accounting period.)

BOI tax incentive

Description of benefits

Companies engaging in R&D business may receive benefits as follows:

- Exemption of CIT for up to eight years but can be extended to up to 13 years if the amount of R&D and/or human development investment/expenditure reaches a certain threshold (discussed below)
- Exemption of CIT for up to eight years but can be extended to up to 13 years if the amount of R&D and/or human development investment/expenditure reaches a certain threshold (discussed below)
- Withholding tax exemption on dividend distribution during the tax exemption period and up to six months after the tax exemption period expires
- Double deduction on expenses related to transport, electricity and water supply depending on investment location
- Exemption of import duty on materials imported for use in the R&D process
- Exemption or reduction of import duty on new machinery
- Exemption of import duty on raw or essential materials used in the manufacturing of export products

In addition, companies applying for the BOI promotion (regardless of which business activities) may be entitled to additional years of CIT exemption (to be applied on top of the base incentive) if they incur investment/expenditures in R&D activities and/or human resource development and/or enhancing capabilities of local suppliers as follows:

1. Additional one year of CIT exemption if the total qualifying investment/expenditure in R&D and/or human resource development accounts for at least 1% of the total sales revenue of the first three years of operation or is at least THB200 million, whichever is less
2. Additional two years of CIT exemption if the total qualifying investment/expenditure in R&D and/or human resource development accounts for at least 2% of the total sale revenue of the first three years of operation or is at least THB400 million, whichever is less
3. Additional three years of CIT exemption if the total qualifying investment/expenditure in R&D and/or human resource development accounts for at least 3% of the total sale revenue of the first three years of operation or is at least THB600 million, whichever is less
4. Additional four years of CIT exemption if the total qualifying investment/expenditure in R&D and/or human resource development accounts for at least 4% of the total sale revenue of the first three years of operation or is at least THB800 million, whichever is less
5. Additional five years of CIT exemption if the total qualifying investment/expenditure in R&D and/or human resource development accounts for at least 5% of the total sale revenue of the first three years of operation or is at least THB1 billion, whichever is less

If companies applying for the BOI promotion incur qualifying R&D investment/expenditure (regardless of the activities being conducted in-house, engaging external local consultants and/or occurring in overseas institutions) of at least 1% of the total sales revenue of the first three years of operation or at least THB200 million, whichever is less, the CIT exemption amount that such companies will be entitled to is unlimited.

Furthermore, manufacturing companies applying for the BOI promotion and relocating their R&D facility to Thailand may be entitled to additional CIT exemption for up to five years. Under this scheme, the promoted companies must commence their R&D activities within one year from the BOI certificate issuance date or the date of the request for project amendment being approved. The application must also be filed with the BOI by the last business day of 2025. In addition, please note that an applicant applying for this scheme is not allowed to request an extension for the BOI promotion acceptance, the issuance of the BOI certificate, machinery importation or full project operation commencement.

Any losses incurred during the BOI tax exemption period can be used to offset against the net taxable profit for up to five consecutive years after the tax exemption period. To receive the BOI tax incentive, an application must be submitted to the BOI for approval. Companies are also required to provide a description of the scope of the R&D process, the number of researchers, their qualifications and R&D experience.

On 26 December 2024, Thailand enacted the Top-up Tax Emergency Decree to implement BEPS 2.0 Pillar Two, which includes Domestic Top-up Tax, Income Inclusion Rules and Undertaxed Payment Rules. The decree is effective for fiscal years beginning on or after 1 January 2025. If Thailand's effective tax rate (ETR) is lower than 15% due to corporate income tax incentives, companies will be subject to Domestic Top-up Tax in Thailand. An incentive feasibility study in light of the Pillar Two implementation should also be conducted.

Guidelines around incentive applications

The BOI tax incentive is applicable to current and future investments. For a BOI-promoted company to use the BOI tax incentives in relation to CIT exemption for BOI business, the company must submit the request form for CIT exemption to the BOI for approval within 120 days after the end of an accounting period.

BOI nontax incentive

Description of benefits

With the BOI nontax incentive, companies may receive benefits as follows:

- Unlimited (but reasonable) number of visas and work permits for qualifying expatriates
- Eligibility to own land[1]
- No foreign ownership restriction[2]
- Eligibility to remit money in foreign currency

Guidelines around incentive applications

The BOI nontax incentive is applicable to current and future investments. To claim the BOI nontax incentive, the company must receive approval on its eligibility from the relevant authorities such as the Land Department, Ministry of Commerce and Bank of Thailand.

[1] Generally, a foreign investor is not eligible to own land under the Thai Land Code. However, the BOI-promoted company is able to own land for BOI business regardless of the percentage of foreign shareholder.

[2] Generally, a foreign-majority-owned company (i.e., a company that has foreigners holding more than 50% of its shares) is not allowed to engage in certain business activities, e.g., trading and service business, unless specific license is obtained.

3. Eligibility requirements

Qualifying R&D activities are defined as follows:

- Basic research – theoretical or operational activities that are conducted to explore new knowledge from basic natural phenomena and factual observation, without initially considering the application
- Applied research – research to explore new knowledge with an objective to put it into practice for specific use
- Experimental development – a systematic operation based on the knowledge from research and/or experience with the objective of producing new materials, products or inventions; to install new procedures, systems and services; or to substantially improve the existing products

In addition to the above, the scope for R&D activities under the BOI also includes the demonstration development which is referred to the research and development that further develops/enhances the result from the experimental development by testing the production process at an industrial level to verify the creditability of such result.

Eligibility requirements for specific incentive types are as follows:

R&D additional deduction incentive

The R&D additional tax deduction is available only for payments to eligible Thai R&D service providers. To qualify as a Thai R&D service provider, a company should be engaged in basic research, applied research and experimental development activities and must receive approval from the RD.

Accelerated depreciation

Accelerated depreciation is applicable for machinery and related equipment used for an R&D project, provided that such machinery has never been used and the acquisition cost of the machinery exceeds THB100,000 with a minimum useful life of two years.

BOI tax incentives

- The BOI application must be submitted to the BOI for approval, along with a description of the scope of the R&D process, the number of researchers, their qualifications and R&D experience.
- The debt-to-equity ratio must not exceed 3:1 for application submission purposes.
- If the total investment amount, excluding cost of land and working capital, is more than THB2 billion, a feasibility study (in the format prescribed by the BOI) must be submitted to the BOI, along with the BOI application.
- R&D service providers that are BOI-approved must strictly comply with any conditions attached to the BOI certificate.

4. IP and jurisdictional requirements

There are no jurisdictional requirements related to intellectual property (IP).

5. Technology or innovation zones

Thailand has established the Eastern Economic Corridor, which is a special economic zone covering three provinces in eastern Thailand (Chonburi, Chachoengsao and Rayong) with an aim to attract certain industries into the designated areas to form clusters and offer support that each industry specifically needs. One of the promoted zones in EEC area is the Eastern Economic Corridor of Innovation (EECi), an innovation hub located in Wangchan District, Rayong Province. Its ultimate goal is to support the transformation of Thailand into a country that thrives on innovation and enhances the quality of its people's lives by putting them on a sustainable and self-sufficient path. Qualifying investment projects inside the EECi can be entitled to a CIT exemption of up to 13 years (granted by the BOI) if conditions are met.

6. Role of governmental bodies in administering incentives

The relevant government agencies are as follows:

- Claims for R&D additional deductions may be reviewed by the Thai tax authority as part of its tax investigations or audits
- Accelerated depreciation: RD
- BOI tax incentive: BOI
- BOI nontax incentive: BOI

7. Administrative requirements

Given that the R&D incentive operates on a self-assessment basis, the companies should maintain all of their supporting documents (e.g., project papers, service receipts) in case they are requested or the incentive is challenged by the RD.

For BOI tax and nontax incentives, the BOI application must be submitted to the BOI for approval, along with a description of the scope of the R&D process, the number of researchers, their qualifications and R&D experience. R&D service providers that are BOI-approved must strictly comply with any conditions attached to the BOI certificate.

For a BOI-promoted company to use the BOI tax incentives in relation to CIT exemption for BOI business, the company must submit the request form for CIT exemption to the BOI for approval within 120 days after the end of an accounting period.

No preapproval is required for foreign-majority-owned companies to claim additional deductions on the cost of engaging approved R&D service providers.

8. Statutory reference

- Royal Decrees No. 598 B.E. 2559 – corporate income tax special treatment (R&D expenses)
- Royal Decrees No. 319 B.E. 2541 – depreciation of assets used for R&D
- Royal Decrees No. 145 B.E. 2527 – depreciation of assets
- Investment Promotion Act B.E. 2520 and revision version B.E. 2560
- National Competitiveness Enhancement for Targeted Industries Act B.E. 2560
- Eastern Economic Corridor Act B.E. 2561
- BOI announcement No. 9/2565 – measures to promote investment in industries that are important to the country's development
- BOI announcement No. 10/2565 – measures for enhancing competitiveness
- BOI announcement No. 18/2567 – measures for a comprehensive relocation program

Tunisia

This chapter is based on information as of February 2025.

Aware of the importance of R&D and innovation activities, Tunisia offers a range of tax and financial incentives on those activities to attract more local and foreign investors.

These incentives have been provided via several legal texts but mainly within Law No. 2016-71 of 30 September 2016, relating to the investment law; Governmental Decree No. 2017-389 of 9 March 2017, relating to financial incentives for the benefit of investments carried out under the investment law; and Law No. 2017-8 of 14 February 2017,

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relating to an overhaul of the system of tax benefits. The Decree-Law No. 2021-21 of 28 December 2021, relating to the Finance Act for 2022, and Decree-Law No. 79-2022 of 23 December 2022, relating to the Finance Act for 2023, introduced further tax incentives for R&D. Law No. 2023-13 of 11 December 2023, enacting the Finance Act for 2024, introduced additional favorable tax incentives for this sector. Law No. 2024-48 of 9 December 2024, enacting the Finance Act for 2025, established a financing line to support young promoters and institutions, in respect of their creation and expansion of projects in the fields of green, blue and circular economy.

1. Overview

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☑
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

2. Incentives available

Name of incentive	Premium for the increase of added value and competitiveness	Additional deduction of tax allowance from the tax base for R&D expenses	Exemption or suspension of certain duties and taxes for R&D investments by companies located in business parks	Premium for R&D investments by companies located in business parks	Deduction of revenues and profits for funds reinvested in innovating sectors
Types of incentives	■ Cash grant ■ Financial support	■ Tax allowance ■ Tax deduction (including super deduction)	■ Tax exemption	■ Cash grant ■ Financial support	■ Tax allowance ■ Tax deduction (including super deduction)

Name of incentive	30% additional deduction for depreciation on investments in alternative and renewable energies	Financial relief for investments in green, blue and circular economies and sustainable development	Exemption from tax on destruction of secondhand items, for products valued to produce renewable energies	VAT reduced to 7% and 50% reduction in road tax and first registration tax for electric cars
Types of incentives	■ Tax allowance ■ Tax deduction (including super deduction)	■ Tax allowance ■ Tax deduction (including super deduction)	■ Tax exemption	■ Other

Financial incentives

Description of benefits

Premium for the increase of added value and competitiveness

According to Article 19 of the investment Law No. 2016-71 of 30 September 2016, the premium for the increase of added value and competitiveness is granted for:

- Direct investment operations in priority sectors and economic sectors
- Economic performance in the fields of:
  - Material investments in the control of new technologies and improvement of productivity
  - Intangible investments
  - Research and development
  - Employee training leading to the certification of skills

Premium for R&D investments by companies located in business parks

According to Article 8 of the 1992 law on the creation of business parks, R&D investments by companies located in business parks are eligible for a bonus, with the rate and terms set by current tax legislation.

Financing line for the creation and expansion of projects in the green, blue and circular economy carried out by young promoters and institutions

According to Article 66 of the Finance Act for 2025, the financing of investments in the green, blue and circular economy falls within the scope of intervention allowed by the pollution control fund "Fonds de depollution." A financing line has been set up to grant medium- and long-term loans with preferential terms to young promoters and institutions for the creation and expansion of projects in the green, blue and circular economy.

An amount of TND20 million has been allocated to this financing line from the resources of pollution control fund.

Guidelines around incentive applications

According to Article 3 of Governmental Decree No. 2017-389 of 9 March 2017, relating to financial incentives for the benefit of investments made under the investment law, direct investment operations benefit from premiums provided in Article 19 of the investment law for the premium for the increase of added value and competitiveness as follows:

1. **The premium granted for the implementation of direct investment operations[1] in priority sectors and economic sectors**
   - Priority sectors are characterized by their strategic vocation and capacity to increase the pace of growth or high employability and are a priority of the development plans.

These sectors are fixed by Appendix 1 of Governmental Decree No. 2017-389 of 9 March 2017.

The premium granted to priority sectors is 15% of the cost of approved investments, with a maximum of TND1 million.

- Economic sectors are activities which are mainly based on the valorization of structural and agricultural resources as well as natural and cultural reserves through manufacturing and employment in the production areas. They contribute to the development of value chains through the radical transformation of the nature of the product.

These sectors are also fixed by Appendix 1 of Governmental Decree No. 2017-389 of 9 March 2017.

The premium granted to economic sectors is 15% of the cost of approved investments, with a maximum of TND1 million.

2. **The premium for the economic performance**

The premium is granted to the following investments, as listed in Appendix 1 of Decree No. 2017-389, dated 9 March 2017:

- Tangible investments for monitoring new technologies and improving productivity: The premium is 50% of the cost of the approved investment with a maximum of TND500,000.
- Intangible investments: The premium is 50% of the cost of the approved investment, including the premium for studies expenses related to R&D, with a maximum of TND500,000. The studies premium is limited to TND20,000.
- Expenses related to R&D: The premium is 50% of approved R&D costs, with a maximum of TND300,000.
- Employee trainings leading to competency certification: The premium is 70% of the training costs for Tunisian employees that lead to a certification of skills according to international standards, with a maximum of TND20,000 per year for each enterprise.

[1] According to Article 3 of Law No. 2016-71 of 30 September 2016, relating to the investment law, direct investment operations are defined as a new and autonomous project created to produce goods or provide services, or an expansion or renewal operation carried out by an existing company within the framework of the same project, allowing the enterprise to increase its production capacity, technological capacity or competitiveness.

According to Article 3 of the Decree:
- The tangible investments premium for monitoring new technologies and the premium for intangible investments are granted at the incorporation phase.
- The tangible investments premium for improving productivity is granted to direct investment operations as defined in Article 3 of the investment law.

3. Financing line for the creation and expansion of projects in the green, blue and circular economy carried out by the young promoters and institutions

The terms and conditions for managing the financing line are set out in the agreements concluded for this purpose by the banks with the Ministry of Finance and the Ministry of the Environment.

Tax incentives

Description of benefits

Additional deduction of tax allowance from the tax base for R&D expenses

Under Article 21 of the Finance Act for 2022, enterprises included in the framework of agreements with public establishments of scientific research, public establishments of higher education and research, or other establishments and public companies authorized to research under the legislation and regulations can deduct from the tax base an additional tax allowance of 50% for R&D expenses. The company's contribution to the total R&D expenses covered by the agreement should not be less than 10%. The overall amount of the deducted allowance should not exceed TND200,000.

Under Article 27 of the Finance Act for 2023, for projects concerning the green and blue economy, circular and sustainable development, the maximum percentage of additional tax allowance is increased to 50%, and the maximum threshold is also increased from TND200,000 to TND400,000.

Deduction of revenues and profits reinvested in innovating sectors

According to Article 74 of the Personal Income Tax and Corporate Income Tax Code (PITCITC), and subject to the minimum tax provided for by Law No. 89-114 of 30 December 1989, revenues and profits reinvested as part of the subscription within the initial capital or the increase of capital of enterprises undertaking investments that allow the development of the technology or its monitoring and the innovation investments within all economic sectors are fully deductible and within the limit of the income or profit subject to tax. However, investments in the financial sector, energy (other than renewable energies), mining, real estate development, on-site consumption, trade and telecoms operators are not eligible for this deduction.

Exemption or suspension of certain duties and taxes for R&D investments by companies located in business parks

According to Article 8 of the 1992 law on the creation of business parks, R&D investments by companies located in business parks are eligible for (1) the exemption from customs duties and suspension of value-added tax (VAT) on imported equipment that does not have locally manufactured substitutes and that is necessary for these investments and (2) the suspension of VAT on locally manufactured equipment.

30% additional deduction for depreciation on investments in alternative and renewable energies

Article 48 of the 2024 Finance Act grants the deductibility for corporate income tax (CIT) and personal income tax (PIT) purpose of an additional amortization of 30% of the gross value of the equipment and machinery dedicated to alternative or renewable energies production, acquired or manufactured, during the first year from the date of acquisition, manufacturing, or start of use, according to the case.

Financial relief for investments in green, blue and circular economies and sustainable development

Article 49 of the Finance Act for 2024 extended the benefit of financial reinvestment to companies carrying out investments in the field of green, blue and circular economies and sustainable development within the meaning of the laws and regulations in force.

The income or profits reinvested in the subscription to the initial capital, or its increase of these companies operating in the said fields are fully deductible, within the limit of the income or profit subject to tax. The deduction is subject to the minimum tax provided for by Articles 12 and 12 bis of Act No. 89-114 of 30 December 1989, promulgating the PITCITC.

In accordance with the provisions of Article 49 of the 2024 Finance Act, the deduction applies to income and profits invested from 1 January 2024, in the initial capital or its increase by companies investing in the green, blue and circular economy, as well as sustainable development.

The tax advantage is not granted to subscription operations intended for the acquisition of land.

Exemption of valued products used for the production of renewable energies from the tax on the destruction of secondhand clothing

Article 52 of the 2024 Finance Act has exempted the quantities valued within the framework of alternative energy production from the aforementioned tax imposed on the destruction of imported secondhand clothing items.

VAT reduced to 7% and 50% reduction in road tax and first registration tax for electric cars

Article 50 of the Finance Act for 2024 reduced VAT to 7% for motor vehicles equipped solely with electric motors for propulsion falling under customs tariff numbers Ex 87.02, Ex 87.03 and Ex 87.04; bicycles falling under customs tariff number Ex 87.12; and motorcycles of various types equipped solely with electric motors for propulsion falling under customs tariff number Ex 87.11.

Article 50 reduced circulation taxes by 50% for cars and motorcycles equipped solely with electric motors.

It has also reduced by 50% the first registration fee and the additional first registration fee.

Guidelines around incentive applications

For guidelines around incentive applications, please refer to Section 3. Eligibility requirements specified for each incentive.

3. Eligibility requirements

Conditions to benefit from the premium for an increase of added value and competitiveness

The benefit from this premium is subject to complying with the following conditions set out in Article 7 of Governmental Decree No. 2017-389 of 9 March 2017:

- Filing an investment declaration with the competent services in accordance with the regulations before beginning the direct investment
- Implementing the investment plan of financing with a minimum of the investor's own capital funds of 30% of the investment cost
- Keeping the accounts according to the Tunisian Enterprises Accounting Legislation
- Implementing investments by using new equipment or imported used equipment, provided that they are evaluated and controlled by the competent technical services
- Confirming that the tax position of the investor is in order at the date of incentive filing and during the incentive benefit period
- Creating at least 10 permanent jobs for projects created in economic sectors and priority sectors
- Submitting a written request to the Tunisian Investment Authority (TIA), or the investment structure concerned and territorially competent, no later than one year from the date of filing the declaration of investment supported by a feasibility study of the project
- Regularizing the situation with regard to the social security funds

Conditions to benefit from the additional deduction for innovation expenses

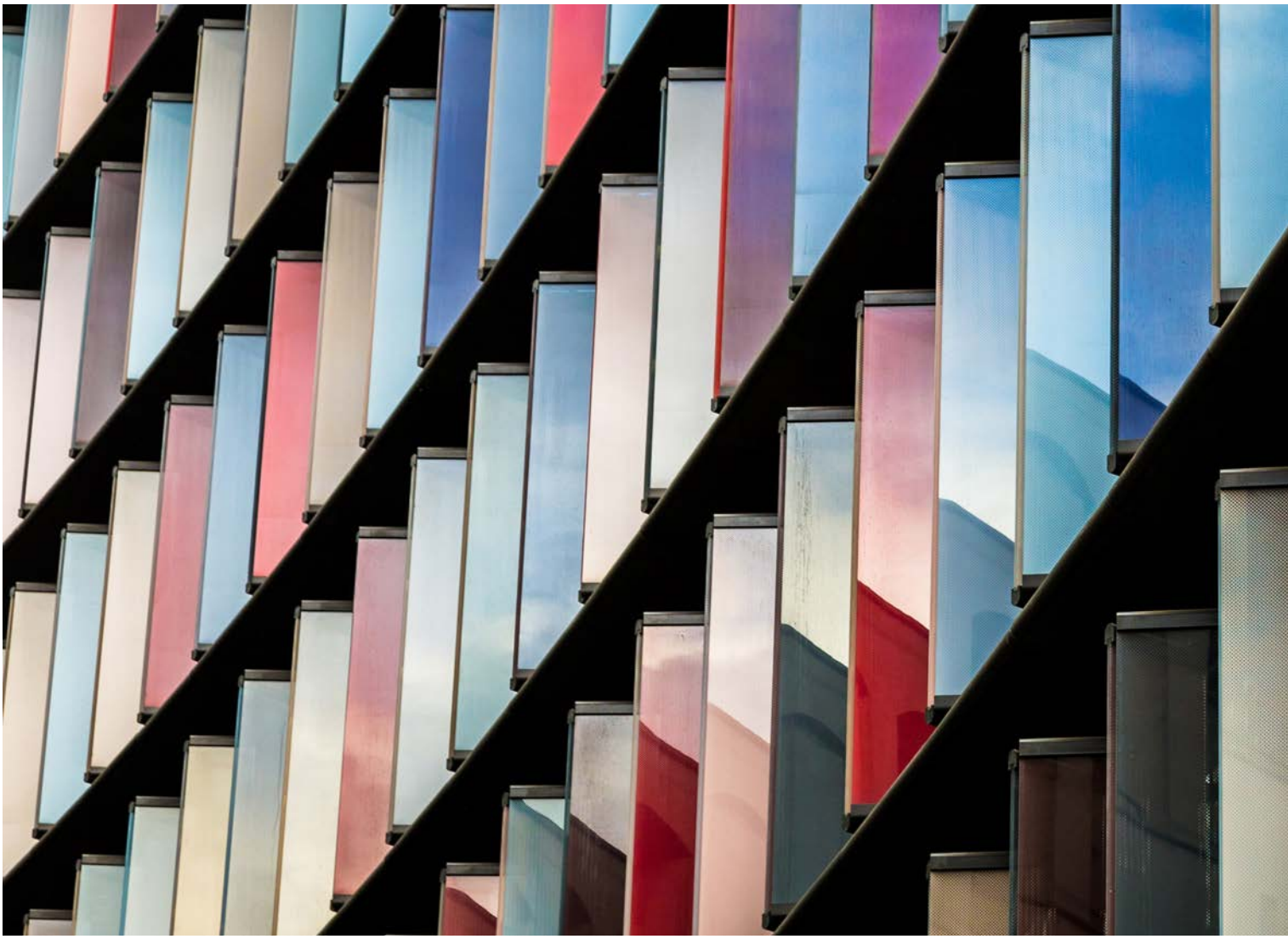
The conditions for applying for an additional deduction of innovation expenses provided for in Article 27 of Decree-Law No. 2022-79 of 22 December 2022, relating to the Finance Law for 2023, and fixed by Article 3 of Decree No. 2024-1 of 4 January 2024, provide for the following:

- ‣ The enterprise concerned must not operate in the financial sector, the energy sector (except for renewable energies), mining, real estate development, on-site consumption, trade or telecoms.
- ‣ The Minister of Finance must approve the innovative nature of the expenses concerned by the deduction, after consulting a commission at the Ministry of Finance, whose composition and operating procedures are laid down by a decree.
- ‣ Companies seeking to benefit from the additional 50% deduction for innovation expenses must submit, in support of their annual tax return, the references of the decisions granted and a detailed list of the amounts of expenses.

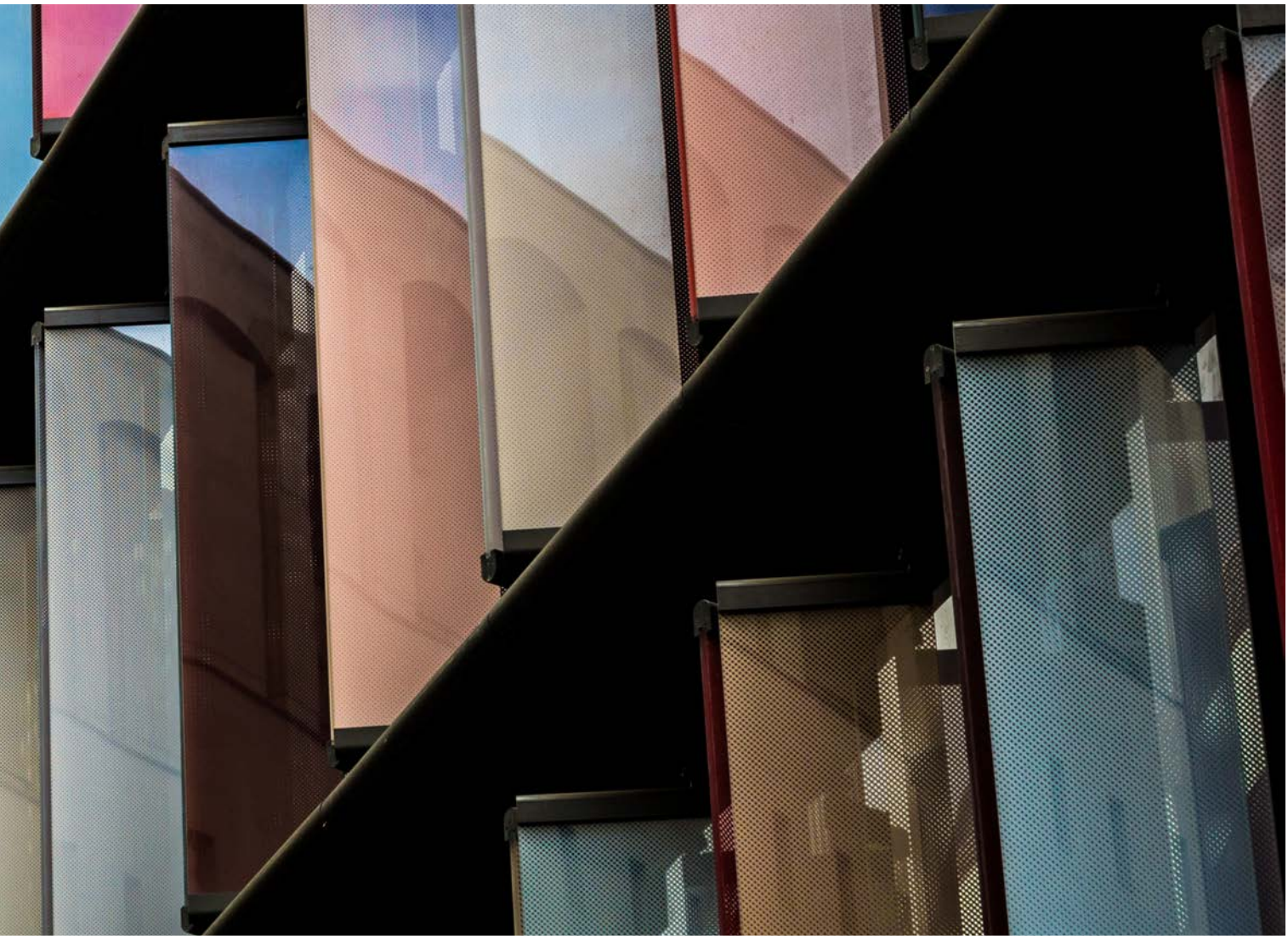
Conditions to benefit from the incentive granted to innovative sectors for financial reinvestment

Receiving an incentive for financial reinvestment in innovative sectors is subject to complying with the following conditions fixed by Articles 72 and 75 of PITCITC and Article 111 of the Tax Rights and Procedures Code (TRPC):

- Filing an investment declaration with the services concerned by the sector of activity in accordance with the regulations
- Realizing a financing scheme of the investment, including a minimum of the investor's own funds in accordance with the legislation and regulations



- Producing, in support of the annual declaration of the tax, a certificate justifying the entry in effective activity delivered by the competent services
- Regularizing the situation with regard to the social security funds
- Keeping the accounts according to the Tunisian Enterprises Accounting Legislation
- Issuing new shares or stocks
- Not decreasing the subscribed capital for five years, starting from 1 January of the year following that of the release of the subscribed capital, except in the case of a reduction for losses cancellation
- The beneficiaries of the incentive presenting, in support of the PIT or CIT returns, a release certificate of the subscribed capital or any other equivalent document
- Not disposing any of the shares or stocks that gave rise to the deduction, before the end of the two years following that of the release of the subscribed capital
- Non-stipulation in the agreements concluded between the companies and the subscribers or investors of guarantees out of the project or remunerations that are not linked to the results of the project object of the subscription operation
- Allocating profits or income reinvested in a special account in the liabilities that is not distributable, except for the sale of shares that gave rise to the deduction, and this is for legal entities and individuals operating in industrial or commercial activity or a non-commercial profession as defined in the PITCITC. Profits or reinvested earnings provided for in this indent are income or profits generated by an accountancy compliant with accounting legislation in force and not distributed or allocated for other purposes and within the limits of income or profits subject to PIT or CIT
- Filing an investment declaration within the competent services in accordance with the regulations
- Creating an investment plan of financing with a minimum of the investor's own capital funds of 30%



- Producing, in support of the annual CIT return, a certificate justifying the effective start of operational activity issued by the competent authorities
- The beneficiary of the benefit must either have filed all the tax returns due and not prescribed or be liable for tax debts to the state that have been subject to a recovery schedule by the tax receiver

Conditions to benefit from the 30% additional deduction for depreciation on investments in alternative and renewable energies

The benefit of the deduction is subject to a certificate issued by the National Agency for Energy Conservation (ANME) proving the category of equipment and materials being presented in support of the annual tax declaration. Filing an investment declaration with the investment authorities is not required. Financing part of the investment through equity is not required, although an investment financed entirely through debt is still eligible for this benefit.

Companies may benefit from the additional depreciation at the inception of the project or during the years of activity. This benefit cannot be combined with the additional 30% deduction granted to eligible companies for the depreciation of machinery, equipment and plant intended for operation, acquired or manufactured as part of expansion or renewal operations as defined in Article 3 of the Investment Law.

The benefit reserved for companies operating in the industrial sector relating to the revaluation of their tangible fixed assets does not apply to machinery and equipment benefiting from the additional 30% deduction. The deduction of additional depreciation cannot be carried forward to subsequent years.

Conditions to benefit from financial relief for investments in green, blue and circular economies and sustainable development

Conditions to benefit from the incentive granted to innovative sectors for financial reinvestment also apply to financial relief for investments in green, blue and circular economies and sustainable development.

Conditions to benefit from financing line for the creation and expansion of projects in the green, blue and circular economy carried out by young promoters and institutions

The terms and conditions for managing the financing line are set out in the agreements concluded for this purpose by the banks with the Ministry of Finance and the Ministry of the Environment. Article 66 does not provide any specific conditions to benefit from this financing line; it simply specifies that the activity should be carried out by young promoters and institution, with respect to the creation and extension of projects in the field of the green, blue and circular economy.

4. IP and jurisdictional requirements

For jurisdictional requirements, please refer to Section 3. Eligibility requirements specified for each incentive.

5. Technology or innovation zones

Competitiveness poles in Tunisia were created in 2005 to support innovative projects by promoting synergies between different industrial and research partners. Competitiveness poles bring together research and training centers and companies around local innovation projects with a regional, national and/or international vocation. These poles are always presented as a new form of industrial organization focused on improving the attractiveness of the territory to which they are attached. Competitiveness poles are the subject of significant support from Tunisia, both in terms of valuation and financially. The following poles are currently operating:

- The Technopole of Sidi Thabet, specializing in biotechnology
- The Sfax Technopole, specializing in information and communication technology (ICT) and multimedia
- The industrial and technological pole of Gabes, specializing in eco-industries and eco-technologies
- The Technopole of Borj Cedria, specializing in renewable energy, water, and environment and plant biotechnology
- The Competitiveness Pole of Bizerte, specializing in the food industry
- The Industrial and Technological Complex of Medenine, specializing in ICT
- The Technopole of Sousse, specializing in mechanics, electronics and computer science
- The El Ghazela pole, specializing in communication technologies
- The pôle de compétitivité de Bizerte

6. Role of governmental bodies in administering incentives

The financial incentives granted by the investment law are supervised and controlled by the competent administrative services, which can intervene at any time to withdraw the incentives in the case of noncompliance. Article 21 of the investment law provides for certain cases where the incentives may be withdrawn from their beneficiaries, including:

- Noncompliance with the investment law or its implementing regulations, including those of Governmental Decree No. 2017-389 of 9 March 2017
- Non-realization of the investment program during the first four years from the date of declaration of investment, extendable once for a maximum of two years, determined by the authority
- Illegal misuse of the investment's initial purpose

Noncompliance with the conditions set out in the investment law and Governmental Decree No. 2017-389 of 9 March 2017 may involve not only the withdrawal of the incentives but also their reimbursement under the procedures set out in Article 22 of the law.

The procedure for withdrawing incentives starts with the TIA conducting a hearing either by its own initiative or at the suggestion of the departments related to the financial incentives. The TIA then issues an opinion on the withdrawal and refund of incentives, which can both only be made by the Minister of Finance, in accordance with the procedures of the Public Accountancy Code.

Innovative sectors

The approval of the nature of investments in innovative sectors shall be granted by the Minister of Finance after consulting a commission incorporated for that purpose, and of which the composition and methods of operation are fixed by the Ministerial Ruling of the Minister of Finance dated 5 April 2017.

7. Administrative requirements

No preapproval or specific annual compliance is required for the R&D incentives.

