

# R&D Tax Incentives: Netherlands, 2021

## Design of R&D tax relief provisions

The **Netherlands** provide R&D tax relief through a payroll withholding tax credit (WBSO). This is the result of the 2016 merger of the former withholding payroll tax credit for R&D wage costs (WBSO) and the R&D tax allowance for non-labour related R&D expenses (RDA).

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

Wet Bevordering Speur- & Ontwikkelingswerk (WBSO)	
Type of instrument	Payroll withholding tax credit
Eligible expenditures <sup>†</sup>	Labour, machinery & equipment, intangibles, buildings (R&D wage costs plus either the actual costs and expenses or lump sum)
Headline rates (%)	40* (for eligible R&D costs up to EUR 350 000), 16 above EUR 350 000
Refund	Redeemable against payroll withholding tax
Carry-over (years)	1**
Thresholds	R&D expenditure of EUR 350 000
R&D tax relief	Payroll tax liability**

\*: 50 for start-ups - firms can be deemed to be a start-up company or entrepreneur for a maximum of three years. The R&D deduction of taxable income for self-employed amounts to EUR 13 188 (EUR 19 786 for starting self-employed/founders); \*\*: In line with general wage rules, carry-over of unused claims is limited to consecutive tax periods within one calendar year. The Netherlands also offer an income-based tax incentive for outcomes of R&D activities. These incentives 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/rntax>, December 2021.

### Key features:

- The headline credit rate of 40% is 16% if the amount of eligible R&D costs surpasses a EUR 350 000 threshold.
- In the case of WBSO as payroll withholding tax credit, tax benefits are administered entirely through the payroll tax system and do not depend on the corporate tax liability of the firm.

## 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 the **Netherlands** is estimated at 0.39 (0.38), well above the OECD median of 0.20 (0.18). The tax subsidy rate for large enterprises is 0.15 (0.14) in the profit (loss)-making scenario, below the OECD median of 0.17 (0.15).

**Figure 1. Implied tax subsidy rates on R&D expenditures: Netherlands, 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/rntax>, 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, **Netherlands** undertook **two changes** in its R&D tax relief provisions.

- In response to the **COVID-19 crisis**, the headline rate in the first bracket (for eligible R&D costs up to EUR 350 000) has been raised temporarily (this increase only applies in 2021) from 32% to 40%, and from 40% to 50% in the case of start-ups. This is accompanied by an increase of the available WBSO budget in 2021 from EUR 1 281 million to EUR 1 438 million.
- The deduction of taxable income for self-employed persons has been raised from EUR 12 980 to EUR 13 188; and the supplementary deduction for start-up entrepreneurs from EUR 6 494 to EUR 6 598.

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

The generosity of R&D tax incentives in the **Netherlands** has remained fairly stable over the 2000-20 period, with increases noticeable in 2009-11, when the WBSO tax credit rates were raised as a temporary measure. Headline rates for SMEs (R&D below expenditure threshold) and large enterprises (R&D above expenditure threshold) were raised from 42% to 50% and from 14% to 18% respectively.

