

Eligibility of current and capital expenditure for R&D tax relief in selected OECD and non-OECD countries, 2022

Country	Type of tax incentive	Current R&D expenditure						Capital R&D expenditure			
		Wages and salaries of researchers and other R&D personnel	Payments for R&D services provided by consultants and other third parties	Payments for other services	Contributions to R&D carried out with 3 rd parties (e.g. collaboration agreements)	Materials and other consumables	Overheads	Acquisition of plant and machinery used for R&D	Acquisition of software, licences and IP rights used for R&D	Acquisition of land and buildings used for R&D	Depreciation /amortisation of assets used for R&D
Australia	R&D tax credit	x (a)r ^R	x (a)r ^R	xr ^R	xr ^R	x (a)	x (a)				x (a)r ^R
Austria	R&D tax credit	x (3rd)	x (3rd/a)r ^R		x (3rd/a)r ^R	x (3rd)	x (3rd)				
Belgium	Payroll withholding tax credit	x (3rd)r ^R									
	R&D tax credit							x (3rd/a)	x (3rd/a)	x (a)	
	R&D tax allowance							x (3rd/a)	x (3rd/a)	x (3rd/a)	
Brazil	Accelerated depreciation							xr	xr		
	R&D tax allowance	x	xr ^R			x		xr ^R			
Canada	Accelerated depreciation							xr	xr		
Canada	R&D tax credit	x (a)r ^R	xr ^R		xr ^R	x	xr ^R				
Chile	R&D tax credit	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)r	x (3rd/a)	x (3rd/a)r ^R				x (3rd/a) ^R
China	R&D tax allowance	x	xr ^R	xr ^R	xr ^R	x	x ^R				x
	Accelerated depreciation							xr ^R			
Colombia	R&D tax credit	xr ^R	x (a)r ^R	xr	x (a)r	xr					xr ^R
	R&D tax credit (SMEs)	xr	x (a)r	xr	x (a)r	xr					xr
Croatia	R&D tax allowance	x	x ^R			x	x ^R				xr ^R
Cyprus	R&D tax allowance	x	x(3rd) ^R	x ^R	x(3rd) ^R	x	x		x		x
Czech Republic	R&D tax allowance	x	xr ^R			x	xr ^R		xr ^R		xr ^R
Denmark	R&D tax credit (deficit)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a) ^R	
	Accelerated depreciation							x (3rd/a) ^R			
	Enhanced R&D tax allowance	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a) ^R	x (3rd/a)	x (3rd/a) ^R	
Finland	R&D tax allowance		xr ^R								
France	R&D tax credit	x (a)r ^R	x (a)r ^R		x (a) ^R	x (a)r ^R	x (a)r ^R			x (a)r ^R	x (a)
	SSC exemption	x (a)r ^R									
	Accelerated depreciation							xr			
Germany	R&D tax credit				xr ^R						

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Greece	R&D tax credit	x ^r	x (a) ^r		x (a) ^r						
Hungary	R&D tax allowance	x ^r	x ^r			x	x		x		x
	R&D tax allowance	x (3rd/a)	x (3rd/a) ^r	x (3rd/a)	x (3rd/a) ^r	x (3rd/a)		x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)
	R&D tax allowance in innovation contribution	x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a)	x (3rd/a) ^R	x (3rd/a)		x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)
	R&D tax credit					x ^r		x ^r	x ^r	x ^r	
	SSC exemption	x ^r									
	SSC credit	x ^r									
	KIVA credit	x ^r									
KIVA exemption	x ^r										
Iceland	R&D tax credit	x (a)	x (a)		x	x (a)	x (a)	x (a)	x (a)	x (a) ^R	
Ireland	R&D tax credit	x (3rd/a) ^R	x (3rd/a) ^R		x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a) ^R	x (3rd/a) ^R	
	Accelerated depreciation							x ^r		x ^r	
Italy	R&D tax credit (volume-based)	x(3rd) ^r	x(3rd) ^r	x(3rd) ^r		x(3rd) ^r					x(3rd) ^r
	R&D tax allowance	x	x			x			x ^R		x
Japan	R&D tax credit (general)	x (a) ^r	x (a)		x (a)	x (a)	x (a)				x (a) ^r
	R&D tax credit (special R&D)	x (a) ^r	x (a)		x (a)	x (a)	x (a)		x (a) ^r		x (a) ^r
	R&D tax credit (incremental)	x (a) ^r	x (a)		x (a)	x (a)	x (a)				x (a)
Korea	R&D tax credit	x (a)	x (a) ^r		x (a)	x					
	R&D tax credit (investment)							x	x ^R	x	
Lithuania	R&D tax allowance	x(3rd/a) ^r	x (3rd/a) ^r	x (3rd/a) ^r		x (3rd/a)	x (3rd/a)				
	Accelerated depreciation							x (a) ^r	x (a) ^r		
Mexico	R&D tax credit (incremental)	x	x	x ^r	x ^r	x ^r	x	x ^r		x ^r	
Netherlands	Payroll withholding tax credit	x (a) ^r				x (a)					
New Zealand	R&D tax credit (deficit)	x	x		x	x	x			x ^r	x
	R&D tax credit	x ^r	x ^r		x ^r	x ^r					x ^r
Norway	R&D tax credit	x (a) ^r	x (a) ^r			x (a)	x (a)	x (a) ^r			
Poland	R&D tax allowance	x	x ^r	x ^r		x ^r					x ^r

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Portugal	R&D tax credit	x (a)r ^R	x (a)r ^R	x (a)r ^R	x (a)r ^R	x (a)	x (a)r ^R	x (a)r ^R	x (a)r ^R		
Romania	R&D tax allowance	x (a)r ^R	x (a)r ^R	x (a)r ^R	x (a)r ^R	x (a)r ^R	x (a)r ^R				x (a)r ^R
Russian Federation	R&D tax allowance	x	xr ^R	xr	xr	xr	x				xr
	Accelerated depreciation							xr ^R		xr ^R	
Slovak Republic	R&D tax credit		x ^R	x	x	x	x	x(a)r ^R	xr ^R		xr ^R
	R&D tax allowance (volume)	x (a)	x (a) ^R	x (a)r ^R	x (a) ^R	x (a)	x (a)	x (a)r ^R	x (a)	x (a)r ^R	x (a)r
Slovenia	R&D tax allowance (hybrid)	x ^R	x ^R	x	x ^R	x	x	x	x	x	x
	R&D tax allowance	x	x		x	x		xr ^R			
South Africa	R&D tax allowance	x (3rd) ^R	x (3rd) ^R	x (3rd) ^R		x (3rd)	x (3rd)r ^R				
Spain	R&D tax credit	x (a)	x (a)		x (a)	x (a)		x (a)	x (a)		
	SSC exemption	x (a)r ^R									
Sweden	Accelerated depreciation							x (a)r ^R	x (a)r ^R	x (a)r ^R	
	SSC exemption	x (a)r ^R									
Turkey	R&D tax allowance	x(3rd)			x(3rd)r ^R	x(3rd)	x(3rd) ^R	x(3rd)r ^R	x(3rd) ^R	x(3rd)r	x(3rd)
	SSC exemption	xr ^R									
United Kingdom	Accelerated depreciation							xr			
	R&D tax allowance (SMEs)	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)	x (3rd/a)r ^R		x (3rd/a)r ^R		
	R&D tax credit (Large firms)	x (3rd/a)	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)r ^R	x (3rd/a)	x (3rd/a)		x (3rd/a)r ^R		
United States	Accelerated depreciation							x (a)	x (a)r ^R	x (a)r ^R	
	R&D tax credit	x	xr ^R	xr ^R	xr ^R	xr ^R					

Abbreviations: ME: machinery and equipment, B: Buildings; (3rd): If R&D paid for by third party; (a): R&D costs incurred abroad; (R): See country-specific notes for information on the eligibility of expenditure items and existing restrictions.

Notes: The retrospective extension of the R&D tax allowance in Thailand is pending government approval at the time of reporting. No call for R&D tax incentives in Argentina since 2018.

Source: OECD R&D Tax Incentives Database, <http://oe.cd/rdtax>, January 2023.

General notes:

This summary table covers national, expenditure-based R&D tax incentives and is confined to tax incentives available to the business sector, excluding tax incentive support to individuals. The table displays R&D tax incentives schemes that are available as of December 2022. This includes R&D tax credits and allowances, payroll withholding and social security contribution related incentives as well as accelerated depreciation provisions for capital assets (machinery and equipment, buildings and land) used in the context of R&D projects. Information on eligible R&D expenditures based on the 2022 OECD-NESTI data collection on tax incentive support for R&D expenditures, complemented with information from past NESTI R&D tax incentive surveys and other relevant, publicly available information. For a summary description of R&D tax incentive schemes and the latest indicators on tax incentive support for business R&D, see <http://oe.cd/rdtax>

Country-specific notes:

