

# R&D Tax Incentives: Greece, 2021

## Design of R&D tax relief provisions

Greece offered an incremental R&D tax allowance from 2004 to 2012, replaced by a volume-based R&D tax allowance scheme in 2013.

**Table 1. Main design features of R&D tax incentives in Greece, 2021**

	R&D tax allowance
Type of instrument	Volume-based
Eligible expenditures <sup>†</sup>	Current, capital depreciation, intangibles
Headline rates (%)	100
Refund	No
Carry-over (years)	5 (carry-forward)
Thresholds & ceilings	No

\* Greece also provides an income-based tax incentive for outcomes of R&D activities. These are beyond the scope of this note.

Note: For more details, see [OECD R&D Tax Incentive Compendium](#) and [Eligibility of current and capital expenditure for R&D tax relief](#)

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

### Key features:

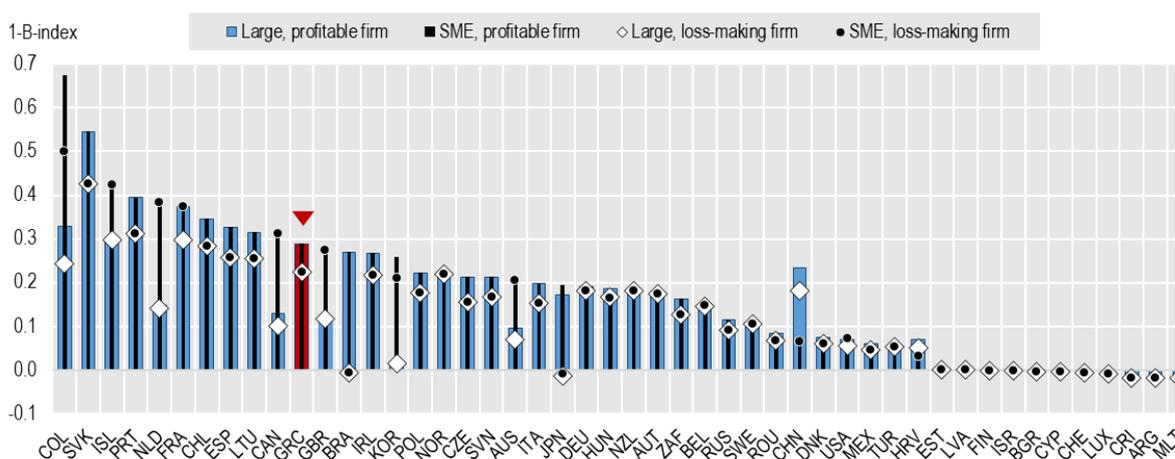
- The headline rate of relief is 100%.
- In the case of insufficient tax liability, unused credits can be carried-forward 5 years.
- No ceilings are placed on the amount of qualifying R&D expenditure or value of R&D tax relief.

## Generosity of R&D tax support in 2021

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2021, the marginal tax subsidy rate for profit-making (loss-making) SMEs in **Greece** is estimated at 0.29 (0.22), above the OECD median of 0.20 (0.18). The implied R&D tax subsidy rate for large enterprises is also equal to 0.29 (0.22) in the profit (loss)-making scenario, well above the OECD median of 17 (0.15).

**Figure 1. Implied tax subsidy rates on R&D expenditures: Greece, 2021**

1-B-Index, by firm size and profit scenario



Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

## Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In **2021**, **Greece** did not undertake any changes in its R&D tax relief provisions. The **latest change** in the design of the R&D tax allowance in **Greece** occurred in **2020**, when Greece raised the rate of the volume-based R&D tax allowance from 30 to 100% with effect from September 1, 2020. This policy change was not related to **the COVID-19 crisis**.

## Trends in the generosity of R&D tax support

**Greece** offered an incremental R&D tax allowance of 50% over the 2004-12 period, translating into a fairly small implied R&D tax subsidy during this period across the four scenarios considered. A slight reduction in R&D tax subsidy rates is observable between 2004 and 2011, attributable to the step-wise reduction in the corporate income tax (CIT) rate whose magnitude directly affects the value of tax allowances.