8. Statutory reference

Law No. 92-81 of 3 August 1992, on the creation of economic activity parks

Law No. 2016-71 of 30 September 2016, concerning the investment law

Implementing texts of the investment law:

- Government Decree No. 2017-388 of 9 March 2017, setting the composition and organizational arrangements of the Higher Council of Investment, the administrative and financial organization of the Tunisian Investment Authority, and the Tunisian Investment Fund and the rules of its operation
- Government Decree No. 2017-389 of 9 March 2017, on financial incentives for the benefit of investments made under the investment law (supplemented by Government Decree No. 572 of 20 June 2018)
- Government Decree No. 2017-390 of 9 March 2017, on the establishment, organization and operating procedures of a management unit by objectives for the realization of the project of revision of the authorizations of the exercise of economic activities and fixing the nomenclature of Tunisian activities (amended by Government Decree No. 2020-756 of 31 August 2020)
- Government Decree No. 2018-417 of 11 May 2018, on the publication of the exclusive list of economic activities subject to authorization and the list of administrative authorizations required for the implementation of projects, the related provisions and their simplification

Law No. 2017-8 of 14 February 2017, recasting the system of tax benefits

Implementing texts of the law recasting the system of tax benefits:

- Decree 2017-1334 of 5 April 2017, setting the composition and operating procedures of the commission responsible for determining the nature of investments that allow the development of technology or its mastery and innovation investments
- Decree 2017-419 of 10 April 2017, setting the lists of equipment and the conditions for benefiting from the incentives in Articles 3, 4 and 5 of Law No. 2017-8 of 14 February 2017, relating to the overhaul of the system of tax benefits (amended by Government Decree No. 2017-1281 of 23 November 2017 and Government Decree No. 2018-613 of 17 July 2018)

Decree-Law No. 2021-21 of 28 December 2021, relating to the Finance Act for 2022

Decree-Law No. 79-2022 of 23 December 2022, promulgating the Finance Act for 2023

Law No. 2023-13 of 11 December 2023, enacting the Finance Act for 2024

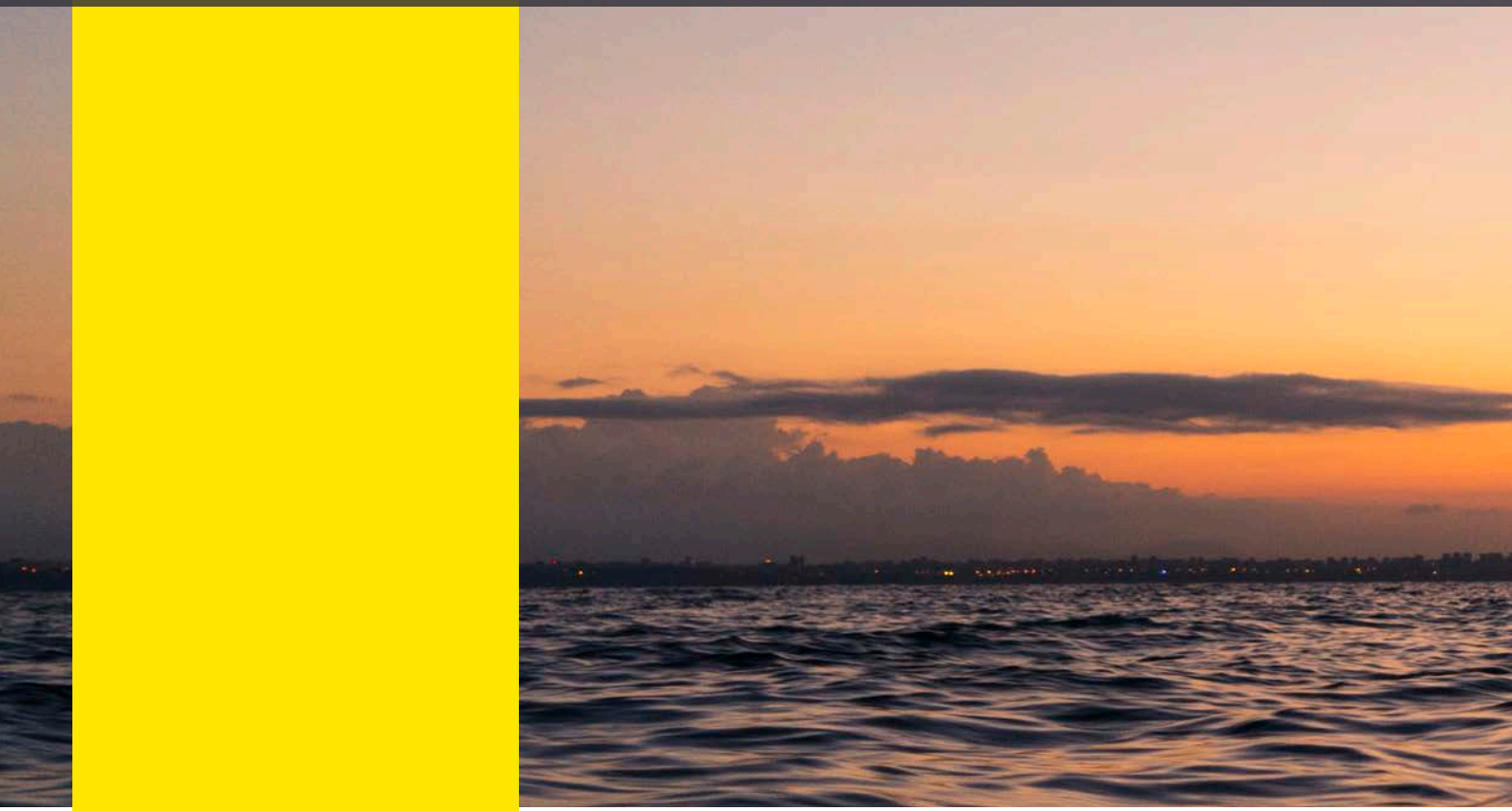
Law No. 2024-48 of 9 December 2024, enacting the Finance Act for 2025

Personal Income Tax and Corporate Income Tax Code

Code of Fiscal Rights and Procedures

Türkiye

This chapter is based on information as of February 2025.



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1. Overview

In recent years, many regulations have been introduced to increase competitiveness and economic development in Türkiye. These regulations are intended to encourage R&D and human resource investments (i.e., investments in researchers and scientists) with the ultimate aim of reinforcing the technological development level of the country.

The first regulation introduced for the R&D incentive regime was Law No. 4691 (for Technology Development Zones), which became effective in 2001. Furthermore, the R&D reduction regime was added to the Corporate Tax Code in 2004 (Law No. 5746) to support R&D activities. The regime became effective on 1 April 2008 and is designed to provide reductions, exemptions, supports and other incentives to taxpayers carrying out eligible R&D activities. In addition, Law No. 5746 allows for the 100% R&D expenditure deduction, income tax withholding exemption, social security premium support, stamp duty exemption, customs duty exemption and VAT exemption to taxpayers with eligible R&D activities.

Within the scope of Law No. 6676 (effective as of 1 March 2016) on the "Amendment of the Law on Supporting of Research and Development Activities and Certain Laws and Decree Laws," also known as the "R&D Reform Package," changes and additional supports have been introduced regarding the current R&D supports. Under Law No. 6676, design activities have been included in the scope of the incentives and supports for R&D activities in the R&D Law No. 5746 and Technology Development Zones Law No. 4691. Also, Law No. 6518 introduced corporate tax and value-added tax (VAT) exemptions to deliveries and services to be performed as of 1 January 2015 related to the inventions within the scope of R&D activities.

On 3 February 2021, Law No. 7263, which includes some changes on R&D and innovation activities in Technology Development Zones (Law No. 4691) and R&D/design centers (Law No. 5746), was published, and the validity period of mentioned laws has been extended to 31 December 2028.

Types of incentives	
Tax credits	☐
Cash grants	☑
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☑
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☑
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☑

2. Incentives available

Name of incentive	R&D expense deduction	Tax exemptions	Cash grants	Income tax withholding incentives	Social security premium support	Stamp and customs duty exemptions
Type of incentive	■ Super deduction	■ CIT and VAT exemption	■ National and international cash grants	■ Income tax withholding incentives	■ Reduced social security contributions	■ Tax exemptions

R&D expense deduction

Description of benefits

Taxpayers are granted the R&D expense deduction incentive mainly in two ways: through R&D/design centers and through R&D and innovation projects. The R&D expense deductions through both types are applied against the corporate income tax (CIT) base, and taxpayers may deduct 100% of R&D expenditures from the CIT base. In addition, taxpayers can avail a depreciation at a rate of 20% for five years for the R&D asset. Any amount that could not be deducted due to insufficient profit in the related period may be carried forward indefinitely. To receive the R&D and design deduction, a company must employ a minimum of 15 full-time-equivalent personnel for the R&D centers (30 for some sectors) and minimum of 10 full-time-equivalent personnel for design centers.

Half of the increase of the R&D and innovation expenses of the current year (compared with the previous year) is also considered within the scope of the R&D reduction if the R&D center achieves at least a 20% increase compared with the previous year in any of the following indicators:

- Ratio of the R&D or design expenditure to the total turnover
- Number of national or international patents registered
- Number of projects supported internationally
- Ratio of the number of researchers with a graduate degree to the total R&D personnel
- Ratio of the number of designers with a graduate degree to the total design personnel
- Ratio of the number of total researchers to the total R&D personnel
- Ratio of the total designers to the total design personnel
- Ratio of the turnover generated from new products derived from R&D or design activities to the total turnover

On the other hand, one of the major changes within the scope of Law No. 7263 is that, in Technology Development Zones, for corporate taxpayers whose earnings are exempted from the annual declaration and whose deduction amount benefit from the annual declaration in R&D/design centers is TRY2 million and above, 3% of the amount subjected to the exemption/deduction will be placed in a temporary balance sheet account and be used:

- To purchase venture capital investment fund shares to invest in resident entrepreneurs
  Or
- As capital for venture capital investment trusts or other entrepreneurs operating in incubation centers

With this law, the government has aimed to support entrepreneurs.

Guidelines around incentive applications

The R&D deduction is applicable for current investments. The amounts of R&D deduction calculated over the expenses incurred as of the advance tax periods of the taxpayer can be deducted from the income in the tax return of the related advance tax period.[1] The final and certain amounts of R&D deduction are calculated at the end of the year and deducted from the income in the corporate tax return, which can be submitted to the tax office until 30 April (the end of the fourth month after the fiscal period ends).

Tax exemptions

Description of benefits

Technology Development Zones (TDZ) incentives:
In Türkiye, there are 105 Technology Development Zones (TDZs). TDZ incentives are provided to businesses operating in the TDZs. Gains derived by taxpayers operating in TDZs exclusively from software, R&D and design activities carried out in these zones are exempt from income and corporate tax until 31 December 2028. The incentives provided in TDZs are corporate income tax exemption for income derived from R&D and software activities, payroll income tax exemption, stamp tax exemptions and social security premium support for R&D personnel wages. In addition, sales of software or software services produced in TDZs and acquisition of fixed assets to be used only for R&D or design activities in TDZs are exempted from VAT.

On the other hand, in October 2017, decision of the Council of Ministers No. 2017/10821 was issued. Within the scope of the decision, exemption of corporate and income tax from sale, transfer and leasing of intangible rights acquired in Technology Development Zones depends on two important criteria:

1. Affiliation of intangible right to patent or equivalent certificate (such as patent certificate, utility model certificate, design registration certificate, copyright registration certificate, integrated circuit topography registration certificate, breeder's right registration certificate of new plant varieties)
2. Restriction of earning with the share of qualified expenditures in total expenditure

Type of expenditure	Qualified expenditure	Total expenditure
Expenditures made by taxpayer and directly related to intangible rights	Including	Including
Benefits and services provided by unrelated institutions	Including	Including
Interest expenses	Excluding	Excluding
Building costs	Excluding	Excluding
Any cost element not directly related to software, design and R&D activities	Excluding	Excluding

[1] Statutory due dates for filing the advance tax returns in Türkiye are as follows: Q1: 17 May 2021; Q2: 17 August 2021; Q3: 17 Nov 2021; Q4: 17 Feb 2022.

Type of expenditure	Qualified expenditure	Total expenditure
Purchase of intangible rights (including license fees and similar prices)	Excluding	Including
Purchase of services from resident related parties	Including	Including
Purchase of services from non-resident related parties	Excluding	Including

The Council of Ministers has been authorized to apply the exemption at the time the application for patent right is made provided that the application is made until the end of the corporate tax return filing date of the year in which the income is generated.

Exemption on Intellectual Property (IP) Rights (Patent Box Regime): Corporate tax and VAT exemptions apply to the transfer, sale and leasing of patented inventions or inventions with utility model certificates carried out in Türkiye. The corporate tax exemption is 50% of the income and the VAT exemption is 50% of the sales value derived from the transfer, sale or leasing of these intangible rights from 1 January 2015.

Furthermore, **50% of the income** derived from the commercialization of inventions, resulting from research, development, innovation activities, and software activities carried out in Türkiye, through mass production within the country, is **exempt from corporate tax**.

Finally, the portion of the income derived from the sale of products manufactured as a result of utilizing inventions that emerged from research, development, innovation activities, and software activities carried out in Türkiye, and are attributed to the patented or utility model-certified invention, is 50% exempt from corporate tax.

Cash grants

Description of benefits

The Scientific and Technological Research Council of Türkiye (TÜBİTAK) has many different support programs; for large-scale firms, SMEs, university-industry collaborations and others. The support ratio that TÜBİTAK provides may change according to the program code applied. However, in any case, it provides up to 60% cash grant to certain portions of the eligible R&D expenses. Preapproval from TÜBİTAK is required to obtain the cash grants. Cash grants are not subject to corporate tax provided that the cash grant amount is recorded to a "fund" account in the balance sheet. R&D expenditures corresponding to this fund amount cannot be used as an "R&D deduction" from the corporate tax base.

Guidelines around incentive applications

The cash grant is applicable for current investments. Companies that will benefit from cash grants for their R&D projects must submit a financial report to TÜBİTAK. The financial report, consisting of the expense forms, documents and necessary attachments related to the supported projects, other supporting forms and complementary financial documents, should be submitted to TÜBİTAK by 31 August (following the first financial period) and by 28 March (following the second financial period), respectively. [2]

For cash grants in the employment of "programs to be supported," personnel in question must have been recruited and employed for the first time after (and including) the date of 1 March 2016. Furthermore, the amount of supports that can be provided for each R&D or design center is limited to 10% of the total number of personnel employed at the R&D/design center in the month in question.

Income tax withholding incentives

Description of benefits

Under R&D or Design Centers or for the projects supported by TÜBİTAK or other international associations, income tax calculated on wages earned by the R&D and assisting personnel must be canceled at 95% for personnel with a doctorate degree or at least one graduate degree in one of the basic sciences, 90% for those with a graduate degree or an undergraduate degree in one of the basic sciences, and 80% for other personnel by deducting from the tax accrued over the withholding tax return to be submitted.

This canceled rate for the R&D or design personnel working at projects at Technology Development Zones is 100% regardless of the education level.

To be accepted as an R&D center, a company must continuously employ a minimum of 15 (30 for some sectors and 10 FTE for design centers) full-time-equivalent personnel in quarters (the advance taxation period).

[2] Financial and technical reports are prepared for two periods: 1 January–30 June (first period) and 1 July–31 December (second period).).

Within the scope of new regulations on Law No. 5746 and Law No. 4691, a maximum of 75% of the total working hours spent outside the R&D/design center or Technology Development Zone by R&D/design personnel can also be considered in calculating the income tax withholding incentive and social security premium support until the end of 2025.

But with the Presidential Decree dated 20 March 2023, this rate can be applied as 100% only for "informatics personnel," who have been described as "the graduates of the four-year Computer, Electronics or Software related departments of the faculties or higher education institutions whose equivalence in these fields have been accepted by the Higher Education Council, and the graduates of the Faculty, Vocational School and Vocational High Schools other than the above-mentioned fields, Software, Design (Chip Design, System Design)," between 1 April 2023 and 31 December 2025 (including these dates).

Additionally, if PhD graduate staff employed in R&D/design centers teach R&D and innovation at universities, or if they mentor entrepreneurs in TDZs, their work will be assessed within the scope of the incentive for income tax withholding, provided they do not exceed eight hours per week.

Guidelines around incentive applications

The incentive is applicable for current investments: 100%, 95%, 90% and 80% of the income tax calculated over the wages of R&D and support staff must be canceled by deducting from the tax accrued over the withholding tax return to be submitted. A withholding tax return is submitted until the 26th of the month following the month the wages are paid (e.g., a withholding tax return related to July is submitted until 26 August).

Social security premium support

Description of benefits

For R&D, design and support personnel who work in an R&D or design center, TDZ, or under the projects supported by TÜBİTAK or other international associations on R&D and innovation projects; half of the social security employer's share calculated on the remunerations can be paid from a fund to be placed in the Ministry of Finance budget.

Within the scope of new regulations on Law No. 5746 and Law No. 4691, a maximum of 75% of the total working hours spent outside the R&D/design center or Technology Development Zone by R&D/design personnel can also be considered in calculating the income tax withholding incentive and social security premium support by the end of 2025. But with the Presidential Decree dated 20 March 2023, this rate can be applied as 100% only for "informatics personnel," who have been described as "the graduates of the four-year Computer, Electronics or Software related departments of the faculties or higher education institutions whose equivalence in these fields have been accepted by the Higher Education Council, and the graduates of the Faculty, Vocational School and Vocational High Schools other than the above-mentioned fields, Software, Design (Chip Design, System Design)," between 1 April 2023 and 31 December 2025 (including these dates).

Guidelines around incentive applications

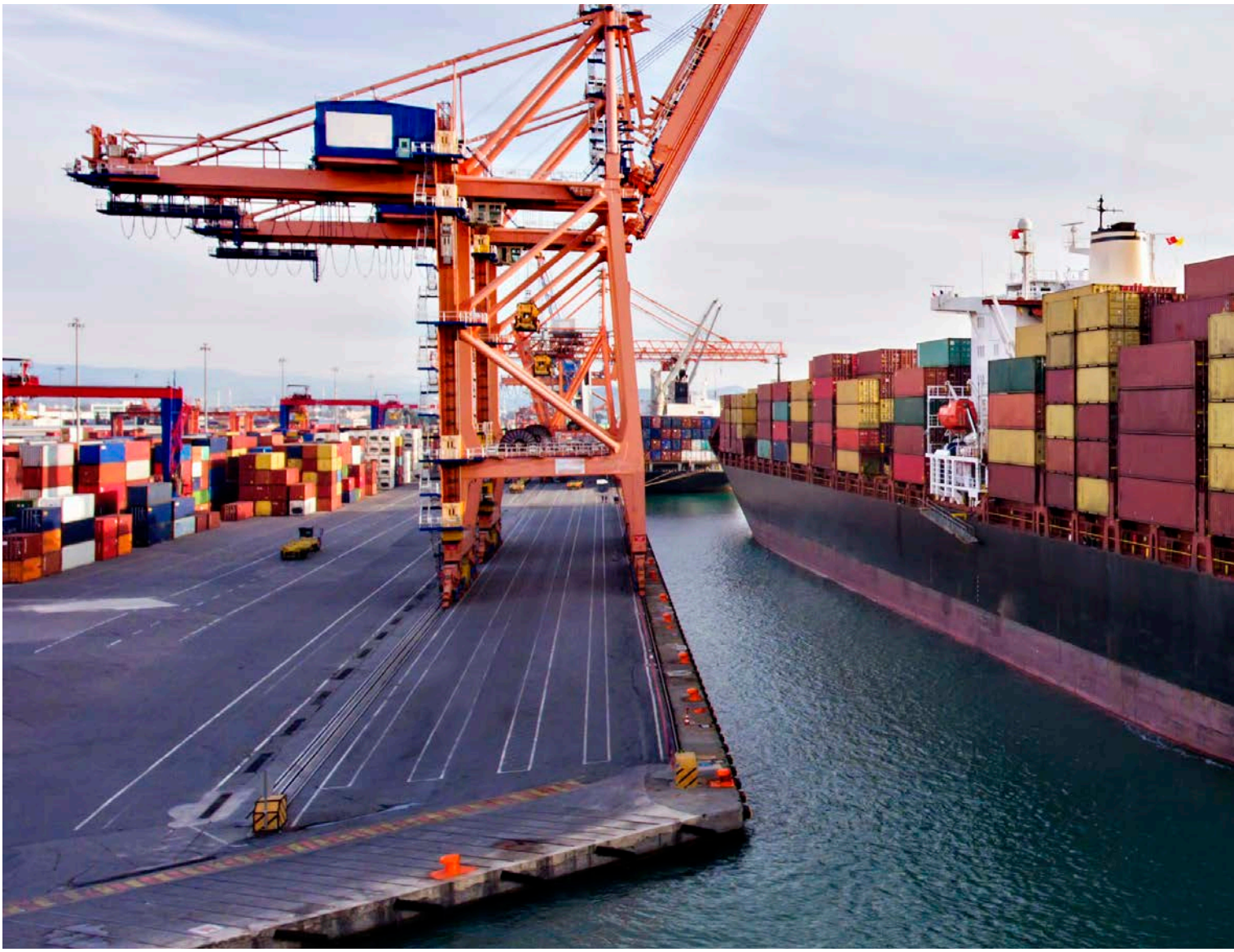
The incentive is applicable for current investments. Tax returns are not used to benefit from social security premium support. Social security premium support may be applied to premiums accrued due to the monthly premium and service documents issued in the scope of Law No. 5510. Monthly premium and service documents are submitted until the 26th of the month that follows the month the wages are paid.

Additional support for 'programs to be supported'[3]

Description of benefits

In the case of employment of new R&D/design or software personnel with at least an undergraduate degree in basic sciences (physics, chemistry, biology, mathematics or other programs to be determined by the Ministry of Science and Technology upon the opinion of the Council of Higher Education) at an R&D/design center or TDZ entrepreneur company, the part equal to the monthly gross amount of the minimum wage will be paid from the fund to be placed in the budget of the Ministry for two years.

[3] "Basic sciences" has been changed to "programs to be supported" within the scope of Law No. 7263.



Guidelines around incentive applications

To benefit from this support, the following requirements must be considered:

- Personnel to be hired must first be recruited to the company following the date of 1 March 2016 (inclusive).
- The support provided to each R&D/design center of TDZ entrepreneur company is limited to 10% of total number of recruited personnel during the related month.
- Salary payment documents must be submitted to related institution (Industry and Technology Ministry for R&D/design centers or Management Company for TDZ company).
- The supported and paid amount must be followed on "Special Funds" account.

Accelerated depreciation on R&D assets

Description of benefits

The depreciation rates and periods to be applied for new machinery and equipment, if acquired before 1 January 2025, and used exclusively for R&D, innovation or design activities, can be calculated by considering half of the useful life periods determined and announced by the Ministry of Finance.

Guidelines around incentive applications

Taxpayers should be operating within the scope of one of the following:

- Technology Development Zones Law No. 4691
- Law No. 5746 on Supporting Research, Development and Design Activities
- Law No. 6550 on Support of Research Infrastructures

New machinery and equipment must be exclusively used in R&D, innovation or design activities.

Stamp duty exemption

Description of benefits

A range of documents (e.g., contracts and payroll slips) issued in relation to R&D, design and innovation activities (including the documents issued for the wage payments made to R&D or design personnel) are exempt from stamp tax. For applying the stamp tax exemption, preapproval from the authorized government entities (i.e., TÜBİTAK) is sufficient.

Goods imported from foreign countries in the scope of R&D projects are exempt from customs duties, and all kinds of funds, while papers issued, and transactions conducted within this scope are exempt from stamp duty and fee.

Guidelines around incentive applications

The incentive is applicable for current investments. The wages of R&D and support personnel are exempted from stamp tax, and the amounts of exemption are not shown in the withholding tax return in any separate section. For the other documents regarding R&D activities, it is sufficient to deliver the list determining and supporting performed transactions in scope of the R&D activity confirmed by the applied public institution and foundation to the institutions and foundations carrying out transactions during the transaction to implement the stamp duty exemption.

Customs duty exemption

Description of benefits

Goods imported from foreign countries within the scope of R&D or design projects are exempt from customs duties, and all kinds of funds, while papers issued, and transactions conducted within this scope are exempt from stamp duty and fee.

Guidelines around incentive applications

The incentive is applicable for current investments. Enterprises that have R&D or design center certification must apply to the Customs and Trade Ministry using an e-application. Enterprises benefiting from project-based support and incentives must apply to the institution or organization that provides cash support.

Value-added tax exemption

Description of benefits, guidelines for incentive applications

New machinery and equipment deliveries made for the exclusive use of R&D, innovation and design activities are exempted from VAT.

- R&D and design centers within the scope of the Law on the Support of Research, Development and Design Activities Law No. 5746
- Technology development zone and specialized technology development zone, covered by the Technology Development Zones Law No. 4691
- Research laboratories covered by Law No. 6550 on Supporting Research Infrastructures

This machinery and equipment should be used at least three years in the R&D or design activities. Otherwise, the tax that is not paid on time will be collected from the buyer by applying the tax penalty and interest.

Sales of software or software services produced in a TDZ are exempt from VAT.

VAT exemption is applicable as 50% of the sales value derived from the transfer, sale or leasing of these intangible rights from 1 January 2015.

Furthermore, **50% of the sales value** derived from the commercialization of inventions, resulting from research, development, innovation activities, and software activities carried out in Türkiye, through mass production within the country, is **exempt from VAT**.

Finally, the portion of the income derived from the sale of products manufactured as a result of utilizing inventions that emerged from research, development, innovation activities, and software activities carried out in Türkiye, and attributed to the patented or utility model-certified invention, is **50% exempt from VAT**.

To apply this exemption, the inventions should be patented or utility model certified.

Summary table of R&D exemptions

The summary table of exemptions that can be utilized for R&D, Design Centers, TDZs, or projects supported by TÜBİTAK or other international organizations is provided below.

	R&D and Design Centers	Technology Development Zones	Projects under TÜBİTAK or International Institutions	Other
VAT exemption on delivery of software and provision of software services	–	Yes	–	–
VAT exemption on acquisition/importation of machinery and equipment	Yes	Yes	–	–
50% VAT exemption on income from IP deliveries	Yes	Yes	Yes	Yes
Customs duty exemption on importation of machinery and equipment	Yes	Yes	Yes	–
Stamp duty exemption on importation of machinery and equipment	Yes	Yes	Yes	–
Corporate income tax exemption on income from R&D activities	–	Yes	Yes	–
50% corporate income tax exemption on income IP deliveries	Yes	–	Yes	Yes
R&D deduction of R&D expenditures against corporate tax base	Yes	–	Yes	–
Income tax exemption on R&D personnel wages	Yes	Yes	Yes	–
Stamp duty exemption on R&D personnel wages	Yes	Yes	Yes	–
Social security employer share support on R&D Personnel wages	Yes	Yes	Yes	–
Stamp Duty exemption on contracts related to R&D activities	Yes	–	–	–
Cash grants on R&D expenditures	–	–	Yes	–
Accelerated depreciation for acquired machinery and equipment	Yes	Yes	–	–
Cash grant for newly hired R&D personnel	Yes	–	–	–

3. Eligibility requirements

Qualifying activities include the following:

- Obtaining new technical information for the development of science and technology with the aim of clarifying the ambiguities in scientific and technological fields
- Developing new products, materials, supplies, devices, equipment, procedures and systems through new methods and producing new techniques and prototypes through design and drawing studies
- Performing software activities based on new and original designs
- Researching and developing new productions, methods, processes and procedures
- Researching new techniques and technologies that decrease the cost of a product while increasing its quality, standard or performance
- Measuring the usability of the products obtained during the phase of final product formation and testing them within and outside of the enterprise, then making necessary adjustments
- Performing design activities for increasing, developing and differentiating the products with the potential to create added value and competitive advantage

The following expenses are considered within the scope of R&D, design and innovation activities:

- Personnel expenses (i.e., salaries and wages)

- Raw material and supplies expenses
- General expenses
- Benefits and services obtained from the outside (cannot exceed 50% of total R&D and innovation expenses)
- Depreciation
- Taxes, duties and charges that are directly related to R&D activities

The incentives are not limited to a specific industry or entity.

4. IP and jurisdictional requirements

The IP that emerges at the end of the R&D project can also be registered or owned abroad. However, to benefit from the R&D incentives, R&D activities should be performed in Türkiye.

5. Technology or innovation zones

See "Tax exemptions" under Section 2 for a description of TDZ incentives.

6. Role of governmental bodies in administering incentives

Entities wishing to receive R&D or design center certificates should prepare an application including the information and documents required by the Republic of Türkiye Ministry of Industry and Technology. Entities that do not have R&D or design center certificates should obtain approval from TÜBİTAK or other authorized government institutions for R&D projects to benefit from R&D deductions. TÜBİTAK also provides cash grants for R&D projects. To benefit from TDZ incentives, taxpayers performing software development, design or R&D activities must apply to Management Company of related Technology Development Zone.

7. Administrative requirements

To benefit from R&D or design incentives through R&D or design projects, taxpayers should have an R&D or design center certificate or obtain approval from TÜBİTAK or other authorized government institutions.

To receive support and incentives under the R&D and Design Law and obtain an R&D/Design Center License, taxpayers must meet the following minimum requirements:

- Employ at least 15 full-time equivalent R&D personnel (30 for some sectors) for R&D centers, 10 full-time equivalent design personnel for design centers
- Perform R&D or design activities in Türkiye
- Have adequate R&D/design management and technological assets, human resources, intellectual property, project and information resources management capability and capacity
- Have eligible projects with the subject, duration, budget and personnel needs defined
- Be organized in a separate unit and located within a single campus or physical space

R&D expense deduction

Entities that would like to have an R&D/design center certificate should prepare an application including the information and documents required by the Republic of Türkiye Ministry of Industry and Technology. Entities are required to receive an approval from TÜBİTAK or other authorized government institutions for new R&D activities to receive the R&D expense deduction on a project basis.

Documents related to the process of the R&D and innovation projects conducted within R&D centers and R&D projects should be submitted to the affiliated tax offices with annual income and corporate tax returns to benefit from the R&D deduction. Expenses made within R&D/design centers or R&D projects and included in the R&D deduction should be certified by a sworn-in certified public accountant.

Tax exemptions

TDZ incentives: to receive this incentive, taxpayers must apply to the Ministry of Finance. For information purposes, they must attach documentation proving the employment of the taxpayers in the region and their

fields of occupation to the application. The associated entrepreneurs must provide the Ministry of Finance a list approved by the managing company of all the researchers, software engineers and R&D personnel it employs, with descriptions of their functions, attributes and duration of their employment on the R&D projects, on a monthly basis.

Exemption for IP rights: to receive the exemption, taxpayers need to issue a valuation report (in the first year of entitlement to tax exemption, the valuation report for the assessment of the value of the invention in the case of transfer or sale by taking into account the value added created by the invention). The valuation report to be prepared by the taxpayer shall contain the values that will be determined separately according to the determined methods (cost-based methods, market method, income-based methods and other valuation methods) and calculations about the determination of these values with respect to patented inventions or inventions with utility model certificates.

Cash grants

There are two main phases of the operation of cash grants provided by TÜBİTAK:

- The application and evaluation phase: the company applies for the project, which is then accepted for preliminary examination by a TÜBİTAK expert and sent to independent examiners who will prepare evaluation reports. Upon completion of evaluation reports, the relevant technology group committee discusses the project proposal in order to grant a final decision of acceptance or rejection.
- The monitoring and granting phase: for accepted projects, the project agreement is signed by the company and TÜBİTAK. Afterward, the company is required to send financial and technical reports to TÜBİTAK semiannually during the project. Expenses done by the firm within the scope of project must be examined and approved by a sworn-in certified public accountant. The financial and technical situation of the project is evaluated by independent examiners who are experts/academicians in the field of the project topic. The accepted amount of expenses is multiplied by the program's grant ratio, and the respective amount of grant is deposited to the company's account.

Cash grants are not subject to corporate tax provided that the cash grant amount is recorded to a "fund" account in the balance sheet. R&D expenditures corresponding to this fund amount cannot be used as deduction from the corporate tax base.

Income tax withholding incentives

In R&D or design centers, the income tax withholding incentive will be applied from the date when the R&D or design center certificate is issued. For R&D/design and innovation projects supported by public bodies and foundations established by law or international funds, or managed by TÜBİTAK, it is as of the date when the support decision letter is issued or when the project contract is enforced. In TDZs 100%, in R&D/design centers 80% to 95% of income tax withholding calculated on wages earned by R&D and support personnel are exempted.

Social security premium support

As long as the income tax exemption is applied for personnel, half of the employer's insurance premium calculated over the exempted wage amounts will be funded by the Ministry of Finance.

Stamp duty exemption

To apply the stamp tax exemption, it is sufficient to submit the project proposal detail list or support decision letter or project agreement to institutions and organizations that conduct the transactions, such as notary, state offices, other public institutions and organizations during the transaction.

To apply the customs duty exemption, enterprises that have an R&D or design center certificate must apply to the Customs and Trade Ministry using an e-application, and enterprises benefiting from project-based support and incentives must apply to the institution or organization that provides cash support.

8. Statutory reference

- For TDZ incentives: Law No. 4691, which became effective on 6 July 2001 (revised on 10 August 2016) and will be in force until 31 December 2028
- For R&D incentives: Law No. 5746, which became effective on 1 April 2008 (revised on 10 August 2016) and will be in force until 31 December 2028
- ▸ Law No. 7263, which includes changes regarding R&D and innovation activities in TDZs and R&D/design centers
- Cash grants (provided by TÜBİTAK): TÜBİTAK Regulation on Technology and Innovation Support Programs, 1995
- Exemption for IP rights: Law No. 5520, Article 5/B

United Arab Emirates

This chapter is based on information as of February 2025.

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The United Arab Emirates (UAE) recognizes the importance of an attractive financial and regulatory environment as an enabler of its National Innovation Strategy. Considering its commitment to develop such an environment, the new UAE tax system (including the new Corporate Tax (CT) Law effective for financial periods commencing on or after 1 June 2023), was developed to accommodate various incentives for priority projects and industries and to facilitate research and development in the UAE.

It is important for businesses to understand which incentives could be available to them as well as the ways to optimize potential benefits available under the incentive regimes in the UAE.

1. Overview

Although the general CT rate has been set at 9% (for taxable income exceeding AED375,000 each tax period), taxable persons registered and operating in one of the UAE Free Zones (and meeting certain conditions) could be eligible for a preferential 0% CT rate on their qualifying income.

The qualifying income eligible to the 0% CT regime includes income derived from the ownership or exploitation of qualifying intellectual property (QIP). The UAE's QIP regime aligns with the modified next approach of the Organisation for Economic Co-operation and Development (OECD), primarily to comply with international standards for tax transparency and to avoid harmful tax practices, as outlined by the OECD's Base Erosion and Profit Shifting (BEPS) Action 5 report.

In December 2024, the UAE's Ministry of Finance – in connection with announcements pertaining to the introduction of a domestic minimum top-up tax – announced the introduction of refundable tax credit incentives for qualifying R&D and high-value employment activities.

According to the Ministry of Finance, based on feedback received during public consultations conducted in April 2024, the proposed incentive is expected to take effect for tax periods starting on or after 1 January 2026. The R&D tax incentive will be expenditure-based, offering a potential 30%-50% tax credit and will be refundable depending on the revenue and number of employees of the business in the UAE.

The scope of qualifying R&D activities will be aligned to the OECD's Frascati Manual guidelines and will be required to be conducted within the UAE.

As of the time of publishing, further details were not yet available.

Types of incentives	
Tax credits	☐
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☐
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☑

2. Incentives available

Name of incentive	Reduced tax rates/ preferable tax rates	Other
Type of incentive	■ Preferential 0% CT rate on qualifying income	■ Additional discretionary incentives could be obtained from Emirate-level governments (including for activities related to R&D)

Qualifying Free Zone Persons (QFZP) regime

Description of benefits

Taxable persons engaged in qualifying R&D related activities and deriving QIP income may be eligible for the preferential 0% CT rate on their qualifying Income.

3. Eligibility requirements

Juridical persons incorporated, established or otherwise registered in a Free Zone are regarded as Free Zone Persons (FZPs), including a branch of a non-resident person registered in a Free Zone.

Subject to meeting the below conditions throughout the tax period, an FZP should be regarded as qualifying for the regime (Qualifying Free Zone Person or QFZP):

- Maintaining adequate substance in the UAE (including conducting core income generating activities (CIGA), having adequate assets and incurring adequate expenditure in a Free Zone)
- Deriving qualifying income
- Not electing to be subject to CT as an ordinary taxable person
- Compliance with transfer pricing (TP) rules and documentation requirements
- Meeting other conditions prescribed by the Minister of Finance, including the de-minimis test

4. IP and jurisdictional requirements

The qualifying income eligible for the 0% CT regime includes income derived from the ownership or exploitation of QIP, determined as:

Qualifying Income = (Qualifying Expenditures + Uplift Expenditures) / Overall Expenditures x Overall Income

QIP includes patents, copyrighted software and other right functionally equivalent to a patent that is legally protected and subject to a similar approval and registration process to a patent (such as utility models, intellectual property assets that grant protection to plants and genetic material, orphan drug designations, and extensions of patent protection, but not including any marketing-related intellectual property assets, such as trademarks).

The amounts of qualifying expenditures and the uplift expenditures are determined with reference to the amounts spent to fund R&D activities directly connected with the creation, invention or significant development of the QIP. Specifically, the legislation clarifies the amounts to be considered within the aforementioned formula as follows:

- "Qualifying expenditures" means expenditures incurred to fund R&D activities, conducted either by the QFZP or outsourced to any person* in the UAE or any person outside the UAE that is not a related party, directly connected with the creation, invention or significant development of the QIP.
  **Although outsourcing of activities (including CIGA) is permissible, consideration should be given to make sure the arrangement allows to regard the QFZP as having adequate substance in the Free Zone. Generally, a QFZP may be able to meet such requirement by performing its own R&D activities in the Free Zone and supervising any outsourced R&D activities from within a Free Zone.*
- "Uplift expenditures" means the qualifying expenditures increased by 30%, but only to the extent that qualifying expenditures, after being uplifted, is less than or equal to overall expenditures (i.e., the sum of qualifying expenditures and uplift expenditures will be the lesser of: (i) 130% of qualifying expenditures or (ii) overall expenditures). Qualifying expenditures includes expenditures incurred to fund R&D activities, conducted either by the QFZP or outsourced to any state or any person outside the UAE that is not a related party, directly connected with creation, invention or significant development of the QIP.
- "Overall expenditures" means total expenditures incurred to fund R&D activities, conducted either by the QFZP or outsourced to any person, directly connected with the creation, invention or significant development of the QIP, including acquisition costs of the QIP.
- "Overall income" means royalties or any other income derived from QIP, including embedded intellectual property income derived from the sale of products and the use of processes directly related to the QIP as determined in accordance with the arm's-length principle (under UAE TP rules).

5. Technology or innovation zones

The QFZP regime is only available to taxable persons incorporated, established or otherwise registered in a Free Zone (i.e., a designated and defined geographic area within the UAE). The list of Free Zones for CT purposes is expected to be confirmed in a cabinet decision.

6. Role of governmental bodies in administering incentives

UAE CT is a self-assessed regime. Taxable persons meeting the conditions to apply the QFZP regime should not be required to obtain pre-approval from the UAE Federal Tax Authority (FTA) (i.e., similar to ordinary taxable persons, QFZPs are required to file their tax return with the FTA, in the form and manner prescribed by the FTA, within nine months from the end of the relevant tax period).