Australia: Information on eligibility of expenditure refers to the R&D Tax Incentive available in Australia since 1 July 2011.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Reductions in payroll taxes/social security contributions are not part of the tax credit formula.
 - Payments for R&D services provided by consultants and other third parties: Payments to off-site consultants qualify as eligible expenditure, but only if the eligible firms receive the benefit from R&D. Some of these costs may be incurred overseas (at least 50% of total costs of the project across all project years must be incurred in Australia).
 - Payments for other services: If the other services fall within the definition of eligible expenditure.
 - Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): In most cases, firms can only claim an R&D tax offset for expenditure on R&D activities conducted on its own behalf rather than for some other entity. In some cases, partners in an R&D project may be able to claim for R&D activities the partnership has undertaken together. Contributions by R&D entities to publicly funded Cooperative Research Centres (subdivision 355-k of the Income Tax Assessment Act 1997) and levy collecting Research Service Providers for the conducting of R&D activities are also eligible.
 - Acquisition of plant and machinery used for R&D: Depreciation of plant and machinery is claimable.
 - Acquisition of software, licences and IP rights used for R&D: There is an exclusion for core technology as contained under subsection 355-225(2) of Income Tax Assessment Act 1997.
 - Depreciation / amortisation of assets used for R&D: The R&D Tax Incentive can be claimed for the decline in value of tangible depreciating assets (except for buildings). The value of the decline may be estimated by either of two methods, the prime cost method or the diminishing value method. Once a method is chosen it cannot be changed. Balancing adjustments occur if the asset is sold.
 - Additional comments: For an R&D entity, its notional deductions may be for: (i) expenditure incurred on R&D activities, including expenditure on overseas activities covered by an advance finding from Innovation Australia, amounts paid to associates and expenditure to a RSP, (ii) the decline in value of assets used for conducting R&D activities (including R&D partnership assets), (iii) balancing adjustments for assets used only for conducting R&D activities (including R&D partnership assets), (iv) expenditure in relation to goods and materials transformed or processed during R&D activities to produce marketable products (feedstock expenditure), (v) monetary contributions under the CRC program. In summary, qualifying expenditures may include staff costs, direct costs, overheads, supplies, depreciation, and certain capital expenditures on activities that are defined as core or supporting R&D activities. Interest payments and building costs are specifically excluded. R&D entities are entitled to a notional R&D deduction in relation to expenditure described above to the extent that: (i) the expenditure is of a kind eligible for the R&D Tax Incentive, (ii) firms incur expenditure during the income year (other than an amount entities incur to an associate but do not pay until a later income year) on one or more registered R&D activities. As a result, the general rule is that expenditure on R&D activities is claimable in the income year it is incurred. The exceptions to this rule are when: (i) an amount of expenditure is incurred but not paid to an associate, (ii) the prepayment rules apply in relation to expenditure for services to be provided over a period. R&D entities cannot notionally deduct the following types of expenditure under the R&D tax incentive: (i) interest expenditure (within the meaning of interest in the withholding tax rules), (ii) expenditure that is not at risk, (iii) core technology expenditure, (iv) expenditure included in the cost of a depreciating asset (decline in value notional deductions may apply however), (v) expenditure incurred to acquire or construct a building (or part of a building or an extension, alteration or improvement to a building). These types of expenditure do not warrant the enhanced tax benefits available under the R&D tax offsets. However, they should be considered under the normal deduction provisions of the income tax law because firms may still be able to deduct these amounts from your assessable income. Under the R&D tax incentive deductions for depreciating assets (as defined in Division 40 of the ITAA 1997, but excluding intangible assets) used in carrying on R&D activities will be worked out under sections 355-305 and 355-310 of the ITAA 1997. These sections require that the amount allowable for on the decline in value of those assets for the period of R&D use be calculated notionally under the rules set out in Division 40 of the ITAA 1997, as applied with certain modifications. Firms can get a notional R&D deduction (and therefore, a tax offset) only for the decline in value of capital works that are not buildings used in R&D activities.
- Source: <https://www.ato.gov.au/business/research-and-development-tax-incentive/in-detail/guides/amounts-you-can-claim/?page=2> <http://www.business.gov.au/grants-and->

assistance/innovation-rd/RD-TaxIncentive/Eligibility/Documents/RDTaxIncentive-Guide2Interpretation.pdf

Austria: Information on eligibility of expenditure refers to the research premium (“Forschungsprämie”), replacing R&D concession incentives in Austria from 2011 onwards.

R&D tax credit

- Payments for R&D services provided by consultants and other third parties: The subcontractor must be a qualifying EU/EEC institution and unrelated to the principal. In case the payments fall under the definition of “extramural R&D” according to Frascati Manual, payments up to 1 million Euro per year (until 2011: 100.000 Euro) qualify; if the fiscal year comprises less than 12 months this ceiling will be adjusted proportionally. On-site consultants not eligible
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): The subcontractor must be a qualifying EU/EEC institution and unrelated to the principal. In case the payments fall under the definition of “extramural R&D” according to Frascati Manual, payments up to 1 million Euro per year (until 2011: 100.000 Euro) qualify; if the fiscal year comprises less than 12 months this ceiling will be adjusted proportionally
- Additional comments: Qualifying expenditures include current and capital R&D expenditures (e.g. capital investment, finance costs, staff costs, overhead, leasing costs, and subcontractor fees) by resident companies and as well as R&D undertaken by and attributable to the domestic branch of non-resident companies. Qualifying expenditures include domestic R&D expenditures only (if the R&D is undertaken by foreign branch of resident company and expenditures are attributable to that foreign branch, they are not included). Sources: <http://www.ris.bka.gov.at/NormDokument.wx?Abfrage=Bundesnormen&Gesetzesnummer=10004570&Artikel=&Paragraf=108c&Anlage=&Uebergangsrecht=>

Belgium: Information on eligibility of expenditure refers to the payroll withholding tax credit, R&D tax credit (incompatible with allowance), R&D tax allowance, and accelerated depreciation provision for R&D capital assets.

Payroll withholding tax credit

- Wages and salaries of researchers and other R&D personnel: Wage earners that have a PhD or a “scientific” master degree or bachelor degree (unless “young innovative company”)
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): There are no specific rules in Belgium concerning cost contribution agreements. Cost contribution agreements are not a common feature among multinationals doing business in Belgium.
- Additional comments: The provision is applicable only to wage earners that have a PhD or a “scientific” master degree, including engineers. If the company qualifies as a “young innovative company” the scheme applies to any staff member dealing directly with research activities (thus exclusive of administrative or commercial staff). According to the case, either the total wages of the worker/researcher are taken into account for the calculation of the payroll withholding tax credit, or a proportional rule applies (only the part of the wages directly linked to the research activity). Partial exemption from payment of the withholding tax on wages of knowledge workers (art. 275-3 of the Tax Code on income): This indirect funding mechanism for research and development has been developed by the federal government, on the basis of an opinion of the Federal Council for Science Policy (CFPS). Originally, the measure was intended only for knowledge workers employed in universities, colleges and research fund (FNRS and FWO). The principle of the measure was the typical work situation of a university assistant who can devote 50% of his working time to R&D activities and for which the employer - in parallel - should not pay 50% of advance payment due to the Treasury but could invest in additional R&D activities. The rate of payroll withholding tax remission has been increased from 75 to 80 from 1 July 2013 onwards (Law on tax and financial provisions on sustainable development, June 17, 2013). In the commercial sector, the investment of these additional revenues in R&D activities is not taxed and instead depends on the economic opportunities that arise. Source: http://www.belspo.be/belspo/fisc/intro_fr.stm

R&D tax credit

- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): There are no specific rules in Belgium concerning cost contribution agreements. Cost contribution agreements are not a common feature among multinationals doing business in Belgium.
- Additional comments: A tax credit for R&D is granted for investments in patents and environmentally friendly R&D investments. The tax credit for R&D is granted for investments in tangible fixed assets newly acquired or constituted and in new intangible fixed assets, which are allocated in Belgium to the exercise of a professional activity.

R&D tax allowance

- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): There are no specific rules in Belgium concerning cost contribution agreements. Cost contribution agreements are not a common feature for multinationals doing business in Belgium.

- Additional comments: The Belgian tax system includes an investment deduction for R&D investments beneficial to the environment (“green” R&D investments), and an R&D tax credit. Companies must choose between the investment deduction and the R&D tax credit. The choice is irrevocable. Both tax incentives have the same conditions in terms of investment qualifying, reporting obligations, However, the tax credit has two important features which make it in some occasion a more attractive incentive than the investment deduction: (i) The tax credit is refundable after 5 years, which is particularly beneficial to companies in a tax loss position because it offers a “cash-in-hand” benefit. (ii) In IFRS and US GAAP, there are good arguments to defend that the tax credit should be booked as a decrease of costs or increase in earnings, as opposed to a reduction in the tax due. Qualifying R&D investments: (1) tangible fixed assets (newly acquired or constituted) and intangible fixed assets, (2) newly acquired (e.g. patents) or (3) constituted during the taxable period, which are assigned in Belgium for the exercise of a professional activity, i.e. the assets must be fixed assets and amortizable over a period of at least 3 years. It only includes those R&D development costs that can be capitalized as intangible fixed assets according to Belgian accounting law. In respect of tangible assets, investments are considered new when they are never used before, neither in Belgium or in another country. In respect of intangible assets, the investments may not have been used in Belgium before. Both R&D tax credit and investment deduction benefits may be claimed for R&D work performed outside Belgium if the claimant retains some associated IP in Belgium to receive the tax benefit. Conditions: -New assets (self-developed or acquired from a third party) which will be used in Belgium;-Intangible assets may not have been used in Belgium before; -Tangible assets may not have been used worldwide before; -Amortizable over a period of at least 3 years;-By means of an internal R&D center that qualifies as a “branch of activity”;-For specific innovative investments such as the development / improvement of new production techniques, or under specific circumstances, no R&D center is required. Sources: <http://www.mazars.be/Home/News/Seminar-calendar/Seminars-in-the-past/R-D-Tax-Incentives-in-Belgium-in-English> <http://www.euraxess.be/docs/incentives.pdf>

Accelerated depreciation

- There is the possibility of accelerated depreciation of R&D intangibles: the depreciation of investments in R&D must occur over a period of at least three years (instead of five years at least), under the linear/straight-line method. Only R&D investments undertaken on companies' own account apply for the accelerated depreciation provision.

Brazil: Information on eligibility of expenditure refers to the R&D tax allowance and accelerated depreciation provision in Brazil.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Expenses with subcontracting to carry out research projects are eligible for the following parties: i) small businesses and ii) universities, research institutions or independent inventors
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Expenses with subcontracting to carry out research projects are eligible for the following parties: i) small businesses and ii) universities, research institutions or independent inventors
- Acquisition of plant and machinery used for R&D: Equipment, machinery, and tools that are used exclusively for R&D receive a 50% reduction of the Tax on Industrialized Products (IPI) due. This incentive must be claimed at the time the research-related equipment, machinery, or tools are acquired.
- Additional comments: R&D expenditures include wages and salaries, other current costs, R&D contracts with selected players (eg. SMEs, Universities). Expenses related to supporting administrative and indirect services (e.g. maintenance, library and documentation services, administration and financial monitoring of research projects) are not eligible, even if they can be associated with a research project. Professionals Partially Dedicated to R&D - taxpayer needs to adjust the employment contracts for the employees that are partially dedicated to research projects, in order to expressly indicate that such employees work as researchers in technological innovation projects. If this procedure is not adopted by the company, the expenses connected with the employees that have partial dedication to R&D should not be included in the R&D tax incentive calculation. Only expenditures incurred within Brazil are eligible for the incentive. Tax incentives for subcontracting expenses are limited to: i. contract with national universities, research institutions or independent inventors, as long as the hiring company assumes the responsibility, enterprise risk management and control of project expenditure, ii. payments made to small business for the implementation of research project even if the subcontracted party participates on the profitability of the projects' final economic results, iii. companies are allowed to claim as part of the qualified expenses amount incurred for contracted technical services, such as laboratory trials and testing, as long as the taxpayer does not participate in the execution of the services (even if partially). Expenses related to the support of administrative and indirect services are not eligible, even if they can be associated with a research project. Such expenses include security, cleaning, maintenance, library and documentation services, as well as coordination, administration and financial monitoring of research projects. Brazil limits its tax incentive to intramural R&D expenses (in basic and applied research and experimental development) by not allowing the incentives to extramural activities where the purpose is to surpass the technological risk, except where expressly authorized by Law 11.196/05 (performed by small and medium companies, individuals, universities, or research institutes in Brazil).