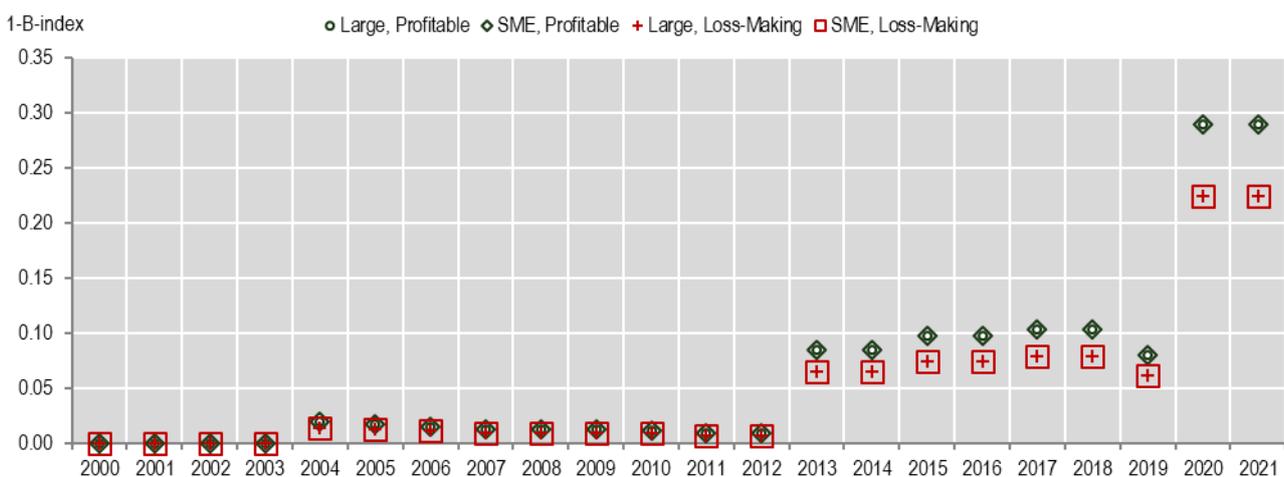
In more recent years, the generosity of R&D tax incentives has increased in **Greece**, with a notable jump in implied tax subsidy rates in 2013 and 2020. In 2013, **Greece** converted its incremental tax allowance into a volume-based scheme. This led to an increase in the implied R&D tax subsidy rate estimated for SMEs and large firms from 0.01 (0.01) in 2012 to 0.09 (0.07) in 2013 in the profit (loss-making) scenario.

The smaller-scale fluctuations in the implied subsidy rates observable in 2015 and in 2019 can be attributed to changes in the CIT rate in **Greece**: an increase in the CIT rate from 26% to 29% in 2015 and the decrease in the CIT rate from 29% to 28% in 2018.

Another reduction of the CIT rate from 28% to 24% followed in 2020, lowering the value of enhanced tax deductions. However, this reduction was more than offset by an increase in the R&D tax allowance rate from 30% to 100%, leading to a significant increase in the implied R&D tax subsidy rates for both SMEs and large firms from 0.08 (0.06) to 0.29 (0.22) in the profit (loss-making) scenario. With no change in the design of the R&D tax allowance in 2021, R&D tax subsidy rates remained unchanged at their 2020 level in 2021.

**Figure 2. Implied tax subsidy rates on R&D expenditures: Greece, 2004-21**

1-B-Index, by firm size and profit scenario



*Note:* Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

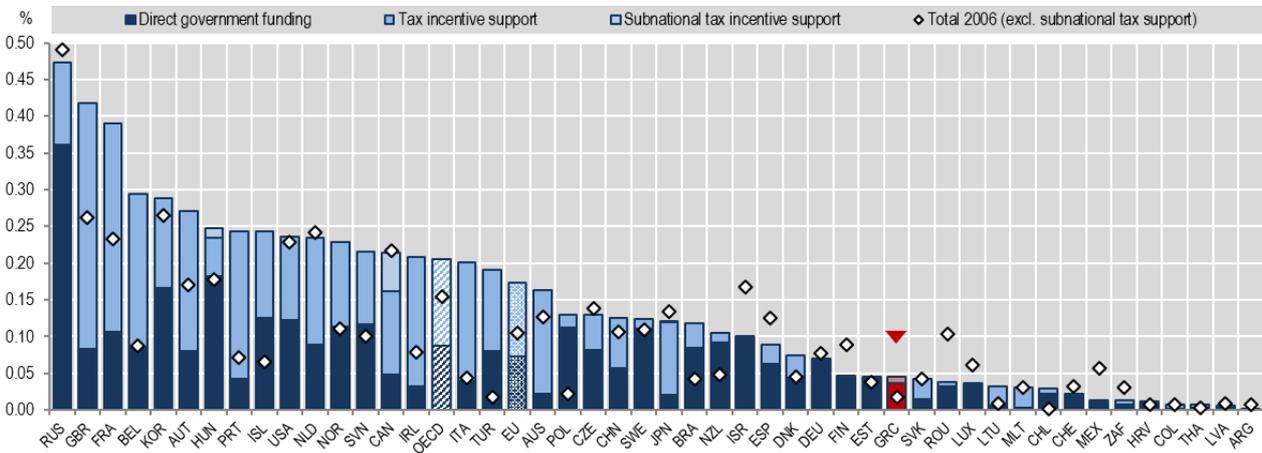
*Source:* OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