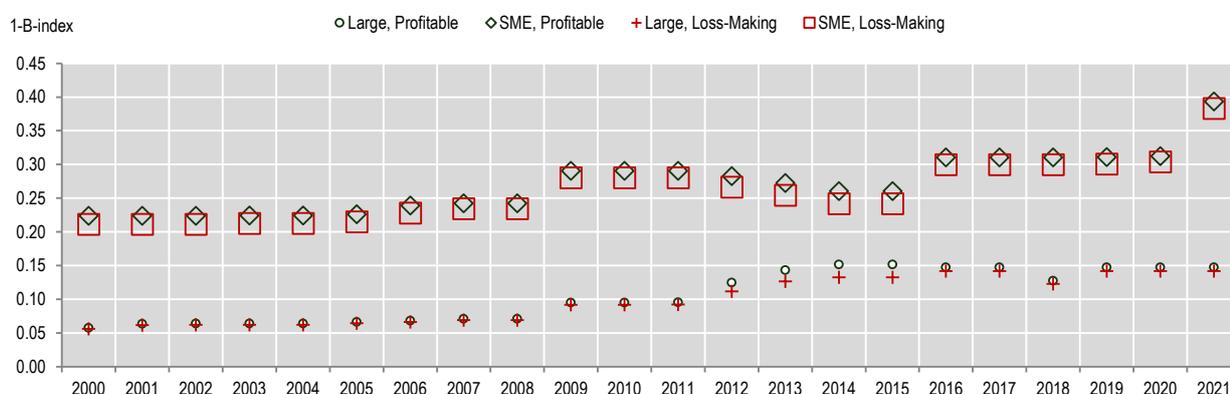
The introduction of an R&D tax allowance for non-labour related R&D expenditure in 2012, accompanied by a reduction of WBSO headline rates, caused R&D tax credit rates to revert back to pre-2009 values. With the subsequent reduction of the WBSO rate for SMEs in 2013 and 2014, the gap in the tax subsidy rates of SMEs and large firms further narrowed. Both schemes were merged in 2016. Under the new WBSO scheme – broader in scope but offered at slightly reduced headline tax credit rates – large firms continued to benefit from a similar rate of tax subsidy at the margin. For SMEs, the merged scheme implied a more generous treatment of non-labour related costs, leading to an increase in the R&D tax subsidy rate estimated for SMEs in 2016.

In 2018, the headline rate for large enterprises (R&D above expenditure threshold) was temporarily reduced from 16% to 14% (raised back to 16% in 2019), leading to a brief reduction in the implied tax subsidy rate for these firms. Due to refundable nature of the WBSO scheme, the tax subsidy rates for profitable and loss-making firms coincide except for the period when the RDA scheme was in place as a separate measure. With the temporary increase of the headline rate for SMEs (R&D below expenditure threshold) in 2021, the implied tax subsidy rate for SMEs increases from 0.31 (0.30) to 0.39 (0.38) in the profit (loss)-making scenario.

If the WBSO threshold is considered in the modelling of R&D tax subsidy rates, the rate of large firms in 2021 increases slightly from 0.15 (0.14) to 0.16 (0.15) in the profit (loss)-making scenario, and for profitable (loss-making) SMEs, it drops from 0.39 (0.38) to 0.30 (0.30).

**Figure 2. Implied tax subsidy rates on R&D expenditures: Netherlands, 2000-21**

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



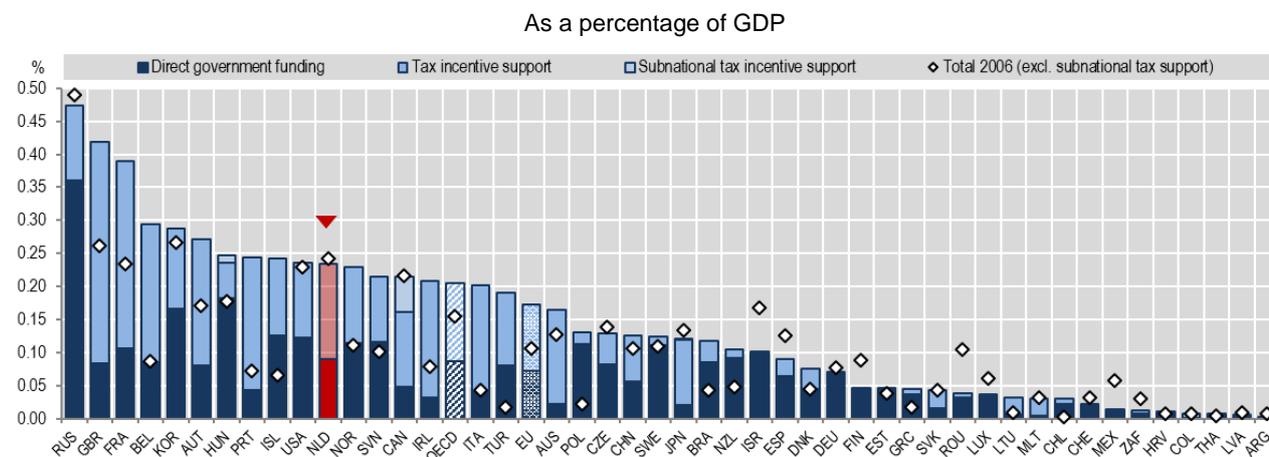
*Note:* Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting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

In 2019, the **Netherlands** is above the OECD average in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.24% of GDP.