Accelerated depreciation

- Additional comments: For corporate income tax purposes, a 100% depreciation is allowed in the year of acquisition for new machinery, equipment, and instruments dedicated to R&D, as

well as 100% amortization for intangibles used in R&D. Full depreciation, in the year of acquisition, of new machines, equipment, apparatus and instruments for use in the activities of technological research and development of technological innovation and II) Accelerated amortization, by deducting as expenses or operating expenses, in the period of calculation in which they are made, the expenditures related to the acquisition of intangible assets, exclusively related to the activities of technological research and development of technological innovation, classified in the deferred assets of the beneficiary. Source: <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=16160>

Canada: Information on eligibility of expenditure refers to the Scientific Research and Experimental Development (SR&ED) tax credit established by the federal government in Canada in 1986.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Reductions in payroll taxes/social security contributions not applicable. See additional comments. The salary and wages that can be claimed must only be for employees who are directly engaged in SR&ED. "Directly engaged" in SR&ED refers to hands on work. Whether an employee is directly engaged in SR&ED is based on the tasks that are performed and not the employee's job title. The salary or wages for SR&ED work performed outside Canada can also be claimed. This would be lesser of two amounts: A) the total of salary or wages for SR&ED work performed outside Canada (the salary or wages that you can claim for SR&ED work performed outside Canada must meet the following criteria: the SR&ED work was directly undertaken by an employee and not performed by a contractor; the employee who performed the SR&ED work was a resident of Canada at the time the expense was incurred; the work was related to a business of the claimant; the SR&ED work carried on by the employee outside Canada was an integral part and solely in support of the SR&ED work for a project carried on in Canada; and the salary or wages paid were not subject to income or profits tax from another country); and B) 10% of the total of SR&ED salary or wages for SR&ED performed in Canada.
- Payments for R&D services provided by consultants and other third parties: 80% of arm's length contract expenditures for SR&ED performed on behalf of the claimant that were incurred after December 31, 2012 and third-party payments made after December 31, 2012 are eligible to be included in the qualified SR&ED expenditure pool for ITC purposes. Note that payments to an approved association, university, college, research institute, or other similar organization are considered to be third-party payments. In some cases a payment to a Canadian corporation resident in Canada could also be considered a third-party payment. Third-party payments refer to amounts paid for SR&ED not directly undertaken by a claimant or on their behalf. The third-party payments must be for SR&ED carried out in Canada, the SR&ED must be related to the claimant's business, and the claimant must be entitled to exploit the results of that SR&ED.
- Payments for other services: Contract costs for non-SR&ED work (for example, work performed by electricians, welders, and mechanics) that is not one of the eight support work activities described in the definition of SR&ED in the Income Tax Act may qualify as SR&ED overhead and other expenditures under the traditional method under certain conditions.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): 80% of arm's length contract expenditures for SR&ED performed on behalf of the claimant that were incurred after December 31, 2012 and third-party payments made after December 31, 2012 are eligible to be included in the qualified SR&ED expenditure pool for ITC purposes. Note that payments to an approved association, university, college, research institute, or other similar organization are considered to be third-party payments. In some cases a payment to a Canadian corporation resident in Canada could also be considered a third-party payment. Third-party payments refer to amounts paid for SR&ED not directly undertaken by a claimant or on their behalf. The third-party payments must be for SR&ED carried out in Canada, the SR&ED must be related to the claimant's business, and the claimant must be entitled to exploit the results of that SR&ED.
- Overheads: Overhead expenditures are eligible for the SR&ED ITC under two methods of calculation (at the taxpayer's discretion): i) identifying/ submitting all overhead expenses; or ii) proxy method, which calculates overhead expenses as total direct R&D labour costs multiplied by a factor of 0.55.
- Acquisition of plant and machinery used for R&D: Capital expenditures ceased to be eligible for the SR&ED tax incentive program on January 1, 2014. This includes capital expenditures made before 2014 for property that became available for use after 2013.
- Acquisition of software, licences and IP rights used for R&D: A deduction for an expenditure on something that is merely a tool for performing SR&ED that will not be incorporated into a product created by a claimant may be included in the pool of deductible SR&ED expenditures if it otherwise qualifies. An example would be software purchased for use as a tool in computer-aided design. In determining whether the acquisition cost of software and software licences should be treated as a current expenditure or treated as a capital expenditure, the nature, purpose, and anticipated life of the computer software must be considered.
- Acquisition of land and buildings used for R&D: Expenditures for non-depreciable property such as the acquisition of land, property that is described in a claimant's inventory, or eligible capital property (such as goodwill) cannot be included in the pool of deductible SR&ED expenditures as an SR&ED capital expenditure. Capital expenditures made before 2014 that relate to the acquisition of a building (other than a special-purpose building prescribed by regulation), including a leasehold interest in a building, do not constitute expenditures on, or in respect of, SR&ED. They cannot be included in the pool of deductible SR&ED expenditures nor can they be included in qualified SR&ED expenditures for ITC purposes.
- Additional comments: The R&D tax credit applies to resident companies and domestic branches of non-resident companies. The credit applies only to domestic R&D expenditures (not expenditures of foreign branches of resident companies). As of 2013, the proxy rate for the calculations of overhead expenses is reduced to 60% of the salary base (and to 55% in 2014 and afterwards) while, the R&D tax credit base includes 80% of arm's length contract payments (instead of 100%). The lower of amount A or B can be claimed as the permissible salary

or wages for SR&ED carried on outside Canada: (i) Amount A – Total of salary or wages for SR&ED work carried on outside Canada: The salary or wages that can be claimed for SR&ED work carried on outside Canada must meet the following criteria: •the costs were incurred after February 25, 2008; •the SR&ED work was directly undertaken by an employee of the claimant and not performed by a contractor; •the employee who performed the SR&ED work was a resident of Canada at the time the expense was incurred; •the work was related to a business of the claimant; •the SR&ED work carried on by the employee outside Canada was an integral part and solely in support of the SR&ED work carried on in Canada (see section 10.2.1); and •the salary or wages paid were not subject to income or profits tax from another country (see section 10.2.2). (ii) Amount B – 10% of the total of SR&ED salary or wages for SR&ED carried on in Canada: This limit is calculated as 10% of the total salary or wages claimed for SR&ED carried on in Canada (see section 10.2.3). Note: Although the Income Tax Act refers to an expense incurred in the year for salary or wages paid to an employee in respect of SR&ED, it is the practice of the CRA to use the amount on line 306 of Form T661 (expenditure incurred) for the purposes of determining the 10% limit. For the tax year that includes February 26, 2008, the 10% limit is prorated based on the number of days after February 25, 2008, that are in that tax year over the total number of days that are in that tax year. The formula is: (Number of days in the tax year after February 25, 2008) / (Total number of days in the tax year). Since 2014, all capital expenditures have been excluded from the R&D tax credit base. Before 2014, SR&ED capital expenditures were limited to the acquisition of depreciable property. Depreciable property is any property in which a capital cost allowance (CCA) can be claimed. CCA could be claimed only for property owned or deemed to be owned by the claimant or property in which the claimant had a leasehold interest. Expenditures for software and software licences may be capital or current expenditures - computer software is generally considered to have an “enduring nature” where its useful life is anticipated to last beyond one year.

Sources:

http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/plfddctblsrdxpntrs-eng.html#s3_0

http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/slrywgs-eng.html#s10_0

<http://www.cra-arc.gc.ca/txcrdt/sred-rsde/clmng/cptlxpntrs-eng.html#N111D7>

Chile: Information on eligibility of expenditure refers to the R&D tax credit for intramural and extramural expenses (Law 20.570) available in Chile since September 2012.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Abroad accepted if it does not exceed 50% Need to prove that the workers have had experience on R&D in the previous 36 months.
- Payments for R&D services provided by consultants and other third parties: Abroad accepted if it does not exceed 50%.
- Payments for other services: Abroad accepted if it does not exceed 50%.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Abroad accepted if it does not exceed 50%.
- Overheads: Accepted if it does not exceed 5% of total current expenditures of the project, unless authorisation by CORFO.
- Additional comments: From September 2012 to date: Intramural R&D is now covered in addition to extramural R&D. Also capital costs (depreciation) are now eligible as well as patenting costs. 35% tax credit rate on eligible R&D expenditures (both current and capital costs). As of September 2012 capital costs are allowed: the annual depreciation of assets as long as the R&D project or contract is valid/running. The modified law also allows for accelerated depreciation. No refundability. Carry forward is possible to next exercises. The modified law expand the scope of the first version of the tax credit law, by: (i) incorporating within the expenditure eligible for deduction all the resources that are spent on internal R&D and the inclusion of expenditure on R&D done abroad (up to 50%), (ii) maintaining the 35% tax credit on the amount invested in R&D, amount that needs to be certified ex-ante by CORFO, and the rest of the amount (65%) is deducted as an expense necessary to produce income, iii) the annual credit cap was tripled, and the annual credit cap as a percentage of sales was removed (which benefits technology-based SMEs) and the deadline for carry-over provisions was extended; (iv) the deductible costs also apply to current expenses, costs of protection of intellectual property and capital expenses.

China: Information on eligibility of expenditure refers to R&D tax allowance and accelerated depreciation provision in China.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Cooperative or contract R&D related costs will be eligible for the R&D Super Deduction; Cai Shui [2015] No. 119 places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party.
- Payments for other services: Additional expenses such as trial product testing and inspection fees and consulting fees will be eligible for the R&D Super Deduction; Specifically listed additional eligible items include “other related costs” such as: expert consulting fees; such costs are capped at 10% of total eligible R&D expenses.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Cooperative or contract R&D related costs will be eligible for the R&D Super Deduction; Cai Shui

[2015] No. 119 places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party.