The FTA is responsible for the review/audit of taxable persons. In the case of violations, the FTA may impose

penalties and fines. Further, should an FTA audit conclude that a QFZP fails to meet any of the prerequisite conditions to the regime at any time during a tax period, it shall cease to be a QFZP from the beginning of that tax period and for the subsequent four tax periods.

7. Administrative requirements

An FZP is required to prepare and maintain audited financial statements for CT purposes (regardless of its revenue) as a condition of being a QFZP. A QFZP is not required to prepare separate financial statements for its qualifying income and its other income and is also not required to prepare separate audited financial statements for any branches that it may have. However, a QFZP should have sufficient documentation to demonstrate how it calculated its qualifying income.

Taxable persons are also required to maintain all records and documents for a period of seven years following the end of the tax period to which they relate.

8. Statutory reference

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses; Ministerial Decision No. 265 of 2023; Cabinet Decision No. 100 of 2023.

United Kingdom

This chapter is based on information as of February 2025.

For expenditure incurred from 1 April 2023, the UK Research and Development Expenditure Credit (RDEC) rate was increased from 13% to 20%, providing a net RDEC benefit of 15%, up from 10.5% before 1 April 2023. Conversely, for expenditure incurred from 1 April 2023, the small and medium-sized enterprise (SME) super deduction rate decreased from 130% to 86%, reducing the cash repayment net benefit from 33% to 19%. However, the higher rate is retained where SMEs are loss-making and meet an "R&D Intensity" threshold.

From 1 April 2023, the corporation tax rate increased to 25% from 19%, and for accounting periods starting on or after 1 April 2023, two new qualifying R&D cost categories were introduced: cloud computing costs and data licenses. For accounting periods starting on or after 1 April 2023,

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for companies making their first R&D claim, or where a company's last R&D claim was made more than three years before the last date of the claim notification period, there is a requirement to notify His Majesty's Revenue & Customs (HMRC) of the company's intention to claim R&D tax relief within six months of the end of the period of account.

For accounting periods starting on or after 1 April 2024, there are several changes to the R&D schemes that have taken effect. These include the merging of the R&D schemes, with most companies (SME and large) receiving a 20% taxable credit on qualifying R&D expenditure, and the refocusing of the schemes toward innovation undertaken in the UK. The enhanced super deduction remains only for loss-making SMEs that meet the "R&D Intensity" threshold. These changes are summarized in more detail below.

1. Overview

Available incentives include R&D tax relief, an R&D tax credit and an R&D allowance (for capital expenditures). An incentive is also available that provides a reduced effective rate of corporation tax of 10% on certain profits derived from qualifying patents and other similar intellectual property (IP) rights (the patent box).

R&D tax relief is currently available for large companies as an RDEC claim with a 20% tax credit for qualifying expenditures from 1 April 2023.

Currently, SMEs are eligible to claim a more generous enhanced deduction of 86% for expenditure incurred on or after 1 April 2023 and in accounting periods commencing before 1 April 2024. The criteria for qualification as an SME, however, are complicated. To qualify as an SME, a company must have fewer than 500 employees, an annual turnover not exceeding EUR100 million or an annual balance sheet total not exceeding EUR86 million, and no more than 25% of the company share capital owned by large enterprises. Other specific circumstances can prevail, but this is a particularly complex area of legislation. For accounting periods starting on or after 1 April 2024, the R&D schemes for large companies and SMEs have been merged, and all companies must submit claims for RDECs, with a limited exception for research-intensive loss-making SMEs.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☑

Types of incentives	
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☑
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☑
Other	☐

An R&D capital allowance is available for capital expenditures incurred on R&D assets. A first-year allowance of 100% is available in relation to qualifying expenditures. This allowance is set out within Section 437 of the Capital Allowances Act 2001.

The UK tax authorities typically play a helpful role in the claim and audit process, and as such, these incentives are considered something taxpayers should be utilizing. The incentives are treated the same as any other tax rules; they are strictly enforced and audited like other expenses. The tax authorities may audit the expenditure incurred and the eligibility of the activities undertaken.

The corporation tax rate within the UK is 25% for expenditures incurred; the rate increased from 19% as of 1 April 2023 for companies with profits greater than £250,000. Companies with less than £50,000 profit do not have an increased rate, continuing to pay corporation tax at 19%. Companies with between £50,000 and £250,000 in profits are subject to a tapered tax rate.

The UK patent box regime has been available to companies since 1 April 2013. The regime has been adapted to incorporate the "modified nexus" approach required by the Organisation for Economic Co-operation and Development in accordance with the outcome of Action 5 of the BEPS project. While the regime is relatively new, as with R&D, the UK tax authorities typically play a helpful role in the election and computation process, and as such, this incentive is considered something taxpayers should be utilizing. However, the patent box is part of the usual corporation tax framework; therefore, tax authorities may audit the calculation and the qualifying criteria on which it is based.

In addition to tax incentives, the UK government and associated agencies continue to offer a variety of grant and loan schemes aimed at stimulating economic growth, advancing the transition to net zone and promoting R&D in priority technology domains. These initiatives are typically implemented through scheduled competitions, where applications are typically evaluated on a competitive basis. Discretionary funding is also available for projects of significant size or importance in relation to UK policy objectives. A selection of key funds and funders follows.

The Department for Energy Security and Net Zero (DESNZ) Incentives is dedicated to overseeing the UK's energy portfolio and offers grants aligned with net zero and sustainability objectives. The department has historically been managing the £1 billion Net Zero Innovation Portfolio (NZIP), which provides funding for low-carbon technologies and systems, aiming to decrease the costs of decarbonization and help the UK achieve its climate goals. DESNZ has now delivered two rounds of the Hydrogen Allocation Round (HAR) (worth £180 million per project in subsidy for HAR1) and will introduce the Hydrogen to Power (H2P) business model. HAR allocates revenue support funding to successful hydrogen production projects, while H2P will provide subsidies for plants that burn hydrogen for power, including large-scale power stations and small-scale plants. Business model funding for H2P storage and transportation will follow in due course.

The Life Sciences Innovative Manufacturing Fund (LSIMF) is a capital grants fund managed by the Office for Life Sciences (OLS) in the UK. The fund aims to build resilience for future health emergencies and capitalize on the UK's world-leading research and development capabilities. With up to £520 million available, the LSIMF supports the manufacture of human medicines, medical diagnostics, and MedTech products. The fund is designed to enhance and accelerate affordable access to mature, new and emerging life sciences products for both pandemic and non-pandemic scenarios through building out UK-based manufacturing infrastructure.

The Aerospace Technology Institute (ATI) is an independent, not-for-profit organization that creates the technology strategy for the UK aerospace sector. The ATI's Strategic Programme offers funding for research and technology development to maintain and grow the UK's competitive position in civil aerospace. The program focuses on three main technology areas: zero-carbon emission aircraft technologies, ultra-efficient aircraft technologies and crosscutting enabling technologies. The ATI aims to position the UK as a leader in the global aerospace sector on the path to net zero by accelerating the adoption of technologies aligned with this ambition. The program supports projects of various sizes, with previous successful projects valued between £500,000 and £30 million. A recent focus has been Sustainable Aviation Fuel (SAF).

The European Space Agency (ESA) offers a variety of grants to support innovative projects that utilize space technologies. One notable program is the ESA Business Applications and Space Solutions (BASS) Programme, which funds projects that leverage space assets, such as satellite communications, Earth observation and navigation to address various challenges. For instance, the Space Supporting Environmental Claims opportunity provides funding for European teams developing services that support environmental claims and labeling. Additionally, ESA grants often focus on downstream space asset capabilities, including non-ESA space assets, to develop novel products or services. These grants are particularly underutilized by UK companies and can support projects in almost any sector.

Defense grants: The UK government offers various defense grants through different funding mechanisms. The Defence and Security Accelerator (DASA) funds projects that solve defense problems facing the UK. DASA grants are 100% funded and typically support projects at Technology Readiness Levels (TRL) 2-5. The Defence Innovation Accelerator for the North Atlantic (DIANA), a NATO initiative, provides funding for innovative projects that address pressing security challenges. DIANA grants are available to all NATO countries and support projects at TRL 4 and above. The AUKUS partnership between Australia, the UK and the US also offers thematic grants for defense projects, including those focused on electronic warfare and other advanced technologies. These grants aim to support novel technology development across the full spectrum of military operations.

Innovate UK: As the UK's national innovation agency, Innovate UK supports business-led innovation across all sectors, technologies and regions. Its focus is to help businesses grow through the development and commercialization of new products, processes and services. In the 2024-2025 financial year, Innovate UK's core budget increased to nearly £1 billion, reflecting a significant investment in UK innovation. Additionally, the UK government announced a record £20.4 billion investment in R&D for the 2025-2026 financial year, further supporting the UK's innovation ecosystem.

National and local funding: The devolved administrations in Scotland and Wales have national-level economic development agencies offering a suite of capital expenditure and innovation-focused grants, often with a focus on attracting foreign direct investment. At a local level across the UK, through local authorities, loans and cash grant funding are available to support capital and revenue investments, including R&D projects focused on economically challenged regions, the creation of sustainable new jobs and the training/upskilling of workforces. Projects that involve R&D stimulation (e.g., via infrastructure investment) and environmental protection are particularly well-received.

Economic development: Additionally, there are grant schemes available across the UK regions (Scotland, Wales, Northern Ireland) for projects that can support R&D job creation, particularly in sectors that are of national strategic importance, such as semiconductors, energy sovereignty/transition and supporting the digital economy.

2. Incentives available

Name of incentive	Super deduction	Tax credits	Research and development allowance (RDA)
Type of incentive	■ An enhanced deduction over and above the usual corporation tax deduction	■ A credit to operating income as a percentage of qualifying spend	■ First-year allowance on qualifying capital expenditure

Super deduction (SMEs only)

Description of benefits

A governmental allowance is available for companies that incur qualifying expenditures during the resolution of technological and scientific uncertainties. The R&D scheme is available for eligible revenue expenditure for tax purposes. The R&D incentive available for SME companies is an enhanced deduction of 86% of qualifying expenditure incurred from 1 April 2023, reduced from the 130% available for expenditure incurred before 1 April 2023. This super deduction is available before tax as a deduction against taxpayers' profits chargeable to corporation tax.

A cash refund may be obtained for SMEs making a claim if the super deduction exceeds the company's tax base for that given year. The cash refund is calculated at a rate of 10% on expenditure incurred from 1 April 2023, reduced from 14.5% before 1 April 2023, which provides up to £18.60 cash back for every £100 of qualifying eligible expenditures (£33.35 before 1 April 2023).

From accounting periods commencing on or after 1 April 2024, the super deduction was largely abolished, with all non-research-intensive loss-making SMEs making claims for RDECs under the merged R&D scheme. Loss-making SMEs with an R&D intensity above 40% will still be entitled to a cash refund rate of 14.5%, providing up to £26.97 cash back for every £100 of qualifying eligible expenditure. The R&D intensity is calculated as the ratio of a company's qualifying R&D expenditure for a period to its total expenditure in the same period. The threshold for an SME to be deemed R&D intensive is reduced to 30% from 1 April 2024. From 1 April 2021, the amount of payable SME tax credit is subject to a pay-as-you-earn (PAYE) and national insurance contribution (NIC) cap. This cap is calculated as £20,000 plus three times the company's PAYE and NIC contributions. If the payable credit is below £20,000 or the company meets specific test criteria, this cap will not be applicable. The test requires the company to be creating or actively managing its IP and for its expenditure on connected party costs to be less than 15% of its overall R&D expenditure.

Guidelines around incentive applications

The super deduction is applicable to qualifying expenditures, expensed to a company's profit and loss account. The claim must be filed within two years of the end of the accounting period to which it relates; therefore, companies may file amended claims up to the first anniversary of the filing deadline for the tax return.

Tax credits

Description of benefits

Large companies incurring qualifying R&D expenditures are entitled to elect to make an RDEC claim and cannot make a claim for the super deduction described above. A 20% (currently 15% post-tax) taxable credit is available for qualifying expenditures from 1 April 2023; on expenditure incurred before 1 April 2023, a 13% taxable credit is available (10.5% post-tax). Under the tax credit scheme, a repayable credit may be available in certain circumstances. The repayable credit is available to companies with no current-year corporation tax liability.

The initial tax credit (known as the set-off amount available to the company, is 20% of the qualifying R&D expenditure, increased from 13% on expenditure incurred from 1 April 2023) is subject to corporation tax, PAYE and NIC caps, and is also reduced by any current-year corporation tax payable or other tax liabilities of the entity. There are some other restrictions but, subject to there being a positive set-off amount once all restrictions have been made, a repayable credit will be available. If the PAYE and NIC caps limit the credit available, the amount it is limited by is carried forward to the next accounting period.

For accounting periods starting after 1 April 2024, the R&D schemes have been merged, and all companies that are not research-intensive loss-making SMEs must make claims under the merged R&D regime and will receive a 20% taxable credit on qualifying R&D expenditure as in the RDEC scheme.

Guidelines around incentive applications

The tax credits are applicable for current investments. Claims must be filed within two years of the end of the accounting period to which they relate; therefore, companies may file amended claims up to the first anniversary of the filing deadline for the tax return.

RDA

Description of benefits

Capital expenditures on R&D attract a first-year allowance of 100% on the qualifying expenditures. This includes expenditures on plants, machinery and buildings (but not land) used for the purposes of carrying out R&D activities. The RDAs give businesses an enhanced rate of capital allowances in the accounting period in which the expense is incurred.

Guidelines around incentive applications

The RDA applies to current investments and is claimed through the corporation tax return. The claim must be filed within two years of the end of the accounting period to which it relates; therefore, companies may file amended claims up to the first anniversary of the filing deadline of the tax return.

3. Eligibility requirements

For there to be R&D for the purpose of the tax relief, a company must be carrying on a project that seeks an advance in science or technology. The advance being sought must constitute an advance in the overall knowledge or capability in a field of science or technology, not a company's own state of knowledge or capability alone. Qualifying expenses include staff costs, externally provided workers (subcontract expenditure for SMEs only), materials used up in the R&D process (consumables), software and software licenses, utilities (water, fuel and power), and payments to universities or other research organizations to do R&D. There is no restriction in relation to the type of industry the entity must belong to in order to make a claim.

For accounting periods beginning on or after 1 April 2023, data license and cloud computing services can be included as qualifying expenditure for the R&D claim, and R&D activities undertaken within the field of pure mathematics will be allowable. For accounting periods beginning on or after 1 April 2024, the R&D schemes are refocused toward innovation undertaken in the UK; as such, the externally provided workers and contracted-out R&D must be either UK expenditure or qualifying overseas expenditure. The inclusion of contracted-out expenditure has also been expanded for the RDEC scheme to include payments to companies in line with the SME scheme, which could have significant implications for existing RDEC claimants depending on their R&D claim profile. Qualifying overseas

expenditure is defined as that attributable to activity undertaken overseas that is necessary due to geographical, environmental or social conditions not present or replicable in the UK, or due to regulatory or legal requirements. Cost of the work and availability of workers are specifically excluded as factors.

4. IP and jurisdictional requirements

There is no requirement that the company receiving the R&D incentive (whether it be an R&D tax relief, an R&D tax credit or an R&D allowance) must own the intellectual property arising from the R&D expenditure. There is also no requirement that the R&D be performed within the UK for the expenditure to be eligible for the incentives available.

Patent box regime

Overview

The patent box regime provides for an effective rate of corporation tax of 10% on profits derived from qualifying patents and certain similar IP rights. It applies to such profits arising after 1 April 2013 (phased in over four years). There are no restrictions on when a patent was granted, and profits earned while a patent is pending (up to six years) can be included in the accounting period of the grant.

While the corporation tax rate increased to 25% from 1 April 2023, the patent box rate stayed unchanged at 10%, effectively increasing the benefit available through the regime by two-thirds.

If the qualifying criteria are met (see below), the calculation of the benefit starts with the identification of relevant income. The types of income are very broad. For example, a product only needs to contain one patented component for all the income from sale of that product to fall within the regime. Income may also derive from the license of patents (and potentially other rights licensed alongside the patent and for the same purposes) and the use of patented technology within a business (i.e., exploitation within the business rather than monetization through sales of products or licenses), in which case a notional royalty calculation for the value of the patented technology is undertaken to determine the relevant income.

An important point to note is that the R&D tax regime and the patent box work side by side. In other words, where a company has taken advantage of one of the R&D incentives, this does not dilute its patent box benefit.

Qualifying IP

The patent box regime is available to UK companies that hold or exclusively license granted UK or European patents (in addition to patents granted by a number of other selected European Economic Area member states that have similar examination and patentability criteria to the UK). Other types of qualifying IP rights include plant breeders' rights, community plant variety rights and marketing authorizations for pharmaceuticals where the product benefits from regulatory data protection. The regime cannot be accessed by holding rights such as copyrights, trademarks or designs.

Qualifying development

The patent box company, or a group member, must have created or significantly contributed to the creation of the patented invention or have performed a significant amount of activity to develop the patented invention, any product incorporating the patented invention or any process incorporating the patented invention. If a group member has performed the development activity, the patent box company must be actively managing the resultant patent rights.

Regime changes: the 'modified nexus' approach

From 1 July 2016, the UK patent box regime has been changed to align with the outcome of Action 5 (Harmful Tax Practices) of the BEPS project. From 1 July 2016 (or 1 July 2021, if a company was grandfathered under the old rules), the company must break down its overall patent box profit into separate profit streams attributable to individual patents, products or product families and then apply a "nexus fraction" to each resultant profit stream.

The nexus fraction applied to each profit stream looks at the level of R&D undertaken by the company itself (which includes R&D performed under externally provided worker arrangements), plus R&D contracted out to third parties by the company, relative to the total R&D (i.e., the R&D undertaken by the company, the R&D contracted out to third parties and the R&D subcontracted out to group members) plus any acquisition costs related to each patent/product or product family in question.

Under the modified nexus regime, the location and structuring of the R&D activity within a wider group is therefore very important in determining the level of ultimate benefit.

R&D activity performed outside the country

R&D activity can still be performed outside the country for patent box purposes, although the impact on the nexus fraction will depend on the facts and circumstances, in particular whether it is subcontracted or carried out under an externally provided worker arrangement and whether it is undertaken by a connected or unconnected party.

Legislative changes restrict the ability to claim R&D tax credit relief for R&D undertaken outside the UK from 1 April 2024 (see Section 3 above). However, the definitions for patent box purposes do not follow this change, meaning that R&D expenditure that is no longer eligible for the R&D tax credit scheme should still be tracked for the purposes of the patent box nexus fraction.

Patent Box and Pillar Two

With the introduction of a 15% global minimum tax rate for certain multinational groups, Pillar Two may affect the 10% effective Patent Box tax rate. However, it is relatively rare for a company to get a full 10% benefit on all UK profits, although such companies could be adjusted back up to 15% through the top-up tax mechanism, depending on their individual profiles within the UK. There can be additional complexities with multinational groups with material UK net interest expense or in the interaction with brought-forward losses. Patent Box therefore still presents a valuable opportunity to reduce the UK effective tax rate for a multinational group down toward 15%.

5. Technology or innovation zones

The UK has designed an Investment Zones program that offers certain tax relief for investments made in designated tax sites within the Investment Zones, provided that certain conditions are met. This program does not impact the benefit rates for the R&D schemes or the UK corporation tax rate.

6. Role of governmental bodies in administering incentives

Companies may file both an R&D claim and an RDA claim annually within their corporation tax returns. HM Revenue & Customs, the UK governmental body, then reviews it. Eligibility is determined by an engineer within the company, the so-called competent professional. HM Revenue & Customs is also responsible for reviewing patent box claims.

7. Administrative requirements

The claim must be filed within two years of the end of the accounting period to which it relates. Therefore, companies may file amended claims up to the first anniversary of the filing deadline for the tax return.

From 8 August 2023, for a claim for R&D tax relief to be valid, the company must submit an additional information form to HMRC either before or on the same day it submits its corporation tax return. This provides further details on the R&D claim that is being made, including company and contact information, details on the qualifying expenditure included within the claim and details of the projects that are the basis of the claim.

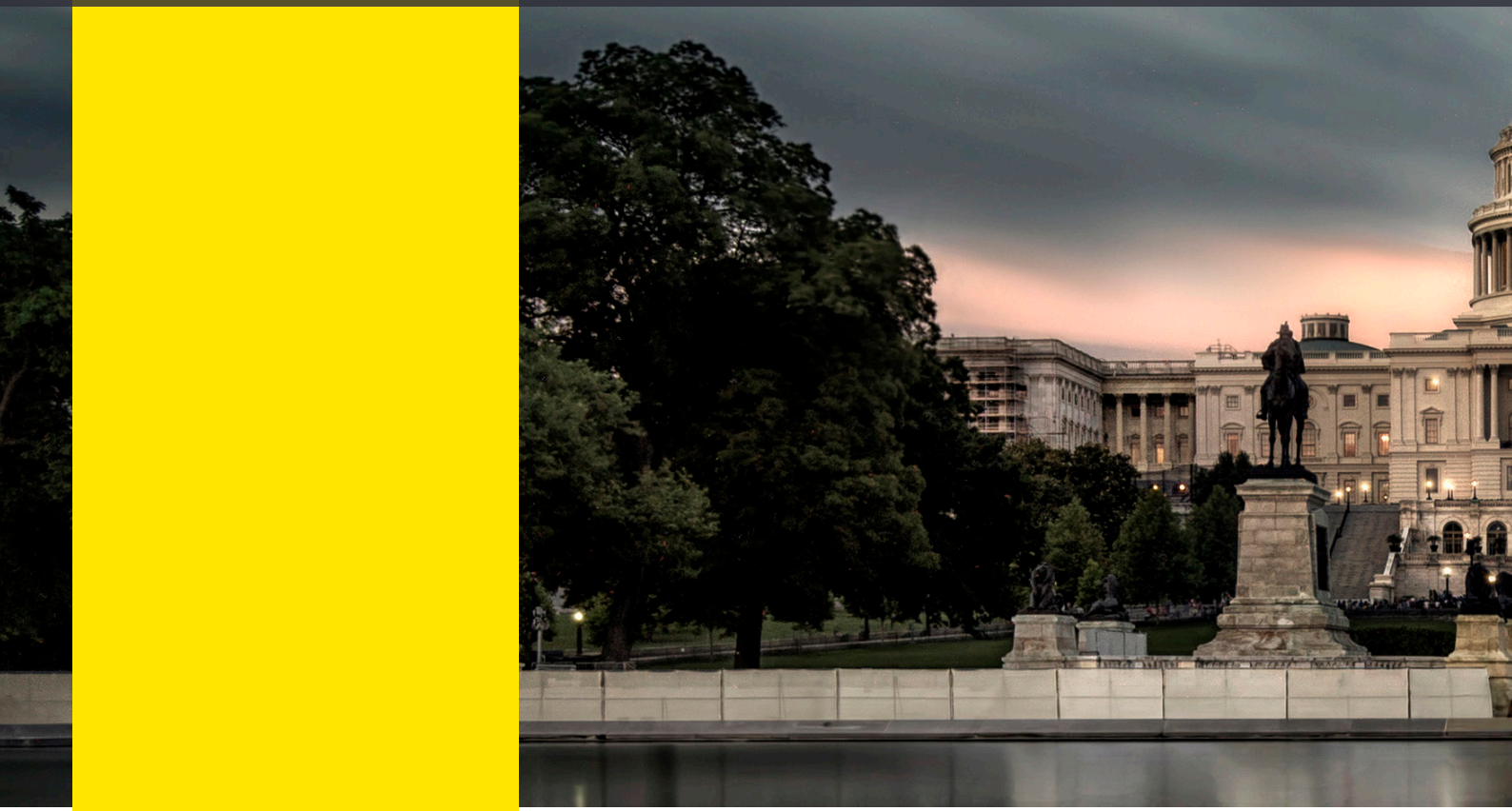
For companies making their first R&D claim for accounting periods starting after 1 April 2023, or where a company's last R&D claim was made more than three years before the last date of the claim notification period, there is a requirement to notify HMRC of the company's intention to claim R&D tax relief. The claim notification window starts on the first day of the accounting period and ends six months after the end of the period of account in which the accounting period containing the claim falls.

8. Statutory reference

Part 13, Corporation Tax Act 2009. Chapter 6a, Part 3, Corporation Tax Act 2009. Part 6, Capital Allowances Act 2001. Part 8A, S357, Corporation Tax Act 2010.

United States

This chapter is based on information as of February 2025.



The US research credit is a permanent, nonrefundable federal income tax credit, and its importance continues to be recognized in the eyes of many clients. They place a high value on the credit, and they are willing to invest more into the process that they are employing to calculate and document it. However, P.L. 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA), contains a provision for expenditures paid or incurred in tax years beginning on or after 1 January 2022 that requires capitalization and amortization of research expenditures. Historically, these costs have been fully deductible, or capitalizable and amortizable, at the taxpayer's option. Although there is bipartisan support for repealing or delaying the required amortization of research expenses, no legislation has been passed as of February 2025.

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1. Overview

In the US, a nonrefundable tax credit is available under Internal Revenue Code (IRC) Section 41 for certain qualified research expenses (QREs) incurred in the US that exceed one of two computed base amounts. This tax credit may be used by a business to reduce its federal tax liability. The QREs eligible for the research credit are a subset of research and experimental expenditures as defined under IRC Section 174, as QREs are generally measured as direct expenses of R&D without including overhead expenses or indirect expenses. QREs generally include wages, supplies, a portion of contract or third-party expenses, and costs to rent or lease computers (which typically include cloud-hosting expenses) incurred for qualified research performed within the US.

Other federal US R&D-related incentives include a payroll tax credit for certain small businesses, an orphan drug credit (ODC), and cost recovery regimes for R&D expenses and assets. These incentives are discussed in further detail below.

Approximately two-thirds of the states also offer a research credit for state tax purposes. Many states model their research credit on the federal credit; however, the credit is generally permitted only for QREs incurred within the state, and the state credits can vary dramatically between jurisdictions. For example, some states do not require a business to increase its QREs (as the federal credit does) to receive a credit. Often the types of expenses that qualify for the credit are different, and the percentages of QREs used to compute the credit also differ. For most businesses, their federal research credits are larger than their state research credits, but that is not always the case.

Types of incentives[1]	
Tax credits	☑
Cash grants	☐
Loans	☐
Reduced tax rates/preferable tax rates	☐
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☐
Tax deduction (including super deduction)	☐
Tax exemptions	☐
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☐
Tax holiday	☐
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other	☐

Recent legislative actions have brought about two significant changes to the federal research credit. The first change establishes a permanent status for the credit, while the second introduces a specific benefit aimed at "eligible small businesses." As a result, certain startup companies can now claim a research credit against the employer's payroll tax liability or the alternative minimum tax (AMT) of sole proprietorships or partnerships.[2]

Generally, most state research credits continue to be permanent.

2. Incentives available

Name of incentive	Credits and R&D cost recovery
Types of incentives	■ Research credit ■ Orphan drug credit ■ Payroll tax credit ■ Cost recovery for research and experimental (R&E) expenditures ■ Special cost recovery for R&D assets

Research credit and other related incentives

Description of benefits

Research credit

Federal and state research credits for certain QREs incurred in the US may be used by a business to reduce its federal and state tax liabilities. These are statutory tax incentives with specific amounts and applicability defined in the statute at either the federal or state level. In general, the federal credits are nonrefundable, while some state credits are refundable. In addition, some state credits may have the potential to be purchased or sold to the benefit of the taxpayer.

[1] This chart is for federal purposes only. Various states may offer additional research incentives (e.g., cash grants, loans). Please check with your local EY Quantitative Services (QS) professional for a complete state-by-state list.

[2] Under the TCJA, corporate AMT was repealed for tax years beginning after 31 December 2017. Therefore, the AMT offset provision only applies to partnerships and sole proprietorships for tax years beginning 2018 and after.

The federal research credit is designed to reward a business for performing research in the US and for increasing its spending on research; thus, a taxpayer must determine the increment of its current-year QREs over a computed base amount to claim the research credit.

IRC Section 41 provides two methodologies for computing the research credit:

- Regular credit: The regular credit is computed by measuring spending as a percentage of a business's gross receipts. Thus, if a business is increasing its QREs as a percentage of gross receipts measured against a historic period (generally 1984–88), it will likely be eligible for the regular credit. Generally, the credit is equal to 20% of a business's QREs over a base amount determined by the business's history. The base amount cannot exceed 50% of a taxpayer's current year QREs.
- Alternative Simplified Credit (ASC): The ASC is a much simpler way to compute the research credit. Generally, the credit is equal to 14% of a business's increase in QREs in the current year, over 50% of the average QREs for the prior three years.

Generally, a taxpayer must reduce the current year deduction and, if the credit exceeds the current year deduction, the year's capitalized amount of expenditures that are included in QREs by the amount of the year's credit. However, IRC Section 280C allows a taxpayer to preserve the current year deduction or capitalized amount if the taxpayer elects to claim a reduced research credit. The net benefit of the reduced research credit that taxpayers can elect under IRC Section 280C was indirectly increased by the lower corporate tax rate passed under the TCJA. The IRC Section 280C reduced credit is net of the highest tax rate. Prior to the TCJA, the highest tax rate was 35%, and post-TCJA the new rate is 21%, meaning that pre-TCJA, taxpayers claiming the reduced ASC credit only recognized a tax credit benefit that equated to 65% of the research credit and now, taxpayers will recognize a benefit that equates to 79% of the research credit, a 21.5% increase. For taxpayers claiming a reduced regular credit, they will recognize a benefit that equates to 15.8% of the research credit instead of 13%.

For tax years beginning on or after 1 January 2022, the TCJA made a conforming statutory amendment to IRC Section 280C(c) that makes it applicable to capitalized QREs only (and not the current year deduction) if the amount of the gross research credit exceeds the amount allowable as a deduction for the current year QRE amortization (i.e., one-tenth of current year QREs).

In general, the research credit cannot be used to offset more than 75% of the regular tax liability. Unused research credits must be carried back for one year and then carried forward for 20 years.

Orphan drug credit

The ODC is a nonrefundable federal income tax credit available for a percentage of qualified clinical testing expenses (QCTEs) paid or incurred by a taxpayer to develop drugs for a "rare disease or condition." QCTEs include costs incurred to test an orphan drug after the drug has been approved for human testing by the Food and Drug Administration (FDA) but before the drug has been approved for sale. The ODC is generally not allowed for clinical testing conducted outside the US unless there is an insufficient US testing population and the testing is conducted by a US person or by another person not related to the taxpayer. The ODC is equal to 25% of QCTEs incurred in the tax year.

A research credit and ODC cannot be claimed for the same expenses.

Payroll tax credit

Certain qualified small businesses may claim the research credit against their federal payroll tax liability. The Inflation Reduction Act (IRA) of 2022 (H.R. 5376) modified the payroll tax credit, for tax years beginning after 31 December 2022, to increase the maximum allowable payroll tax credit to USD500,000 (for tax years beginning before 1 January 2023, the annual maximum is USD250,000). Beginning in 2023, up to USD250,000 can be applied against Social Security payroll tax, and up to USD250,000 can be applied against Medicare payroll tax. This is a favorable rule for certain eligible startup companies that do not have a federal income tax liability because they may be eligible to use their research credit to offset up to USD250,000 (or USD500,000 for tax years beginning after 31 December 2022) of their federal payroll tax liability.

Guidelines around incentive applications

The research credit can be computed for QREs in the current year and can be computed and claimed retroactively for QREs paid in prior years. Current year research credits are claimed on the original corporate income tax return by completing Form 6765 and electing either the regular credit or the ASC. The Form 6765 must be filed by the due date of the return with extensions. The Form 6765 has been significantly revised for the 2024 tax year and requests new quantitative and qualitative information.[3] For tax years beginning in 2025, the Form 6765 will request further information regarding the taxpayer's business components.

A research credit claimed retroactively on QREs paid in prior years may be filed by amending the income tax return for the open year for which the credit is being claimed. Taxpayers claiming a refund attributable to a research credit on an amended return must provide additional, detailed information in relation to the research credit refund claim pursuant to a recent Chief Counsel Memorandum released by the IRS (CCM 20214101F). In general, taxpayers may claim the incentive retroactively for three years. Taxpayers with historic losses (i.e., tax years in which they were not taxable) can retroactively claim a research credit for such periods and carry forward the credit to an open, amendable tax return or current year return.

A current year ODC is claimed on the original corporate income tax return by completing Form 8820. Taxpayers that are not partnerships, S corporations, estates or trusts, and whose only source of this credit is from those pass-through entities, are not required to complete or file the Form 8820. Instead, such taxpayers can report the ODC directly on Form 3800.

An eligible taxpayer may claim the payroll tax credit for the first quarter that begins after they file the income tax return reflecting the payroll tax election on Form 6765. The taxpayer claims the credit by attaching a completed Form 8974 to the employment tax return (Form 941, Employer's Quarterly Federal Tax Return).

For questions regarding incentive applications, please contact one of the named individuals in this document.

Research expenditures

Overview

For tax years beginning before 1 January 2022, a tax deduction was permitted under IRC Section 174 for 100% of R&D expenses for federal and state tax purposes. However, because of 2017 US tax reform, for tax years beginning after 31 December 2021, IRC Section 174 is significantly modified. Amounts defined as specified research or experimental expenditures are now required to be capitalized and amortized ratably over a five-year period if the research is conducted in the US. Further, expenditures attributed to research that is conducted outside the US will be required to be capitalized and amortized ratably over a 15-year period. The amortization period begins at the midpoint of a taxpayer's year. Therefore, the first year's amortization deduction is 10% of the amount paid or incurred in the taxable year (or 3.33% if the research is conducted outside the US). A taxpayer cannot recover capitalized costs sooner than the end of the applicable amortization period. The amendments to IRC Section 174 also require that all software development activities be included in the required capitalization and amortization regime under IRC Section 174. As noted in the introduction, there is bipartisan support for repealing or delaying the required amortization of research expenses, but no legislation has been passed as of February 2025.

Additionally, personal property used in connection with research and experimentation is eligible for a five-year recovery period under IRC Section 168(e)(3)(B)(v).

3. Eligibility requirements

For the federal research credit, "qualified research" includes research for the purpose of developing new or improved "business components." Business components are defined as products, processes, computer software, techniques, formulas and inventions, whether held for sale or lease by the taxpayer or used in the taxpayer's trade or business. The credit is available for in-house and contract expenses incurred for qualified research. Qualified research consists of R&D activities involving a process of experimentation designed to eliminate uncertainty in the development process. The R&D must relate to the function, performance, reliability or quality of the business component and must be based on engineering or on biological, chemical, physical or computer sciences.

[3] The final 2024 Form 6765 and Instructions were published on the IRS website in February 2025.

Qualifying expenses for the federal research credit (and most state credits) are defined as taxable wages paid to employees directly involved in R&D, consumable supplies used directly in R&D, 65% of amounts paid to third parties for research services, and amounts paid or incurred for the rental or lease of computers used in qualified research, which typically include cloud-hosting expenses.

4. IP and jurisdictional requirements

There is no specific jurisdictional requirement on the location of intellectual property (IP).

5. Technology or innovation zones

There are no technology or innovation zones providing R&D incentives in the US.

6. Role of governmental bodies in administering incentives

Generally, the taxing authorities may audit research credits claimed by any taxpayer after the filing for the credit. Although there is no special audit or preapproval process required for the federal research credit (and most state credits, though some do require applications), there are special procedures, such as pre-filing agreements (PFAs), available to taxpayers that wish to have their federal research credit audited in advance of filing their tax returns. Additionally, in 2017, the Internal Revenue Service issued a directive to its audit teams that provided alternative guidance for calculating QREs that covers taxpayers that also expense research and development under Financial Accounting Standards Board Accounting Standards Codification Topic 730. The directive was revised in 2020. In 2021, the Internal Revenue Service issued field advice that imposes additional requirements on research credit claims made on amended returns.

7. Administrative requirements

As with any credit, a taxpayer must maintain business records to support credits claimed. There are no special procedures for research credits.

8. Statutory reference

- Federal research credit: IRC Section 41
- Federal R&D expenditures: IRC Section 174
- State credits and R&D expenditures: various provisions based on each state's statutory framework
- Orphan drug credit: IRC Section 45C
- Accelerated recovery for R&D assets: IRC Section 168(e)(3)(B)(v)

Vietnam

This chapter is based on information as of February 2025.

Incentives for R&D have been consistently among the most favorable in Vietnam, given that R&D activities are important to the country's development. Eligibility requirements for obtaining incentives, however, are strictly set out.

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1. Overview

Vietnamese regulations do not provide specific incentive schemes for R&D activities. However, R&D activities are important criteria in the evaluation and qualification of projects in the high-tech sector, which is highly encouraged and incentivized by the government. In addition, the government encourages activities of scientific research and technological development and the application of results from scientific research and technological development of which R&D activities may be included as an important activity. Currently, the Vietnamese government provides incentives for the high-tech sector and for science research and the technology deployment sector through tax exemptions, financial support, reduced tax rates and a tax holiday.