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



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.

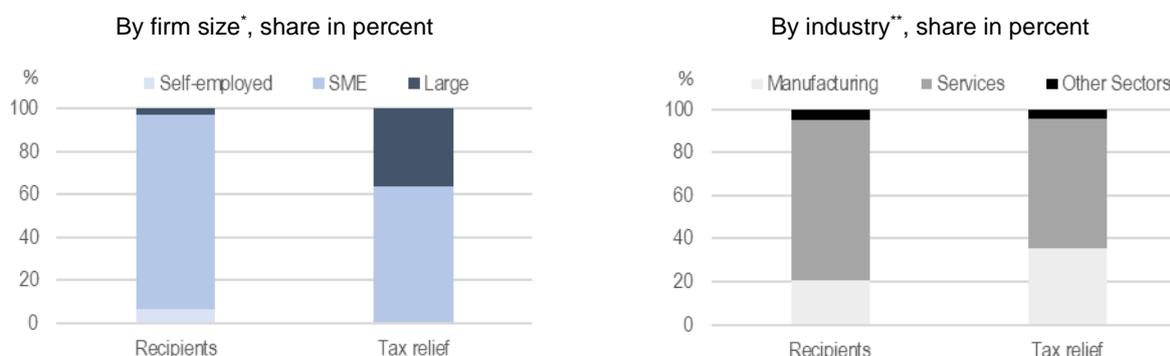
### Key points:

- From 2013<sup>1</sup> to 2019, government support for BERD as a percentage of GDP decreased by 0.01 percentage point (pp) in the **Netherlands**, while the OECD average (2006-19) increased by 0.05 pp.
- Business R&D intensity in the **Netherlands** slightly increased from 1.41% in 2013 to 1.46% in 2019.
- In 2019, tax incentives accounted for 62% of total government support for BERD in the **Netherlands**.

## 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 WBSO scheme. \*SMEs are defined as firms with 1-249 employees, an annual turnover that does not exceed EUR 50 million or an annual balance sheet does not exceed EUR 43 million. \*\* Economic activity is classified based on ISIC Rev.4.

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

### Key points:

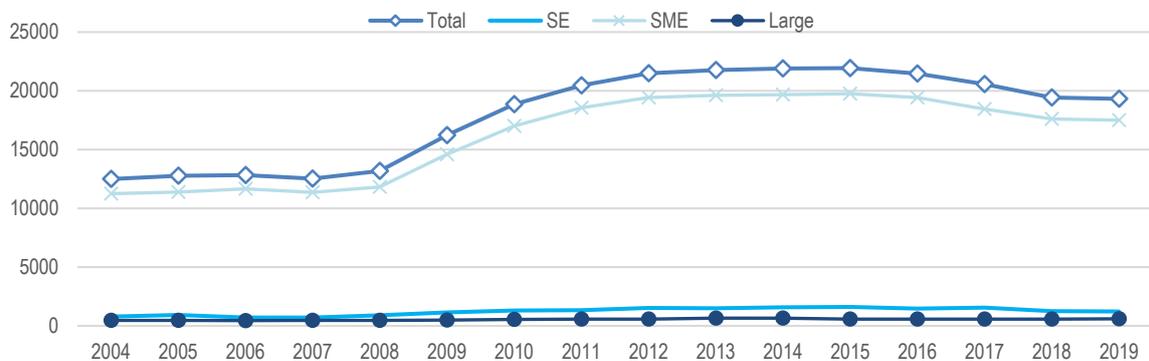
- In the **Netherlands**, SMEs (excluding self-employed) accounted for 91% of R&D tax relief recipients in 2019, while the share of R&D tax support accounted for by SMEs amounted to around 63% in this year. 37% of R&D tax benefits were allocated to large firms, comprising 3% of the population of R&D tax relief recipients in 2019.
- In 2019, firms in services represented around 74% of R&D tax relief recipients in the **Netherlands**, followed by firms in manufacturing with a share of 21%. The share of R&D tax benefits accounted for by the latter amounted to 35% in that year, while this share amounted to 61% in the case of firms in services.