- Overheads: E.g. expenditures for fuel and power consumption (see below)
- Depreciation / amortisation of assets used for R&D: Depreciation of M&E; Amortization expenditures for intangible assets (including software)
- Additional comments: Cai Shui [2015] No.119 is the most important regulatory change to the R&D Super Deduction in years and it replaces Guo Shui Fa [2008] No. 116 and Cai Shui [2013] No. 70. It applies from 1 January 2016. All R&D expenses shall be eligible for the R&D super deduction, unless specifically listed as ineligible. The scope of eligible R&D activities and R&D expenditures will therefore expand. Specifically listed additional eligible items include “other related costs” such as: expert consulting fees, high-and-new technology R&D insurance fees, R&D output related fees (including information retrieval, analysing, discussion, evaluation, assessment, checking and acceptance), IP right related fees (including application, registration and agent), travelling fees, and meeting fees. However such costs are capped at 10% of total eligible R&D expenses and the precise nature of the 10% cap will need to be clarified. Costs for externally engaged R&D personnel are now eligible. Qualifying expenditures include: (i) Labour costs: For employees directly and entirely engaged in the R&D activities: Salaries, basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund paid by enterprises; Service fee for external R&D personnel; (ii) Direct Investment Cost: Materials, fuel and power directly consumed in the R&D activities; Expenses for development and production of moulds and technique equipment used for intermediate experiment and trial production of products; Expenses for samples and prototypes that do not constitute fixed assets; Expenses for general testing solutions; Expenses for testing trial products; Expenses for operation, maintenance, adjustment, examination, repair and rental cost of devices and equipment that are used especially for R&D activities. (iii) Depreciation: Depreciation expenses of devices and equipment used for R&D activities; (iv) Amortization expenses of intangible assets: Amortization expenses of software, patents and non-patented technologies (licensing, know-how, design and calculation method, etc.) used for R&D activities; (v) Design expenses for new products etc.: Design expenses for new products; Expenses for formulating new technique procedures; Clinical testing expenses for new medicine; Field experiment expenses for exploration and development technologies; (vi) Other costs directly related to R&D activities (capped at 10% of the total qualifying R&D expenses): Expenses for technical books and information, Translation fees, Expert consultation fees, Insurance premium for R&D of high and new technology, Expenditures for research, analysis, review, verification, identification, evaluation, assessment and inspection of R&D results, Application, registration and agency fees for intellectual property, Travel and meeting expenses, etc.. (vii) Other expenses as prescribed by the MOF or the SAT. Creative design activities undertaken for obtaining creative, novel and innovative products, shall be eligible. This is, arguably, an extension of the existing rules and highlights the government’s intention to support design related activities, and includes: (i) industrial design, and model designs; (ii) design of building construction (3 star Green Building standard); (iii) development of multi-media software and animation game software, design and production of digital animation and game; (iv) landscape architecture. The term “solely/exclusively” has been removed in respect of depreciation, rental and other relevant expenses regarding R&D devices and equipment, amortization of intangible assets and development/manufacturing expense for models and processing equipment. This indicates that a ‘pro-rata’ allocation of such R&D expenses may apply. Eg. If an asset is used for R&D purposes 50% of the year, then 50% of the depreciation expense may now be allowable in that year. The circular removes the requirement: “unless otherwise stipulated by the law, the amortisation period shall not be less than 10 years”. At this stage it is unclear how the in-charge tax authorities will treat amortisation for R&D tax purposes. Cai Shui [2015] No. 119 places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party. Previously cap applied. The circular states that the entrusting party (payer) can claim the R&D deduction in respect of the contract expense. However, the circular does not clarify whether the intellectual property needs to be owned by the entrusting party (payer) or whether it can be owned by the entrusted party, or whether it can be shared. This issue should be clarified in subsequent circulars/guidelines. R&D expenses carried out and paid to a foreign external organisation are not eligible. Negative list as it applies to ‘industries’. The circular specifically excludes certain industry sectors from R&D Super Deduction eligibility: 1. Tobacco manufacturing industry 2. Accommodation and catering industry 3. Wholesale and retail industry 4. Real estate industry 5. Leasing and commercial service industries 6. Entertainment industry 7. Other industries as prescribed by ministry of finance and the state administration of taxation Negative list as it applies to ‘activities’. The circular specifically excludes certain activities from R&D Super Deduction eligibility: if the activities are not listed below, it is likely the activities will be eligible if there is a direct connection to the R&D project/activity: (i) regular product upgrade; (ii) use of R&D results that are publicly available regarding new processes, materials, devices, products, services or knowledge; (iii) post-commercialization support; (iv) Repeat or simple update of existing products, services, technologies, materials or processes; (v) Market research and studies, efficiency research or management studies; (vi) Industrial (services) processes or regular quality control, testing analysis, maintenance. (vii) Humanities and social sciences related studies. The above list of ‘activity’ exclusions is not materially different to the existing provisions, will have minimal impact on companies, and is consistent with benchmark R&D tax incentive policies globally. However, companies that fall within the negative list ‘industry’ sectors will find it difficult, if not impossible, to claim the R&D super Deduction. So even if a company in these sectors is undertaking highly innovative activities, it is likely such companies and projects will not qualify for the Super Deduction. Source: <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/ChinaAlerts/Documents/China-tax-alert-1511-31-RD-Super-Deduction-Regulation-Update.pdf> <http://www.internationaltaxreview.com/Article/3511735/Moving-up-the-value-chain-greater-access-to-R-D-incentives.html> <http://www.rsm.global/hongkong/sites/default/files/media/publications/Tax/TaxFlash/2016/TL201601.pdf> Prior to 1 January 2016, eligible R&D expenditures for the 150% super deduction included: (i) Design expenditures for new products; expenditures for formulating new techniques and procedures; (ii) expenditures for technical books and materials, including translation expenditures, that are directly related to the R&D activities; (iii) Expenditures of direct materials, fuel and power consumed during the R&D activities; (iv) Wages, salaries, bonuses, subsidies and allowances for research personnel; (v) Depreciation or lease expenditures for equipment

and devices used specifically for the R&D activities; (vi) Amortization expenditures for intangible assets, such as software, patent rights and certain non-patented technologies used specifically for the R&D activities; (vii) Expenditures incurred to develop and fabricate prototypes and trial models exclusively used for intermediate testing and experiments; (viii) Site-testing expenditures for exploration activities; (ix) Expenditures incurred on assessment, review, inspection and certification of research results; (x) Basic pension fund, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund contributed by a company for its employees directly engaging in R&D activities in accordance with regulations set by the State Council or relevant provincial-level government authorities; (xi) Costs of operational maintenance, adjustment, testing, and repair of tools and equipment incurred exclusively for R&D activities; (xii) Costs of samples and prototypes that do not constitute fixed assets, and expenses for general testing solutions; (xiii) Clinical trial costs for R&D activities for new drugs; (xiv) Certificate cost for R&D results. Sources: [http://www.ey.com/Publication/vwLUAssets/EY-worldwide-randd-incentives-reference-guide/\\$FILE/EY-worldwide-randd-incentives-reference-guide.pdf](http://www.ey.com/Publication/vwLUAssets/EY-worldwide-randd-incentives-reference-guide/$FILE/EY-worldwide-randd-incentives-reference-guide.pdf) <http://www.tax.sh.gov.cn/qptax/xxgk/ssgg/sstz/200903/P020111020520423902756.doc>

Accelerated depreciation

- Acquisition of plant and machinery used for R&D: The accelerated depreciation provision for R&D capital assets (machinery and equipment, intangibles) available in China is limited to CNY 1 million. If above, the depreciation can be 40% shorter than usually or the company can follow the double declining value or the sum of the year's digits method.

Colombia: Information on eligibility of expenditure refers to R&D tax credit in Colombia.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: This item (support personnel) may include international consultants whose CV (résumé) is not registered in the CvLAC database for Colombian researcher's CVs.
- Payments for R&D services provided by consultants and other third parties: This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project. This item includes the subcontracting of tests, analysis, simulations and software development that the company cannot develop by itself. However, no personnel cost can be included. This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project.
- Depreciation / amortisation of assets used for R&D: Machinery and equipment, buildings and land; costs relating to the rearrangement and use of existing buildings for research purposes up to 20% of the total project costs

Croatia: Information on eligibility of expenditure refers to R&D tax allowance (Act on State Aid for Research and Development Projects (NN 64/18) effective from 26 July 2018) in Croatia.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: These costs shall be eligible up to a maximum of 30% of the total eligible project costs.
- Overheads: overheads should be calculated by applying a fixed rate by 15% of the eligible direct cost of staff
- Depreciation / amortisation of assets used for R&D: Instruments and equipment to the extent and for the period used for the project
- Additional comments: Data for 2021 is still being processed and is therefore incomplete.

Cyprus: Information on eligibility of expenditure refers to R&D tax allowance introduced in 2022.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Not applicable. The taxpayer can claim the 20% increased deduction should have the economic ownership of the intangible asset.
- Payments for other services: Allowable provided such payments are captured by the IAS
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Not applicable. The taxpayer can claim the 20% increased deduction should have the economic ownership of the intangible asset.
- Additional comments: R&D expenses recognized on the basis of international accounting standards, within the framework of (a) it is probable that the future economic benefits that are attributable to the asset will flow to the entity and (b) the cost of the asset can be measured reliably. Any expenditure for scientific research incurred by a person carrying on any

business, as well as R&D expenses as recognised by international accounting standards (IAS 38) carried out by small and medium-sized innovative companies as defined in article 9A of the ITL, shall be deducted from taxable income if they were wholly and exclusively incurred for the production of income, so long as the Commissioner is satisfied that such expenditure has been incurred for the use and benefit of the business. No deduction shall be granted for such expenses incurred for the acquisition of plant and machinery or buildings, including staff accommodation, in respect of which a deduction may be granted according to Article 10 of the ITL. Any such expenditure of a capital nature, in respect of which deductions may not be granted under Article 10, shall be distributed equally between the tax year in which it was incurred and the five immediately following years.' <https://accesstaxaccounting.com/increased-tax-deduction-for-rd-companies-in-cyprus-2022>

Czech Republic: Information on eligibility of expenditure refers to the hybrid R&D tax allowance.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Off-site consultants and R&D services provided by third parties eligible only if contracted with public universities or certified research organizations (since the tax year 2014).
- Overheads: Operating expenses directly related to R&D (books, magazines, electricity, heating, gas, water, telecommunication charges etc.).
- Acquisition of software, licences and IP rights used for R&D: Expenditures on intangible results of R&D can in principle not be used for the tax allowance. However, if the intangible has been acquired from a public university or a certified research organization, it can be allowed (since the tax year 2014).
- Depreciation / amortisation of assets used for R&D: The tax depreciation of movable fixed assets used for R&D activities qualifies.
- Additional comments: The R&D tax allowance applies to resident companies and domestic branches of non-resident companies. The allowance also applies to not only domestic R&D expenditures, but also to R&D expenditures of foreign branches of resident companies. Eligible expenditures include direct costs (e.g. salaries paid to research workers including related social security and health insurance deductions, consumed material), tax depreciation of movable fixed assets used for R&D activities, other operating expenses directly related to R&D (books, magazines, electricity, heating, gas, water, telecommunication charges etc.) and travelling reimbursement from employers to employees that emerged during project realization. Effective January 2014, qualifying expenses have been expanded to include external services related to R&D provided by public R&D institutions (such as universities and research institutes); however, expenses incurred during the certification of R&D results may not be included in qualifying expenses anymore.