Types of incentives	
Tax credits	☑
Cash grants	☑
Loans	☑
Reduced tax rates/preferable tax rates	☑
Reduced social security contributions	☐
Accelerated depreciation on R&D assets	☑
Tax allowance	☐
Infrastructure/land preferential price	☑
Tax deduction (including super deduction)	☐

Types of incentives	
Tax exemptions	☑
Income tax withholding incentives	☐
Patent-related incentives	☐
Financial support	☑
Tax holiday	☑
Expedited government approval process	☐
VAT reimbursement	☐
Qualifies for Horizon Europe funding	☐
Other (free training)	☑

2. Incentives available

Name of incentive	Reduced tax rates	Tax exemptions	Tax holiday	Investment support	Financial support	Preferential land lease fees	Accelerated depreciation on R&D assets**	Super Tax deduction (Pilot)
Incentive for the high-tech sector	✓	✓	✓	✓	✓	✓		
Incentives for investment project in science research and technology development*	✓	✓	✓		✓	✓		
Incentives for science and technology enterprises		✓	✓		✓	✓		
Incentives for high-tech parks	✓	✓	✓	○				
Incentive for establishment of innovation centers and R&D centers	✓	✓	✓	✓	✓	✓	✓	✓

**Although not based upon scientific analysis, EY clients report that this incentive delivers the most beneficial results to investors.*

***This rule is introduced in the Law on Investment 2020; no detailed guidance has been released yet.*

○ Enterprises or projects located in a high-tech park are eligible for support from the Investment Support Fund if they satisfy criteria required by law and have relevant certification/license issued by competent authorities.

Incentives for the high-tech sector

Description of benefits

The incentives for the high-tech sector should be classified under the following categories:

- Category 1: application of high-tech; high-tech incubation; high-tech enterprise incubation
- Category 2: high-tech enterprise; agricultural enterprise applying high technology
- Category 3: production of high-tech products
- **Corporate income tax (CIT):**
  - Category 1: a reduced tax rate of 10% applies for 15 years* (can be extended to 30 years at the prime minister's approval applicable to large-scale and high or new technology); four years of CIT exemption and nine years of 50% CIT deduction**
  - Category 2: a reduced tax rate of 10% applies for 15 years*; four years of CIT exemption and nine years of 50% CIT deduction**
  - Category 3: there is no CIT incentive scheme applicable

* Applicable from the first year of making revenue and only after the respective certificate is granted by the competent authorities.

** Applicable from the first year of making profit and only after the respective certificate is granted by the competent authorities. If a company does not make a profit within the first three years, a tax holiday will start from the fourth year counting from the first year of making revenue.

After tax is finalized at year-end, net operating losses (if any) must be carried forward totally and continuously for a maximum period of five years counting from the year following the year the losses arise. Carryback of losses is not permitted.

Investment support:

Under Decree No. 182/2024/NĐ-CP dated 31 December 2024 of the Vietnamese government on the establishment, management and use of the Investment Support Fund (Decree 182), the enterprises in the high-tech sector that meet some regulated conditions, such as disbursement progress, size of capital or turnover, may be entitled to investment support paid from the above fund. The forms of the investment support may include the following:

- Support expenses for human resource training and development
- Support expenses for R&D
- Support expenses for fixed asset investment
- Support expenses for manufacturing high-tech products
- Support expenses for investment in social infrastructure
- Support for initial investment costs

Decree 182 does not specify any amount for each form of support. Instead, Decree 182 provides a specific or maximum support percentage or progressive support percentages that will be calculated on the actual related expenses incurred, the additional original value of fixed assets, or the added manufacturing value of high-tech products, depending on the specific forms of support.

- **Value-added tax (VAT):** VAT exemption applies to transfers of technology.
- **Import duty:** exemption from import duty on imported goods to create fixed assets used in an R&D project; tax exemption of five years is available on import duty for raw materials, materials and component parts that are not yet able to be domestically produced for qualified projects. An import duty refund is also available for some specific cases where goods are not subject to import tax but the tax has been paid for the importation of such goods.
- **Land leasing incentives:** the exemption and reduction rate of the land lease fee depends on the location of investment project.
- **Land use tax:** exemption from non-agricultural land use tax.
- **Funding schemes from the national high-tech development program:** funds are available for training, R&D or trial production. Note that this kind of incentive is not applicable for Category 3.

To receive the above incentives, taxpayers must obtain certification from the Ministry of Science and Technology.

Guidelines around incentive applications

The high-tech sector incentives are applicable to current and future investments on a self-assessment basis. As long as the project qualifies as a high-tech project, the incentives may be applied. The company must apply for certification from the competent authority to certify that the project is applying high tech, carrying out high-tech R&D activities or being a high-tech enterprise, or high-tech incubation enterprise.

The CIT incentive rate is applied and reflected on the company's tax returns. Form No. 03-TNDN (for final return on an annual basis) and its annexes are used to claim the CIT incentives. Enterprises are permitted to adjust their tax declaration prior to the tax authority announcing a decision to audit the enterprises.

Incentives for new investment project in the field of science research and technology development

Description of benefits

A qualifying enterprise having a new investment project in the scientific research and technology development sector will be entitled to the following incentives and support:

CIT

- A reduced tax rate of 10% applies for 15 years (up to 30 years if approved by the Prime Minister) from the first year of making revenue. Companies are also entitled to four years of CIT exemption and nine years of 50% CIT deduction counting from the first year of making profit. If a company does not make profit within the first three years, the tax holiday will start from the fourth year counting from the first year of making revenue.
- The income under the following scenarios is exempted from CIT:
  - Income earned from performance of contracts for scientific research and technological development shall be eligible for tax exemption during the implementation period of that contract but not for more than three years from the date on which the revenue is earned.
  - Income derived from the sale of products that are results of new technologies applied in Vietnam for the first time shall be eligible for tax exemption but not for more than five years from the day on which the revenue derived from the sale of such products.
  - Income derived from the sale of experimental products during the experimental production period. Such incentive is only permitted when some requirements by laws are satisfied.
- Companies are permitted to use profits before tax to establish a fund for scientific and technology development. The amount paid into the fund may not exceed 10% of the total taxable income for the assessable tax year.

VAT

- A 5% VAT rate may be applied to scientific and technological services, such as services to support scientific research and technology development, as well as services related to application of scientific research and technology development results under the science and technology service contract.
- Machinery, equipment and materials that are not yet able to be produced in Vietnam and imported for scientific research and technology development are not subject to VAT at the import stage.

Import duty

- An exemption is applicable on import duty on imported goods and those that are not yet able to be produced in Vietnam and imported for direct use for scientific research and technology development.
- An exemption is applicable on import duty on imported goods to create a fixed asset of the respective project. There is a five-year exemption of import duty on raw materials, materials and component parts that are not yet able to be domestically produced.

Land incentives

- The exemption and reduction rate of land lease fee depends on the location of the investment project.

Land use tax

- A 50% reduction of non-agricultural land use tax is available. However, if the R&D project is in areas having socioeconomic difficulties, there is a chance to apply for an entire exemption from non-agricultural land use tax.

Guidelines around incentive applications

There is no specific guidance under the tax regulations for the application process for tax incentives. Investors may need to work with the relevant authority managing science and technology to confirm that the project falls within the field of scientific research and technology development.

Incentives for science and technology enterprises

Description of benefits

A qualifying enterprise will be entitled to the following incentives and support:

CIT

- Income derived from the production and business related to products formed from scientific and technology results is entitled to four years of CIT exemption and nine years of 50% CIT deduction counting from the first year of making profit. If a company does not make profit within the first three years, the tax holiday will start from the fourth year counting from the first year of making revenue.

Land incentives

- The exemption and reduction rate of the land lease fee are in accordance with laws and regulations on land.

Financial support

- Companies that apply scientific and technological achievements or produce/trade science and technology products, can get loans with preferential interests, interest subsidy and guarantees from the National Technology Innovation Fund and the National Foundation for Science and Technology Development.

Import duty

- An exemption could be applicable on import duty on:
  - Imported goods to form fixed assets, including machinery and equipment serving the scientific and technology-related business activity of the enterprise; components, parts, spare parts; and special-use vehicles and building materials that cannot be domestically produced pursuant to the exemption items list registered with the customs authority
  - Imported goods and those that are not yet able to be produced in Vietnam and are imported for direct use for scientific research and technology development

Stamp duty

A stamp duty exemption applies when registering for a land use right and house ownership.[1]

Other support

- Being considered to receive the ownership or right of use of state-owned scientific results
- Being entitled to enjoy a credit incentive for investment in accordance with regulations
- Getting priority and free use of equipment in national laboratories, high-tech incubation establishments, high-tech enterprise incubation establishments or research institutions[2]
- Getting priority in procedures, such as registering for intellectual property (IP) protection and certifying and registering for circulation of products produced from results of science and technology to develop new products
- Being rewarded for achievements in science and technology activities and commercialization of products produced from the results of science and technology

Guidelines around incentive applications

Incentives for science and technology enterprises are applicable provided that the company is issued a certificate of science and technology enterprise and registration by the competent Science and Technology Authority, in accordance with the current regulations.

The CIT incentive rate is applied and reflected in the company's tax returns. Form No. 03-TNDN (for final return on an annual basis) and its annexes are used to declare the CIT incentives. Enterprises are permitted to adjust their tax declaration prior to the tax authority deciding to conduct a tax audit on the enterprises.

Incentives for high-tech parks

Description of benefits

An enterprise's revenue, which arises from a project invested in a high-tech park, will be entitled to the following incentives and support.

CIT

A reduced tax rate of 10% applies for 15 years (can be extended to 30 years at the prime minister's approval for large-scale and high or new technology) from the first year of making revenue. Companies are also entitled to four years of CIT exemption and nine years of 50% CIT deduction counting from the first year of making profit. If a company does not make profit within the first three years, the tax holiday will start from the fourth year counting from the first year of making revenue.

Investment support

Under the Decree 182 on investment support, enterprises located in high-tech parks are able to enjoy support from the Investment Support Fund if they meet some regulated conditions such as disbursement progress, size of capital or turnover, and are one of the following: (1) high-tech enterprises; (2) enterprises with projects manufacturing high-tech products; (3) enterprises with high-tech application projects; (4) enterprises with projects for research and development centers.

Land leasing incentives

The exemption and reduction rate of the land lease fee depends on the type of enterprise or the type of project.

[1] Decree 13/2019/ND-CP, Article 16, Clause 4.

[2] Decree 13/2019/ND-CP, Article 16, Clause 2.

Incentives for establishment of innovation centers and R&D centers

Description of benefits

Under the new Investment Law (passed by the National Assembly on 17 June 2020 and effective from 1 January 2021) and the Decision No. 29/2021/QD-TTg (dated 6 October 2021 and issued by the Prime Minister prescribing special investment incentives) (Decision No. 29), the government has provided special investment incentives and assistance with a view to encouraging the development of some investment projects that exert significant socioeconomic effects. These especially affect projects related to R&D activities, including:

- The establishment (including the expansion) of innovation centers and R&D centers with total investment capital of at least VND3 trillion and disbursing at least VND1 trillion within three years from the issuance date of the investment registration certificate or the approval for investment guidelines. The National Innovation Center, established under the Prime Minister's decision, also is entitled to special investment incentives and assistance.[3]
- The establishment of investment projects in sectors subject to special investment incentives, which have investment capital of VND30 trillion (~USD1.3 billion) or more and disburse at least VND10 trillion (~USD430 million) within three years from the date of the Investment Registration Certificate (IRC) issuance or in-principle approval. These investment projects must be high-technology projects at a certain level. The level of high-technology project is defined based on the level of high-technology product revenue, R&D expense and personnel.

Special investment incentives

Under the Law on Corporate Income Tax, as amended by the new Investment Law and the Decision No. 29, a set of CIT incentive applies to certain types of R&D centers, specifically:

- New investment projects (including investment expansion), which establish innovation, research and development centers with investment capital from VND3,000 billion or more, out of which at least VND1,000 billion is disbursed within three years from the date of investment registration certificate or date of decision for investment, will enjoy 7% CIT rate for 33 years, six years of CIT exemption and 12 years of a further CIT reduction of 50%.
- National innovation centers, which are established under the Prime Minister's Decision, will enjoy 5% CIT rate for 37 years, six years CIT exemption and subsequent 13 years of 50% CIT reduction.

Investment support

Under Decree 182 on investment support, the enterprises with R&D center investment projects that meet some regulated conditions, such as disbursement progress, size of capital or turnover, may be entitled to investment support paid from the Investment Support Fund. Other detailed guidance is the same as that provided above for investment support applicable to enterprises in the high-tech sector.

Super tax deduction (pilot policy for Ho Chi Minh City)

According to the National Assembly's Resolution No. 98/2023/QH15 dated 24 June 2023, regulating pilot implementation of particular policies for development of Ho Chi Minh City, strategic investors who invest in certain prioritized fields in the city and meet certain criteria regulated in the resolution may deduct 150% of actual costs of R&D activities for the related corporate income tax purpose.

The above-mentioned prioritized fields include (1) develop innovation centers or R&D centers, and (2) research and support of the transfer of high technology in the fields of information technology, biotechnology, automation technology, new materials technology and clean energy with an investment capital of VND3,000 billion or more.

Guidelines around incentive applications

Special investment incentives are specified in the Investment Registration Certificate. Decision on approval of investment policy or written agreement with the competent state authority.

The CIT incentive rate is applied and reflected in the company's tax returns. Form No. 03-TNDN (for final return on an annual basis) is used to claim the CIT incentives. Enterprises are permitted to adjust their tax declaration prior to the tax authority deciding to conduct a tax audit on the enterprises.

[3] Clause 2(a) Article 20, Law on Investment No. 61/2020/QH14 dated 17 June 2020.

3. Eligibility requirements

(a) ***High-tech enterprise:*** to be certified as a high-tech enterprise, the following conditions must be met:

- Manufacturing products listed as high-tech products are given priority in accordance with current regulations.
- Eco-friendly, energy-saving solutions should be applied to manufacturing and quality control in accordance with Vietnam's technical regulations and standards (or international standards if no Vietnam technical regulations and standards are available).
- The enterprise's revenue from high-tech products must account for at least 70% of its total annual net revenue.
- The percentage of the enterprise's total expenses for research and development activities conducted in Vietnam over the total net revenue less input value must account for at least 0.5%, for an enterprise with total funding sources greater than VND6 trillion and more than 3,000 employees; 1% for an enterprise with total funding sources greater than VND100 billion and more than 200 employees; and 2% for other enterprises.
- The number of research and development staff members holding a college or higher degree must account for at least 1% of the enterprise's total number of employees for an enterprise with total funding sources greater than VND6 trillion and more than 3,000 employees; 2.5% for an enterprise with total funding sources greater than VND100 billion and more than 200 employees; and 5% for other enterprises.

(b) ***High-tech incubation enterprise:*** to be certified as a high-tech incubation enterprise, the following main conditions must be met:

- The enterprise must use technology under the list of high technology given priority in accordance with current regulations.
- The enterprise must have technical infrastructure and professional managerial staff that meet the high-tech incubation or high-tech enterprise incubation requirements.
- The enterprise must have technological, IP, legal, financial, marketing and business administration consultants.
- The enterprise is capable of cooperating with production, research and training institutions in high-tech incubation or high-tech enterprise incubation activities.

(c) ***High-tech application project:*** to be certified as a high-tech application project, the following conditions must be met:

- Applying qualified high technologies — i.e., encouraged high technologies (list in Decision 38/2020/QD-TTg)
- Having the purpose of applying one of the following high technologies:
  - Use of high-tech research results for technology renewal, product renewal or increase of the added value of products
  - Trial production of high-tech products
  - Mastering and adaptation of imported high technologies to Vietnam's practical conditions while using import-substitute domestic materials, supplies, components and parts
- Meeting quantitative criteria:
  - Employees with a college or higher degree directly involved in R&D of technologies, experiment, trial production: at least 1%–5% of its total workforce, depending on the size of investment capital and total workforce of the project. The number of employees with a college degree does not exceed 30% of the total workforce directly involved in the activities.
  - Total average expenditure for R&D of technologies, experiment, trial production: at least 0.5%–2% of added value created by the project in Vietnam, depending on the size of investment capital and total workforce of the project. The details of expenditure for R&D and technology application activities of the projects are specified in Circular 04/2020/TT-BKHCN.
- Quality control system meets one of the national standards TCVN ISO 9001, HACCP, CMM, GMP or equivalent (depending on the characteristics of the project that apply national or international standards)
- Applying eco-friendly, energy-saving solutions to manufacturing and quality control in accordance with Vietnam's technical regulations and standards (or international standards if no Vietnam technical regulations or standards are available); being encouraged to apply international standards on environment and energy-saving (ISO 14000, ISO 50001 or equivalent)[4]

(d) ***Production of high-tech products:*** to be certified as production of high-tech products, the following conditions must be met:

- Manufacture of products or providing services that are listed as high-tech products (list in Decision 38/2020/QD-TTg).
- Products have superior quality and properties and high added value, are environment-friendly and can substitute imports.

[4] Circular 32/2011/TT-BKHCN and Circular 04/2020-TT-BKHCN.

- Technological line is advanced and operates under programmed control. The technological line's main parts are of new technologies applied to the project's operation domain updated within five years of the time of investment.
- Quality control system meets one of the national standards TCVN ISO 9001, HACCP, CMM, GMP or equivalent (depending on the characteristics of the project that apply national or international standards).
- Applying eco-friendly, energy-saving solutions to manufacturing and quality control in accordance with Vietnam's technical regulations and standards (or international standards if no Vietnam technical regulations or standards are available); being encouraged to apply international standards on environment and energy-saving (ISO 14000, ISO 50001 or equivalent).[5]

(e) ***Science research and technology development organization***

To qualify, there are certain requirements for organizational and operational charter by laws.

- Human resources for science and technology: Each scientific and technological organization must have at least five persons with a university degree or higher working full time and part time in which there is at least 30% having professional skills in accordance with the key areas applied for operation registration and at least 40% working full time.
- The head of scientific and technological organization must have a university degree or higher with management experience and appropriate professional capacity.
- Must have qualified material and technical facilities as specified by laws.
- Scientific and technological organizations with foreign capital must meet the requirement specified in the Law on Science and Technology, such as the establishment must be approved by the Minister of Science and Technology.

(f) ***Science and Technology Enterprise***

An enterprise may be granted a Certification of Science and Technology Enterprise if it:

a) Has been established and operated under provisions of the Law on Enterprises
b) Has the capacity for creating or applying the science and technology results that were assessed and recognized by the competent authority under the applicable regulations
c) Has the revenue from production and trading of products produced from the science and technology results accounting for at least 30% of its total revenue

An enterprise that has been established for less than five years may be granted a Certificate of Science and Technology Enterprise if satisfying requirements specified in points (a) and (b) above.

4. IP and jurisdictional requirements

A scientific research and technology development enterprise is protected with IP rights and transfer results of science and technology activities in accordance with laws on IP and technology transfer.

The Ministry of Finance's Circular No. 219/2013/TT-BTC, dated 31 December 2013, guides the implementation of the Law on Value Added Tax and is effective from 1 January 2014. Transfers of technology are subject to VAT exemption. For technology transfer contracts accompanied with machinery and equipment transfer, only the value of transferred technology is not subject to VAT. If the value of transferred technology cannot be separated, VAT will be imposed on both the value of (1) transferred technology and (2) machinery and equipment.

5. Technology or innovation zones

Vietnam currently has three high-tech industrial parks: Hoa Lac High-Tech Park (in Hanoi), Saigon High-Tech Park (in Ho Chi Minh) and Da Nang High-Tech Park (in Da Nang).

5.1. Investment incentives in high-tech parks

The general investment incentives for projects located in high-tech parks are covered in tax law and its guiding documents, and Circular 83/2016/TT-BTC. Moreover, there is particular investment incentive scheme applicable for each high-tech park. In particular, Decree 74/2017/ND-CP and Circular 32/2018/TT-BTC provides a specific investment scheme for Hoa Lac High-Tech Park, and Decree 04/2018/ND-CP provides a specific scheme for Da Nang High-Tech Park. For Saigon High-Tech Park, currently there are no specific regulations like other high-tech parks.

[5] Circular 32/2011/TT-BKHCN and Circular 04/2020-TT-BKHCNb.

The below are tax incentives and other support for enterprises in the high-tech sector:

CIT: a reduced tax rate of 10% applies for 15 years from the first year of making revenue; four years of CIT exemption and nine years of 50% CIT deduction from the first year of making profit or the fourth year from year of making revenue, whichever is earlier. Moreover, the tax rate reduction of 10% may be extended up to 30 years for the following investment project having a huge investment scale:

- Huge investment scale project of at least VND4 trillion located in Hoa Lac High-Tech Park
- Huge investment scale project of at least VND3 trillion located in Da Nang High-Tech Park

Import duty: exemption from import duty on imported goods to create fixed assets of investment project; tax exemption of five years is available on import duty for raw materials, materials and component parts that are not yet able to be domestically produced.

Land leasing incentives: the exemption and reduction rate of the land lease fee depends on the specific scheme of a particular high-tech park authority.

Land use tax: exemption from non-agricultural land use tax.

5.2. Requirements for investment projects in high-tech parks

For projects invested in high-tech R&D establishments

In addition to the general conditions stipulated under Decree No. 10/2024/ND-CP, such as that the projects must have targets, plans and roadmaps for high-tech R&D activities in the short and long terms; have plans for transferring, cooperating, commercializing and applying high technology to create high-tech products and high-tech services; have project technology and products that are consistent with the list of high technologies prioritized for investment and development or the list of high-tech products encouraged for development issued by the Prime Minister; and comply with quality management standards and environmental technical regulations, the projects must also meet the following conditions:

- The number of employees, who have expertise and directly participate in the R&D activities and have indefinite-term labor contracts or labor contracts with a term of one year or more, must be at least 70% of the total number of the project's employees, of which the number of employees with a university degree or higher must be at least 85%.
- Each main R&D field of the investment project must have at least one employee who directly participates in the R&D activities and has at least five years of experience in conducting R&D activities in that field.
- The total annual expenditure for the R&D activities is at least 80% of the annual operating expenses of the project.
- The adequate machinery and equipment necessary for R&D activities are suitable for the investment project.

For projects applying high technologies to produce high-tech products

In addition to general conditions stipulated under No. 10/2024/ND-CP, such as that the technology applied in projects belongs to the list of high technologies prioritized for investment and development issued by the Prime Minister; energy is used efficiently and economically, quality management systems meet international industry standards, and compliance with environmental standards and technical regulations, the projects must also meet the following conditions:

- The project's products must be on the list of high-tech products encouraged for development issued by the Prime Minister. The annual revenue from the production of high-tech products must be at least 80% of the total annual revenue of the investment project,
- The number of employees who have a vocational education certificate or a university degree must account for at least 75% of the total number of employees of the investment project.
- The number of employees with a college degree or higher who directly participate in the R&D and technology application activities of the investment project must meet the following requirements:
  - For investment projects with an investment capital scale of VND6,000 billion or more, disbursing at least VND6,000 billion within three years from the date of being granted the Investment Registration Certificate or an approval of the investment policy, and having a total number of employees of 3,000 or more, the employees must account for at least 2.5% of the total number of employees of the investment project,
  - For the other cases, the employees must account for at least 5% of the total number of employees of the investment project,
  - The project's employees directly participating in the R&D and technology application activities of the investment project must have an indefinite-term labor contract or a labor contract with a term of one year or more, of which the number of employees with college degrees must not exceed 30%.

- The ratio of total annual expenditure for the R&D and technology application activities to the total annual revenue of the investment project must meet the following requirements:
  - For investment projects with an investment capital scale of VND 6,000 billion or more, disbursing at least VND 6,000 billion within three years from the date of being granted the Investment Registration Certificate or an approval of the investment policy, or having a total annual turnover of at least VND10,000 billion within three years at the latest from the first year of generating revenue, the ratio must be at least 0.5%.
  - For the other cases, the ratio must be at least 1%.
- The project's technological chain must be invested synchronously, reaching advanced levels, organized according to specialized and automated methods, in which at least one-third of the automatic devices are controlled by programs.

6. Role of governmental bodies in administering incentives

The role of the tax authorities (i.e., the provincial tax authority where the company is located) in administering tax-based R&D incentives includes the following:

- On the receipt of an application for an Investment Certificate, licensing authorities will perform an assessment and may indicate whether the tax incentive is applicable to the investment project.
- After obtaining the Investment Certificate, the enterprise will further apply to the relevant Science and Technology authority (i.e., provincial science and technology authority where the company is located) for this authority to evaluate and certify that it is a high-tech project or scientific research and technology development project. This certification will be the basis for the enterprise to enjoy relevant incentives.
- For enterprises, this is a self-assessment regime (i.e., enterprises self-declare and pay tax in accordance with local regulations).
- The relevant tax authorities monitor and conduct tax audits on the tax compliance of the enterprise.
- Customs authorities (i.e., the provincial customs authority and the Central Department of Customs) monitor and conduct customs audits on the enterprise's import duties.

7. Administrative requirements

7.1 High-tech sector

To be certified as a high-tech project and enjoy the incentives, the company has to apply for certification from the Ministry of Science and Technology (i.e., applying high tech, carrying out high-tech R&D or being a high-tech enterprise).

Application for a certification of an enterprise applying high tech or carrying out high-tech R&D activities (operation certificate)

The application dossiers are required to be submitted to the Ministry of Science and Technology. A dossier is made in two sets, including one original set and one copy.

An organization's dossier of application for an operation certificate consists of the following:

- An application for the certificate (Standard Form of Ministry of Science and Technology)
- A notarized copy of the business registration certificate, investment certificate, science and technology enterprise certificate, or certificate of registration of scientific and technological operations
- A written explanation regarding the high-tech application project or high-tech R&D scheme (for high technologies on the list of those prioritized for development investment)
- The managing agency's written certification of the contents presented in the written explanation (for organizations managed by ministries, ministerial-level agencies or government-attached agencies) or a written certification of the provincial-level Science and Technology Department of the locality in which the organization carries out high-tech application or R&D operations (for organizations not managed by ministries, ministerial-level agencies or government-attached agencies)

An individual's dossier of application for an operation certificate consists of the following:
- An application for the certificate, made according to a form set by the Ministry of Science and Technology, enclosed with two 4x6 cm photos
- A copy of the individual's valid identity card or passport
- A written explanation about the high-tech application project or high-tech research and development scheme (for high technologies on the list of those prioritized for development investment)
- A written certification of the contents presented in the written explanation, given by the provincial-level Science and Technology Department of the locality in which the individual carries out high-tech application or R&D operations

An operation certificate is valid from the date of its issuance until the completion of a project or scheme.

Application for a high-tech enterprise certification

Dossiers of application for high-tech enterprise certificates are required to be submitted directly to the Ministry of Science and Technology. A dossier is made in two sets, including one original set and one photocopied set, and it consists of the following:
- An application for high-tech enterprise recognition, made according to a form set by the Ministry of Science and Technology
- A notarized copy of the business registration certificate, investment certificate, or science and technology enterprise certificate
- A written explanation about the enterprise's satisfaction of all the conditions in accordance with the law

A high-tech enterprise certificate is valid for five years from the date of its issuance. Regulations do not provide guidance for certificate renewal.

Application for high-tech incubation enterprise

Dossiers of application for high-tech incubation enterprise are submitted to the Ministry of Science and Technology. The application dossier includes but is not limited to the following:
- Application Request Form (standard form)
- Explanation of capacity of high-tech incubation enterprise
- Commitment letter and explanation letter for the capacity of financial mobilization
- Other documents required by law and the competent authority

Application for certification of project manufacturing high-tech products

Dossiers of application for certification of project manufacturing high-tech products are submitted to the Ministry of Science and Technology. The application dossier includes but is not limited to the following:
- An application for the certificate (Standard Form of Ministry of Science and Technology)
- A written explanation to satisfy the requirement of a project manufacturing high-tech products (standard form of Ministry of Science and Technology)
- A notarized copy of the business registration certificate, investment certificate, etc.
- Other documents required by laws and the competent authority

7.2 Science research and technology development

To be certified as a scientific research and technology development project, the company is required to apply for certification by the Ministry of Science and Technology. An application dossier for the certification is required, including the application letter, business registration certificate or investment certificate, and a detailed explanation of the project.

7.3 Investment projects located in high-tech parks

The investment projects in high-tech parks are required to be issued the Investment Registration Certificate (IRC) by the competent authority. Such certificate should specify the investment incentives that are applied for the investment project. The application for issuance of the IRC is regulated under the law on investment and its guiding documents.

8. Statutory reference

- Law No. 21/2008/QH12, dated 13 November 2008, of the National Assembly on high technologies
- Decision No. 55/2010/QD-TTg, dated 10 September 2010, of the prime minister on the competence, order and procedures for certifying organizations and individuals carrying out high-tech application or R&D operations and recognizing high-tech enterprises
- Decision No. 38/2020/QD-TTg, dated 30 December 2020, by the prime minister on approving the list of high technologies prioritized for development investment and the list of high-tech products eligible for development promotion
- Decree 13/2019/ND-CP, dated 1 February 2019, regarding the science and technology enterprises
- Circular 10/2021/TT-BKHCN, dated 17 November 2021, providing guidance on implementation of Decree 13/2019/ND-CP
- Circular 03/2021/TT-BTC, dated 11 January 2021, on CIT exemption and reduction for science and technology enterprises as prescribed in Decree 13/2019/ND-CP
- Circular 83/2016/TT-BTC, dated 17 June 2016, on guiding the implementation of investment incentive programs under the provisions of the investment law and the government's Decree No. 118/2015/ND-CP, dated 12 November 2015, specifying and guiding the implementation of several articles of the investment law
- Decree 08/2014/ND-CP detailing and guiding the implementation of a number of articles of the law on science and technology, dated 27 January 2014
- Decree 74/2017/ND-CP of the government, dated 20 June 2017, providing the specific scheme and policy of Hoa Lac High-Tech park
- Decree 04/2018/ND-CP of the government, dated 4 January 2018, providing the specific scheme and policy of Da Nang High-Tech park
- Circular 32/2011/TT-BKHCN providing criteria for determining high-tech application projects and investment projects on high-tech product manufacture, and evaluation of dossiers of application for certificates of high-tech application activities, new enterprises established under investment projects on high-tech product manufacture and high-tech enterprises
- Decision 34/2019/QD-TTg, dated 18 December 2019, providing criteria for determination of projects, production plan of high-tech application in the agriculture area
- Circular 04/2020/TT-BKHCN, dated 28 September 2020, amending Circular 32/2011/TT-BKHCN above
- Law on Investment No. 61/2020/QH14 dated 17 June 2020
- Decision 29/2021/QD-TTg, dated 6 October 2021, prescribing special investment incentives
- Decision No. 10/2021/QD-TTg providing criteria for determining high-technology enterprises
- Circular 27/2013/TT-BKHCN dated 17 December 2013 providing conditions for high-tech incubation establishments, high-tech enterprise incubation establishments and competencies, and procedures for issuance of certificates for high-tech incubation establishments
- Resolution No. 98/2023/QH15 dated 24 June 2023 on the pilot implementation of particular policies for the development of Ho Chi Minh City
- Decree 182/2024/NĐ-CP, dated 31 December 2024, on the establishment, management and utilization of the investment support fund
- Decree 10/2024/ND-CP dated 1 Feb 2024 on high-tech parks
- Circular 08/2024/TT-BKHCN, dated 06 November 2024, of the Ministry of Science and Technology stipulating some criteria for investment projects in high-tech research and development facilities, investment projects in applying high-tech to produce high-tech products that invest in high-tech parks

R&D incentives summary matrix

Americas

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Argentina	Knowledge-based economy promotional regime	■ Reduced tax rates ■ Reduction in labor costs (social security payments)	■ Tax credit bond calculated on social security contributions, which can be used to offset federal taxes. ■ 60% reduction of the corporate income tax for micro and small enterprises, a 40% reduction for medium-sized enterprises and a 20% reduction for big enterprises, applicable on the income originated in the promoted activities. ■ Exclusion from VAT withholding or reverse withholdings on promoted activities that are exported.
	R&D promotional regime	■ Tax credits	■ 10% tax credit on qualifying R&D.
	Biotechnology promotional regime	■ VAT reimbursement ■ Accelerated depreciation and certain exemptions	■ 50% tax credit on social security contributions payable to payroll assigned to eligible R&D project. ■ 50% tax credit on expenses related to R&D services provided by national scientific institutions. ■ Early VAT reimbursement. ■ Accelerated depreciation.
	Training courses regime	■ Tax credits	■ Tax credits of 0.8% of qualifying expenses (salaries) related to training courses.
Brazil	R&D deduction	■ Super deduction	■ A super deduction of 160% to 200% is available to taxpayers with eligible expenses. ■ The "standard" super deduction is 160% of eligible R&D expenses. If a company increases its number of contracted researchers during a calendar year when compared with the average number of contracted researchers in prior calendar year, the amount of the super deduction increases. If the number of contracted researchers increased up to 5%, an extra deduction of 10% is available (resulting in a total super deduction of 170%); if the number of contracted researchers increased by more than 5%, an extra deduction of 20% is available (resulting in a total super deduction of 180%). If a company registers IP in Brazil, an extra 20% deduction is available. ■ A super deduction of up to 250% of eligible expenses for innovation projects executed by scientific and technological institutions is available.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	Yes	Yes
■ Current investments ■ Future investments	NA	Yes	Yes	Yes
■ Current investments ■ Future investments	NA	Yes	Yes	Yes
■ Current investments ■ Future investments	NA	Yes	Yes	No
■ Current investments	■ Unused R&D deductions cannot be carried forward or carried back.	No	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Accelerated depreciation	■ Accelerated depreciation on qualifying R&D assets	■ 100% depreciation on eligible R&D assets during same year of acquisition.
	Funding authority for studies and projects	■ Financial support ■ Loans	■ Financial support with reduced interest rates for new R&D investments of Brazilian companies. ■ Government may fund up to 90% of total project costs.
	IT Law	■ Tax Credit for corporate income tax that, eventually, can be used to offset other federal taxes ■ IPI tax exemption	■ Legal entities that manufacture information and communication technology goods and invest in R&D activities that comply with the basic production process and that are qualified under the terms of Law No. 8,248/1991 can claim a tax credit up to 12.97% of the billing of incentive products. ■ IPI tax exemption on purchases of machinery, equipment, devices and instruments produced in the country, as well as their parts and spare parts, accessories, and raw materials that will be used exclusively on R&D projects.
	Automotive R&D Incentive	■ Reduced IPI tax rate ■ Exemption of import tax ■ Corporate income tax deduction	■ Reduction of IPI rates of 2% for vehicles that meet the minimum requirements requested by the program. ■ Exemption of import tax for products without national production. ■ Deduction from 10.2% to 12.5% of Income Tax and Social Contribution on profit.
Canada	Scientific Research & Experimental Development (SR&ED) tax credit	■ Tax credit	■ 15% federal tax credit on eligible activities and expenditures. ■ Tax credit is increased to 35% for small Canadian-controlled private corporations on first CAD3 million of expenditures per year.
	Accelerated capital cost allowance (CCA) rate and manufacturing and processing (M&P) tax credit	■ Accelerated depreciation and tax credit on the R&D asset	■ Certain R&D assets used in connection with taxpayer's eligible manufacturing and processing activities may qualify for Class 53 property classification and can be depreciated over approximately four years. ■ Eligible assets may qualify for federal and/or provincial manufacturing or processing investment tax credits ranging from 4% to 25% (or more) of qualifying expenditures.