### Policy support for business R&D: the policy mix

**Greece** is one of the OECD countries with the lowest level of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.05% of GDP in 2019.

**Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2019 (nearest year)**

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

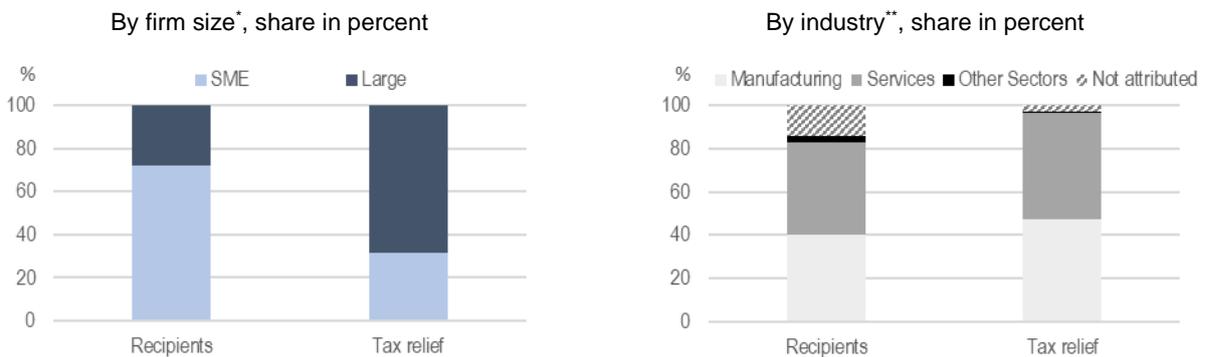
**Key points:**

- Between 2010 and 2019 (relevant data for 2006 to 2009 are currently not available), government support for BERD as a percentage of GDP increased by 0.03 percentage point (pp) in Greece, while the OECD average (2006-19) increased by 0.05 pp.
- From 2010 to 2019, business R&D intensity in **Greece** increased from 0.24% to 0.59%.
- In **Greece**, R&D tax incentives accounted for 18% of total government support in 2019.

### Distribution of R&D tax relief recipients and government tax relief for R&D

The distribution of R&D tax relief recipients and government tax relief for R&D expenditures (GTARD) provide insights into what types of firms claim and benefit from tax relief.

**Figure 4. Number of R&D tax relief recipients and value of government tax relief for R&D, 2019**



Note: Figures refer to the R&D tax allowance. \*SMEs are defined as firms with 1-249 employees. \*\*Economic activity is classified based on NACE Rev 2 (10-33: manufacturing; 45-82: services; remaining classes: other sectors).