Denmark: Information on eligibility of expenditure refers to the R&D tax credit for deficit related R&D expenses available in Denmark from income year 2012 onwards, the accelerated depreciation provision for R&D, and the enhanced R&D tax allowance for R&D capital assets introduced in 2018.

R&D tax credit for deficit related R&D expenditures

- Acquisition of plant and machinery used for R&D: These expenses can only be deducted or amortized under the general rules of the depreciation law.
- Acquisition of software, licences and IP rights used for R&D: These expenses can only be deducted or amortized under the general rules of the depreciation law.
- Acquisition of land and buildings used for R&D: These expenses can only be deducted or amortized under the general rules of the depreciation law.
- Additional comments: Qualified R&D expenditures include salaries, cost of raw materials as well as rental costs for premises, machinery, equipment and similar equipment, in addition to payments for R&D services performed by others, and professional fees for consultants. Source: <http://skat.dk/SKAT.aspx?old=2083520&chk=210252> (see point C.C.2.2.2.20 Udgifter til forsøg og forskning mv.)

Accelerated depreciation

- Acquisition of plant and machinery used for R&D: Also includes ships.
- Additional comments: The total acquisition cost can be deducted from taxable income (expensed) in the income year where the acquisition takes place. This rule also applies to all acquisitions of machinery and equipment used in business activities by the owner if the lifetime of the M&E is less than 3 years or the acquisition price below 12.300 DKK (not just machinery and equipment used in R&D). It is provided regardless of whether the owner performs R&D for his own company or other companies (e.g. as an R&D service provider).

Enhanced R&D tax allowance

- Acquisition of plant and machinery used for R&D: These expenses can only be deducted or amortized under the general rules of the depreciation law.
- Acquisition of land and buildings used for R&D: These expenses can only be deducted or amortized under the general rules of the depreciation law.

- Additional comments: All expenditures on R&D are eligible for enhanced R&D tax allowances, except for expenditure on exploration of raw materials and costs for the procurement of fixed assets and vessels used for the exploration of raw materials. The expense base is thus the same as for the R&D tax credit for deficit related R&D expenses, i.e. the allowance applies to both M&E and B&L used in the context of R&D projects. In the case of M&E, the allowance applies to accelerated depreciation expenditure or acquisition cost.

Finland: Information on eligibility of expenditure refers to the R&D tax allowance introduced in 2021.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Companies get an additional tax deduction of 50% (year 2021) or 150 % (years 2022-2027) on the costs of research and innovation projects carried out in collaboration with universities and research institutes. The new 150% (2021) / 250 % (2022-2027) super-deduction is available for all companies operating in Finland, both domestic and international, and does not constitute state aid under EU rules, if the actual R&D work is performed by a sub-contracted party (university/research institute etc.).

France: Information on eligibility of expenditure refers to the R&D tax credit (CIR) and the social security exemption for young innovative enterprises (JEI) and young university enterprises (JEU) and accelerated depreciation provision for R&D and the R&D tax credit for research collaborations (CiCo) introduced in 2022.

R&D tax credit (CIR)

- Wages and salaries of researchers and other R&D personnel: In the case of researchers with a PhD or equivalent degree, wage expenditures are considered twice for R&D credit purposes during the first 24 months following their recruitment subject to the condition that the employment contract is unlimited and that the headcount of the research personnel is not lower than the one in the preceding year. Includes technicians.
- Payments for R&D services provided by consultants and other third parties: R&D work subcontracted to approved public or private organisations up to certain limits (EUR 10 mn. per year and company, increased to EUR 12 mn. until 2021 in the case R&D is subcontracted to approved public research organisations). Expenditures on subcontracted R&D are taken into account twice (doubled) until 2021 if the R&D is outsourced to certain approved research institutions
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): The collaboration remains relevant despite the CiCo, indeed there may be collaboration with a third party not having the quality of ORDC (in the European sense). On the other hand, there can be no duplication between CIR and CiCo.
- Materials and other consumables: Only immobile material.
- Overheads: Operating expenses relating to R&D activities estimated on a flat-rate basis (for fixed assets: 75% of depreciation expenses and 50% of labour costs for researchers and research technicians; in the case of young PhDs 200% of their actual non-doubled wage during first 24 months). Operating expenses cover in particular the expenditure for support staff, administrative expenses, raw materials, etc.
- Acquisition of software, licences and IP rights used for R&D: Expenses relating to patents (granting, maintenance, depreciation and defence).
- Additional comments: Qualifying expenditures for the CIR are in principle those incurred for the performance of operations located within the European Union or in another State party to the agreement on the European Economic Area that has concluded an administrative assistance agreement with France with a view to combating tax fraud and tax evasion (cf. Article 244 quater B II CGI). This territoriality condition is lifted for expenses incurred in the defence of patents or for technology watch purposes: for these two expenditures the territory has been extended to the entire world since January 2013. In January 2014, the registration and maintenance fees of patents were extended to the entire world. The expenditures included in the base for calculating the CIR comprise: a) depreciation expense for fixed assets created or acquired new and allocated to R&D activities; b) the labour costs of researchers and technicians; c) operating expenses relating to R&D activities estimated on a flat-rate basis (for fixed assets: 75% of depreciation expenses and 50% of labour costs for researchers and research technicians; in the case of young PhDs 200% of their actual non-doubled wage during first 24 months); d) R&D work subcontracted to approved public or private organisations, up to certain limits (EUR 10 mn. per year and company, increased to EUR 12 mn. in the case R&D is subcontracted to approved public research organisations). Expenditures for subcontracted R&D are taken into account twice (doubled) if the R&D is outsourced to certain approved research institutions: (i) Public research organizations (CNRS, INSERM, INRA, CEA, CHU, GIP, CTI, colleges public ...); (ii) Higher education institutions which award diplomas constituting the master's degree (Universities, Supelec, ECAM ...); (iii) approved scientific cooperation foundations, legal persons of private law non-profit that can handle RTRA (Thematic Networks for Advanced Research) or PRES (pole research and higher education); (iv) Public institutions for scientific cooperation; (v) Foundations recognized utility of approved research sector as listed in Annex VII; (vi) Associations governed by the law of 1 July 1901 whose founder and member organization public research or higher education institution delivering a diploma conferring the Master's degree or limited companies whose capital or voting rights are held for more than 50% by one of these bodies. These associations and companies must be approved and have entered into an agreement pursuant to Article L. 313-2 of the Research Code or Article L. 762-3 of the Education Code with the abovementioned body. Research work must be made in one or more research units of the entity into

the agreement; e) expenses relating to patents (granting, maintenance, depreciation and defence); f) technology watch expenses, up to a certain amount; g) certain standardisation expenses relating to the enterprise's products. Research operations may be commissioned from bodies established in a Member State of the European Union or in another State party to the agreement on the European Economic Area that has concluded an administrative assistance agreement with France with a view to combating tax fraud and tax evasion (cf. Article 244 quater B II d bis CGI). In such case, the authorisation for private bodies required under Article 244 quater B II d bis CGI may be issued by the French minister responsible for research or, where a similar system exists in the country of establishment of the body from which the research operations have been commissioned, by the entity competent to issue an authorisation equivalent to that required for the French research tax credit. Source: <http://bofip.impots.gouv.fr/bofip/6486-PGP.html?identifiant=BOI-BIC-RICI-10-10-10-20-20120912> With the Finance Law for 2021, France harmonised the tax treatment of outsourced expenditures - R&D operations conducted by state service providers and accredited private providers. s. Until 2021, the expenses incurred on R&D works subcontracted to state-funded service providers may be double counted when calculating the R&D tax credit. Moreover, the ceiling on subcontracted R&D expenditures can be raised from EUR 10 million to EUR 12 million in the case of R&D conducted by state-funded providers. These two mechanisms will be abolished with effect from 1 January 2022.

JEI + JEU

- Wages and salaries of researchers and other R&D personnel: Researchers, technicians, project managers of R & D, the lawyers involved in the protection of industrial and technology agreements related to the project and the personnel responsible for pre-competitive testing
- Additional comments: The status of Young Innovative Company (YIC) was established in 2004 to encourage the creation of small and medium enterprises engaged in research. The system was extended until 2016. Since 2004, the status of new innovative enterprise (JEI) gives significant support to SMEs active in R&D, allowing them to get over the difficult first years of their development, under certain conditions: the company must be an SME (less than 250 workers, turnover less than EUR 50 mn. EUR or total balance below EUR 43 mn.EUR), must be independent (conditions for the holding of the company's capital), be genuinely new (not have been created after a procedure of concentration, restructuring or other), having less than 8 years, and have an investment on R&D of at least 15% of all fiscally deductible expenditures. The company qualified as JEI is exempt from paying the employer's social security contributions for researchers, technicians, managers of the project, lawyers in charge of industrial protection and in charge of the technology agreements related to the project, and the personnel in charge of the pre-competitive tests such as prototype testing affected to R&D and innovation projects (same expenditures taken into account than in the CIR). The exemption of social security contributions is available for a maximum period of 8 years as long as the company holds the JEI status. In 2011, the annual rate of exemption was set at 100% in the first four years, 75% in the fifth, 50% in the sixth, 30% in the seventh and 10% in the eighth year. From January 1 2012 to December 2013 the rates were increased as follows: 100% in the first four years, 80% in the fifth, 70% in the sixth, 60% in the seventh and 50% in the eighth year. Young innovative companies benefit also from other fiscal advantages such as a full tax exemption on corporate income tax on their first year, followed by a 50% tax exemption on their corporate income tax on their second year. Given that JEI do not have profits due to their youth; the main interest on the benefits is the employer's social security contributions. The JEI status is not exclusive to the R&D credit. The company can jointly benefit from the credit together with the benefits provided for JEI. In 2008, a new enterprise form was introduced under the name "Jeune entreprise universitaire" (JEU). Companies under this status enjoy the same benefits as JEIs. The requirements for holding this status are: being an SME according to EU legislation, be younger than 8 years, be independent (capital holding conditions), be genuinely new (not resulting from concentration, restructuring, or from the extension of a pre-existing activity). It must also be managed or owned by at least a 10% by: students, PhD or master holders having graduated less than 5 years ago, or people with teaching or research activities. Furthermore, it must have established a connection with a higher education institution. Source : <http://www.enseignementsup-recherche.gouv.fr/cid5738/le-statut-de-la-jeune-entreprise-innovante-jei.html>
<http://www.enseignementsup-recherche.gouv.fr/cid67053/i.e.u.-jeune-entreprise-universitaire.html>