	Rate reduction for zero-emission technology manufacturers	■ Reduced corporate income tax rates	■ Reduced tax rates on eligible zero-emission technology manufacturing and processing income of:
			  ■ 7.5%, where that income would otherwise be taxed at the 15% general corporate tax rate
			  ■ 4.5%, where that income would otherwise be taxed at the 9% small business tax rate

	Strategic Innovation Fund	■ Combination of cash grants and loans	■ Cash grants and/or favorable loans up to 50% of eligible project costs.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	No	Yes	No
■ Current investments ■ Future investments	NA	Yes	Yes	
■ Current investments	■ Carryforward – five years	Yes	Quarter compliance required	Yes
■ Current investments	■ Carryforward, until the end of the program.	No	Yes	Yes
■ Retroactive investments ■ Current investments	■ Unused R&D tax credits may be carried forward for 20 years and carried back for three years.	No	No	No
■ Retroactive investments ■ Current investments ■ Future investments	■ Unused federal investment tax credits can be carried back three years and forward 20 years; some provinces also offer carryovers; others are refundable.	No	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	NA	No	Yes	No
■ Future investments	NA	NA	NA	NA

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Tax holiday for large investment projects in Québec	■ Tax holiday	■ Available to corporations or partnerships that carry out certain large investment projects in Québec. The benefits include: ■ A tax holiday on the income from its eligible activities relating to such large investment projects. ■ A holiday from employer contributions to the Health Services Fund (HSF) regarding the portion of wages paid to its employees attributable to the time they devote to such activities. ■ The tax holiday lasts 15 years. ■ The main parameters of the tax holiday for large investment projects are: ■ The minimum investment is set at CAD100 million, or CAD50 million if the investment is carried out in certain regions, and must be reached no later than the end of the 60-month period after the date of issue of the initial certificate. ■ The total value of the tax holiday may not exceed 15% of the total eligible investment expenditures determined on the date when the holiday period begins.
	Clean Hydrogen Investment Tax Credit		■ A refundable investment tax credit has been introduced in respect of the cost of purchasing and installing eligible equipment for projects that produce hydrogen from electrolysis or projects that produce hydrogen from natural gas, as long as emissions are abated using carbon capture, utilization and storage (CCUS). The tax credit rate would vary from 15% to 40% depending on the carbon intensity of the hydrogen produced for eligible property that is acquired and available for use on or after 28 March 2023 and would become available for use before 2034. The credit would be phased out by 50% for property that becomes available for use in 2034 and fully phased out after 2034. ■ Also Included in this legislation is a 15% tax credit for equipment used to convert clean hydrogen into clean ammonia as part of a clean hydrogen project if the hydrogen produced meets certain carbon intensity thresholds. Clean ammonia property would have to be acquired and available for use on or after 28 March 2023 and available for use before 2034 to be eligible for this credit.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
NA	NA	Requires an initial certificate as well as annual certificates issued by the Minister of Finance	Yes	Yes
■ Retroactive investments ■ Current investments ■ Future investments	Refundable credit	Yes	Yes	Yes – ongoing compliance

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Clean Technology Manufacturing Investment Tax Credit		■ Refundable investment tax credit for clean technology manufacturing and processing, and critical mineral extraction and processing. This credit would be equal to 30% of the capital cost of new machinery and equipment used to manufacture clean technologies (e.g., manufacturing of clean energy equipment), and extract, process, or recycle key critical minerals (lithium, cobalt, nickel, graphite, copper and rare earth elements). The proposed ITC would be refundable and available to qualifying taxpayers that make eligible investments in clean technology property on or after 28 March 2023 and before 2035. The tax credit rate would vary depending on the year in which the property is acquired and becomes available for use. Eligible equipment would include certain property described in capital cost allowance (CCA) Classes 43.1, 43.2 and 56, which have 30%, 50% and 30% declining-balance-basis CCA rates. The phase-out of the credit would start in 2034. The credit would be phased out by 50% for property that becomes available for use in 2034 and would be unavailable after 2034.
	Clean Technology Investment Tax Credit	■ Tax credit	■ Refundable ITC available to qualifying taxpayers that make eligible investments in clean technology property on or after 28 March 2023 and before 2035. The tax credit rate would vary depending on the year in which the property is acquired and becomes available for use. Eligible equipment would include certain property described in capital cost allowance (CCA) Classes 43.1, 43.2 and 56, which have 30%, 50% and 30% declining-balance-basis CCA rates, respectively. The phase-out of the credit would start in 2034. The credit would be phased out by 50% for property that becomes available for use in 2034 and would be unavailable after 2034.
	Carbon Capture, Utilization and Storage investment tax credit	■ Tax credit	■ Refundable credit ranging between 18.75% and 60% for certain investments in equipment used to capture, transport, store or use carbon dioxide as part of a qualified CCUS project in Canada. The credit would be available on eligible costs incurred after 2021 and before 2041.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Retroactive investments ■ Current investments ■ Future investments	Refundable credit	No	No	No
■ Retroactive investments ■ Current investments ■ Future investments	Refundable credit	No	No	No
■ Retroactive investments ■ Current investments ■ Future investments	Refundable credit	Yes	Yes	Yes – ongoing compliance

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Chile	Tax incentive to private investment in R&D	■ Tax credits ■ Tax deductions	**R&D certified contract with a registered research center:** ■ A tax credit against the taxpayer's corporate tax equivalent to 35% of payments associated with R&D certified contracts entered with a registered research center, with a cap of UTM15,000 (approximately USD1 million). ■ A taxpayer is allowed to deduct as an expense any amounts paid, not deducted as a credit, associated with R&D certified contracts entered with a registered research center. **R&D project (based on in-house R&D activities):** ■ A tax credit against the taxpayer's corporate tax equivalent to 35% of base composed of total payments made concerning current expenses in tandem with annual quota of depreciation of fixed tangible property acquired within the scope of an R&D project, with an annual cap of UTM15,000 (approximately USD1 million). ■ This benefit would apply to disbursements incurred with the company's own expenses and excluding cash flows financed with public funds. According to the IRS' interpretations (Ruling No. 497/2020), this benefit also applies if the Chilean company receives funds from its parent company from abroad or from any other entity or third parties. ■ A taxpayer is allowed to deduct as an expense any amounts paid, not deducted as a credit, in connection with an R&D certified project. A preapproval process is required to obtain the incentive.
	CORFO (*Corporación de Fomento a la Producción*) grants and lines of credit	■ Cash grants	**Innova High Technology Program** ■ Maximum total grant of up to CLP400 million (approximately USD478,000). Co-financing percentage of 70% of the total project cost. **Consolidate and Expand Innovation Program** ■ Maximum total grant of up to CLP150 million (approximately USD180,000). Co-financing percentage of 40%, 50% or 60% of the total project cost. **Create and Validate R&D&I: focus on sustainability** ■ Individual R&D&I projects: CLP180 million (approximately USD214,500). Collaborative projects: CLP220 million (approximately USD262,000). Co-financing percentage up to 80% of the total cost of the project.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ May be carried forward indefinitely.	Yes, a preapproval process is recognized in the law through which taxpayers can file an affidavit before CORFO "informing that they are keen to file an R&D project" (project must be filed before CORFO within 18 months). Fulfilling certain formal and substantial requirements, all disbursements incurred from the date in which the affidavit was filed would be counted for the tax incentives.	Yes	Yes
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Colombia	Discount and tax deduction on income tax for investments in research, technological development and innovation	■ Tax discount	■ Tax discount rate of 30% plus for investments in science, technology and innovation projects aimed at solving business problems, generating new knowledge, taking advantage of market opportunities or solving internal process problems.
	Tax credit for offsetting national taxes for investments in R&D	■ Tax credit	■ A tax credit of 50% of the budget approved by The Ministry of Science is offered to be used for offsetting national taxes. The tax credits will be valid for two years once the respective certificate is issued for use in offsetting national taxes. Tax credits exceeding 1000 UVT (approximately COP47 million) may request Tax Refund Titles (TIDIS) for the value of the tax credit.
	VAT exemption for imports in research, development and innovation	■ Tax exemptions	■ VAT exemption on equipment imported by research or technological development centers and basic education institutions dedicated to the development of projects rated scientific, technological or innovative.
	Exempt income for resources for science, technology and innovation, and payment of work performances related to these concepts	■ Tax exemptions	■ Income derived from development of scientific, technological and innovation projects may be exempt from VAT tax. Same treatment is applied to compensation of individuals for the direct execution of work of scientific, technological and innovation, provided that such compensation is derived from the respective resources for the project.
	Financial support of strategic programs and/or projects of applied research, technological development and innovation	■ Tax exemptions	■ The Ministry of Science provides co-financing and financing to a range of strategic programs and projects of applied research, technological development and innovation.
Curaçao	Innovation box	■ Reduced profit tax rate	■ 0% profit tax rate on qualifying income from qualifying intellectual property.
	Tax holiday	■ Reduced tax rates and exemptions	■ Exemption for real estate tax, exemption for import duties and a reduced profit tax rate of 3%.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	No	No
■ Current investments ■ Future investments	NA	Yes	No	Yes
■ Current investments	NA	Yes	No	No
■ Current investments	NA	Yes	No	No
■ Current investments ■ Future investments	NA	Yes	No	No
■ Indefinite	NA	No	Yes	Yes
■ Five years or 10 years, depending on the investment (exemption real estate tax). ■ Three years (exemption for import duties) ■ Five years or 10 years, depending on the investment (reduced profit tax rate).	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Israel	Preferred Enterprise/ Special Preferred Enterprise status	Reduced tax rates/preferable tax rates	■ Preferred Enterprise: reduced CIT rate on preferred income according to set schedule (for 2017 onward, the rate is 7.5% for companies located in Development Area A and 12% for rest of the country). ■ Special Preferred Enterprise: reduced CIT rate of 6% for the portion of intellectual property developed in Israel, according to the Nexus Approach.
	Innovation box regime (Preferred Technology Enterprise/ Special Preferred Technology Enterprise status)	Reduced tax rates/preferable tax rates	Preferred Technology Enterprise: ■ Reduced CIT rate of 12% on portion of IP developed in Israel (tax rate is reduced to 7.5% if company is located in Development Area A). ■ Reduced capital gains rate of 12% for new IP acquired from a foreign company after 1 January 2017 at a minimum cost of ILS200 million (please note that a rulings required). ■ Reduced withholding tax rate of 4% on dividends distributed to a "qualifying company" (i.e., a foreign company that holds at least 90% of the Preferred Technology Enterprise's shares). Special Preferred Technology Enterprise: ■ Reduced CIT rate of 6% on portion of IP developed in Israel. ■ Reduced capital gains rate of 6% for new IP developed or acquired from a foreign company after 1 January 2017 (please note that a ruling is required). ■ Reduced withholding tax rate of 4% on dividends distributed to "qualifying company" (i.e., foreign company that holds at least 90% of Special Preferred Technology Enterprise's shares).
	Additional benefits (including the Angels Law)	Deduction of investment cost	■ R&D expense deduction: Section 20A of Income Tax Ordinance enables companies to deduct R&D expenses (i.e., expenses incurred in scientific research in industry, agriculture, transportation or energy) on a current basis in tax year in which they were paid. ■ Business asset rollover relief: Section 104 of Income Tax Ordinance provides capital gains tax relief to R&D-intensive companies that transfer certain assets to another company to raise capital for R&D activity. ■ Angels Law: permits individual investors, or individual investors in a partnership, to deduct investments (up to ILS5 million per target) made by 31 December 2019 to a qualifying R&D startup company or target company. Deduction is spread over three-year period starting with tax year in which investment is made. ■ Deduction for purchase of shares in other R&D companies: a company that purchases shares of a qualifying R&D company may deduct the purchase amount for a period of five years starting from year following the year of purchase.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Future investments	NA	Yes	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Employment grants	Cash grants	■ **Employment Grant Program for High Salaries (R&D Centers):** for enterprises located in national preference areas and/or planning to recruit new employees from populations with low employment rates. The average grant is 20% of the salary cost to the employer (up to a maximum monthly salary of ILS16,000 per employee) for a period of 2.5 years. ■ **Employment Grant Program for High Salaries (R&D Centers):** for enterprises with consolidated income turnover (including a foreign parent company) in excess of ILS25 million that are located in national preference areas and are planning to recruit 15-100 new employees with salary cost between the average cost of salary and 2.5 times the average salary in the market. Average grant is 25% of salary cost to the employer (up to maximum monthly salary of ILS30,000 per employee) for period of four years. ■ **"Ogen" employment grants:** for enterprises with consolidated income turnover (including a foreign parent company) in excess of ILS100 million that are located in national preference areas and are planning to recruit 80-150 new employees with salary of at least 1.5 times the average salary in the market. Average grant is 25% of salary cost to the employer (up to a maximum monthly salary of ILS20,000 per employee) for period of four years. ■ **Employment grants for employers in the National Cyber Arena in Be'er-Sheva:** for corporations, including partnerships, that employ (or are considering employing) staff in field of cybersecurity at National Cyber Arena in Be'er Sheva. Qualifying companies receive grant of 20% of employees' salaries for first three years (under certain conditions), with the percentage decreasing over following four years.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (Start-Up Division)	Cash grants	**Start-Up Fund Program - Program No. 7** In 2024, the Israel Innovation Authority launched a new program called the Start-Up Fund, replacing the previous R&D Fund. This initiative aims to support early-stage companies, providing them with the necessary resources to grow and succeed in the competitive market. The program includes three main tracks - Pre-Seed, Seed, and Round A, each designed to cater to different stages of astartup's development. The Start-Up Fund program is open to both new startups and growing companies, ensuring a broad range of innovative ventures can benefit from the support provided. By offering tailored assistance at various stages of development, the Israel Innovation Authority aims to foster a thriving startup ecosystem in Israel. **Tnufa Program:** The Ideation (Tnufa) Incentive Program is a pre-seed fund that supports private entrepreneurs and nascent startups aiming to bring novel technological ideas to proof of concept and business feasibility. The program provides a conditional grant of up to 80% of the approved budget, with a maximum grant of NIS200,000 for a period of up to 12 months. This support is contingent on the evaluation of the project's technological and commercial potential, including the creation of an initial prototype, intellectual property protection, and drafting of a business plan and initial business development. The grant does not require entrepreneurs to leave their current jobs or give up project rights. It bears royalties contingent on product commercialization, offering a supportive funding model without future profit participation. Additionally, the program's endorsement can help in securing further funding. **Visas for Foreign High-Tech Experts:** This program, launched in 2018 by the Innovation Authority and the State Population and Immigration Authority, aims to address the shortage of skilled high-tech personnel in Israel by simplifying the process for high-tech companies to bring in foreign experts. It offers a work visa for up to one year, extendable annually for up to five years, along with a work visa for the expert's spouse. The expedited processing time is six to 10 business days. To qualify, the foreign expert must be from a visa-exempt country, earn at least double the average wage in Israel, and be employed by an authorized high-tech company.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			Pre-Seed Program: The Pre-Seed Incentive Program supports Israeli startups in high-risk, R&D-intensive fields by expanding available funding sources. The Innovation Authority participates in Pre-Seed investment rounds, providing grants up to 60% of the investment (capped at NIS1.5 million) to reduce investor risk and encourage investments. Eligible startups are early-stage, R&D-focused, and have raised no more than NIS1.5 million since incorporation, with annual revenues under NIS300,000. The program offers non-dilutive funding, risk-sharing without future profit dependencies, and a quality endorsement from the Innovation Authority to attract private investments. **Venture Incubators Funding Program:** The Venture Incubators Funding Program supports the creation and early-stage capital investment in technological startups. It aims to boost entrepreneurship and the establishment of new startups developing groundbreaking technologies. The selected incubators, chosen through a competitive process for a five-year concession period, will provide financial, technological, and operational support to startups helping them achieve proof of concept and market access. Israeli and foreign entities, such as venture capital firms and multinational companies, can participate. The Israel Innovation Authority provides up to NIS40 million in grants over five years, covering a significant portion of management fees and capital expenses. This program reduces financial risk, positions participants as leading investors, and expands their technological portfolios. The incubators must be lawfully incorporated entities in Israel with at least NIS120 million in financial resources for the concession period.This program will be valid until September 2024. **Technological Innovation Incubators Program:** The Technological Innovation Incubators Program supports entrepreneurs and new Israeli startups in the early stages of R&D by providing a framework through technological incubators. These incubators, selected through a competitive process for an eight-year franchise period, offer investment and support to help transform innovative ideas into commercial products. The program provides grants of up to 85% of the approved budget (capped at NIS3.5 million) for up to two years, with possible additional funding for a third year. It includes investment financing from the incubator to cover up to 100% of the budget, comprehensive assistance with infrastructure, administrative services, and expert guidance. For projects in the Bio-Convergence program, grants can be between NIS2.5 million and NIS3.5 million. Entrepreneurs benefit from low-risk, experienced partners, and comprehensive support, allowing them to focus on development while the incubator handles administrative tasks and fosters follow-on investments. Startups will receive support and funding through Program No. 7 (as described above).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			Innovation Labs Program: This program supports entrepreneurs in the preliminary stages of their projects by providing access to specialized technological infrastructures and expertise through innovation labs operated by leading corporations. The labs facilitate collaborations and offer essential resources to help prove the feasibility of technological ideas and advance them into commercial products. For commercial companies, the program funds up to 33% of the costs for establishing the technological infrastructure (50% in peripheral areas), up to a maximum of NIS4 million, and 50% of ongoing operating expenses each year, up to NIS500,000. Early-stage entrepreneurs and startups can receive grants of up to 85% of the approved budget, with a cap of NIS1 million for one year, alongside comprehensive support from the lab, including technological infrastructure, pilot testing, and marketing assistance. No financial investment is required from the entrepreneur. **Support for Agricultural R&D and Pilot Programs:** This incentive program, which is operated jointly by the Innovation Authority and the Ministry of Agriculture, aims to encourage the development of agricultural products intended for sale and export. The incentive program is intended for Israeli companies in the various agricultural fields such as species cultivation, seeds, animal breeding and others. Participating companies will receive financial support of 30% or 50% of the approved R&D and pilot's expenditures for development of agricultural equipment or innovative commercial agricultural technology, with a maximum grant of ILS10 million for a year approved. Companies active in designated development regions will be eligible for an additional grant of 10%. **Generic R&D Arrangement for Large Companies:** This program is designed to encourage and support the long-term R&D plans of large Israeli companies that invest in the development of infrastructural knowledge that can be implemented in a series of products over a long period of time. Qualifying companies receive a grant of 20%-50% of the approved R&D expenditures for long-term R&D plans. In addition, the R&D plans under the arrangement are exempt from royalties.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			Incentive Programs for Innovation with Government Entities: Collaboration between the Innovation Authority and the various government ministries enables the government to focus on selected fields, including funding support for high-risk initiatives, supplementary support of regulatory entities with the regulatory requirements for pilot tests, access to government-owned trial sites and facilities, significant impact on the growth of Israeli companies, and the creation of market influence from technological application in further levels of the local innovation ecosystem. The incentive programs enable Israeli technology companies to receive support in their R&D programs or trial programs (pilot) in selected fields such as: digital health, conjunction, transportation, environmental protection, space technologies, cyber, agricultural, and energy efficiency and reduction of greenhouse gas emissions. **CIP Program:** The Changzhou China-Israel Innovation Park (CIP) offers a platform for Israeli companies to enter the Chinese market. This government-backed initiative provides an opportunity for companies to establish a base in the Changzhou West Taihu Lake Science & Technology Park, Jiangsu Province, China. It includes access to unique grants, financial incentives, discounted office and facility spaces, intellectual property protection, local talent recruitment support, equipment subsidies, and assistance with permits and licenses. The program is designed to help Israeli companies overcome barriers and successfully integrate into the Chinese market. **Pilot and R&D Collaboration with Multinational Corporations Program:** This program supports Israeli companies collaborating internationally on Pilots and R&D projects aimed at commercializing new technologies or conducting pilot tests. It provides financial incentives to reduce the risk of funding and helps in finding overseas technological partners. The goal is to foster international collaborations, giving Israeli companies access to global expertise, technologies, and markets, thereby enhancing their competitiveness and scaling their products. Companies receive grants covering 20%-50% of the approved budget, with additional support available if the project is in a development area or involves foreign partner contributions. This program aids in advancing product readiness and market entry while offering attractive funding conditions without relying on future profits or IP transfers.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			Binational funds: This program offers investment to Israeli companies working or seeking to collaborate with foreign companies in the United States, India, Singapore, and South Korea on R&D projects for new technologies or significant upgrades to existing technologies. It provides financial incentives through international funds to mitigate project risks and offers assistance in finding technological partners. The program aims to foster international collaborations, providing access to strategic partnerships and real-world conditions abroad to enhance product development and market entry. It is targeted at technology companies across various industries that wish to develop or upgrade technologies with international partners, with occasional calls for specific technological focus areas. **Pre-Product Innovative Technology in the Industry program:** The Pre-Product Innovative Technology in the Industry program aims to advance the feasibility of cutting-edge applied research in large corporations. It targets industrial corporations with significant R&D investments, either through having over 200 R&D employees or a substantial annual R&D budget, and meeting specific financial thresholds. Successful applicants receive a grant covering 55% of the approved R&D budget, up to NIS15 million annually, with a total program duration of up to 36 months. The grant application can be for periods of 12, 18, or 24 months. This program helps mitigate risks in disruptive R&D. The company must be legally incorporated in Israel and adhere to specific financial and operational conditions. **Promoting Applied Research in Academia Program:** The Promoting Applied Research in Academia program aims to bridge the gap between academic research and industry by supporting innovative research projects that are poised for commercialization. It is designed for Israeli research institutions — universities, colleges, and medical centers — working on applied research with significant industrial potential. The program provides financial support of up to 75% or 85% of the approved budget for research institutions not partnered with a corporation, and up to 80% or 90% for those with corporate partners. Maximum grants are NIS440,000 annually for single institutions or NIS660,000 for collaborations, and up to NIS550,000 or NIS700,000, respectively, with corporate involvement. Corporations contribute 10% of the project cost, offer professional guidance, and have the first right to negotiate commercialization. Grants are provided for up to two years, with a possible extension at a reduced rate, and recipients are exempt from royalty repayments.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			MAGNET Consortiums Program: The MAGNET Consortiums program provides grants for collaborative R&D efforts involving industrial companies and research institutions working together on cutting-edge technologies. The program supports three types of consortiums: (1) Industrial Consortiums, which focus on developing technologies with significant economic impact and offer Israeli companies up to 66% of the approved budget, and research institutions 100% of the budget (80% grant, 20% from companies); (2) Knowledge-Building Consortiums, which advance applied academic studies in emerging fields and provide research institutions 100% of the budget (80% grant, 20% from companies) and Israeli companies initial exposure to new technologies; and (3) Ma'agadon Consortiums, which support focused technological development with up to 55% funding for companies and 100% for research institutions (80% grant, 20% from companies). The program, running for three years, aims to bridge the gap between academic research and industry needs, promoting technologies with global market potential. **MEIMAD – Leveraging R&D for Dual Use Technologies Program:** The MEIMAD program is a joint initiative by the Innovation Authority, Ministry of Finance, and the Ministry of Defense, aimed at supporting the development of innovative dual-use technologies for both defense and commercial applications. It targets Israeli small and medium companies (up to USD100 million in annual sales) and research institutions involved in technology transfer or new product development. The program offers grants ranging from 50% to 90% of the approved R&D budget, depending on the activity type. By participating, companies can leverage military advancements for civilian use and vice versa, enhancing their technological capabilities and market potential. **Knowledge Commercialization Program:** The Knowledge Commercialization program supports the development of innovative products by facilitating the transfer and commercialization of research knowledge from institutes to industrial corporations. It has three sub-programs: (1) MAGNETON, which focuses on validating and adapting technologies from research institutes for industrial use; (2) Knowledge Import, which supports the transfer and adaptation of research findings from foreign institutes; and (3) Continued MAGNET, which funds ongoing R&D activities from successful MAGNET Consortium projects. The program aims to bridge the gap between research and industry by fostering collaborations that enhance technological feasibility and advance new product development. Eligible entities include Israeli industrial companies seeking to incorporate research technologies and academic research groups aiming to conduct applied research in partnership with industry. The program offers grants of up to 66% of the approved budget, up to NIS3.4 million, with exemptions from royalty repayments, thereby supporting both technological innovation and commercialization efforts.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Mexico	R&D Tax Credit	■ Tax credits	■ The 2018 Mexican Income Law provides a stimulus in the form of 30% tax credit for expenses and investments made for research and technological development, creditable against CIT. The credit will be calculated as the difference between R&D investments of current year with average of R&D investments of past three years. Maximum amount granted per taxpayer is MXN50 million.
	R&D, innovation and technology collaboration grants (Advanced Manufacturing Division)	■ Cash grants	■ **Encouraging Support in Traditional Industries:** For companies in traditional industries (such as plastic, rubber, metal, glass, ceramics, hardware, textile, wood, leather, paper, metalwork and food) that have relatively low investment in R&D and want to conduct innovative R&D. Eligible companies receive grant of up to 50% of approved budget.
Peru	Tax incentive to private investment in R&D&I projects	■ Tax additional deductions	■ Taxpayers who invest in R&D&I projects may deduct the investment incurred for these projects for income tax purposes. The deduction is equivalent to the amount of the expense increased by a percentage, which depends on the amount of the net income that a taxpayer generates in the year in which the expense is performed and the way in which the project will be carried out, according to the following: ■ Taxpayers whose net income does not exceed 2,300 TU:[1] ■ 240% if the project is carried out directly by the taxpayer or through scientific research, technological development or technological innovation centers domiciled in the country. ■ 190% if the project is carried out through scientific research, technological development or technological innovation centers not domiciled in the country. ■ Taxpayers whose net income exceeds 2,300 TU: ■ 190% if the project is carried out directly by the taxpayer or through scientific research, technological development or technological innovation centers domiciled in the country. ■ 160% if the project is carried out through scientific research, technological development or technological innovation centers not domiciled in the country.

[1] In 2024, 1 Tax Unit = PEN5,150 (approx. USD1,355). So, 2,300 UT = approx. USD3m.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes	Yes	Yes
■ Future investments	NA	Yes	No	No
■ Current investments	The tax deduction will be applied in the year in which the expenses accrue, since the qualification of the project by CONCYTEC, unless they are part of the cost of a project involving the recognition of an intangible asset or a fixed asset.	No	No	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
United States	Research credit	■ Tax credits	■ **Regular credit:** Generally, equal to 20% of a business's qualified research expenditures (QREs) over a base amount determined by the business's history, with certain limitations. ■ **Alternative Simplified Credit (ASC):** Generally, equal to 14% of a business's increase in QREs in current year, over 50% of average QREs for the prior three years. ■ **Orphan drug credit (ODC):** 25% of qualified clinical testing expenses (QCTEs) incurred for the tax year; 50% of QCTEs incurred for amounts paid or incurred prior to 1 January 2018. ■ **Payroll tax credit:** Certain qualified small business startups can apply the research credit against their payroll tax liability (up to USD250,000 per year for tax years beginning before 1 January 2023 and up to USD500,000 for tax years beginning on or after 1 January 2023).
	Tax deduction	■ Tax deduction	■ Tax deduction permitted for 100% of eligible R&D expenses for federal and state tax purposes for tax years beginning before 1 January 2022. For tax years beginning after 31 December 2021, eligible R&D expenses are required to be capitalized and amortized ratably over five years for research conducted within the US and over 15 years for research conducted outside of the US. ■ Special five-year cost recovery for R&D assets under IRC Section 168(e)(3)(B)(v).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Retroactive investments ■ Current investments	■ Unused research credits may be carried back for one year and carried forward for 20 years.	No	No	No
■ Retroactive investments ■ Current investments	NA	No	No	No