<sup>1</sup> 2013 is reference year due to a revision of BERD time series as of 2013; see: <https://www.cbs.nl/nl-nl/achtergrond/2020/02/research-en-development-revisie-2019>.

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

Over the period 2004-2019 (for which relevant data are available), the number of R&D tax relief recipients increased in the **Netherlands**, with a peak of 21 935 recipients in 2015 and a slight drop thereafter, reaching around 19 320 recipients in 2019. A sharp increase in the number of R&D tax relief recipients is visible in 2009, connected to the broadening of the scope of qualifying R&D to include software development for ICT services and the 2009-10 temporary increase in the rate and threshold amount of the payroll incentive. The changes throughout the 2004-19 period are primarily driven by SMEs, which represent around 90% of R&D tax relief recipients during this period, followed by self-employed (7%) and large firms (3%).

**Figure 5. Number of R&D tax relief recipients, Netherlands, 2004-2019**



Note: Figures refer to the WBSO scheme and include the RDA scheme from 2012 to 2015.

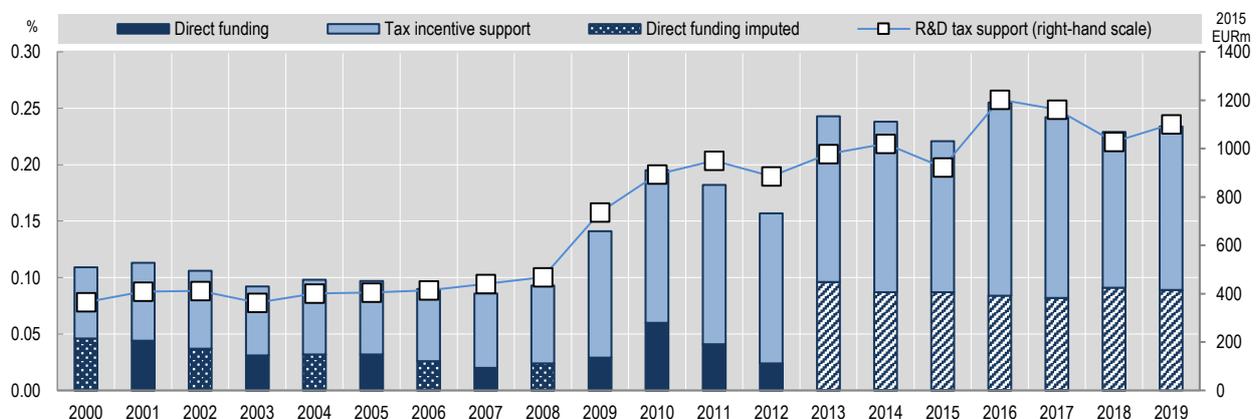
Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, December 2021.

## Trends in government support for business R&D

Between 2000 and 2019, the importance of R&D tax incentives has increased notably in the **Netherlands**.

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

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



Note: Break in series for direct funding of BERD in 2013 related to revision of BERD time series.

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

- The cost of government tax relief for R&D rose (in 2015 prices) from EUR 365 million in 2000 to EUR 1 101 million in 2019, with a marked increase in 2009-10 – connected to a temporary increase in the rates and threshold amount of the payroll incentive –, and after the introduction of the RDA allowance in 2012. The merger of the withholding payroll tax credit with the RDA led to another upturn in 2016.
- As a percentage of GDP, tax support increased from 0.06% to 0.15% of GDP from 2000 to 2019.
- From 2013 to 2019 (the period for which comparable data are available), direct funding of BERD remained relatively constant, oscillating around 0.09% of GDP.
- The share of R&D tax incentives in total government support varied somewhat in more recent years, increasing from 60% in 2013 to 67% in 2016 and dropping back to 62% in 2019.

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