Accelerated depreciation

- Depreciation / amortisation of assets used for R&D: Only if exclusively used for R&D activity.
- Additional comments: As provided for at Article 39 AA quinquies CGI, an enhanced declining-balance rate may be applied to M&E used for the purposes of scientific or technical research. Pursuant to the provisions of Article 39 AA quinquies CGI, enhanced coefficients are applied to M&E used for scientific and technical research operations that qualify for the research tax credit (provided for at Article 244 quater B CGI). These operations correspond to basic research, applied research and experimental developments. This exception is allowed because investment in research, necessarily costly, generates little or no return. Under Article 39 of the CGI, the benefit of accelerated depreciation is reserved for capital goods normally used in industrial companies. Industrial activities are the activities that directly affect the development or conversion of movable tangible property. These activities include the processing of raw materials or semi-finished manufactured products; the role of equipment and tooling is predominant. However, it is accepted that commercial companies with assets identical to those industrial companies can, under the same conditions as these, benefit from accelerated depreciation in respect of such assets (BOI-BIC-AMT-20-20- 10). 280. Other beneficiaries from this measure under the same conditions include: (i) Companies engaged in farming subject to the real income regime (CGI, Sch III, article 38 sexdecies E.); (ii) Relevant taxpayers of income tax for non-commercial profits and subject to the regime of controlled declaration (CGI, art 93.1 to 2 °.). The benefit of this measure is not restricted by the

use of the company research tax credit (CIR). Source: <http://bofip.impots.gouv.fr/bofip/4744-PGP.html>

R&D tax credit (CiCo)

- Contributions to R&D carried out with 3rd parties: An effective research collaboration entails an R&D Contract for which the parties: i. pursue a commonly defined objective based on a division of labour; ii. share financial, technological, scientific and other risks; iii. share the results. A collaboration is said to be effective when the research and knowledge dissemination organizations bear at least 10 % of the eligible costs and have the right to publish the results of their own research. Only with a CiCo approved research and knowledge dissemination organization.
- Additional comments: The Collaborative Research Tax Credit, defined in the Article 244c Ba of the General Tax Code, is deducted from the income tax due by the taxpayer in respect of the year in which the research expenses taken into account for the calculation of the tax credit were invoiced by the research and knowledge dissemination organization. The expenses incurred must relate to R&D work carried out by a research and knowledge dissemination organizations (within the meaning of European law) in the context of an effective research collaboration. Eligible expenses include: (i) expenses invoiced by the research and knowledge dissemination organization at cost pricing (full cost - direct costs and indirect costs - without commercial margin), (ii) deduction of the share of public aid received by the research and knowledge dissemination organization and by the company for collaborative research work, (iii) expenses not declared to the CIR, (iv) expenses capped at EUR 6 million per year and company.

Germany: Information on eligibility of expenditure refers to the R&D tax credit (Forschungszulage) introduced in 2020.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: 25% of wages and salaries, together with tax-exempt social insurance contributions, will be offset against the annual tax demand, and any remaining overhangs will be refunded. The refund enables companies to profit from the concession even during loss phases. The research incentive is set at 25% of the assessment basis, which is limited to an amount of EUR 2,000,000 (EUR 4,000,000 million for R&D expenditures performed between 1 July 2020 and 30 June 2026). This means that a maximum of EUR 500,000 may be drawn on per year (EUR 1,000,000 per company for R&D expenditures performed between 1 July 2020 and 30 June 2026).
- Payments for R&D services provided by consultants and other third parties: In contract research, 60 percent of the remuneration paid by the client to the contractor is considered to be an eligible expense. If research and development projects are commissioned abroad, they are only eligible if the contractor is based in a member State of the European Union or in another country to which the Agreement on the European Economic Area (EEA Agreement) applies and which, based on a contractual obligation, provides mutual assistance in accordance with the EU Mutual Assistance Act to an extent that is necessary for the review of the eligibility requirements.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Eligible expenses are also contributions made by a sole trader in a favoured research and development project. For each proven working hour that the sole trader is engaged in research and development activities, 40 euros per working hour with a maximum of 40 working hours per week are to be recognised as eligible expenses.
- Additional comments: The new research credit amounts to 25% of the eligible expenses. These are, in particular, wages and salaries of employees, and the employer's expenses for securing the future of the employees, who are subject to wage tax deduction and who participate in favored research and development projects. In contract research, 60 percent of the remuneration paid by the client to the contractor is considered to be an eligible expense. However, the eligible assessment basis is limited per company / group to an upper limit of EUR 2 million per marketing year (increased to EUR 4 million for R&D expenditures performed between 1 July 2020 and 30 June 2026). This leads to the highest possible research credit of 500,000 euros per marketing year (1 Mio euros per year for R&D expenditures performed between 1 July 2020 and 30 June 2026). The research credit is offset against the beneficiary's income tax liability. If the research credit is higher than the tax determined in the next assessment, this amount is paid out as a tax refund. This can also be used to support research and development activities by companies that are in a loss phase and therefore pay little or no tax. Beneficiary research and development projects will be determined in accordance with the criteria for general block exemption (AGVO) (Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union; Official journal L 187 of 26 June 2014 p.1). The AGVO excludes companies facing difficulties from eligibility for the research incentives. This exclusion covers both the period of implementation of beneficiary research and development projects and the time when the research incentives are applied for. Special provisions governing sole entrepreneurs and partners in a partnership. It provides for verified own research by sole entrepreneurs and partners to be eligible for tax concessions at a flat rate (EUR 40 per hour of work and a maximum of 40 working hours per week).

Greece: Information on eligibility of expenditure refers to the R&D tax allowance in Greece.

R&D tax allowance

- Wages and salaries of researchers and other R&D personnel: According to ΦΕΚ Β' 2600/28-06-2019, expenditure related to wages and salaries for technical-administrative personnel should not be greater (in total) than the 20% of total personnel expenditure for a particular R&D project. This restriction is in force from the fiscal year 2018 and thereafter.
- Payments for R&D services provided by consultants and other third parties: For the Greek tax-incentive scheme for R&D expenditures, this category ("Payments for R&D services provided by consultants and other third parties") includes direct payments (via contracts/agreements). According to ΦΕΚ Β' 743/24-12-1987, such payments were initially eligible (i.e., restricted) only for agreements with specific public research laboratories. Later, the scope was broadened to include more categories. According to ΦΕΚ Β' 2351/11-07-2017, for instance, the agreements may include research laboratories to external partners or organizations (private research laboratories and businesses, public research centres and laboratories, Higher Education Institutions - Universities) to conduct research for a specific and well-defined part of a research project. Moreover, note that according to ΦΕΚ Β' 2351/11-07-2017, an additional restriction is added, that the total payments should not exceed the 70% of the total budget of the R&D project.
- Additional comments: 1) For the category "Contributions to R&D carried out with 3rd parties (e.g., collaboration agreements)", it should be noted that according to ΦΕΚ Β' 743/24-12-1987, relevant expenses were initially eligible. For example, expenses that are related to obligations of businesses that stem from their participation in publicly financed research projects, or projects financed from the EE. However, in more recent years this status has changed. For example, under ΦΕΚ Β' 2351/11-07-2017, all R&D expenses submitted for the R&D tax-allowance scheme should be exclusively related to self-financed R&D projects. 2) The category "Depreciation / amortisation of assets used for R&D", includes the following types of costs: a) Depreciation of expenses related to the purchase (or renting, applied in fiscal year 2018 and thereafter) of equipment for research purposes, including transfer costs. b) Depreciation of costs related to the purchase of intangible assets as well as the purchase of IT software necessary for the implementation of particular (i.e., not for general purposes) R&D research projects (applied in fiscal year 2018 and thereafter). c) Depreciation of costs related to the purchase, construction or repair of buildings, exclusively related to R&D projects (applied in fiscal year 2017 and thereafter). 3) The category "Overheads" includes: a) Costs related to the connection with databases, national and international networks of knowledge, electronic libraries or other electronic sources, conditional that these costs are exclusively related to R&D projects (applied in fiscal year 2017 and thereafter). b) Current costs such as rents, electricity bills, water bills, phone bills, post-office expenses, exclusively related to R&D projects (applied in fiscal year 2017 and thereafter). c) Travel costs (domestic or abroad) for cooperation with laboratories, seminars, conferences and other scientific meetings, exclusively related to R&D projects. 4) The category "Materials and other consumables" includes costs related to the purchase of a wide range of disposable materials, such as single-use equipment, etc. 5) The category "Acquisition of software, licences and IP rights used for R&D" includes: a) Costs for purchasing (or issuing, applied in fiscal year 2018 and thereafter) patent rights (domestic or abroad). b) Purchase costs of intangible assets, know-how and administrative fees for patents, realized by pharmaceutical companies, with respect to R&D projects for the development and production of preparations (exclusively R&D related and during the period of the R&D project). These costs were added to the tax-allowance scheme under ΦΕΚ Β' 3293/26-07-2021 which amended the Joint Ministerial Decision 100335/21.06.2019, ΦΕΚ (B2600/28.06.2019). It should be noted that these expenses should be separated from the R&D expenses used for the clawback reduction scheme (i.e., R&D expenses used to offset amounts from sales that exceed the maximum limit defined by the state budget).