R&D incentives summary matrix

Asia-Pacific

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Australia	R&D Tax Incentive	■ Tax credits	Companies with turnover of less than AUD20 million can access a refundable R&D tax offset equal to the company corporate tax rate (generally 25% for these entities) plus an 18.5% premium ■ Companies with turnover of above AUD20 million can access a nonrefundable tax offset equal to the company corporate tax rate plus an incremental premium based on the company's R&D intensity. For companies with turnover of above AUD20 million, all R&D expenditure up to 2% R&D Intensity will receive a nonrefundable R&D tax offset equal to the company's corporate tax rate plus 8.5% premium. Additional R&D expenditure above 2% R&D Intensity will receive a nonrefundable R&D tax offset of the company's corporate tax rate plus a 16.5% premium.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ Unused tax credits may be carried forward indefinitely. ■ R&D entities eligible for the refundable tax offsets that are in sufficient tax losses can cash out their refundable tax offset.	■ Eligibility of work performed outside country requires preapproval through Overseas Finding Application; however, this is only available to Australian-owned R&D activities, not foreign-owned R&D activities, and certain eligibility criteria must be met.	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
China Mainland	Incentives for Technologically Advanced Service Company (TASC) status	■ Reduced tax rates	■ Reduced CIT rate of 15%. ■ Zero value-added tax (VAT) rate treatment on qualified offshore outsourcing service income.
	Incentives for High- and New Technology Enterprises (HNTE) status	■ Reduced tax rates ■ Tax holiday ■ Accelerated depreciation	■ Reduced CIT rate of 15%. ■ For qualified HNTE newly established in one of the five Special Economic Zones or Shanghai Pudong New Area on or after 1 January 2008, enterprise could be entitled to tax holiday of "two years' exemption and three years' half deduction" from first year in which it derives production or operating income. ■ For an enterprise whose HNTE qualification is effective in 2022 Q4, the full amount of fixed assets other than houses and buildings newly purchased during the period from 1 October 2022 to 31 December 2022 is allowed to be deducted from the taxable income amount on a one-off basis in the current year and allowed to conduct a 100% super deduction before tax. ■ Tax losses may be carried forward by an HNTE up to 10 years (compared with statutory five years). ■ From 1 January 2023 to 31 December 2027, advanced manufacturing enterprises, which refer to high-tech enterprises (including their non-corporate branches) that are general taxpayers in the manufacturing industry, are allowed to deduct weighted 5% of the current deductible input tax amount from the VAT payable.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes	Yes	Yes
■ Current investments	NA	Yes	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D expenses super deduction	■ Super deduction	■ From 1 January 2018 to 31 December 2023, resident enterprises are allowed to deduct 175% of qualified R&D expenses for CIT purposes, among which the super deduction of R&D expenses for manufacturing enterprises shall be further raised from 175% to 200% (with retroactive effect from 1 January 2021). Eligible enterprises may choose to claim the super deduction of R&D expenses incurred in the first half of a year under the provisional CIT filing for the third quarter or the month of September (to be completed in October). If an eligible enterprise failed to claim the super deduction in the provisional CIT filing to be completed in October, the super deduction can be claimed in the annual CIT filing to be filed by the end of May of the following year. The super deduction rate for qualified R&D expenses incurred from 1 October 2022 to 31 December 2022 increased from 175% to 200% for eligible enterprises other than manufacturing enterprises and high-tech small and micro enterprises. ■ The R&D expenses actually incurred by an enterprise in carrying out R&D activities, which are not formed into intangible assets to be recognized as current profit and loss, will be deducted on the basis of actual deduction in accordance with the regulations, and then deducted in accordance with 100% of the actual amount incurred before tax from January 1, 2023; and if they are formed into intangible assets, pre-tax amortization based on 200% of the costs of the intangible assets are allowed as from 1 January 2023. ■ If an enterprise can accurately collect and account its research and development expenses when it files its corporate income tax returns in July for the second quarter (quarterly prepayment) or June (monthly prepayment), it may consider its actual production and operation conditions and independently opt to enjoy the weighted deduction policy for research and development expenses for the first half year of the current year. ■ The R&D expenses actually incurred by integrated circuit enterprises and industrial master machine enterprises in carrying out R&D activities, which are not formed into intangible assets to be recognized as current profit and loss, shall be deducted before tax in accordance with 120% of the actual amount incurred during the period from 1 January 2023 to 31 December 2027 on the basis of actual deduction in accordance with the regulations; and those formed into intangible assets shall be amortized before tax in accordance with 220% of the cost of the intangible assets in the aforesaid period.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Retroactive investments	NA	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Incentives for qualified technology transfer income	■ Tax exemption and reduction	■ CIT can be exempted and reduced for qualified technology transfer income. ■ If resident enterprise's income from its technology transfer does not exceed RMB5 million (about USD806,452), CIT may be exempted. ■ For the part of the enterprise's income exceeding RMB5 million, the enterprise income tax shall be half-exempted.
Hong Kong	Enhanced R&D deduction	■ Super deduction	■ 300% deduction for the first HKUSD2 million, and the remainder deductible at 200% without limitation for qualifying R&D expenditure on a qualifying R&D activity.
Indonesia	Tax allowance	■ Accelerated depreciation and amortization ■ Reduced tax rates ■ Investment allowance	■ Accelerated depreciation and amortization. ■ Reduced tax rate of 10% for dividend paid to nonresidents (or applicable tax treaty rate). ■ Investment allowance in the form of a reduction of net income. ■ Extended time period in relation to carrying forward of tax losses.
	Super deduction	■ A reduction in gross revenue	■ A reduction in gross revenue of a maximum of 300% of the total expenses incurred for certain R&D activities in Indonesia. ■ A reduction in gross revenue of a maximum of 350% of the total expenses incurred for certain R&D activities that are carried out in IKN.
Japan	R&D tax credit	■ Tax credit	**Base credit:** ■ The credit for general R&D expenses is equal to general R&D expenses multiplied by 6% to 14% (R&D credit ratio) for the first two financial years (2021 tax reform has changed this range to 2% to 14%) and 6% to 10% for following years (for large corporations) or general R&D expenses multiplied by 12% to 17% for the first two financial years and 12% for future years (for SMEs). ■ Tax credit for general R&D expenses also includes a component that equals excess R&D expenses over 10% of the average annual sales amount of the current fiscal year and the past three fiscal years multiplied by a certain percentage. ■ The credit for special open innovation R&D expenses is equal to special R&D expenses multiplied by 30% (for expenses incurred in joint research with special R&D institutions or universities) or 20% (for expenses incurred in joint research with private corporations). The 2021 tax reform has added external companies of R&D institutions, etc., to the scope of counterparties with a 25% tax credit on such R&D expenses.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes	Yes	Yes
■ Current investments for qualifying R&D ■ expenditure incurred on or after 1 April 2018	■ Unused losses may be carried forward indefinitely, subject to certain anti-avoidance provisions	No	Yes	No
■ Future investments	■ Normally, tax loss may be carried forward for five years. Taxpayers granted tax allowance incentive may be entitled to carry forward and claim tax losses for two additional years if they conduct qualifying R&D activities on product development or manufacturing efficiency.	Yes	Yes	Yes
■ For certain R&D activities conducted in Indonesia ■ For certain R&D activities conducted in IKN	NA	Yes	Yes	Yes
■ Current investments	■ Carryforward/carryback of excess credit is not permitted.	No	The Japanese taxpayer has to show the R&D tax credit calculation in its annual tax return.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Malaysia	Pioneer status	■ Tax holiday	■ 100% income tax exemption for five to 10 years on eligible income.
	Investment tax allowance (ITA)	■ Tax allowance	■ 50% or 100% tax allowance on qualifying capital expenditure incurred within 10 years.
	Special incentive scheme	■ Tax exemption ■ Tax allowance ■ Cash grants	**Prepackaged incentive scheme that offers two types of incentives:** ■ **Income tax exemption:** up to 100% of income tax exemption for specific period. ■ **Investment tax allowance:** up to 100% tax allowance on qualifying capital expenditures incurred for specific period.
	Incentives for researchers to commercialize research findings	■ Tax exemption	■ 50% tax exemption for five years on the income received from the commercialization of research findings.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	■ ▸ Unabsorbed Pioneer loss after the end of the Pioneer Period is allowed to be carried forward up to a maximum of seven years of assessment.	Yes	In recent incentive approval letters, a clause has been added to stipulate that a report of incentive conditions compliance is required.	Yes
■ Future investments	Unused ITA can be carried forward indefinitely.	Yes	In recent incentive approval letters, a clause has been added to stipulate that a report of incentive conditions compliance is required.	Yes (To obtain ITA commencement date)
■ Future investments	■ Unabsorbed Pioneer loss after the end of the Pioneer Period is allowed to be carried forward up to a maximum of seven years of assessment. ■ Unused ITA can be carried forward indefinitely.	Yes	No statutory annual compliance required. However, in recent incentive approval letters, a clause has been added to stipulate that a report of incentive conditions compliance is required.	Yes
■ Future investments	NA	Yes	The approval letter may contain a clause that requires a report of conditions compliance.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Incentives for companies to commercialize public sector R&D	■ Tax exemption	■ A subsidiary company that undertakes the commercialization of public resource-based R&D findings by an approved public research institute or public institute of higher learning in Malaysia is eligible for Pioneer status, with an income tax exemption of 100% of statutory income for 10 years. ■ A subsidiary company that undertakes the commercialization of non-resource-based R&D findings by an approved public research institute or a public or private institute of higher learning in Malaysia is eligible for an income tax exemption of 100% of statutory income for 10 consecutive years of assessment.
	Incentives for investments in companies undertaking commercialization of R&D	■ Tax deduction	■ A company that invests in its subsidiary company for the sole purpose of financing a project on the commercialization of public resource-based R&D findings by approved institutes in Malaysia (i.e., a public research institute or public institute of higher learning) is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company. ■ A company that invests in its subsidiary company for the sole purpose of financing a project on the commercialization of non-resource-based R&D findings by an approved public research institute or a public or private institute of higher learning in Malaysia is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company.
	Double deductions	■ Super deduction	■ 200% deduction for qualifying R&D revenue expenditures for eligible R&D activities excluding capital expenditure.
	Industrial Building Allowance for buildings used for R&D activities	■ Tax allowance	■ The Industrial Building Allowance (IBA) is an allowance to set off against a company's adjusted income before arriving at statutory income for income tax purposes. The allowance rates for IBA are as follows: ■ Initial allowance: 10% ■ Annual allowance: 3%
	Financial assistance	■ Financial support	■ Financial assistance is available from the Malaysian Technology Development Corporation Sdn Bhd (MTDC), Malaysia Digital Economy Corporation Sdn Bhd (MDEC), Cradle Fund Sdn Bhd, Malaysia Venture Capital Management Berhad, Malaysia Debt Ventures Berhad and SME Bank. The amount of funding approved will be determined based on the merits of each application, and the value potential varies depending on the fund approved.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	The approval letter may contain a clause that requires a report of conditions compliance.	No
■ Future investments	NA	Yes	The approval letter may contain a clause that requires a report of conditions compliance.	No
■ Current investments	NA	Yes	Yes	No
■ Future investment	Unused IBA can be carried forward indefinitely.	No	IBA, if available, will be included in the company's tax returns. Record-keeping is important to substantiate the IBA claim.	No
■ Future investments	NA	Yes	No statutory annual compliance required. However, the approval letters may contain a clause that requires a report of conditions compliance.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D grants	■ Cash grants	■ Reimbursable dollar-for-dollar grant on qualifying R&D expenditure.
New Zealand	R&D tax incentive	■ Refundable tax credit	■ Eligible businesses with R&D expenditure can claim a tax credit of 15%. ■ The credit is refundable to most businesses with tax losses. ■ R&D funding is capped at NZD120 million of R&D expenditure per year. A mechanism to go beyond the cap is available.
	R&D loss tax offset	■ Refundable tax credit	■ Eligible loss-making companies with high R&D intensity can refund up to 28% of R&D-related tax losses.
	Grants	■ Cash grant	■ Student grant: funds university students to gain experience in a business R&D setting ■ Project grant: typically up to 40% of eligible R&D project ■ Industry grants: up to 50% of project expenditure
Philippines	R&D expense deductibility	■ Tax deduction	■ In general, R&D expenditures paid or incurred during the taxable year in connection with a taxpayer's trade, business or profession may be treated as ordinary and necessary expenses, which are not chargeable to a capital account, or treated as deferred expenses ratably distributed over a period of no less than 60 months (beginning with the month in which the taxpayer first realizes benefits from such expenditures) at the election of the taxpayer. ■ R&D expenditures may be treated as deferred expenses if three conditions are met (they are paid or incurred in connection with the taxpayer's trade, business or profession; they are not treated as ordinary and necessary expenses; they are chargeable to the capital account but not chargeable to the property of a character that is subject to depreciation or depletion). ■ No deduction from gross income shall be allowed unless the taxpayer complies with the substantiation requirements provided for by law.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No statutory annual compliance required. However, the approval letters may contain a clause that requires a report of conditions compliance.	No
■ Current investments	■ Unused credits may be carried forward indefinitely, subject to satisfaction of the shareholding test.	No	Yes	General approval – No Significant R&D performer – Yes
■ Current investments	NA	No	Yes	No
■ Future investments	NA	Yes	Yes	Yes
■ Current investments	Generally, net operating loss incurred for the year may be carried over for the next three consecutive taxable years following the year of the loss.	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Income tax holiday (ITH)	■ Tax holiday for R&D enterprises	■ Enterprises engaged in R&D activities and registered with any IPA (e.g., Philippine Economic Zone Authority, Board of Investments, Subic Bay Metropolitan Authority) or the Fiscal Incentives and Review Board (FIRB) during the effective period of the CREATE Act may be entitled to a four- to seven-year ITH depending on the location and the industry tiering of the project or activity as will be specified in the Strategic Investment Priority Plan (SIPP). ■ Subject to required registration and timely submission of applicable documentary requirements provided for by law. ■ ITH may be claimed only on income derived from a registered activity of the registered business enterprise (RBE). Income derived from non-registered activities shall be subject to the 20%/25% regular CIT.
	Reduced tax rate	■ 5% Special Corporate Income Tax (SCIT) rate based on gross income (after deducting specific direct costs), in lieu of all national and local taxes and local fees and charges	■ May be availed of by R&D registered export enterprises (REE), at their option in lieu of the Enhanced Deductions Regime. This may be availed of after the ITH period or immediately at the start of commercial operations (SCO), at the option of the REE. ■ Reduced rate of 5%, based on gross income earned, from the regular rate of 20%/25%. The allowable deductions, for purposes of computing the gross income are specifically listed in the implementing rules and regulations. ■ For projects/activities approved by IPAs (with investment capital not exceeding PHP15 billion), 10 years of 5% SCIT (after the four to seven years of ITH) or 14 to 17 years of 5% SCIT if availed of directly at the start of SCO. ■ For projects/activities approved by FIRB (with investment capital exceeding PHP15 billion), 20 years of 5% SCIT (after the four to seven years of ITH) or 24 to 27 years of 5% SCIT if availed of directly at the start of SCO. ■ 5% SCIT may be claimed only on income derived from registered activity of the RBE. Income derived from non-registered activities shall be subject to the 20%/25% regular CIT.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes	Yes. enterprise must comply with the conditions set forth in its Registration Agreement with the IPA.	Yes
■ Current investments	NA	Yes	Yes. enterprise must comply with the conditions set forth in its Registration Agreement with the IPA.	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Enhanced Deductions (ED)	■ 20% Enhanced Deduction Regime (EDR) on taxable income after enhanced deductions of certain expenses	■ Enterprises entitled to the Enhanced Deductions may be allowed to claim additional deductions of 50%–100% on certain expenses (i.e., additional allowable deductions on depreciation allowance, labor expenses, research and development, training expenses, domestic input expense, power expense, reinvestment allowance for manufacturing and tourism industries, expenses relating to exhibitions, trade missions, or trade fairs, and enhanced net operating loss carry over) in addition to the allowable deductions under Section 34 of the Philippine Tax Code. ■ May be availed of by both registered export enterprises (REE) and domestic market enterprises (DME). This may be availed of after the ITH period or immediately at the start of commercial operations (SCO), at the option of the REE or the DME. ■ For projects/activities approved by IPAs (with investment capital not exceeding PHP15 billion), 10 years of EDR (after the four to seven years of ITH) or 14 to 17 years of EDR if availed of directly at the start of SCO. ■ For projects/activities approved by FIRB (with investment capital exceeding PHP15 billion), 20 years of EDR (after the four to seven years of ITH) or 24 to 27 years of EDR if availed of directly at the start of SCO. ■ ED may be claimed only on income derived from registered activity of the RBE.
	Other Provision	■ Maximum 2% RBE local tax	■ During the ITH and EDR period of the registered business enterprise, the local government unit may, through ordinance, impose an RBE local tax at the rate of not more than 2% of an RBE's gross income. ■ This is in lieu of all local taxes and local fees and charges imposed by the local government under the Local Government Code (LGC).
	Exemption from donor's tax	■ Tax exemptions for donations to accredited research institutions	■ Gifts in favor of an accredited research institution or organization shall be exempt from donor's tax provided that no more than 30% of the gift shall be used for administration purposes. ■ Donations to accredited NGOs organized and operated exclusively for scientific, research and educational purposes shall be 100% deductible from taxable business income of the donor subject to the donee's compliance with the level of administrative expense and use requirements. ■ Claim for deduction is subject to timely submission of applicable documentary requirements provided for by law.
Singapore	Enhanced R&D deduction	■ Super deduction	■ Provides for 250% enhanced deduction on qualifying R&D expenditure incurred on qualifying R&D projects in Singapore for YAs 2019 to 2025.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes	Yes. enterprise must comply with the conditions set forth in its Registration Agreement with the IPA.	Yes
■ Current investments	NA	Yes	Yes	Yes
■ Current investments	NA	No	No	Yes
■ Current investments	■ Unutilized losses may be carried forward indefinitely, subject to satisfaction of the shareholding test.	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Accelerated R&D capital allowance	■ Accelerated depreciation	■ Provides an accelerated capital allowance (which can be written off over one year or three years) on capital expenditure incurred on qualifying machinery or plant for any R&D undertaken in Singapore, up to YA 2025.
	Research Incentive Scheme for Companies (RISC)/Enterprise Development Grant/Financial Services Technology Innovation (FSTI)	■ Cash grants	■ Support is typically 30% or 50% of total qualifying cost, such as manpower- related costs, equipment and materials, professional services and IP rights. ■ Grants have been provided selectively to large projects in certain strategic technology areas identified by the Singapore government. However, projects awarded the cash grant are not announced nor made public.
	Intellectual Property Development Incentive (IDI)	■ Patent-related incentives	■ An approved IDI company is eligible for a reduced corporate tax rate of either 5% or 10% on a percentage of qualifying IP income derived by it during the qualifying incentive period.
	Refundable Investment Credit	■ Refundable tax credit	■ Up to 50% of each category of qualifying expenditure. These credits are intended to be offset against the CIT payable. If any credits remain unused, they will be refunded to the company in cash within four years, provided the company meets the necessary conditions for receiving the credits.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ Unutilized capital allowances may be carried forward indefinitely, subject to satisfaction of the share-holding test and no change in the company's principal activities.	No	Yes	No
■ Future investments	NA	Yes	Yes	Yes
■ Future investments	NA	Yes	Yes	Yes
■ Future investments	■ Carry forward for three years	Yes	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
South Korea	Tax credit for R&D expenditures	■ Tax credits	**Tax credit for R&D expenditures in national strategic technologies (which applies to R&D expenditures incurred from 1 July 2021 to 31 December 2027):** ■ 30% of R&D expenditures; 35% for companies that no longer qualify to be an SME for three fiscal years from the year when the event took place; 40% of R&D expenditures SMEs ■ Three times the share of R&D expenditure to total sales amount, which is capped at 10% **Tax credit for R&D expenditures in new growth engine sectors or to secure source (original) technologies (which applies to R&D expenditures incurred until 31 December 2027):** ■ 20% (25% for companies that no longer qualify to be an SME for three fiscal years from the year when the event took place; 30% of R&D expenditures for SMEs ■ Three times the share of R&D expenditure to total sales amount, which is capped at 10% of R&D expenditures **Ordinary credit for R&D expenditures:** ■ **Large corporations:** tax credit equals the greater of (i) 25% of current year R&D expenditures exceeding the prior year R&D expenditures, or (ii) 50% of the share of R&D expenditures out of total revenue, which is capped at 2% of R&D expenditures. ■ **MMEs:** tax credit equals the greater of (i) 40% of current year R&D expenses exceeding the prior year R&D expenditures, or (ii) 8% of current year R&D expenditures. ■ **SMEs:** tax credit equals the greater of (i) 50% of current year R&D expenses exceeding the prior year R&D expenditures, or (ii) 25% of current year R&D expenditures. In cases where SMEs do not qualify as an SME in the concerned fiscal year for the first time, a tax credit of 20% applies for the tax years ending within three years from the date of the tax year in which the SME does not qualify for the first time; a tax credit of 15% then applies for the tax years ending within two years from the end of the aforementioned period.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	Unused tax credits for R&D expenditures can be carried forward for up to 10 years.	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Tax credit for investment in R&D facilities and assets	■ Tax credits	■ Tax credit (10% for SMEs, 7.5% for those that no longer qualify to be an SME for three fiscal years from the year the event took place, 5% for MMEs and 1% for large corporations) of investment amounts in new qualifying tangible assets and R&D facilities. ■ The tax credit ratio will be increased to 12% for SMEs, 9% for those that no longer qualify to be an SME for three fiscal years from the year the event took place, 6% for MMEs and 3% for large corporations for the listed investment of facilities in new growth sectors or to secure source (original) technologies, For the listed investment of facilities in national strategic technologies, 25% applies for SMEs, 20% for companies that no longer qualify to be an SME for three fiscal years from the year the event took place, and 15% for large corporations. If the amount invested in the relevant tax year exceeds the average annual investment or acquisition amount for the preceding three years, an additional deduction will be granted for the amount equivalent to 10% of the excess amount (limited to twice the basic additional tax credit).
Thailand	R&D additional deduction incentive	■ Additional deduction	■ Thai corporate entities may take additional 100% tax deduction (a double deduction) for R&D expenses paid to authorized government agencies or private R&D service providers.
	Accelerated depreciation	■ Accelerated depreciation on qualifying R&D assets	■ Accelerated depreciation rate of 40% on total acquisition cost of qualifying machinery and related equipment used in R&D project-is allowed on the acquisition date.
	Board of Investment (BOI) tax incentive	■ Tax holiday	■ Exemption of CIT (unlimited amount) for up to eight years, extendable to 13 years if the amount of R&D investment/ expenditure reaches a certain threshold. ■ Exemption of dividend withholding paid out of BOI's net profits during tax holiday period and up to six months after the tax holiday period expires ■ Double deduction on expenses related to transport, electricity and water supply, depending on location. ■ Exemption of import duty on materials imported for use in the R&D process. ■ Import duty exemption or reduction of imported machinery. ■ Exemption of import duty on raw or essential materials used in the manufacturing of export products.
	BOI non-tax incentive	■ Non-tax incentives	■ Unlimited (but reasonable) number of visas and work permits for qualifying expatriates. ■ Eligible to own land for foreign-majority-owned company. ■ No foreign ownership restriction.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ Unused tax credit for investment in R&D facilities can be carried forward for up to 10 years.	No	Yes	No
■ Current investments	■ Losses can be carried forward for five years.	Yes	No	Yes
■ Future investments	■ Losses can be carried forward for five years.	No	No	No
■ Future investments	■ Losses incurred during BOI tax exemption period can be used to offset against net taxable profit for up to five consecutive years after tax exemption period.	Yes	Yes	Yes
■ Future investments	NA	Yes	No	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Vietnam	Incentives for the high-tech sector	■ Reduced tax rates ■ Tax exemptions ■ Tax holiday ■ Investment Support ■ Financial support ■ Preferential land lease fees	■ **CIT:** reduced tax rate of 10% applies for 15 years (up to 30 years if approved by Prime Minister). Companies are also entitled to four years of CIT exemption and nine years of 50% CIT deduction. ■ **Investment support:** The enterprises in the above high-tech sector that meet some regulated conditions, such as disbursement progress, size of capital or turnover, may be entitled to investment support paid from the Investment Support Fund. ■ **VAT:** VAT exemption applies to transfers of technology. ■ **Exemption from import duty on imported goods to create fixed assets used in R&D project:** tax exemption of five years is available on import duty for raw materials, materials and component parts that are not yet able to be domestically produced, for qualifying projects. ■ **Land leasing incentives:** the exemption and reduction rate of the land lease fee depends on the location of the investment project. ■ **Land use tax:** exemption from non- agricultural land use tax. ■ Funding schemes from a national high-tech development program are available for training, R&D or trial production.
	Incentives for science research and technology development	■ Reduced tax rates ■ Tax exemptions ■ Tax holiday ■ Financial support ■ Preferential land lease fees	■ **CIT:** reduced tax rate of 10% applies for 15 years (up to 30 years if approved by Prime Minister). Companies also entitled to four years of CIT exemption and nine years of 50% CIT deduction. Income from contracts for scientific research and technological development shall be eligible for tax exemption during the implementation period of that contract but not to exceed three years from the date on which the revenue is earned. Income products that are the results of new technologies applied in Vietnam for the first time shall be eligible for tax exemption but not to exceed five years from the day on which the revenue derived from sale of such products. Income from experimental products during the experimental production period are eligible for tax exemption. Companies permitted to use profits before tax to establish fund for scientific and technology development within enterprise. ■ **VAT:** reduced 5% VAT rate applicable for qualifying activities and services. Some material and machinery not subject to VAT at import stage. ■ **Import duty:** exemption on imported goods used for scientific research and technology development and used to create fixed asset. ■ **Land incentives:** land lease fee is regulated by local authority where project is located. ■ **Stamp duty:** stamp duty exemption when registering for land use right.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	■ After tax is finalized at year-end, NOLs (if any) must be carried forward totally and continuously for maximum period of five years. ■ Carryback of losses is not permitted.	Yes	Yes	Yes
■ Current investments ■ Future investments	■ After tax is finalized at year-end, NOLs (if any) must be carried forward totally and continuously for maximum period of five years. ■ Carryback of losses is not permitted.	Yes	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits

	Incentives for science and technology enterprises	■ Tax exemptions
		■ Tax holiday
		■ Financial support
		■ Preferential land lease fees
			■ **CIT:** Income derived from the production and business related to products formed from scientific and technology results is entitled to four years of CIT exemption and nine years of 50% CIT deduction counting from the first year of making profit. If a company does not make profit within the first three years, the tax holiday will start from the fourth year counting from the first year of making revenue.
			■ **Import duty:** An exemption could be applicable on import duty on:
			  ■ Imported goods to form fixed assets including machinery and equipment serving the scientific and technology related business activity of the enterprise;
			  ■ Imported goods and those that are not yet able to produced in Vietnam and imported for direct use for scientific research and technology development.
			■ **Land incentives:** The exemption and reduction rate of the land lease fee is in accordance to laws and regulations on land.
			■ **Stamp duty:** A stamp duty exemption applies when registering for a land use right and house ownership.
			■ **Financial support:** The companiesthat apply the scientific and technological achievements, or produce/trade science and technology products, are able to get loans with preferential interests, loan interest subsidy, and guarantee for loans from the National Technology Innovation Fund, National Foundation for Science and Technology Development.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	■ After tax is finalized at year-end, NOLs (if any) must be carried forward totally and continuously for a maximum period of five years. ■ Carryback of losses is not permitted.	Yes	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Incentive for (i) establishment of innovation centers and R&D centers and (ii) ultra-large projects having investment capital of USD1.3b and qualifying as high-tech project at certain level	■ Reduced tax rates ■ Tax exemptions ■ Tax holiday ■ Investment support ■ Financial support ■ Preferential land lease fee ■ Accelerated deprecation on R&D assets ■ Super tax deduction	■ **Special investment incentives:** under the Law on Corporate Income Tax (CIT) as amended by the new Investment Law a set of CIT incentive applies to certain types of R&D centers, specifically: ■ New investment projects (including investment expansion), which establish innovation, research and development centers with investment capital from VND3,000 billion or more, out of which at least VND1,000 billion is disbursed within three years from the date of investment registration certificate or date of decision for investment, will enjoy 7% CIT rate for 33 years, six years of CIT exemption and 12 years of a further CIT reduction of 50%. ■ National innovation centers, which are established under the Prime Minister's Decision, will enjoy 5% CIT rate for 37 years, six years CIT exemption and subsequent 13 years of 50% CIT reduction. ■ **Investment support:** The enterprises with research and development center investment projects that meet some regulated conditions, such as disbursement progress, size of capital or turnover, may be entitled to investment support paid from the Investment Support Fund. ■ **Super tax deduction (pilot policy):** Strategic investors, who invest in innovation centers or R&D centers in Ho Chi Minh City and meet certain regulated criteria, are able to deduct 150% of actual costs of R&D-activities for the related corporate income tax purpose. ■ Other investment incentives have not been clearly regulated.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	■ ▸ After tax is finalized at year-end, NOLs (if any) must be carried forward totally and continuously for a maximum period of five years. ■ ▸ Carryback of losses is not permitted.	Yes	Yes	Yes (for the investment support purpose)

R&D incentives summary matrix

EMEIA

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Austria	R&D premium	■ Tax credit	■ Subsidy of 14% is granted for qualifying R&D expenses incurred by SMEs and large businesses. Companies are eligible for two types of subsidies: in-house research subsidies and subsidies for outsourced (external or subcontracted) research.
	Grants by the Austrian Research Promotion Agency	■ Cash grants ■ Loans ■ Guarantees	■ Provides cash grants, guarantees, loans and advisory services. The amount granted varies, depending on the development phase and type of project, business and subject area.
	Grants by Austria's nine federal states	■ Cash grants ■ Loans ■ Guarantees	■ Provide cash grants. The amount granted varies, depending on the development phase and type of project, business and subject area.
Belgium	Cash grants	■ Cash grants	■ Grants are provided and managed by the different regions. In general, the grants support between 25% and 70% of eligible R&D costs, with an additional funding of 10%–15% for certain partnerships. ■ Grants may be provided in addition to tax incentives, and taxpayers may claim tax incentives and cash grants simultaneously.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Retroactive investments ■ Current Investments ■ Future investments	NA	Yes (for in-house research; preapproval not required for outsourced research)	No	No
■ Future investments	NA	Yes	Depends on kind of subsidy	Depends on kind of subsidy
■ Future investments	NA	Yes	Depends on kind of subsidy	Depends on kind of subsidy
■ Current investments ■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Loans	■ Loans	■ In the Flemish region, Participatiemaatschappij Vlaanderen (PMV) offers risk capital, investments via external funds, guarantees for capital loans, advantageous loans or investments via external funds, guarantees for capital loans or advantageous loans. ■ For loans up to EUR700,000, standardized application procedures are available. ■ For larger amounts, PMV offers tailor-made financing solutions. The life of a loan can range from three to 10 years and can be subordinated or non-subordinated with an interest rate of 3.5% and higher. ■ For companies based in the Limburg province, Limburgse Investeringsmaatschappij (LRM) offers risk capital to SMEs and large companies. Loans range from EUR50,000 to EUR250,000 at an interest rate of 4.5% or at an interest rate that is up to 3.5% when creating five new jobs, extending over seven years (for small businesses with a promising project); from EUR250,000 to EUR600,000 at an interest rate of 6.5%, extending over seven years (subordinated loan without guarantees for SMEs); from EUR50,000 to EUR250,000 at an interest rate of 4.5% over two to eight years (for SMEs that are innovative in terms of internationalization, digitization or sustainability); and from EUR500,000 to EUR2,500,000 at an interest rate that may differ depending on the file over two to eight years (for growth companies with a focus on family business). ■ In the Walloon and Brussels-Capital regions, WE (Wallonie Entreprendre) and finance and invest brussels provide access to financing for all companies active in these regions. In Wallonia, loans are granted to startups and SMEs and cover up to 10% of requested capital with a maximum of EUR1,000,000. Guarantees for capital loans amount up to 75% (with a maximum of EUR75,000 or EUR5,000,000). SMEs and large companies can request or a guarantee (covers 100% of the requested bank loan with a maximum of EUR5,000,000) from WE International.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Technology deduction	■ Tax deduction	■ **Increased one-shot deduction:** amounts to 15.5% for tax year 2025 of acquisition value of the asset (3.875% tax benefit based on CIT rate of 25%). ■ **Spread deduction:** amounts to 22.5% (for tax year 2025) of depreciation amount (5.625% tax benefit based on CIT rate of 25%). **Reform as from 1 January 2025** ■ One-off deduction: 13.5% for patents and for investments in R&D ■ Spread deduction: 20.5% for investments in R&D (including capitalized personnel expenses). ■ A limitation rule applies for investments acquired or established as of 1 January 2025. When wages that benefit from the (partial) wage withholding tax exemption are included in the acquisition value of assets, the (partial) payroll withholding tax exemption is not included in the calculation base of the investment deduction.
	R&D tax credit	■ Tax credit	■ A tax credit equal to the investment deduction multiplied by the standard CIT rate of 25% is available for qualifying expenses and activities. ■ A limitation rule applies to the extent that the R&D tax credit covers capitalized salary expenses, for which the R&D payroll withholding tax exemption has been claimed. The exempted payroll withholding tax will then need to be ■ eliminated from the calculation base of the R&D tax credit. **Reform as from 1 January 2025** ■ For qualifying investments acquired or established as from 1 January 2025, the new rates related to the technology deduction will also apply for the alternative tax credit for patents and investments in R&D.
	Innovation deduction (ID)	■ Tax deduction	■ Provides for deduction of 85% of qualifying net IP income, effectively reducing the related maximum effective corporate tax rate to 3.8%. Extent to which the ID can be applied depends on the nexus ratio (i.e., a BEPS Action 5-compliant formula with a 30% uplift to the qualifying expenditures). ■ As of assessment year 2025, taxpayers benefiting the ID are allowed not to deduct part (or all) of the ID from their taxable basis, but to convert it into a new non-refundable tax credit available for carried forward.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	■ If increased investment deduction exceeds taxable basis, excess balance may be carried forward indefinitely.	No	Form 275U	■ Yes (must obtain a specific, reasoned certificate from the competent authorities, confirming the environmentally-friendly nature of the investment in R&D and patent).
■ Current investments ■ Future investments	Excess tax credit is carried forward, and remaining balance after five years is refunded, which may result in a cash benefit. As of tax year 2025, the repayment period of the R&D tax credit is shortened from five to four years to meet the definition of a "Qualified Refundable Tax Credit.	No	Form 275W	■ Yes (must obtain a specific, reasoned certificate from regional authorities regarding environmental impact)
■ Current investments ■ Future investments	■ Unused ID can be carried forward indefinitely.	No	Form 275INNO and Belspo certificate for copyright protected software. Valid patent.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Foreign tax credit (FTC) for withholding tax on royalties received	■ Tax credit	■ Available for foreign withholding tax on royalties. It is creditable against CIT due.
	Partial exemption of professional withholding tax	■ Income tax withholding incentive	■ An 80% exemption of professional withholding taxes on wages paid to specific personnel with PhD or master's degree in scientific or engineering domain performing R&D activities. ■ An 80% exemption of professional withholding taxes on wages paid to specific personnel with a bachelor's degree in the scientific domain can also be applied.
	Expat tax regime – tax-free allowances for foreign executives and researchers	■ Tax exemption	■ Persons classified as inbound taxpayers and researchers living in Belgium are considered Belgian tax residents and will be taxable in Belgium on their worldwide income. ■ Conditions apply with respect to residency during a period of 60 months prior to the employment and with respect to the remuneration threshold. ■ Tax-free character of reimbursement costs proper to the employer are limited to 30% of the employee's gross remuneration, with a maximum of EUR90,000 per year. Some costs can still be reimbursed tax-free by the employer, without any specific cap.
	IP income – beneficial tax regime	■ Reduced tax rates/ preferable tax rates	■ A taxpayer's income can only be considered movable income if they are holding a "work of art certificate" or if they are assigning their work to a third party to communicate it to the public, to use it for public performance or for reproduction. Several other conditions have been put forth as well.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	Yes	No	No
■ Employment or assignments starting as of 1 January 2022 ■ Available for five years from the first working day in Belgium. Possible three-year extension through the filing of a new request, to be done within three months following the end of the five-year period.	No	Yes	No	No
■ Current investments ■ Future investments	No	No (but obtaining tax ruling is strongly recommended). The transfer of IP rights also needs to be contractually stipulated.	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Cyprus	IP box regime	■ Tax deduction	■ Qualifying taxpayers are eligible to claim a tax deduction equaling up to 80% of qualifying profits resulting from the business use of the qualifying assets based on a nexus ratio. A taxpayer may elect not to claim the deduction or only claim a part of it.
	R&D super deduction	■ Tax deduction	■ An additional increased deduction of 20% of the actual amount of the relevant R&D expenses is available for R&D expenses incurred during the tax years 2022, 2023 and 2024 to taxpayers that do not claim a deemed deduction under the IP box regime.
	Notional interest deduction (NID)	■ Tax deduction	■ NID on new equity capital applies to businesses that generate taxable income (income generated from IP activities should in general qualify). NID is restricted to 80% of the taxable income resulting from the use of the new capital before NID. NID does not apply in the case of tax loss/breakeven position.
	Corporate income tax (CIT) exemptions	■ Tax exemption	■ Gains from the disposal of IP assets are not subject to CIT, provided they are of a capital nature transaction (recommended to be confirmed in a tax ruling). ■ Gains from the sale of shares are unconditionally exempt from CIT in Cyprus. This exemption applies regardless of the holding period, number of shares held or trading nature of the gain. ■ Dividend income is conditionally exempt from tax. ■ Foreign exchange (FX) differences are tax neutral for CIT purposes in Cyprus. Any FX gains should not be taxable, and FX losses should not be deductible.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	No	No (but obtaining tax ruling is strongly recommended)	Yes, via income tax return preparation and submission	No, apart from certain qualifying IP assets, i.e., nonobvious, useful, and novel assets, where the person who utilizes them in furtherance of a business does not generate annual gross revenues exceeding EUR7.5 million (in the case of a group of companies, not exceeding EUR50 million), which are certified as such by an appropriate authority in Cyprus or abroad.
■ Current and future investments	No	No (but obtaining tax ruling is strongly recommended)	Yes, via income tax return preparation and submission	No
■ Current and future investment	No	No (but obtaining tax ruling is recommended)	Yes, via income tax return preparation and submission	No
■ Current investment	No	No (but obtaining tax ruling is strongly recommended in certain cases)	Yes, via income tax return preparation and submission	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Foreign tax relief	■ Tax credit	■ Foreign tax paid or withheld on profits and gains of a Cypriot tax resident company can be credited against any Cypriot tax payable, provided sufficient and appropriate evidence exists. Such tax relief cannot exceed the Cypriot tax payable on the same income or gain in the same income tax year. Any excess foreign tax credits that are not used cannot be set off against other sources of income and cannot be carried forward to future periods.
	Personal income tax (PIT) exemptions	■ Tax exemption	■ **20% or EUR8,550 exemption (lower of).** An individual can claim this exemption on the remuneration that is generated from first employment in Cyprus if all the below apply: ■ The individual was employed outside of Cyprus for an employer not resident in Cyprus for three consecutive years prior to the commencement of employment in Cyprus. ■ The exemption can be claimed for a maximum of seven years following the year of employment. ■ Applies to employment commencing after 26 July 2022 and through 2027. **50% exemption** ■ On the remuneration from employment exercised in Cyprus that commenced after 1 January 2022 provided that during the first or second year of employment in Cyprus the said remuneration exceeded EUR55,000 annually. ■ Is granted for a period of 17 years, commencing from the year of employment in Cyprus. ■ The individual should have been resident outside of Cyprus for at least 15 consecutive years prior to the commencement of employment in Cyprus.
Czech Republic	R&D deduction	■ Super deduction	■ Eligible R&D costs may be deducted twice: once as operating costs and again as special deduction. ■ R&D deduction increased to 110% of incremental eligible costs incurred in tax period.
	Investment incentives for R&D centers	■ Tax holiday ■ Cash grant ■ Real estate tax exemption	■ CIT holiday for 10 years. ■ Job creation grants of CZK200,000 per employee ■ Training and retraining grants of up to 70% of eligible training costs ■ Cash grants of up to 20% of capital expenditures (no more than CZK500 million) for R&D centers in cases of strategic investment ■ Real estate tax exemption for five years in special industrial zones.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
NA	No	No	Yes, via income tax return preparation and submission	No
NA	No	No (but obtaining tax ruling is recommended)	Yes, via income tax return preparation and submission	No
■ Future investments	■ Unused credits may be carried forward for three years.	No	No	No
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Investment incentives for projects in the area of sustainability	■ Tax holiday ■ Cash grant ■ Real estate tax exemption	■ CIT holiday for 10 years ■ Cash grants of up to 20% of capital expenditures ■ Real estate tax exemption for five years in special industrial zones
Denmark	R&D deduction	■ Super deduction	■ Enhanced deduction of R&D expenses ■ Increase of deduction from 108% to 120%, but with an increased deduction in income year 2022 = 130% (threshold applies); income years 2023-25 = 108%; income year 2026 = 114%; income year 2027 = 116%; and income years 2028 and onward = 120%.
	R&D tax credit	■ Tax credits	■ The tax credit for R&D activities enables companies to obtain a refund of negative tax (loss) relating to R&D activities. ■ Tax credit is calculated as up to 22% of up to DKK25 million of eligible R&D costs in the relevant income year, i.e., a cash refund of up to DKK5.5 million. With effect from 2027, the maximum cash payment will be increased to DKK7.7 million per year, i.e., 22% of DKK35 million. ■ Only actual incurred R&D costs qualify toward the tax credit, i.e., the super deduction is not included herein.
Finland	The "Combined" Deduction	■ Tax deduction on R&D related expenses (wages and purchased services)	■ Deduction amounts to 50% of the total expenditure on wages and purchased services. The deduction has a floor of EUR5,000 and a ceiling of EUR500,000. ■ Additional supplementary deduction is 45% and the basis is the difference between the items of expenditure on which the general additional deduction is based and the corresponding items of expenditure in the previous year. There is no floor, but the deduction is capped at EUR50,000.
	The Deduction for Research Cooperation (2021-2027)	■ Tax deduction for co-operation with R&D organizations	■ The deduction for research cooperation can be claimed by companies that purchase services relating to R&D from research and dissemination organizations. The additional deduction is 150% of qualifying expenses. Taxpayers cannot claim both tax deductions (the combined deduction and this) for the same expense.
France	R&D tax credit	■ Tax credits	■ Tax credit of 30% is available for first EUR100 million of qualified R&D expenses incurred during tax year, plus 5% of any amount more than EUR100 million.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	Yes	Yes	No
■ Current investments	■ No carryforward or carryback is permitted.	No	Yes	No
■ Current investments	■ No carryforward or carryback is permitted.	No	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	Unused credits may be refunded after carried forward for three years.	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Cash grants for collaborative R&D projects	■ Cash grants	■ Cash grants cover all or part of industrial R&D, R&D personnel costs, depreciation of R&D equipment and part of subcontracting costs. ■ Grants are attributed to a consortium of at least two companies, active in the industry sector, and one R&D laboratory or higher education institution. ■ Several incentives are related to sustain collaborative R&D activity and can reach up to an average of EUR20 million depending on the size of project (up to EUR50 million with certain projects).
	Reduced CIT treatment of revenues derived from patents	■ Reduced tax rates	■ Full deductibility of amortization allowances and financing costs on standard CIT rate. ■ 10% CIT rate applies to income derived by French corporation from licensing or sale of patents, patentable rights or software, subject to certain conditions.
	Innovative New Company status	■ Reduced tax rates	■ With approval of relevant local authorities, exemption from property tax and/or territorial economic contribution (TEC) for seven years. ■ Exemptions for eight years from employer social security contributions for certain categories of employees involved in R&D operations.
	The territorial economic contribution (TEC) and property tax relief	■ Tax exemptions	■ Companies that performed certain types of activities within specific areas can benefit from temporary TEC relief. The tax relief is applicable to operations performed until 31 December 2027 for areas qualified as regional aid areas and for SMEs in SME investment aid areas. ■ As of 1 January 2016, companies that have new buildings directly assigned to R&D activities – and subject to taxes for the first time in 2016 – can benefit from a 50% reduction in basis of Business Contribution on Property (cotisation foncière des entreprises) and property tax.
	Accelerated depreciation of equipment and tools used for research operations	■ Accelerated depreciation on qualifying R&D assets	■ Applicable coefficients are 1.5, 2 and 2.5, depending on standard duration of amortization of equipment or tools for tax purposes. The plant and equipment must be primarily (but not exclusively) used for R&D operations eligible for R&D tax credit.
Germany	Various grant programs	■ Cash grants	■ R&D activities performed in Germany may be funded at regional, national and EU levels. Funding quota ranges from 25% to 75% of eligible costs, depending on the size of the company, research category of the project and whether the project is conducted in cooperation with other companies or research institutes. ■ Large companies may typically receive funding of up to 50% for eligible costs, while aid for SMEs may be higher.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	Yes	Yes
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	Yes	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Ex ante: R&D projects starting in the future (upon receipt of a grant assessment)	NA	Yes	Yes (during call for funds and annual post calculation of project costs)	In general, no; however, audits are possible.