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

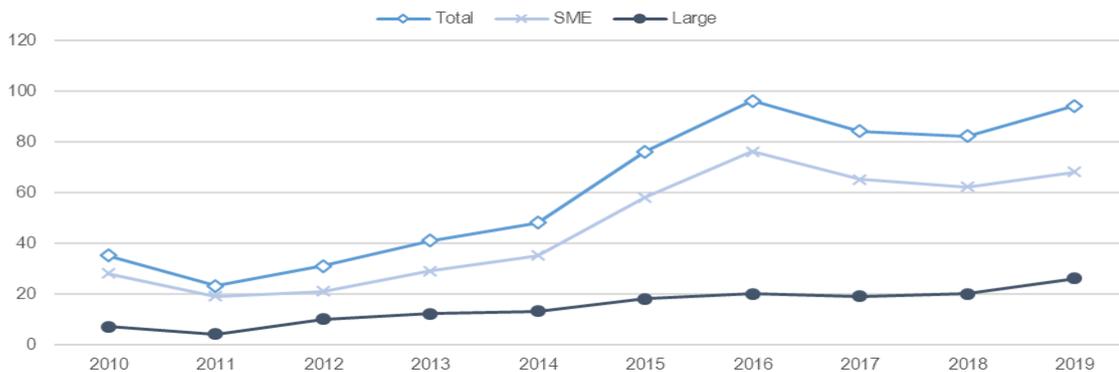
**Key points:**

- In **Greece**, SMEs accounted for 72% of R&D tax relief recipients in 2019, while the share of R&D tax support accounted for by SMEs amounted to around 32% in this year. 68% of R&D tax benefits were allocated to large firms, comprising 28% of the population of R&D tax relief recipients in 2019.
- In 2019, firms in manufacturing represented around 40% of R&D tax relief recipients in **Greece**, followed by firms in services with a share of 43%. The share of R&D tax benefits accounted for by the latter amounted to 50% in that year, while this share amounted to 47% in the case of firms in manufacturing.

## Trends in the uptake of R&D tax incentives

Over the period 2010-2019 (the period for which relevant data are available), the number of R&D tax relief recipients increased in **Greece**, with around 95 recipients in 2019 close to peak level of 100 recipients in 2016. Most of the increase observable for the 2010-19 period is attributable to SMEs. Throughout these years, the number of SMEs receiving R&D tax support more than doubled from 28 to 68, while the number of large firms receiving tax support increased nearly fourfold but remained comparatively smaller in size, with 26 recipients in 2019. Over the 2010-19 period, SMEs accounted for 70-80% and the majority of R&D tax relief recipients in **Greece**.

**Figure 5. Number of R&D tax relief recipients, Greece, 2010-2019**



Note: Figures refer to the R&D tax allowance.

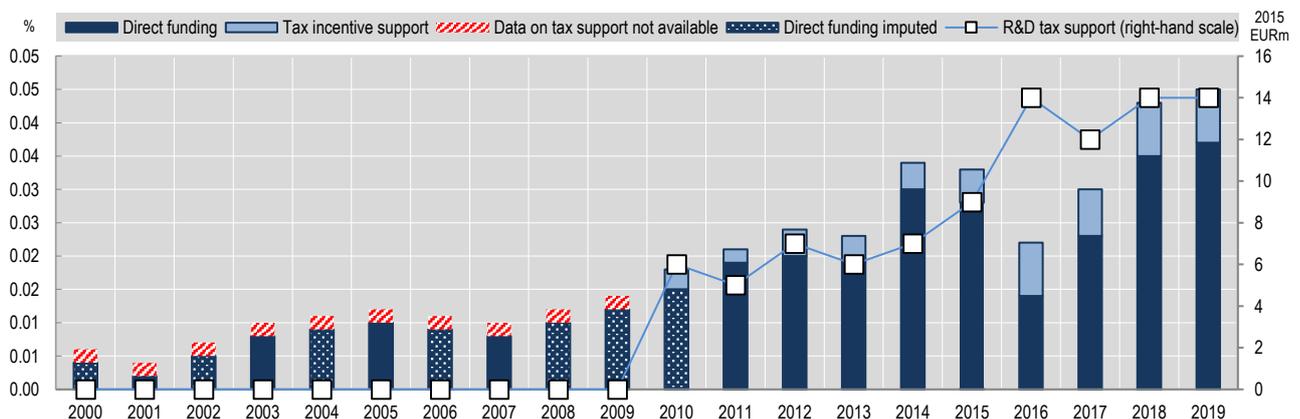
Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

## Trends in government support for business R&D

Over the 2010-19 period (the period for which relevant data are available), the importance of tax incentives increased in **Greece** in absolute terms but remained fairly stable in relative terms.

**Figure 6. Direct funding of business R&D and tax incentives for R&D, Greece, 2000-19**

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

- The cost of government tax relief for R&D increased (in 2015 prices) from EUR 6 million in 2010 to EUR 14 million in 2019, with a downturn observable in 2013, the first year in which the new volume-based R&D tax allowance scheme came into operation.
- As percentage of GDP, tax support increased from 0.003% in 2010 to 0.008% of GDP in 2019.
- Direct funding of BERD rose from 0.015% of GDP in 2010 to 0.03% in 2015, dropping to 0.037% in 2019.
- The share of R&D tax incentives in total government support increased slightly over these years, from 15% in 2010 to 18% in 2019.

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