Hungary: Information on eligibility of expenditure refers to the R&D tax allowance, R&D tax allowance in innovation contribution, exemption of social security contributions (SSC), the exemption of Small Business Tax (KIVA), and the development tax incentive (R&D tax credit),

R&D tax allowance and R&D tax allowance in innovation contribution

- Wages and salaries of researchers and other R&D personnel: Payroll taxes and social security contributions are part of the direct costs of R&D activities. This means, that these are proportionately to the other activities carried out by the researchers - deductible as well.
- Payments for R&D services provided by consultants and other third parties: On the basis of the Act C of 2000 on Accounting direct costs of R&D include classified costs incurred in connection with an R&D activity if it is clearly stated and proved that these costs are directly related to the R&D activity and incurred in connection with the R&D activity. Payments to on-site consultants and contractors might be regarded as direct costs of the R&D activity if consultants and contractors are experts of the special field of the specified R&D. Off-site consultants are not eligible. The direct costs of basic research, applied research and experimental development carried out within the taxpayer's own scope of activities do not include the value of research and experimental development services provided by a resident taxpayer, by the domestic branch of a non-resident entrepreneur or - pursuant to the Personal Income Tax Act - by a private entrepreneur directly or indirectly."
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Subcontracted R&D activities and R&D activities performed based on a collaboration agreement may also be performed abroad

- Additional comments in regard to the R&D tax allowance: According to Act LXXVI of 2014 on Scientific Research, Development and Innovation, own R&D activities include basic research, applied research and experimental development. The only one limit is that such cost may be claimed only once when determining the local business tax base. Basic research: experimental or theoretical work of discovery in nature, primarily in order to obtain new knowledge on phenomena, experiences and observations, carried out without the prospect of any particular application or utilization. Applied research: planned research or targeted investigation in order to obtain new knowledge and expertise in the acquisition of new products, processes, technologies or services development or existing products, processes or services, consisting of a significant advance that promotes development. Experimental development: the scientific, technological, business and other relevant knowledge and expertise in the acquisition, aggregation, sharing, application and use of new knowledge. It creates, modifies or improves products, processes or the design of services. The following are considered experimental development: a) the new conceptual definition of products, processes and services, planning and activities aimed at documenting; b) activities, which include drafts, drawings, plans and other production of documents, provided that they are not intended for commercial use; c) preparation of prototypes not for commercial use; d) the commercially usable prototypes and pilot projects in development if the prototype itself necessarily the final commercial product and the preparation is too costly to happen only in the demonstration and validation purposes; e) the pilot production and testing of products, processes and services, provided that they may not be used or transformed to be used in industrial applications or commercially. Experimental development even fall into the routine, periodic or routine changes to products, production lines, manufacturing processes, existing services and other operations in progress are carried out if such changes development nature, and if such changes in a product, process, or process can result in the development of services.
- Additional comments in regard to the R&D tax allowance in innovation contribution: Tax credit in connection with direct cost of R&D activities in Innovation contribution: Innovation contribution is a revenue source of the central budget, but only the large and medium sized enterprises have to pay it. The base of this tax is net sales revenue decreased by the value of the payments to subcontractors and the cost of raw materials. The rate is 0.3%. Between 2004 and 2011 direct cost of basic research, applied research and experimental development had been deductible from the liability. Beside the tax credit mentioned there is also a tax-base allowance in innovation contribution which has been in force since 2010. The innovation contribution is to be paid to the Innovation Fund for Research and Technology (hereinafter referred to as "Fund"), which is an extra-budgetary fund allocated under Act XXXVIII of 1992 on Public Finances exclusively to provide government funding for research and development and technological innovation projects. The Fund's objective is to provide constant and reliable resources to promote and support technological innovation projects for the benefit of the Hungarian economy, to advocate research and development to be applied for the economy and other sectors, the utilization of local and international scientific achievements, and the improvement of the innovation infrastructure and of the related service activities. The Fund's revenues for the year shall comprise inter alia the innovation contributions paid by the resident business associations governed under Act C of 2000 on Accounting. Exceptions are the following: micro- and small-sized enterprises, the National Bank of Hungary, the Hungarian National Asset Management Zrt., the business association created for the statutory employment of prisoners under the supervision of the minister in charge of penal administration, newly incorporated business associations during the year of their registration, or their pre-companies, non-profit business associations of the status of public benefit organization, business associations liable to pay contribution, but being under liquidation or involuntary deregistration proceedings. Local Business Tax: All municipalities are entitled to LBTs. LBTs are deductible for Hungarian CIT purposes and are not normally treated as 'income tax' in the application of the tax treaties. The LBT base is the net sales revenue reduced by the cost of goods sold, subcontractors' work, the costs of materials, mediated services, and R&D costs. However, taxpayers are only allowed to deduct from the LBT base part of the cost of goods sold and part of the value of mediated services as calculated based on brackets determined in relation to their annual sales revenues. General service fees, depreciation, and labour costs are typically not deductible for LBT purposes. Also, LBT rules exclude the possibility of multiple deduction of R&D costs from the net sales revenue on different titles at the same time. 100% of royalty, interest, or dividend income and the LBT base of a foreign PE of a Hungarian company are exempt from LBT. The LBT rate may differ from municipality to municipality but is capped at 2% by law. Source: [http://www.ey.com/Publication/vwLUAssets/EY-worldwide-randd-incentives-reference-guide/\\$FILE/EY-worldwide-randd-incentives-reference-guide.pdf](http://www.ey.com/Publication/vwLUAssets/EY-worldwide-randd-incentives-reference-guide/$FILE/EY-worldwide-randd-incentives-reference-guide.pdf)

SSC exemption

- Wages and salaries of researchers and other R&D personnel: The rate of SSC (Social Contribution Tax) will be zero percent (instead of 13%) for gross wages up to HUF 500,000 per month. In case of PhD students or doctoral candidates' social contribution tax rate is 6.5% (instead of 13%) for gross wages up to HUF 200,000 per month.

KIVA exemption

- Wages and salaries of researchers and other R&D personnel: The rate of KIVA will be zero percent (instead of 10%) for gross wages of researchers up to HUF 500,000 per month. In case of PhD students or doctoral candidates' the rate is 5% (instead of 10%) for gross wages up to HUF 200,000 per month.

R&D tax credit (Development Tax Incentive)

- Materials and other consumables: In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if they serve the purpose of the investment project.

- Acquisition of plant and machinery used for R&D: In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if they serve the purpose of the investment project.
- Acquisition of software, licences and IP rights used for R&D: In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if they serve the purpose of the investment project.
- Acquisition of land and buildings used for R&D: In case of investment projects concerning basic research, applied research and experimental development valued at 100 million forints or more at current prices, as a general rule eligible costs may cover acquisition costs of tangible and intangible assets as well, if they serve the purpose of the investment project.
- Additional comments: According to the Act LXXXI of 1996 on Corporate Tax and Dividend Tax taxpayers are eligible for Development Tax Incentive, provided that they fulfil all requirements. Tax credit shall be granted to taxpayers for investment projects valued at 100 million forints or more. Basically the Development Tax Incentive scheme is to enhance business investments - e.g. R&D project - by providing tax relief up to 80% of the corporate income tax. The maximum applicable regional aid intensity can be lifted by 10 or 20 percentage points in case of SME's. Eligible expenses are costs related to both tangible and intangible assets. The Hungarian authorities confirmed that the material eligible assets, as defined by the Act on Accountancy, are only the ones within the boundaries of the investment site. Furthermore the purchasing cost of tangible assets in case of takeovers qualifies as well as eligible expenses. (i) In the case of large enterprises, intangible assets such as the costs of patent, software, licence or know-how are eligible only up to 50% of the total eligible expenditure on tangible assets. (ii) In the transport sector, expenditure on the purchase of movable assets is not eligible for aid for initial investment. (iii) Replacement investment is excluded from the scheme. (iv) Except in the case of SMEs and takeovers the assets acquired should be new. This does not apply to the purchase of land. (v) Lease can be taken for costs related to the acquisition of tangible or intangible assets in case the lease takes the form of financial leasing and if the contract contains an obligation to purchase the asset at the expiry of the term of the lease. (vi) For small and medium-sized enterprises, the costs of preparatory studies and consultancy costs linked to the investment are eligible costs. (vii) In case of aid to job creation linked to investment the eligible costs are the two years wage costs of jobs created from the start of the investment until the third year after completion of the investment. Job creation means a net increase in the number of employees.

Iceland: Information on eligibility of expenditure refers to the R&D tax credit in Iceland.

R&D tax credit

- Acquisition of land and buildings used for R&D: The cost of buildings and land, to the extent and for such time as the property is used for research, constitutes, with regard to buildings, only the amortized cost which corresponds to the time that research persists and is calculated on the basis of Generally Accepted Accounting Principles eligible costs. In respect of land deemed outlay of waiver or financial expenses incurred fulfil the conditions of the eligible costs.
- Depreciation / amortisation of assets used for R&D: If the full life-time of tools and equipment or land and buildings is longer than the duration of the research project concerned, only the amortized cost which corresponds to the time of the research is eligible for tax credit.
- Additional comments: The R&D projects of companies located in Iceland are eligible for tax credit. Universities and R&D centres are excluded. The following expenditure is eligible research and development under. Act no. 152/2009: (i) Personnel costs, including the work of scientists, technicians and other assistants who work for the research project. (ii) The cost of tools and equipment to the extent and for the time they are used in research. If the tools and equipment are not used all his life to the research considered, only the amortized cost which corresponds to the time of the research is eligible for tax credit. (iii) The cost of buildings and land, to the extent and in the time properties are used for research, for the purposes of construction, the amortized cost corresponding to the time of the research is eligible for tax credit. (iv) Cost associated with contractual research, technical knowledge and patents bought or licensed obtained from outside sources at market in arm's length transactions and costs of consultants and similar services exclusively used in connection with research activities. (v) Other costs incurred directly for the research project, excluding the costs incurred in direct connection with the application for approval. (vi) Other expenses, including the cost of materials, cost of supplies and the like incurred directly in connection with research activities. Source: <http://www.reglugerd.is/interpro/dkm/WebGuard.nsf/key2/758-2011>

Ireland: Information on eligibility of expenditure refers to the R&D tax credit and accelerated depreciation provision in Ireland.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Only such portion as is wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity.
- Payments for R&D services provided by consultants and other third parties: Costs incurred related to individual consultants who are hired on a part time or short term basis to undertake sub-contracted activity can be treated as part of the direct employee costs of the company and not as agency staff (subject to limitations) provided that the following conditions are met: i)The individual works under the company's control and direction ii)The individual works on the company's premises iii) The individual must be able to contribute specialist knowledge,

which cannot be supplied by the in-house research team, to a specific R&D project being undertaken by this in-house team iv)The engagement period does not exceed 6 months. If the above conditions do not apply, the payments are considered outsourcing expenditures and are therefore limited to 15% or 5%, depending on the case. Covered are payments for R&D services, subject to a limit of 15% .