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D tax credit (Forschungszulage)	■ Tax credit	■ All taxable companies, regardless of size and industry sector, are entitled to up to EUR1 million (cap on group level) per year for R&D projects (own, cooperative and/or projects of contract research at the level of the ordering party) starting after 1 January 2020. ■ The funding will be provided on direct R&D personnel costs plus employer's social security contributions at a rate of 25% of eligible costs. For contract research (including contracts to affiliated entities under certain conditions), the 25% funding quota is applied on 60% of the contract value.
Hungary	Investment cash grant	■ Cash grants	■ Nonrefundable cash grants are available for investments. Grant amount depends on location and nature of investments. The grant is paid out as costs are incurred, and maximum cash grant amount is typically capped at a certain percentage of the total investment amount. Minimum investment value is EUR10 million (or EUR3m to EUR5m depending on location). The project can be combined with a renewable energy investment, which can be up to 50% of the total capital and fixed assets (capex). ■ A non-refundable cash grant is available for new job creation. Grant amount depends on the location and nature of the investments. The grant is paid out as costs are incurred, and the maximum cash grant amount is typically capped at a certain percentage of the total investment amount. There is no minimum investment value, but at least 25 new jobs must be created. In this case the eligible investment costs are the first 24 months' payroll expenditures for newly hired employees within a three-year period. ■ The government introduced a special R&D project cost-based cash grant in 2017. Minimum investment value is EUR1 million (opex-based) and 10 new R&D positions. Aid intensity is capped at 25% in Budapest and 40% outside Budapest. If the project contains both applied research and experimental development, the aid intensity for the applied research part of the project is maximized at 50%. The maximum available cash grant is EUR25 million.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Ex-post or during project implementation, for projects started after 1 January 2020	No carryforward/carryback for the EUR1 million cap p.a.	No	Yes (within tax return, and potentially via tax audit)	Yes (R&D character to be certified; part of the application process)
■ Future investments and R&D projects	NA	Yes	Yes	In some cases

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Corporate tax credit (CIT)	■ Tax credits	■ Tax credits are available to decrease CIT liability by 80% for 13 tax years for capex investments and job creation projects. The tax credit may be applied together with cash grants. ■ The minimum investment value depends on the location (EUR7.5 million or EUR2.5 million at present value, and for small- and medium-sized companies is even lower, EUR130k to EUR250k). There is no entrance threshold for job creation, only headcount maintenance obligation. ■ There is a special opportunity for R&D investments with a significantly lower threshold of HUF100 million at present value (EUR250,000) investment without the new job requirement.
	Corporate tax credit 2.0 (opex-based)	■ Tax credits ■ Cash grant	■ From 2024, a new R&D tax credit became available that meets the criteria of a Qualified Refundable Tax Credit under the BEPS 2.0 OECD Model Rules, thus securing tax benefit even after the introduction of the BEPS Pillar Two regime. ■ It can be utilized for four years and may not exceed EUR25 million in the case of experimental development, EUR35 million in the case of applied research and EUR55 million in the case of fundamental research. ■ The aid intensity is up to 10% of the eligible costs. Recharged costs from outside the group may not exceed 20% of the eligible costs. Within this 20%, recharged costs from intra-group may not exceed 10%. ■ The unutilized amount of corporate tax credit will be paid as a cash grant by the end of the tax return period for the third financial year from the cost incurred.
	Double deduction of R&D costs	■ Super (double) deduction	■ Direct R&D costs or depreciation of capitalized R&D costs incurred in a given tax year are deductible twice for CIT purposes: as an expense and as CIT base deduction item. In some cases the recharged R&D costs from abroad are also eligible.
	Reduced social security contribution and training fund contribution for researchers and R&D staff	■ Tax credit ■ Tax allowance	■ The social security contribution on the wages of researchers with scientific degrees or academic titles (including students applying for these titles) will be 0% instead of 13% (applicable as of January 2022), up to a maximum of social security contribution on double the monthly minimum wage, which is HUF533,600 (EUR1,400) in 2024. ■ From 2019, a tax credit is available up to 50% of the social security contribution calculated on the wage costs of employees conducting R&D activities in proportion to the time spent on R&D activity. Companies may apply the social security contribution credit in their monthly tax return.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	Unused tax credits cannot be carried forward once 16-year statutory deadline has lapsed.	Only notification to the Ministry for Finance is required.	No	Recommended but not mandatory.
■ Future R&D projects	Unused tax credits can be carried forward and transferred to cash grant.	No	No	Recommended but not mandatory
■ Retroactively for R&D projects ■ Current or future R&D projects	No	No	No	Recommended but not mandatory
■ Retroactive operating expenses ■ Current or future operating expenses	No	No	No	Recommended but not mandatory

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Corporate tax exemption of 50% on royalty income	■ Reduced tax rate	■ 50% CIT exemption of royalty profit (but capped at 50% of pretax profit). ■ The BEPS approach (i.e., the nexus ratio) should be applied.
	Reduced municipality business tax base and R&D tax base	■ Tax allowance	■ All direct R&D costs in a given tax year are deductible from the municipality business tax base and from the R&D tax base. ■ Royalty income is fully exempt. ■ 10% of direct R&D costs are deductible from municipality business tax obligation in the case of certain municipalities.
India	Deductions for expenditure on scientific research	■ Accelerated deduction on capital assets	■ A 100% deduction is available for revenue and capital expenditures (other than expenditures incurred during acquisition of land) paid out or expended in scientific research related to a taxpayer's business. ■ For expenditure incurred before business commences to pay salaries to employees engaged in scientific research, or to purchase materials used in scientific research, the deduction of expenditures must be certified by appropriate authorities.
	Deductions for expenditure on scientific research by manufacturing entities	■ Deduction	■ Deduction of 100% is available for scientific research on approved in-house R&D expenditure, including capital expenditures (other than land and buildings) by companies engaged in manufacturing and production of articles and things (except those specified in Eleventh Schedule) or companies engaged in biotechnology business. However, companies opting for the concessional corporate tax rates are not permitted to claim this deduction.
	Deductions for contributions for R&D	■ Deduction	■ Deduction of 100% is granted to assessees for sums paid to a national laboratory, university or institute of technology or specified persons with specific direction for the sums to be used for scientific research. ■ Deduction of 100% is available for contributions to approved institutions to be used for scientific research. ■ Deduction of up to 100% is available for contributions to qualifying companies engaged in scientific research. ■ Deduction of up to 100% is available for contributions to approved institutions to be used for research in social sciences or statistical research. However, companies opting for the concessional corporate tax rates are not permitted to claim this deduction.
	Patent-related incentive	■ Reduced tax rates	■ To provide additional incentive for companies to retain and commercialize existing patents and develop new innovative patented products, a concessional tax rate of 10% (plus applicable surcharge and tax) on gross royalty income (i.e., without deduction of any expenditure incurred of an eligible assessee from patents developed and registered in India) is available.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current and future royalty income	NA	No	No	No
■ Retroactively for R&D projects ■ Current or future R&D projects	No	No	No	No
■ Retroactive investments ■ Future investments	NOLs may be carried forward for eight years.	No	Yes	Yes
■ Current investments ■ Future investments	NOLs may be carried forward for eight years.	Yes	Yes	Yes
■ Current investments ■ Future investments	■ NOLs may be carried forward for eight years.	Yes	Yes	Yes
■ Current investments ■ Future investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Tax holiday on export profits earned by units set up in Special Economic Zones (SEZs)	■ Tax holiday	■ SEZ units engaged in export of goods and services from 1 April 2006 to 31 March 2021 are eligible to claim a 15-year phased tax holiday on all export-linked profits earned. However, companies opting for the concessional corporate tax rates are not permitted to claim this deduction.
	Funding for R&D activities in technology	■ Cash grants ■ Loans ■ Financial support	■ The Department of Scientific and Industrial Research (DSIR) provides support to industrial R&D projects through its Technology Development Program (TDP). The TDP board invests in equity capital or gives loans to industrial concerns and research associations that are attempting development and commercial application of indigenous technology or adapting imported technology to wider domestic applications.

	Customs duty exemption and concession	■ Tax exemptions
		■ Reduced tax rates
			■ A concessional basic customs duty rate is available on the import of specified instruments, equipment or components by research institutions up to 31 March 2029.
			■ A basic customs duty exemption is available on the import of equipment, instruments, raw materials, components, pilot plant and computer software when imported into India on a project by a company with an in-house R&D unit up to 31 March 2029.
			■ Concessional basic customs duty rate is available on:
			  ■ Import of specified items for R&D of aquatic feed manufacturing; and
			  ■ Import of laboratory chemicals for R&D purposes.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	Yes	Yes
■ Future investments	NA	Yes	No	No
■ Current investments	NA	No	No	Ye

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Ireland	R&D tax credits incentive	■ Tax credits ■ Cash refunds	■ The R&D tax credit regime provides for a tax credit/cash refund worth 30% of the company's R&D expenditure in respect of qualifying R&D activities within the charge to Irish tax for accounting periods commencing on or after 1 January 2024. The R&D tax credit/cash refund is in addition to any existing deduction or capital allowances for R&D expenditure. Therefore, for every EUR100 spent on qualifying R&D activities (revenue or capital), a company could be entitled to EUR30 cash back, which is in addition to the 12.5% corporate tax deduction. Therefore, up to 42.5% effective tax relief could be obtained for R&D expenditure, if it falls within the scope of the R&D regime, equating to EUR42.50 for every EUR100 spent. ■ The R&D tax credit can be offset against the company's CIT charge for the period or refunded in cash, whichever the company chooses. Excess R&D tax credits can be carried back and offset against the prior year CIT liability or refunded as cash.
	RDI cash grants/ financial support incentives	■ Cash grants ■ Financial support	■ Enterprise Ireland (EI) offers grants for R&D expenditures incurred by Irish-based manufacturing or internationally traded services companies. ■ Grants for expenditures incurred on research, development and innovation are available from Irish Industrial Development Authority (IDA) and are offered for both first-time foreign direct investment and companies currently located in Ireland. ■ Level of grant assistance from IDA and EI can vary, depending on a number of factors, including type of research activity. Grants are typically negotiated on a case-by-case basis, with a primary focus of job creation.
	Key employee tax credit incentive	■ Reduced tax rates	■ Allows company to reward key R&D employees who perform at least 50% of their duties in the "conception or creation of new knowledge, products, methods and systems" in the relevant accounting period. ■ Company can allocate part of the R&D tax credit it could have used to reduce CIT liability to a key R&D employee. This effectively allows an employee engaged in R&D to claim a credit equal to the amount surrendered by the employer against his or her income tax.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ Each year, the claiming company decides how to utilize the credit available in the period (i.e., whether to treat it as tax overpaid and offset it against any tax liability or refund the amount in cash). ■ There is no carryback option.	From 1 January 2024, a pre-notification requirement is in place for companies intending to claim the R&D credit for the first time or who have not claimed the credit in the last three years. Revenue must be notified in writing 90 days before a claim is made and there are several confirmations/ explanations a claimant must provide. Revenue may then request additional information.	Yes, the R&D tax credit claim must be filed within 12 months of the accounting period in which the qualifying expenditure on R&D was incurred.	No
■ Current investments ■ Future investments	NA	Yes	Yes	No
■ Current investments	Employee may carry forward unused credits indefinitely (but loses credits upon leaving company).	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D tax credit on R&D buildings	■ Tax credits	■ 30% tax credit for expenditures for construction or refurbishment of building or structure used for R&D activities.
	Allowances for capital expenditure for scientific research	■ Accelerated depreciation	■ Tax depreciation allowances for capital expenditure incurred during course of scientific research are available. Allowance is equal to amount of capital expenditure incurred (i.e., 100%) and is granted in computing trade profits.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	Excess credits may be carried forward indefinitely.	No	Yes, the R&D tax credit claim must be filed within 12 months of the accounting period in which the qualifying expenditure is treated as incurred.	No
■ Current investments	Unused allowances may be carried forward indefinitely.	No	A claim must be made within two years of the end of the chargeable period in which the expenditure was incurred, or where the expenditure was incurred before the trade was set up, within two years of the end of the chargeable period in which the trade was set up.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Knowledge Development Box	■ Reduced tax rates	■ Offers 10% effective tax rate on profits arising from qualifying assets (as of 1 October 2023). Qualifying assets typically include patents (including patent pending) and copyrighted software. Relief works by allowing a 20% deduction from qualifying profits, which results in the effective 10% tax rate.
	Specified Intangible Assets Regime	■ Accelerated depreciation ■ Reduced tax rates	■ When a company carrying on a trade incurs capital expenditure on the acquisition of qualifying IP (broadly defined), subject to qualifying conditions, the company can obtain a deduction for the full fair market value of the IP against future profits from that IP. The relief in any one year is subject to a cap of 80% of the IP profits, meaning it is possible to generate an annual cash tax rate as low as 2.5% on IP profits with such relief until such time as the full market value of the IP has been deducted. Restrictions apply in the event of a sale to a connected party.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments (Note: Benefits are available for accounting periods commencing on or after 1 January 2016 and before 1 January 2027.)	NA	No	A claim in respect of each qualifying asset or family of qualifying assets must be made within 24 months of the end of the accounting period to which the claim relates. The claim is a lifetime claim, in that it continues until such time as the invention underlying the qualifying asset is disposed of or ceases to be used.	Certification is only required for certain SME companies who wish to avail of the KDB in respect of inventions that are not patented subject to meeting certain criteria. The application for certification where relevant must be accompanied by an opinion and supporting evidence from a patent agent confirming that the invention is novel, non-obvious and useful.
■ Current investments	Excess allowances may be carried forward indefinitely, but may only be offset against future trading income of the same trade that is derived from the use of the specified intangible asset.	No	A claim must be made within 12 months from the end of the accounting period in which the capital expenditure giving rise to the claim was incurred.	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Digital Gaming Tax Credit	■ Tax credit ■ Cash refunds	■ The digital gaming tax credit is a 32% refundable corporation tax credit for the digital gaming sector, subject to EU State Aid approval. ■ The relief will be available on eligible expenditure (net of grant assistance) on the design, production and testing of a digital game on a minimum spend of EUR100,000 up to a maximum of EUR25 million per project or 80% of the total qualifying expenditure, whichever is lower.
Israel	Preferred Enterprise/ Special Preferred Enterprise status	■ Reduced tax rates/ preferable tax rates	■ Preferred Enterprise: reduced CIT rate on preferred income according to set schedule (for 2017 onward, the rate is 7.5% for companies located in Development Area A and 12% for rest of the country). ■ Special Preferred Enterprise: reduced CIT rate of 6% for the portion of intellectual property developed in Israel, according to the Nexus Approach.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	The digital gaming tax credit is a 32% refundable corporation tax credit for the digital gaming sector.	An interim or final cultural certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media will be required.	The qualifying period is the accounting period the specified return date of which immediately precedes the date the claim was made. Where this accounting period is less than 12 months, the qualifying period includes the previous accounting period that commences on a date 12 months or more before the end of the short accounting period. Where the qualifying period is made up of two (or more) accounting periods, the corporation tax of the earlier period is reduced in priority to the later period.	To claim relief, the company must have either an interim, or final, cultural certificate relating to the digital game. Certificates are issued by the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media.
■ Current investments ■ Future investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Innovation box regime (Preferred Technology Enterprise/ Special Preferred Technology Enterprise status)	■ Reduced tax rates/ preferable tax rates	**Preferred Technology Enterprise:** ■ Reduced CIT rate of 12% on portion of IP developed in Israel (tax rate is reduced to 7.5% if company is located in Development Area A). ■ Reduced capital gains rate of 12% for new IP acquired from a foreign company after 1 January 2017 at a minimum cost of ILS200 million (please note that a ruling is required). ■ Reduced withholding tax rate of 4% on dividends distributed to a "qualifying company" (i.e., a foreign company that holds at least 90% of the Preferred Technology Enterprise's shares). **Special Preferred Technology Enterprise:** ■ Reduced CIT rate of 6% on portion of IP developed in Israel. ■ Reduced capital gains rate of 6% for new IP developed or acquired from a foreign company after 1 January 2017 (please note that a ruling is required). ■ Reduced withholding tax rate of 4% on dividends distributed to "qualifying company" (i.e., foreign company that holds at least 90% of Special Preferred Technology Enterprise's shares).
	Additional benefits (including the Angels Law)	■ Deduction of investment cost	■ **R&D expense deduction:** Section 20A of Income Tax Ordinance enables companies to deduct R&D expenses (i.e., expenses incurred in scientific research in industry, agriculture, transportation or energy) on a current basis in tax year in which they were paid. ■ **Business asset rollover relief:** Section 104 of Income Tax Ordinance provides capital gains tax relief to R&D-intensive companies that transfer certain assets to another company to raise capital for R&D activity. ■ **Angels Law:** permits individual investors, or individual investors in a partnership, to deduct investments (up to ILS5 million per target) made by 31 December 2019 to a qualifying R&D startup company or target company. Deduction is spread over three- year period starting with tax year in which investment is made. ■ **Deduction for purchase of shares in other R&D companies:** a company that purchases shares of a qualifying R&D company may deduct the purchase amount for a period of five years starting from year following the year of purchase.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	No
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Employment grants	■ Cash grants	■ **Employment Grant Program for High Salaries (R&D Centers):** for enterprises located in national preference areas and/ or planning to recruit new employees from populations with low employment rates. The average grant is 20% of the salary cost to the employer (up to a maximum monthly salary of ILS16,000 per employee) for a period of 2.5 years. ■ **Employment Grant Program for High Salaries (R&D Centers):** for enterprises with consolidated income turnover (including a foreign parent company) in excess of ILS25 million that are located in national preference areas and are planning to recruit 15-100 new employees with salary cost between the average cost of salary and 2.5 times the average salary in the market. Average grant is 25% of salary cost to the employer (up to maximum monthly salary of ILS30,000 per employee) for period of four years. ■ **"Ogen" employment grants:** for enterprises with consolidated income turnover (including a foreign parent company) in excess of ILS100 million that are located in national preference areas and are planning to recruit 80-150 new employees with salary of at least 1.5 times the average salary in the market. Average grant is 25% of salary cost to the employer (up to a maximum monthly salary of ILS20,000 per employee) for period of four years. ■ **Employment grants for employers in the National Cyber Arena in Be'er-Sheva:** for corporations, including partnerships, that employ (or are considering employing) staff in field of cybersecurity at National Cyber Arena in Be'er Sheva. Qualifying companies receive grant of 20% of employees' salaries for first three years (under certain conditions), with the percentage decreasing over following four years.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (Startup Division)	■ Cash grants	■ **Tnufa Program:** supports private entrepreneurs and nascent startups that wish to bring novel technological idea to business fruition. A grant of up to 85% of approved budget, with maximum grant of ILS200,000 for a period of up to two years, is provided. ■ **Incubators Incentive Program:** helps entrepreneurs transform innovative technology idea into a startup company. A technological incubator provides entrepreneurs with administrative, technological and business support. A grant of up to 85% of approved budget is provided, with budget limit of ILS3.5 million for period of up to two years. ■ **Open Innovation Labs:** the IIA will fund up to ILS4 million (33% or 50% in Development Area A) of costs of establishing lab infrastructure and up to an additional ILS500,000, as 50% of the approved budget per year. ■ The startup companies will be provided grants of up to 85% of approved budget (up to ILS1 million) for one year. ■ **Renewable Energy (Cleantech) Technology Center:** the support is carried out via three sub-programs: ■ **Primary sub-program:** cooperation between academia and industry – receiving financial support of 66% of the approved R&D expenditures for an activity period of up to two years. ■ **Advanced sub-program:** for companies in the pre-seed and seed stages – financial support of 60% or 85% of the approved R&D expenditures by the Authority, and supplementary financing up to 100% of the approved R&D expenditures by the center's licensee for an activity period of up to two years. The maximum budget is ILS2.5 million. ■ **Testing areas sub-program:** funding and support of demonstrations and experiments in the fields of renewable energy, through facilitating of testing areas and required infrastructure – financial support of 50% of the approved R&D expenditures for an activity period of up to two years, with no royalties payment obligation.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (Growth Division)	NA	■ **Early Stage Incentive Program:** for pre- seed companies that are looking to develop and promote innovative technological projects and penetrate market by raising capital from private sector. A grant of 30% or 50% of the approved budget, with a maximum grant of ILS10 million for a year, is provided ■ **R&D Fund for Support of Competitive Research and Development:** grants are not limited in amount but companies whose annual development project budget exceeds ILS15 million are required to submit application for financial aid at beginning of the calendar year. Duration of approved development project is generally up to one year and scope of support ranges between 20% and 50% of approved development budget. ■ **Generic R&D Arrangement for Large Companies:** qualifying companies receive grant of 20% to 50% of approved R&D expenditures for long-term R&D plans. ■ **Encouragement of R&D for Space Technology:** encourages R&D in finding space-related technological solutions, such as development or upgrading of space-related products. Applicants are eligible for grants of up to 85% of approved R&D expenditures for period of 36 months. ■ **R&D and pilot programs:** the relevant fields for such programs are transportation, environmental protection, digital health, space technologies, cybersecurity, agrotech, energy efficiency and reduction of greenhouse gas emissions. A grant of 20%-75% of the approved pilot's expenditures, depending on the field of the project and its potential impact. ■ **Establishment of Multinational Companies' R&D Centres in the Fields of Biotechnology and Health (pilot):** for large foreign industrial corporations operating in the fields of bio-technology or health. A concession to submit for a period of five years with a financial support of up to 20%-40% of approved R&D expenditures. The R&D plans will be approved in advance for a period of up to three years. R&D centers operating in development areas are entitled to additional support of 10%. R&D centers operating in the Gaza vicinity area are entitled to additional support of 25%.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (Technological Infrastructure Division)	NA	■ **MAGNET Consortia:** supports formation of consortia consisting of industrial companies and academic institutions in order to jointly develop generic, precompetitive technologies. Industrial companies are granted up to 66% of approved budget, and academic institutions are granted up to 100%. ■ **MAGNETON:** promotes technology transfer from academic research institutions to industrial companies for development of breakthrough products. Grants are given of up to 66% of approved budget (up to a total of ILS3.4 million for period of 24 months). ■ **Directing Academic Knowledge (Kamin/NOFAR):** provides support to academic research groups with technologically feasible ideas that are not mature enough for support from MAGNETON program but need financing in initial applied research stage. Grants under this program constitute up to 90% of approved budget, up to ILS550,000 for period of 12 months. Program is limited to fields of biotechnology and nanotechnology. ■ **Leveraging Military, Defense and Commercial R&D for Dual-Use Technologies (MEIMAD):** maximum grant per project is ILS5 million, and grant rate is 50% to 66% for industrial companies and 50% to 90% for research institutions. ■ **Users' Association:** a grant of up to 66% of the approved expenses. The members of the association complete this sum to 100% of the association's expenses and planned budget. There are no royalty payments under this program.
	R&D, innovation and technology collaboration grants (Advanced Manufacturing Division)	■ Cash grants	■ **Encouraging Support in R&D in the Manufacturing Industry (MOFET):** for companies in traditional industries (such as plastic, rubber, metal, glass, ceramics, hardware, textile, wood, leather, paper, metalwork and food) that have relatively low investment in R&D and want to conduct innovative R&D. Eligible companies receive grant of up to 50% of approved budget. ■ **R&D Preparatory Incentive Program for Companies in the Manufacturing Industry:** to assist companies from the manufacturing industry sectors with no experience in carrying out R&D activities and innovation processes, or companies that require focus and guidance with their R&D activities. The preparatory incentive program has four secondary tracks: Basic Support Track (assist in formulating new products or processes), Technological Feasibility Examination Track, Developing Solutions for Flaws in the Production Process and Improved Production Process. A technology consultant will assist the applicant. The participating companies get partial funding for their counseling expenses (66% of the approved budget, maximum budget is ILS75,000 (or 75% of 100,000 budget in area A)).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (Societal Challenges Division)	■ Cash grants	■ **Support in R&D of Assistive Technology for the Disabled:** nonprofits receive support of 85% of approved expenses for R&D, with no repayment of royalties. Commercial companies receive support of 65% of approved budget as a conditional grant. The conditional grant is up to ILS900,000 per year. ■ **Grand Challenges Israel (GCI) Incentive Program:** provides financing of up to 90% of approved budget, up to ILS500,000. ■ **Digital Innovation in Industry Focused on Public Sector Challenges: there are two benefit tracks:** (i) preliminary R&D track, which provides support of up to 80% of approved budget or conditional grant of ILS300,000 for period of 18 months; and (ii) R&D track, which provides support of up to 50% of approved budget or conditional grant of ILS4 million for period of 24 months. ■ **Incentive programs for women entrepreneurs, Ultra-Orthodox and minorities:** the grant is up to 75% of the project's approved budget (up to ILS2.5 million) in the first year and 70% (up to ILS4.5 million) in the second year.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D, innovation and technology collaboration grants (International Collaboration Division)	■ Cash grants	■ **Bilateral parallel support programs:** Israeli government has concluded more than 40 binational R&D agreements with countries, states, provinces and regions that enable Israeli companies to enter into joint R&D projects with foreign companies. Support includes grants of up to 50% of approved R&D budget or in accordance with incentive program applicable to joint project. ■ **Binational funds:** Israel Innovation Authority operates binational funds, whereby Israel and foreign country allocate dedicated funds to finance joint R&D projects between companies in Israel and in partner country. The funds operate under provisions set out in bilateral agreements. There are currently five binational funds (with the US, Canada, South Korea, India and Singapore). ■ **Multinational corporation collaboration:** this program encourages strategic relationships and collaborations between the parties. The support includes grants of 20% to 50% from the approved R&D budget. It also encourages assistance and support from a multinational foreign corporation in the form of consulting, services and resources (in kind) and the possibility of sharing the intellectual property that will be created in the joint project with the multinational corporation — through an agreement between the partners in the project. ■ **Horizon 2020:** Israel is "associated country" to EU's Horizon 2020 program, which enables Israel to participate in Horizon 2020 program under same conditions as EU Member States. ■ **New Enhanced European Innovation Council (EIC) Pilot:** it offers in a single place: EUR2.7 billion in funding for the period 2018-20, opportunities for networking, mentoring and coaching, and strategic advice to upgrade the innovation ecosystem in Europe. ■ **EIC Accelerator Pilot:** the EIC Accelerator Pilot builds on the SME Instrument Phase II and provides grant-only support as well as support in the form of blended finance (combining grant and equity). The EIC Accelerator Pilot offers small and medium-sized business innovation grants for innovation development and demonstration purposes: an amount in the indicative range of EUR500,000 to EUR2.5 million (70% of total cost of the project as a general rule). Equity of up to EUR15 million per company (EUR100 million total budget for equity in 2019-20 pilot phase). Free-of-charge business coaching (optional) to support and enhance the company's innovation capacity and help align the project to strategic business needs. Access to a wide range of other business acceleration services and facilitated access to risk finance, to facilitate the commercial exploitation of the innovation.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
			■ **Fast Track to Innovation (FTI):** for mature groundbreaking technologies, concepts and business models that are close to market. Proposals must come from consortia of three to five legal entities that want to see quick market uptake of new technologies. Grants of up to EUR3 million may be awarded: ■ For-profit entities will receive 70% co- financing. ■ Not-for-profit entities will receive 100% co-financing. ■ Fast Track to Innovation has a total budget of around EUR300 million for 2018-20. ■ The IIA and the Horizon 2020 are funding several collaboration programs: ■ **Track 37:** provides support to companies interested in submitting requests to the EU Framework Program – Horizon 2020. ■ **Program 37A:** intended for corporations only interested in submitting requests to the R&D programs of the EU in the Consortiums track or in the EIC Accelerator (formerly SME Instrument Phase 2). In this program, the grant will be for 75% of the approved expenditures up to ILS40,000. ■ **Program 37B:** intended for selected companies for long-term participation in the EU Framework Program. As part of this supportive tool, assistance will be given each year, for up to three years to selected corporations for long-term participation in the Horizon Program. A participating company will receive a grant of up to 85% of approved expenditures up to ILS70,000. ■ **EUREKA:** Israel is member of EUREKA, an intergovernmental network that supports pan-European market-oriented industrial R&D and innovation projects. The network facilitates the international coordination of national R&D and innovation programs, and provides support to companies, research centers and universities. Israeli companies that take part in program are entitled to receive royalty-bearing R&D grants from Israel Innovation Authority of up to 50% of approved budget. EUREKA network has over 40 member countries and provides support through four instruments (network projects, Eurostars, ECSEL, FTI and Clusters).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Italy	R&D tax credit	■ Tax credit	■ Since 2020, the tax credit has been three different tax credits, and the new system is no longer based on the incremental approach: (i) R&D tax credit, (ii) innovation tax credit and (iii) design tax credit. Different percentages of benefit are provided for the different tax credits. Moreover, the percentages change depending on the year. ■ For the fiscal years 2021 and 2022: ■ R&D tax credit: The benefit is equal to 20% of the R&D expenses with a maximum annual benefit equal to EUR4 million (10% for FY2023 – maximum amount EUR5 million). ■ Innovation tax credit: The benefit is equal to 10% of the innovation expenses (or 15% in specific situations reduced to 10% in FY23; the maximum amount for FY23 is increased to EUR 4 million) with a maximum annual benefit of EUR2 million (same amounts for FY23). ■ Design tax credit: The benefit is equal to 10% of the related expenses with a maximum annual benefit of EUR2 million (same amounts for FY23). ■ The R&D tax credit will be available until 2031; The innovation tax credit and design tax credit will be available until 2025. ■ The Italian Law provides the possibility for the companies that, on 22 October 2021, have unduly used in compensation the R&D tax credit accrued from FY2015 to FY2019 to repay (in installments) the unduly amount, without application of penalties and interest, in the presence of certain conditions.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	No	No	Yes	Yes

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Patent box	■ Tax deduction related to the use of qualifying IP/ execution of qualifying R&D expenses	■ Law Decree No. 146 of 21 October 2021 (converted into law on 17 December 2021) repealed the patent box regime by shifting from a profit-based incentive (50% exemption) to a cost-based incentive allowing for an extra deduction of R&D expenses. ■ The Italian Budget Law for 2022 (Law No. 234 of 30 December 2021, effective as of 1 January 2022) introduces several amendments to such new incentive: ■ R&D expenses incurred in relation to qualifying intellectual property (IP), such as copyrighted software, patents, designs and models, may be recognized for tax purposes for an amount equal to 210% (i.e., 110% increase of the deductible base cost) of the relevant expenditure for both corporate income tax (IRES) and regional tax (IRAP). R&D costs incurred with related parties would not be eligible. ■ If R&D expenses are incurred prior to the creation of qualifying IP, the extra 110% deduction applies from the fiscal year in which the relevant IP is granted legal protection. The extra deduction includes R&D expenses incurred up to the eighth fiscal year before IP protection is granted. ■ The extra 110% deduction measure may be utilized concurrently to the R&D tax credit. ■ The election for the new incentive will be irrevocable and last for five fiscal years with the possibility of subsequent renewals. ■ Taxpayers may seek protection against penalties (from 90% to 180%) imposed by the tax authorities if a deduction taken under the new regime is challenged. Taxpayers will have protection if they (i) draft a defensive file based on specifics detailed under separate guidelines to be issued by the tax authorities and (ii) notify the tax authorities of the possession of the mentioned documentation in the tax return related to the fiscal year for which the deduction is claimed. ■ The new incentive is available starting the fiscal year in course as of 31 December 2021 (i.e., FY2021 for calendar year companies).
	Regional tax (IRAP) deduction for R&D employees	■ IRAP deduction for costs related to personnel employed in R&D activities	■ Costs related to personnel employed in R&D activities may be deducted from IRAP taxable basis. The deduction is an alternative to other IRAP tax deductions related to labor costs and may not be used if taxpayer elects other deductions. ■ Deduction amount is limited to employees' direct costs related to R&D activities.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	No	No	Yes	No
■ Current investments ■ Future investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Lithuania	The scientific research and experimental development incentive	■ Super deduction	■ When calculating CIT, R&D costs (except for depreciation or amortization costs of fixed assets) may be deducted three times from income for the tax period during which the costs were incurred.
	The scientific research and experimental development incentive	■ Accelerated depreciation on qualifying R&D assets	■ Certain fixed assets used in R&D activity may be depreciated with accelerated terms. Depending on type of fixed asset, the depreciation period might be shortened from eight, five, four or three years to two years.
	Patent-related incentive	■ Reduced CIT rate for taxable profit ■ Derived from intangible assets	■ Taxable profit from the use, sale or other transfer of an intangible asset may be taxed at a reduced 5% rate (applicable until 31 December 2024). The tax rate was increased for 5% to 6% starting from 1 January 2025.
Luxembourg	R&D projects or programs	■ Cash grants, recoverable advances	R&D and innovation aid for eligible businesses and projects (all enterprises) may not exceed the following amounts (additional increases of 10%-20% may be granted depending on types of enterprises or activities): ■ Fundamental research: maximum 100% of eligible expenses. ■ Applied industrial research: maximum 50% of eligible expenses. ■ Experimental development activities: maximum 25% of eligible expenses. ■ An enterprise or private research organization that conducts a feasibility study prior to an R&D project or program may benefit from aid capped at 50% of the amount of eligible costs. Amount can be increased by 10% for medium-sized enterprises and medium-sized private research organizations and by 20% for small enterprises and small private research organizations. ■ Aid of up to 50% of eligible costs can be granted for construction or modernization of research infrastructures that perform economic activities. ■ SMEs may be granted innovation aid of up to 50% of eligible costs, which can increase to 100% with a maximum of EUR200,000 for innovation advisory and support services. ■ Enterprises or private research organizations realizing process or organizational innovation may be granted up to 15% for large companies or private research organizations and 50% for small and medium-sized enterprises and private research organizations.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ Losses may be carried forward indefinitely, but loss carryback is not permitted.	No	No	No
■ Current investments	■ Losses may be carried forward indefinitely, but loss carryback is not permitted.	No	No	No
	■ Losses may be carried forward indefinitely, but such losses may cover only the taxable profit from the use, sale or any other transfer of the intangible asset.	No	No	Yes (some exceptions may apply)
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	De minimis aid scheme	■ Cash grants	■ A de minimis aid can be granted to enterprises that realize a project having an added value for the Luxembourg economy, including employment, in line with the diversification and economic development policies of the country.
	Investment tax credit	■ Tax credit	■ Tax credit of 12% is granted for qualifying new investments. If investments are made to create jobs for disabled persons, this rate increases to 14%. ■ In addition, a 12% tax credit is granted, upon certain conditions, for investments in acquired software. ■ Tax credit of 18% for qualifying investments and expenses, upon certain conditions, in the context of digital transformation or ecological and energy transition.
	Tax credit for hiring of unemployed persons	■ Tax credit	■ A monthly tax credit of 10% calculated on the monthly gross remuneration paid to persons who were unemployed can be offset against CIT. ■ The tax credit is granted for a period of 12 months starting with the month of employment.
	Tax regime for expatriate highly skilled employees	■ Tax exemption	Under certain conditions, 50% of the annual gross remuneration (excluding certain tax-exempt cash benefits and benefits in kind) paid to expatriate highly skilled employees may be tax exempt. The exemption applies to annual gross remunerations of up to EUR400,000.
	Employee profit-sharing regime	■ Tax exemption	Under certain conditions, employers may allocate profit-sharing bonuses to (freely) selected employees. These profit-sharing bonuses benefit from a 50% exemption (i.e., only 50% of the gross amount will be taxable, subject to regular tax rates).
	Young employee bonus	■ Tax exemption	Under certain conditions, 75% of the young employee bonus that employers pay to qualifying employees will be tax-exempt. The eligible bonus is capped at determined amounts. Young employees with an annual gross salary of more than EUR100,000 do not benefit from the exemption.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	No	NA
■ New investments	Credits may be carried forward for 10 years, except as regards tax credit for the acquisition of software.	No	Form 800 to be filed together with Corporate Income Tax (CIT) return Certificate of eligibility delivered by Ministry of Economy to be added.	Only for tax credit for digital transformation or ecological and energy transition.
■ Hiring of unemployed persons	Credits may be carried forward for 10 years.	No	Form 805E to be filed with Corporate Income Tax (CIT) return.	Yes – certificate from the employment administration certifying the placement and continuation of employment must be attached for each hired unemployed person.
■ Expatriation of highly skilled employees	NA	No	Yes	No
■ Profit-sharing bonuses to employees	NA	No	No	No
■ Bonus paid to young employees	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Rental allowances		■ Employees can benefit from a 25% tax exemption on rental allowances with a maximum qualifying allowance of EUR1,000 per month for full-time occupancy provided certain conditions are met.
	Co-funding of employees' vocational training	■ Cash grants	■ Companies of the private sector established in Luxembourg can apply for co-funding of their training program. Such co-funding amounts to 15% (taxable) of eligible training expenses.
	Medium-term and long-term loans granted by the Société Nationale de Crédit et d'Investissement (SNCI)	■ Loans	■ SNCI grants medium-term and long-term loans to industrial enterprises and service providers whose activity represents a significant impact on economic development and whose equity amounts to at least EUR25,000. ■ Loans are intended to finance tangible and intangible assets that are subject to depreciation, and land used for professional purposes only.
	Direct loan for research, development and innovation granted by the SNCI	■ Loans	■ SNCI grants direct loans for research, development and innovation to innovative SMEs that possess a business license for at least four years and have substantial impact on national economic development.
	Loan for innovative enterprises granted by the SNCI	■ Loans	■ SNCI grants loans for "innovative enterprises" to young innovative SMEs that have a business license, have been in existence for less than eight years and have substantial impact on national economic development. ■ Loan amount takes into account extent of project and size of the company, without exceeding EUR1.5 million and 35% of eligible costs. ■ Incentive cannot be combined with other SNCI instruments.
	Accelerated depreciation	■ Accelerated depreciation on qualifying R&D assets	■ Standard depreciation for wear and tear may be taken using annual declining balance depreciation method, which may be calculated by applying a fixed rate to the book value (remaining value). The rate of accelerated depreciation applicable to materials and equipment used exclusively in scientific or technical research activities may not exceed four times the rate that would be applied for straight-line depreciation, and it may not be greater than 40%. ■ If a taxpayer does not choose the method of the accelerated depreciation, but instead opts for the method of the linear depreciation (straight-line depreciation over the useful life of the asset), the depreciation of an asset for a given year can, upon request, be deferred until at the latest the end of the useful life of such asset.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Rental allowances paid to employees	NA	No	No	No
■ Training programs	NA	No	No	No
■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No
■ Current investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Special depreciation	■ Special depreciation on qualifying R&D assets	■ Special depreciation may apply to fixed assets purchased or constructed for purposes of protecting the environment, reducing waste or saving energy. Acquisition or production cost of investment must be at least EUR2,400 (excluding VAT). ■ Special depreciation may not exceed 80% of acquisition or production costs of qualifying assets, and may be taken during financial year in which the purchase of formation of the fixed assets occurs, during one of four subsequent years or on a straight-line basis in installments over five years. ■ Special depreciation does not exclude application of standard depreciation for wear and tear. Standard depreciation should be calculated on net book value remaining after deduction of special depreciation and should be based on ordinary useful life.
	Partial tax exemption of income derived from qualifying IP	■ Tax exemptions	■ Under the IP regime introduced by law of 17 April 2018, 80% of net income generated by exploitation of IP right is exempt from tax, under certain conditions. The regime covers patents, other IP assets that are functionally equivalent to patents if those IP assets are legally protected under national or international provisions, and software copyrights.
Netherlands	R&D tax credit (WBSO)	■ Tax credit ■ Income tax withholding incentives ■ Reduced social security contributions (available for employers) ■ Based on wage costs and other costs and expenses	■ R&D tax credit reduces wage withholding tax payable by employer based on qualifying wage costs and other costs and expenses. Credit is accumulated in 2025 as follows: ■ For R&D entities: credit is 36% for first EUR380,000 of qualifying R&D wage costs and other costs and expenses for R&D. For (wage) costs and expenses that exceed EUR380,000, deduction rate is 16%. ■ Startups are eligible for increased deduction of 50% of R&D wage costs and other costs and expenses for R&D. ■ For other costs and expenses (such as for (raw) materials, prototype construction, investments in equipment) in an R&D project, taxpayers can calculate amount of tax credit by choosing one of two approaches: a fixed sum or actual costs and expenses.
	Innovation credit	■ Direct loans for technologically innovative projects	■ SMEs are eligible for direct loan for "risky" innovation projects that are technologically innovative and unique to the Netherlands. The loan is risk-bearing and has to be repaid only if project succeeds. ■ Small companies can qualify for 45% credit of development costs. ■ Medium companies can qualify for 35% credit of development costs. ■ Large companies can qualify for 25% credit of development costs.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Newly acquired or constructed fixed assets	NA	Yes	No	Yes
■ Current investments, subject to transition rules	NA	No	Form 760F to be filed with CIT return	No
■ Future investments	NA	Yes	Yes	No
■ Current investments ■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Innovation box	■ Reduced corporate income tax rate	■ Eligible R&D income effectively taxed at 9% instead of statutory CIT rate of 25.8%. Losses are deductible at 25.8% statutory rate, but future profit will be taxed at 25.8% for amount of loss related to R&D allocated to innovation box.
	SME Innovation Incentive Scheme for Top Sectors (MIT)	■ Cash grants for SMEs for feasibility studies and R&D collaboration projects ■ Knowledge vouchers	■ Aimed In particular at SMEs that will engage in innovation and/or R&D collaboration projects. ■ Cash grants for technical and commercial feasibility studies, knowledge vouchers and R&D collaboration projects.
	One-time full amortization for R&D intangible assets	■ Full amortization for R&D intangible assets (available for personal and corporate income tax)	■ Self-developed intangibles are fully amortized at the moment they are realized, instead of amortization over intangible's entire lifecycle.
	R&D deduction	■ Fixed super deduction for personal income tax	■ The lump-sum deduction for an individual (entrepreneur) who performs R&D activities is EUR15,738 or EUR23,613 (2025 amounts) for the first five years of the enterprise's life.
Norway	Tax credit scheme (SkatteFUNN)	■ Tax credit ■ Reduced social security contributions	■ Taxpayers may receive a tax credit of up to 19% of qualifying R&D expenditure. Qualifying expenditure is limited to NOK25 million. The tax credit can either be used to reduce tax liabilities and social security contributions, or be received as a cash payment if the taxpayer is not in a taxpaying position.
	Cash grants/ financial support	■ Cash grants	■ Governmental agencies (such as Innovation Norway) and partially state-owned organizations provide cash grants or financial support. The amount granted varies with development phase and type of project, business and subject area.
	Loans and warranties	■ Loans	■ Innovation Norway also offers loans and warranties in same manner as cash grants/financial support.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Retroactive investments ■ Current investments ■ Future investments	■ NOLs can be carried back for one year and carried forward indefinitely. However, tax carryforward losses can only be fully offset against the first EUR1 million of profits and only against 50% of the excess profits.	No (but recommended)	Yes	No
■ Future investments	NA	Yes	Yes	No
■ Retroactive investments	NOLs may be carried back one year (for CIT) and carried forward indefinitely. However, tax carryforward losses can only be fully offset against the first EUR1 million of profits and only against 50% of the excess profits; for individual income tax, they can be carried back three years and carried forward for nine years.	No	No	No
■ Future investments	NOLs can be carried back for three years and carried forward for six years.	Yes	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	NA	Yes	Yes	No
■ Current investments ■ Future investments	NA	Yes	Yes	No
■ Current investments ■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Poland	Incentive for Polish Investment Zone (PIZ)	■ Tax exemption	■ Allows for CIT exemption of up to 15 years for income generated by activities covered by a decision on support and conducted within the territory of the investment. ■ State aid for an investment project can be up to 50% (depending on the location, an additional 20 or 10 percentage points are granted to small and medium-sized enterprises, respectively) of the eligible investment costs or two-year employment costs.
	Multi-Annual Support Program (MASP)	■ Cash grants	■ Cash grants are provided to investments that are key to the Polish economy, under the following categories: strategic, innovative, Business Services Center, and Research and Development Services Center. Level of support is based on (i) costs of new investment expenditures or (ii) two-year employment costs of newly created jobs.
	R&D tax relief – additional decrease in tax base by R&D costs	■ Super deduction	■ From 2022, 200% of employee costs of the R&D work carried out and 100% of other eligible costs may be additionally deducted directly from the tax base (200% for entities holding R&D center status). ■ Although with lower additional deduction levels, the incentive has been present in the Polish tax system since 2016, and it is possible to apply it retrospectively (up to five years).
	Relief for innovative employees	■ Reduction of advance payments on payroll tax of employees	■ In cases where a taxable income is insufficient to take full advantage of the R&D relief claim that is due, the taxpayers are able to utilize the remaining part of it in the following year by reducing advances on personal income tax deducted monthly from the income of their employees who are involved for at least 50% of their work time in R&D works.
	Research and Development Center (RDC) status	■ Super deduction	■ Ministry of Economic Development and Technology may grant the status of RDC to enterprises that fulfill specified thresholds referring to share of income from R&D services or sale of IP rights in the total annual income. Through the incentive, higher tax deduction and additional categories of eligible costs in R&D tax credit, as well as exemption from real estate, forest and agricultural tax, are possible.
	Prototype tax relief	■ Super deduction	■ The prototype tax relief allows for an additional deduction of 30% of the costs of trial production of a new product and of implementing a new product on the market from the CIT tax base (limited to a maximum of 10% of taxable income in a given year).
	Robotization relief	■ Super deduction	■ The robotization tax credit allows for an additional deduction of 50% of eligible robotization costs from the CIT tax base. The credit applies to tax-deductible costs (depreciation and amortization) incurred in relation to industrial robots in the years 2022–26.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No
■ Future investments	NA	Yes	Yes	Yes
■ Retroactive investments ■ Current investments ■ Future investments	■ Excess can be carried forward for six consecutive years after a year in which costs were incurred.	No	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Future investments	NA	Yes	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	■ Excess can be carried forward for six consecutive years after a year in which costs were incurred.	No	No	No
■ Retroactive investments ■ Current investments ■ Future investments	■ Excess can be carried forward for six consecutive years after a year in which costs were incurred.	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Grants from EU funds	■ Cash grants	■ Cash grants for R&D and innovative activities: R&D infrastructure (capex), R&D works (opex), implementation of R&D results (capex), digital innovations (capex), sustainability-related innovations (capex). The amount of support is up to 85% of eligible costs (depending on the type of activities/investment, location and size of a company). Cash grants for sustainability-related investments (e.g., renewable energy, energy efficiency, circular economy) are eligible for support up to 80% of eligible costs (depending on type of investment and size of a company).
	Innovation box	■ Preferential tax rate	■ The Innovation Box regime (IP Box) was implemented in 2019 into the Polish tax system. ■ The IP Box is aimed at incentivizing innovative R&D activities by taxing profits from qualifying intellectual property rights (qualifying IP) at a preferential 5% rate instead of standard CIT rate of 19%. ■ The preferential 5% tax rate applies to the "qualified income" obtained from the qualifying IP created, developed or improved by a taxpayer as part of R&D activity.
Portugal	R&D cash grant SI I&D – *Sistema de Incentivos à Investigação e Desenvolvimento Tecnológico*	■ Cash grants	■ Financial incentive for research and development (R&TD) ■ Base rate: 50% for industrial research or 25% for experimental development, considering a maximum rate of 80%
	R&D tax credit SIFIDE – *Sistema de Incentivos Fiscais à I&D Empresarial*	■ R&D tax credit	■ SIFIDE tax credit consists of two components: ■ A base rate of 32.5% applicable to R&D expenses of current tax year. ■ An incremental rate of 50% on expenses incurred during the period, in comparison with the simple average of the two previous tax years, with a limit of EUR1.5 million.
	Tax incentive for Scientific Research and Innovation	■ Tax incentive for Scientific Research and Innovation	Tax incentive for Scientific Research and Innovation: ■ Application of a special tax rate, set at 20%, on net income derived from dependent work (identified in category A) and from business or professional activities (category B). These incomes must directly result from the activities previously mentioned. ■ Regime may be applied for period of 10 consecutive years.
	Patent box – deduction from income derived from patents and industrial IP developed in Portugal	■ Patent-related incentives	■ Patent box was amended to align with BEPS Action 5. New regime provides (in proportion to incurred eligible expenses) for exclusion of up to 50% from taxable basis in relation to income derived from contracts of transfer or of temporary use of patents, industrial designs or models and rights over software programs.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No
■ Retroactive investments ■ Current investments ■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	Yes	No
■ Retroactive investments ■ Current investments	■ Tax credits not deductible because of insufficient tax payable in the period in which they were granted may be deferred up to the 12th immediate tax year.	Yes	No	No
■ Current investments	NA	Yes	No	No
■ Current investments ■ Future investments (Note: Previous patent box regime applies until 2021 under transition rules.)	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D deduction regarding the Special Contribution on the Pharmaceutical Industry (SCPI)	■ Tax deduction	■ Per agreement between Ministries of Health and Finance and the pharmaceutical industry, R&D expenses related to the SCPI may be deducted in order to stimulate investment in R&D activities in Portugal. Agreement will be valid for the years 2016 to 2023, and amount of deduction must be certified in the beginning of the following year.
	Incentive System for Climate and Energy Transition	■ Cash grants	■ Financial incentive to support the transition to a low-carbon economy, increasing business competitiveness through decarbonization, renewable energy production, and circular economy practices.
Romania	Corporate income tax exemption for companies that exclusively perform R&D and innovation activities	■ Tax exemption	■ In January 2017, CIT exemption was introduced for taxpayers that exclusively perform R&D and innovation activities, as well as related activities. ■ Exemption is available for newly setup taxpayers for first 10 years of their activity; or, for taxpayers that were already set up when provisions entered into force, for 10 years from entry into force of provisions.
	Accelerated depreciation method	■ Accelerated depreciation on R&D assets	■ Maximum of 50% of fiscal value of asset may be deducted during first year of use, while rest of asset's value may be depreciated over the remaining useful life.
	Additional deductions for eligible R&D expenses	■ Super deduction	■ By law, a 150% super deduction can be applied only to expenses incurred in relation to applied research and technological development. Under this incentive, taxpayers can benefit from additional deduction for CIT purposes representing 50% of R&D expenses.
	Income tax exemption on salary income attributable to activities performed in applied R&D or technological development fields	■ Tax exemption	■ Income earned from performing activities in applied R&D or technological development fields is exempt from Romanian salary income tax (10%).
Slovak Republic	R&D subsidy	■ Cash grants	■ Maximum amount of grants ranges from 25% to 100% of eligible costs, depending on type of R&D project and size of enterprise.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	Yes
■ Future investments	NA	No	Yes	No
■ Current investments ■ Future investments	NA	Yes	No	No
■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No from a personal tax perspective but highly recommended (since it is mandatory for corporate tax purposes)
■ Future investments	NA	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	R&D income tax relief	■ Tax credit	■ Tax credit is provided to companies that pursue projects involving basic and applied research, experimental development and feasibility studies. In determining the tax credit amount, the government considers direct and indirect R&D expenses incurred by the taxpayer, size of the company and type of project. Once credit amount is determined, it is applied proportionally to the tax base.
	Investment aid for technological centers	■ Cash grants ■ Tax credits ■ Transfer or rent of immovable property or exchange of immovable property at a price lower than market price	■ Can be provided in the form of income tax relief, subsidy for acquisition of tangible and intangible fixed assets, contribution for creation of new jobs, or transfer or rent of immovable assets from the state and/or municipality at a price lower than the general value of the asset or rent lower than according to official appraisal. ■ Amount of aid can be up to 50% of eligible costs and depends on region where project is realized and on size of enterprise. For districts belonging to territories identified for support from the Just Transition Fund maximum aid intensity shall be increased by 10%.
	Subsidy on scientific and technical services	■ Cash grants	■ Specific funding programs have predefined amounts of funds and funding amounts vary by the type of program.
	Super tax deduction for R&D costs	■ Tax deduction	■ Taxpayers may claim R&D super tax deduction, i.e., additional tax deduction, for qualifying R&D costs, meaning that eligible costs can be deducted from the tax base more than once. The super deduction of R&D costs is 100%. An additional 100% from year-on-year increase (measured against the prior two years) in the R&D costs may be claimed.

	Super tax deduction for Industry 4.0 capex	■ Tax deduction	■ Taxpayers eligible for this scheme can benefit from an additional tax deduction the rate of which ranges from 15% to 55% — or tax depreciation or amortization on capex spent on assets related to Industry 4.0.
			■ The deduction rate depends on the:
			  ■ Contemplated amount of the total eligible capex during the period from 2022 to 2027
			  ■ Multiplier ratio between the (i) contemplated amount of the total eligible capex in the whole period and (ii) average annual capital and fixed assets (capex) spending on assets related to Industry 4.0 during the period from 2019 to 2021, measured in percentage
			■ Super deduction can be claimed over the tax depreciation or amortization period of the asset, but not over a longer period than 10 consecutive tax periods following the period in which the asset was put in use.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Future investments	NA	Yes	Yes	No
■ Future investments	NA	Yes	Yes	No
■ Future investments	NA	Yes	Yes	No
■ Current investments ■ Future investments	■ Allowance can be carried forward to next tax period up to a maximum of four consecutive tax years.	No	Yes	No
■ Current investments ■ Future investments	NA	No	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Patent box	■ Tax exemption	■ There is partial tax exemption of income generated from some intangible assets created by a taxpayer's own development activities in the territory of Slovakia. ■ Exemption of 50% applies to income generated from the provision of right to use (licensing) a patent, design, utility model or computer program (software) created by a taxpayer in Slovakia. ■ The same 50% exemption applies to income generated from sale of products in which a patent, utility model or design created in Slovakia has been used.
Slovenia	General R&D tax relief	■ Super deduction	■ Taxpayers can receive triple tax deduction for investments in R&D: 100% CIT base deduction is available on R&D investments and certain expenses incurred. Taxpayers are entitled to general R&D tax relief corresponding to 100% of amount invested into R&D activities. The R&D tax relief, tax relief for investments in the digital and green transition, and special investment tax relief cannot be claimed at the same time. ■ From 1 January 2020 onward, the maximum reduction of tax base (including the enforcement of unused portions of tax relief from previous tax periods) is limited to 63% of the tax base for a tax period.
	Cash grants	■ Cash grants	■ The government will be offering various cash grants and financial support for R&D activities under its operational program for implementation of EU Cohesion Policy for 2021–27, the National Recovery and Resilience Plan, and other funding schemes from the state budget.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	No	Yes	No
■ Current investments	Unused relief can be carried forward for five tax periods.	No	Yes	No
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Financial support – reimbursable means	■ Financial support	■ The Ministry of Finance regularly publishes a list of open state aid. Financial support can be provided as a loan, guarantee or capital increase (venture capital funds). ■ On 23 November 2017, Slovenia launched implementation of financial instruments within a framework of the implementation of the Cohesion Policy of the 2014-20 period. In this respect, EUR253 million is earmarked from reimbursable European funds that are available to Slovenia until 2023 for the purpose of financing development and entrepreneurship. Financial intermediaries additionally have made EUR150 million available because of the need for financial leverage and reuse of repayments. Together, EUR400 million will be available for enterprises and other end users. These funds will be managed by the Fund of Funds d.d. (SID Bank). Financial instruments are expected to promote investments and current operations with debt and equity financing. Accordingly, private operators will transfer all the benefits (e.g., lower interest rate, lower required insurance, a moratorium on repayment of a loan, longer maturity of loans) that they will obtain from the SID Bank to the final recipients (companies, public institutes, municipalities and individuals). The funds will be transferred to research, development, and innovation projects and investments; small and medium-sized enterprises (for the startup of the company and the early-growth phase and for the growth and development of the company); as well as for energy efficiency and urban development projects. Implementation of financial instruments within the framework of implementation of the cohesion policy of the 2021-27 period is currently being coordinated at the EU level. ■ Slovenia is eligible for loans in the amount of EUR3.6 billion under the Recovery and Resilience Facility to support public investments and reforms to address the economic and social impact of the COVID-19 pandemic, as well as the challenges posed by the green and digital transitions.
	Loans	■ Loans	■ Legal entities established in Slovenia performing qualifying R&D activities or affected by COVID-19 may obtain a loan from SID Bank with favorable terms and conditions.
South Africa	Section 11D	■ Super deduction	■ Super deduction equal to 150% is allowed per year for qualifying direct R&D costs.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No
■ Current investments ■ Future investments	■ Loss can be used against future taxable income, and can be carried forward indefinitely.	Yes	Yes	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Section 12C (1) (gA)	■ Accelerated depreciation on qualifying R&D assets	■ Capital expenditures incurred to develop, construct or purchase new and unused assets that are solely and directly used in the conduct of qualifying R&D activities qualify for accelerated depreciation at a rate of: ■ First year asset is in use: 50% ■ Year two: 30% ■ Year three: 20%
	Support Programme for Industrial Innovation (SPII)	■ Cash grants	■ SPII Product Process Development (PPD) scheme: non-taxable and non-repayable grant is available to small, very small and micro enterprises and to individuals. Grant ranges between 50% and 85% of qualifying costs incurred during technical development stage (maximum ZAR2 million per project). Percentage is based on percentage ownership by certain disadvantaged groups. ■ SPII Matching scheme: non-taxable and non-repayable grant is available to all enterprises and individuals. Grant ranges between 50% and 75% of qualifying costs incurred during technical development stage (maximum ZAR5 million per project). The percentage is based on the percentage ownership by certain disadvantaged groups.
	Technology and Human Resources for Industry Programme (THRIP)	■ Cash grants	■ A cost-sharing grant of up to ZAR8 million per year for a period of three years for approved projects engaged in applied R&D in science, engineering and/or technology.
Spain	Tax credit for R&D expenses	■ Tax credits	■ 25% tax credit for R&D expenses incurred in the tax year. If expenses incurred exceed the average amount of those costs in preceding two years, the rate of 25% applies to amount equal to the average, while a rate of 42% applies to the excess. ■ Additional 8% tax credit is available for investments made in tangible (excluding buildings and land) and intangible fixed assets exclusively assigned to R&D activities. ■ Additional tax credit of 17% is available for staff expenses related to skilled researchers exclusively assigned to R&D activities. ■ Additional 12% tax credit is available for technological innovation activities (25% if they relate to new or substantially improved production processes in the value chain of the automotive industry, in tax years 2020 and 2021). ■ Taxpayers meeting certain conditions may elect not to be subject to annual limitation on tax credits (25%-50%) but apply full tax credit with 20% discount (monetization procedure).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	■ Loss can be used against future taxable income, and can be carried forward indefinitely.	No	No	No
■ Future investments	NA	Yes	Yes	No
■ Future investments	NA	Yes	Yes	No
■ Current investments	■ Unused credits may not be carried back but may be carried forward for 18 years.	No (but reasoned report is required in order to apply monetization procedure)	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Reduced social security contributions	■ Partial tax exemption	■ Firms may reduce 40% of social security payments for employees dedicated full-time to research, development and technological innovation activities.
	Patent box regime	■ Partial tax exemption	■ Patent box regime was amended to align with BEPS Action 5. The tax incentive (60% reduction) will continue to apply, but proportionally to the "qualifying costs" (i.e., excluding outsourcing costs with related parties and intangible assets acquisition costs). ■ Patent box may continue to apply to income deriving from transfer of intangible asset, but only when transaction is carried out between non-related parties. ■ For assignments of IP started before 1 July 2016, the patent box regime existing when assignment was formalized can be voluntarily applied until 30 June 2021.
Sweden	Reduced social security contributions for tasks concerning commercially performed R&D	■ Reduced social security contributions	■ Social security charges are currently rated at 31.42%. Companies may deduct 20% of gross salary from social security contributions of an R&D employee. Maximum reduction in the base contribution amount is SEK919,239 per company or group, per month (or SEK10.8 million per year).
	Expatriate tax regime for certain foreign experts	■ Tax exemption	■ 25% of salary and benefits for individuals granted expatriate taxation classification is exempt from taxation. Additionally, moving expenses to and from Sweden, some travel expenses to the home country, and school fees are exempt.
Switzerland	Financial contributions/ cash grants	■ Contributions to investment costs ■ Contributions to investment costs, repayable on an interest-free basis, subject to conditions	■ To facilitate and accelerate the realization of projects, several cantons and certain federal offices in Switzerland provide financial contributions of creditable (e.g., demonstrated innovation) investments.
	Tax holidays	■ Relief from capital and profit taxes at federal, cantonal and communal level for a maximum of 100% for maximum 10 years for one legal entity	■ Various cantons may grant tax holidays for important expansion projects of existing or new companies, when such projects are of major economic importance to the respective canton. Tax holiday is granted on CIT and capital tax on a cantonal and communal level. However, if company is founded in certain defined areas, a tax holiday on a federal level may also be obtained. In any case, there is maximum available relief of 100% for maximum of 10 years. ■ Real estate transfer tax triggered by change of ownership may be waived on purchases of real estate or industrial land, depending on cantonal practices.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current Investments	NA	■ Yes (for companies applying incentive to 10 or more employees)	Yes	Yes
■ Current investments ■ Future investments (Note: Previous patent box regime applies until 2021 under transition rules.)	NA	No	No	No
■ Current investments ■ Future investments	■ No carryforward or carryback is permitted.	No	No	No
■ Current investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No
■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Patent box	■ Patent-related incentive	■ Switzerland has implemented a mandatory cantonal patent box. The patent box is a preferential IP regime offering relief on income from qualifying IP rights (domestic and foreign patents and similar rights). The patent box income is taxed with a maximum reduction of up to 90% (quota at cantonal discretion). The benefit may be subject to limitation due to minimum taxation regulations. ■ The preferentially taxed income must be directly attributable to qualifying IP rights, which relate to actual R&D activity meeting substantial activity requirements (Nexus Approach). All other IP-related income, e.g., income derived from brands or R&D failing the substantial activity requirements, does not qualify for the patent box regime. ■ Taxpayers transitioning into the patent box are subject to an entry taxation of historic R&D expenses (different cantonal regulations on entry taxation). ■ Furthermore, the use of the patent box comes with several key documentation requirements for taxpayers.
	R&D super deduction	■ Super deduction	■ The R&D super deduction is an optional measure at cantonal level providing a super deduction on CIT of up to max. 50% for qualifying domestic R&D expenses. The benefit may be subject to limitation due to minimum taxation regulations. ■ Qualifying R&D projects must be novel, creative, uncertain, systematic, transferable and/or reproducible and physically performed in Switzerland. ■ The super deduction is calculated based on personnel expenses for qualifying R&D plus a flat-rate surcharge of 35% for other costs and 80% of expenses for domestic contract R&D carried out by third parties or affiliates.
	Accelerated depreciation on assets	■ Possibility to account a one-off depreciation under certain conditions (depends on different cantonal practices)	■ The method of depreciation basically should be in line with usual business practices. However, the tax authorities in Switzerland have published the rate of depreciation that is usually acceptable and therefore treated as business-related expense. Some cantons provide the possibility to account a one-off depreciation under certain conditions (depends on different cantonal practices).

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	Yes	NA
■ Current investments ■ Future investments	NA	No	Yes	No
■ Current investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Tunisia	Premium for the increase of added value and competitiveness	■ Cash grants	Direct investment operations benefit from premiums provided in Article 19 of the investment law with respect to the premium for the increase of added value and competitiveness as follows: **The premium granted for the realization of direct investment operations in priority sectors and economic sectors:** ■ 15% of the cost of approved investments with a ceiling of TND1 million **The premium for the economic performance:** ■ Tangible investments for monitoring new technologies and improving productivity: The premium is 50% of the cost of the approved investment with a maximum of TND500,000. ■ Intangible investments: The premium is 50% of the cost of the approved investment, including the premium for studies expenses related to R&D with a maximum of TND500,000. The studies premium is limited to TND20,000. ■ Expenses related to R&D: The premium is 50% of approved R&D costs with a maximum of TND300,000. ■ Employee trainings leading to competency certification: The premium is 70% of the training costs for Tunisian employees that leads to a certification of skills according to international standards with a maximum of TND20,000 per year for each enterprise.
	Premium for investments made in the field of R&D by companies located in business parks	■ Cash grants	■ Investments made in the field of R&D by companies located in business parks are eligible for a bonus, the rate and terms of which are set by current tax legislation.
	Financing line for the creation and expansion of projects in the green, blue, and circular economies	■ Financial support	■ Financing line to support young promoters and institutions, with respect to their creation and expansion of projects in the fields of green, blue and circular economy.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	NA	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Additional deduction of tax allowance from the tax base for R&D expenses	■ Tax allowance	■ Enterprises engaged within the framework of agreements concluded with public establishments of scientific research, public establishments of higher education and research, or with other establishments and public companies authorized to research under the terms of the legislation and the regulation in force, can deduct 50% from the tax base an additional tax allowance for R&D expenses. The company's contribution to the total R&D expenses covered by the agreement should not be less than 10%. The overall amount of the deducted allowance should not exceed TND200,000. ■ Under the provisions of Article 27 of the Finance Act for 2023, the maximum percentage of additional tax allowance is increased to 50%, and the maximum threshold is increased from TND200,000 to TND400,000, for the green economy, blue and circular economies, and for sustainable development.
	Deduction of revenues and profits reinvested in innovating sectors	■ Tax deduction (including super deduction)	**Deduction of revenues and profits reinvested in innovating sectors** ■ Full deduction, within the limit of the income or profit subject to tax, for revenues and profits reinvested as part of the subscription within the initial capital or the increase of capital of enterprises undertaking investments that allow the development of the technology or its monitoring and the innovation investments within all economic sectors. Investments in the financial sector, energy (except renewable energies), mining, real estate development, on-site consumption, trade and telecommunications operators are not eligible for this deduction.
	Exemption or suspension of certain duties and taxes for R&D investments by companies located in business parks	■ Tax exemptions ■ Tax holiday	■ R&D investments by companies located in business parks are eligible for the exemption from customs duties and suspension of VAT on imported equipment that does not have locally manufactured substitutes and that is necessary for the realization of these investments and the suspension of VAT on locally manufactured equipment.
	30% additional deduction for depreciation on investments in alternative and renewable energies	■ Tax allowance ■ Tax deduction (including super deduction)	■ Article 48 of the Finance Act for 2024 provides for an additional deduction at the rate of 30% for depreciation of equipment and materials producing alternative or renewable energies acquired or manufactured, from CIT and PIT, the tax base, due for the first year from the date of acquisition, manufacture or start of use, as applicable.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	Yes	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	Yes	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Financial relief for investments in green, blue, circular economy and sustainable development	■ Tax allowance ■ Tax deduction (including super deduction)	■ Article 49 of the Finance Act for 2024 extended the benefit of financial reinvestment to companies carrying out investments in the field of green, blue and circular economy and sustainable development within the meaning of the laws and regulations in force. ■ The income or profits reinvested in the subscription to the initial capital, or its increase of these companies operating in the said fields are fully deductible, within the limit of the income or profit subject to tax. Furthermore, the deduction is subject to the minimum tax provided for by Articles 12 and 12 bis of Act No. 89-114 of 30 December 1989, promulgating the PITCITC. ■ The tax advantage is not granted to subscription operations intended for the acquisition of land.
	Exemption from tax on destruction of second-hand items, for products valued to produce renewable energies	■ Tax exemption	■ Article 52 of the Finance Act for 2024 exempted the quantities recovered in the context of the production of alternative energy from the tax due on the destruction of quantities of imported second-hand items.
	VAT reduced to 7% & 50% reduction in road tax and first registration tax for electric cars	■ Other	■ Article 50 of the Finance Act for 2024 reduced VAT to 7% for motor vehicles equipped solely with electric motors for propulsion falling under customs tariff numbers Ex 87.02, Ex 87.03 and Ex 87.04; bicycles falling under customs tariff number Ex 87.12; and motorcycles of various types equipped solely with electric motors for propulsion falling under customs tariff number Ex 87.11. ■ Article 50 reduced circulation taxes by 50% for cars and motorcycles equipped solely with electric motors. ■ It also reduces by 50% the duty on first registration and the additional duty on first registration.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments ■ Future investments	NA	Yes	No	No
■ Current investments ■ Future investments	NA	No	No	No
■ Current investments ■ Future investments	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
Türkiye	R&D expense deduction	■ Super deduction	■ Taxpayers are granted R&D expense deduction incentive in two ways: through R&D centers and through R&D and innovation projects. R&D expense deductions through both types are applied against CIT base, and taxpayers may deduct 100% of R&D expenditures from CIT base. ■ Taxpayers can also take advantage of depreciation at a rate of 20% for five years for R&D asset.
	Cash grants	■ National and international cash grants	■ The Scientific and Technological Research Council of Türkiye (TÜBİTAK) provides up to 60% in cash grant to certain portions of eligible R&D expenses.
	Income tax withholding incentives	■ Income tax withholding incentives	■ Income tax calculated on wages earned by R&D and assisting personnel shall be canceled at 95% for personnel with a doctorate degree or at least one graduate degree in one of the basic sciences, 90% for those with a graduate degree or an undergraduate degree in one of the basic sciences, and 80% for other personnel by deducting from the tax accrued over the withholding tax return to be submitted. ■ Income tax calculated on wages earned by R&D and assisting personnel shall be canceled at 100% in Technology Development Zones (TDZs) by deducting from the tax accrued over the withholding tax return to be submitted.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	■ May be carried forward indefinitely.	Yes Projects should be approved as R&D projects by the Ministry of Industry & Technology if the projects are carried out under R&D Centers, and by the Scientific and Technological Research Council of Türkiye (TÜBITAK) if the projects are not carried out under R&D Centers.	Yes	Yes
■ Current investments	NA	Yes Projects should be approved by the institution providing the cash grant.	Yes	Yes
■ Current investments	NA	Yes Projects should be approved as R&D projects by the Ministry of Science and Technology if the projects are carried out under R&D centers; by TÜBITAK if the projects are not carried out under R&D Centers; and by the management company if the projects are carried out at Technology Development Zones.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Social security premium support	■ Reduced social security contributions	■ For R&D and support personnel who work in an R&D/ design center or TDZ on R&D and innovation projects, half of the social security employer's share calculated on remunerations received by R&D, design and support personnel in return for R&D and design work can be paid from a fund to be placed in the Ministry of Finance budget.
	Accelerated depreciation on R&D assets	■ Accelerated depreciation on R&D assets	The depreciation rates and periods to be applied for new machinery and equipment acquired until the end of the 2023 calendar year to be used in exclusively R&D, innovation or design activities can be calculated by considering half of the useful life periods determined and announced by the Ministry of Finance.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes Projects should be approved as R&D projects by the Ministry of Science and Technology if the projects are carried out under R&D centers; by TÜBITAK if the projects are not carried out under R&D Centers; and by the management company if the projects are carried out at Technology Development Zones.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.
■ New machinery and equipment that has been acquired must be exclusively used in R&D, innovation or design activities.	NA	No	No	No

Jurisdiction	Names of incentives	Incentive types	Description of benefits
	Tax exemptions for R&D and Design Centers	■ Stamp tax exemption ■ Customs duty exemption ■ VAT exemption	■ A range of documents (e.g., contracts and payroll slips) issued in relation to R&D and innovation activities (including documents issued for wage payments made to R&D or design personnel) are exempt from stamp tax. ■ Goods imported from foreign countries in the scope of R&D projects are exempt from customs duties, and all kinds of funds, while papers issued and transactions conducted within this scope are exempt from stamp duty and fee. ■ New machinery and equipment deliveries made for the exclusive use of R&D, innovation and design activities are exempted from VAT.
	Tax exemptions for TDZ	■ CIT and VAT exemption	**Technology Development Zones (TDZ) incentives:** ■ Gains derived by taxpayers operating in TDZs exclusively from software, R&D and design activities carried out in these zones are exempt from income and corporate tax until 31 December 2028. ■ Delivery of software produced in TDZs are exempted from VAT. ■ Acquisition of fixed assets to be solely used in TDZ R&D and software activities are exempted from VAT. ■ Other forms of support for R&D activities in TDZs are payroll income tax exemption, stamp tax exemptions and social security premium support for R&D personnel. **Exemption on intellectual property rights:** ■ Corporate tax and VAT exemptions apply to transfer, sale and leasing of patented inventions or inventions with utility model certificates. ■ Corporate tax exemption applies to 50% of income derived from the transfer, sale or leasing of intangible rights from 1 January 2015. Corporate tax exemption also applies to 50% of income attributed to intangible rights derived from sale of invented manufactured products. If intangible patented right is used in manufacturing of any other product, 50% of income attributable to intangible right gained as result of sales of manufactured product is exempted from corporate tax.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments	NA	Yes Projects should be approved as R&D projects by the Ministry of Science and Technology if the projects are carried out under R&D centers; by TÜBITAK if the projects are not carried out under R&D Centers; and by the management company if the projects are carried out at Technology Development Zones.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.	Yes Income tax withholding, customs, stamp tax and social security premium supports are applicable together with corporate income tax exemptions or R&D expense deduction. It depends on the approval of the projects by the related association or ministry. Therefore, it is indirectly subject to annual compliance and certification.
NA	NA	NA	NA	NA

Jurisdiction	Names of incentives	Incentive types	Description of benefits
United Kingdom	Super deduction	■ Enhanced tax deduction over and above the usual corporation tax deduction	■ R&D incentive is currently available for SMEs as an enhanced deduction of 186% from 1 April 2023 of qualifying spend, which is reduced from 230% from 1 April 2023. This deduction is available before tax as a deduction against taxpayers' profits chargeable to corporation tax. ■ A cash refund may be obtained for SMEs making a claim if the enhanced deduction exceeds the company's tax base for that given year. ■ For accounting periods starting after 1 April 2024, the R&D schemes will be merged and the enhanced deduction will not be available except for certain research-intensive SMEs.
	Tax credits	■ Tax credit to operating income as a percentage of qualifying spend	■ Large companies incurring qualifying R&D expenditures after 1 April 2013 may elect to make an R&D Expenditure Credit (RDEC) claim. ■ A 20% (currently 15% post-tax) taxable credit is available for qualifying expenditure incurred from 1 April 2023, increasing from a rate of 13% on expenditure incurred before 1 April 2023 (10.5% post-tax benefit).
	Research and development allowance (RDA)	■ First-year allowance on qualifying capital expenditure	■ Provides 100% tax relief in the year of acquisition for capital expenditure on plants, machinery and buildings (but not land) used for the purposes of carrying out R&D activities.
	Patent box regime	■ Reduced effective tax rate	■ Provides for effective CIT rate of 10% on profits derived from qualifying patents and certain similar IP rights. ■ From 1 July 2016, patent box regime has been changed to align with BEPS Action 5. From 1 July 2016 (or 1 July 2021, if a company was grandfathered under the old rules), the company must break down its overall patent box profit into separate profit streams attributable to individual patents, products or product families and then apply a "nexus fraction" to each resultant profit stream.

Applicability	Carryforward/carryback option	Preapproval required	Annual compliance required	Certification required
■ Current investments		No	No	No
■ Current investments	■ If Pay As You Earn (PAYE) and National Insurance Contribution (NIC) caps limit the credit available, the amount it is limited by is carried forward to the next accounting period.	No	No	No
■ Current investments	NA	No	No	No
■ Current investments ■ Future investments (Note: Previous patent box regime applies until 2021 under transition rules.)	NA	No	No	No

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