- Payments for other services: Only such portion as is wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): A company which incurs expenditure in the carrying on by it of qualifying R&D and pays a sum to another person (not to a university or institute) who is not a connected person , in order for that person to carry out qualifying R&D activities for the company, can claim relief. Relief will be restricted to 15% of the expenditure incurred by the company itself on qualifying R&D activities or €100,000, whichever is the greater, subject to the company incurring at least the same level of expenditure on qualifying activity which it carries out itself. A company which incurs expenditure in the carrying on by it of qualifying R&D and pays a sum to a university or institute of higher education to carry out qualifying R&D activities in a relevant Member State³¹ can claim relief. Relief will be restricted to 15% of the expenditure incurred by the company itself on R&D activities or €100,000, whichever is the greater, subject to the company incurring at least the same level of expenditure on qualifying activity which it carries out itself.
- Materials and other consumables: Only if wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity and subject to other conditions.
- Overheads: Only if wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity.
- Acquisition of plant and machinery used for R&D: Expenditure on plant and machinery may qualify for the R&D tax credit where such expenditure also qualifies for capital allowances. However, where plant and machinery which is used for qualifying R&D and for other (non-R&D) purposes, for example in production, the cost of the plant and machinery should be apportioned on a just and reasonable basis over each relevant period of its useful economic life.
- Acquisition of software, licences and IP rights used for R&D: Royalty payments or other payments for the use of intellectual property may qualify provided they are incurred wholly and exclusively in the carrying on of qualifying R&D activities, provided they are not paid to a connected person and which are not, in the hands of the recipient, income from a qualifying asset for the purposes of the Knowledge Development Box.
- Acquisition of land and buildings used for R&D: Buildings only and provided that at least 35% of their use is for R&D. Land is not allowable.
- Depreciation / amortisation of assets used for R&D: Whether or not the cost is allowed is determined when it is incurred, so for example, the full cost of a machine used for R&D will be allowable when incurred rather than being spread over a number of years as a depreciation (tax or accounting) charge.
- Additional comments: R&D expenditures by resident companies and branches of non-resident companies qualify. R&D activities must occur within Ireland or the European Economic Area (EEA), in the case of an Irish tax resident company, the expenditure must not qualify for a tax deduction under the law of another territory. Payments under a cost contribution agreement also qualify. The tax credit is available in respect of expenditure incurred wholly and exclusively: 1. in the carrying on; 2. by it (the company) of qualifying R&D activities. The phrase "in the carrying on" must be distinguished from "for the purposes of" or "in connection with" used elsewhere in the Taxes Consolidation Act 1997. Additionally, it should not be confused with expenditure incurred to enable a company to carry on R&D. The phrase "in the carrying on" is narrower in scope. Costs which are not wholly and exclusively incurred in the carrying on of the R&D activity, including indirect overheads such as recruitment fees, insurance, travel, equipment repairs or maintenance, shipping, business entertainment, telephone, bank charges and interest, do not qualify as relevant expenditure. However, overheads which are wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity, for example power consumed in the R&D process, qualify for the credit. The eligibility of the cost of rewarding individuals will relate to the extent of their deployment to, and actual engagement in, qualifying R&D activities. In practice this means that where an employee spends an identified proportion of their time "in the carrying on" of qualifying activity, then that same proportion of their emoluments may be considered to be qualifying expenditure. The term 'emoluments' may be taken to include pension contributions, bonus payments, health insurance or other items included in the reward package paid to R&D employees¹⁸. Emoluments also include holiday entitlement, public holidays etc. Note that overheads associated with the employment of an individual e.g. HR costs, payroll team costs, canteen costs or similar are not considered to be eligible as these costs, while they may be incurred in connection with the qualifying activity, are not incurred in the carrying on by it of the activity. If pension is a contracted part of the employees' emolument, that proportion of the pension costs which corresponds with the time spent on qualifying R&D is allowable. Similarly, where an employee is directly working on qualifying R&D, a proportion of any other emoluments corresponding to the amount of time spent on qualifying R&D is allowable. Note that benefits will not be allowable if they are paid by the company but not ultimately borne by the company. The use of agency staff is considered to be outsourcing for the purposes of computing the amount of qualifying activity and the related expenditure is, therefore, subject to the limitations on outsourcing set out in Section 6. This relates to any individual not remunerated directly by the company for their services. Costs incurred related to individual consultants who are hired on a part time or short term basis to undertake sub-contracted activity can be treated as part of the direct employee costs of the company and not as agency staff provided that the following conditions are met: (i) The individual works under the company's control and direction. (ii) The individual works on the company's premises. (iii) The individual must be able to contribute specialist knowledge, which cannot be supplied by the in-house research team, to a specific R&D project being undertaken by this in-house team. (iv) The engagement period does not exceed 6 months. Expenditure on R&D shall not include a royalty or any other sum paid by a company to a connected person²⁰ and which is, in the hands of the recipient, income from a qualifying patent within the meaning of Section 234 of the Taxes Consolidation Act 1997, i.e. 'a patent in relation to which the research, planning, processing, experimenting, testing,

devising, designing, developing or similar activity leading to the invention which is the subject of the patent was carried on in an EEA state. Royalty payments not subject to the above exclusion may qualify provided they are incurred wholly and exclusively in the carrying on of qualifying R&D activities. Where expenditure has been incurred by a company in the carrying on of R&D activities before the company commenced to trade, a claim in respect of that expenditure must be made within 12 months from the end of the accounting period beginning at the date the company first carried on a trade. The amount of the credit due is the amount which the company would have been entitled to claim if it had been trading when the expenditure was incurred. That amount may then be carried forward and used against the Corporation Tax liability of future periods. Materials used in qualifying research and development activities may be of further commercial value after their research use has concluded. In this situation, the lower of cost, or net realisable value of any materials or other saleable product which remain after the R&D activity should be deducted from the expenditure claimed. Expenditure which is incurred on qualifying R&D which is carried on as part of the trade activities of a company may qualify for the credit. In these circumstances the eligible expenditure is limited to additional expenditure that is incurred wholly and exclusively in the carrying on of the qualifying activity. For example, where a company carries out qualifying R&D activity on a live production line while continuing to produce saleable product on the same line, costs such as increased unsaleable product and additional time costs which can be shown to have been incurred in the carrying on of the qualifying R&D activity may be eligible. Expenditure on the construction or refurbishment of a building for use for qualifying R&D activity may qualify for an R&D tax credit under S.766A of the Act where such a building also qualifies for industrial buildings capital allowances (See Part 9 of the Act). The R&D tax credit is in addition to any capital allowances claimed. The credit is available for new expenditure on the construction, including refurbishment, of a building or structure where the R&D activities carried on by a company in that building or structure over a period of four years (referred to as the "specified relevant period") represents at least 35% of all activities carried on in the building or structure. Qualifying expenditure on the construction or refurbishment of a qualifying building may be treated as having been incurred either:-(i) on the date it was actually incurred, or (ii) on the date the building was first brought into use for the purposes of a trade, or the refurbishment is completed as appropriate. Expenditure may be incurred on the construction or refurbishment of a building which spans two or more accounting periods. Where this occurs, the aggregate expenditure may be treated as having been incurred on the date that it was actually incurred, or on the date the building is first brought into use. The 12 month claim period applies by reference to the date that the expenditure is treated as incurred. The cost of acquiring the land on which the building or structure is erected does not qualify for the R&D credit. The credit is calculated by reference only to that portion of the building or structure to be used for R&D activities. Where a building is used for qualifying R&D and for other (non- R&D) purposes, for example in production, the cost of the construction or refurbishment should be apportioned on a just and reasonable basis. Records should be maintained to show the computation of any apportionment and the rationale for the use of such basis of apportionment. If an apportionment that has already been made in this manner is later shown not to be "just and reasonable" a revised apportionment must be made. Any such expenditure which is met directly or indirectly by any grant aid or assistance from the State or any other State, OR any board established by statute, OR any public or local authority or any other agency of the State, or of another State will not qualify for relief. The credit is claimable as long as there is a minimum 35% usage of the building for R&D activity over a period of four years beginning on the date it is brought into use. The tax credit is however clawed back if, within ten years of the accounting period for which a credit is claimed, the building or structure is sold, or is used for purposes other than either the carrying on of R&D activities or the same trade that was carried on by the company at the beginning of the specified relevant period and to which the R&D activity was related. Revenue will claw back both the tax credit already used to reduce tax, and withdraw any unused tax credits. Expenditure on plant and machinery may qualify for the R&D tax credit where such expenditure also qualifies for capital allowances. However, where plant and machinery which is used for qualifying R&D and for other (non-R&D) purposes, for example in production, the cost of the plant and machinery should be apportioned on a just and reasonable basis over each relevant period of its useful economic life. If an apportionment that has already been made in this manner is later shown not to be "just and reasonable" a revised apportionment must be made in respect of each relevant accounting period and brought to account in the tax return for the period in which the adjustment is identified. For the purposes of determining the amounts of expenditure on plant and machinery to be included in any computation of tax credit due under Section 766 TCA, 1997, Revenue are prepared to accept that expenditure on plant and machinery may be treated as incurred on either (1) the date the plant and machinery is first brought into use for the purposes of a trade or (2) the date the expenditure becomes payable. This latter option is subject to a condition that the credit will be clawed back if the plant or machinery is not brought into use for the purpose of a trade within two years of the expenditure becoming payable. Source: <http://www.revenue.ie/en/tax/ct/research-development.html> <http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf>

Accelerated depreciation

- Additional comments: Capital expenditure incurred in the carrying on of research and development is included in expenditure on research and development for the purposes of the R&D tax credit. There is no separate scheme.

Italy: Information on eligibility of expenditure refers to the R&D, innovation and design tax credit (Law 160/2019) and to the tax allowance related to eligible intangible assets.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Labor costs for researchers and technicians directly employed in R&D activity carried out within the firm and limited to the part referable to R&D activity. Costs related to highly qualified employees under 35 years of age with a Phd, in their first job and employed with a fixed-term contract are computed at 150 percent of the actual expenditure
- Payments for R&D services provided by consultants and other third parties: s to extra-muros R&D: third parties have to directly carry out the R&D activities; contracts with third parties resident in Italy or resident /located for tax purposes in other EU, EEA countries or countries participating to exchange of information. As to R&D services provided by consultants, these are eligible within the maximum amount of 20% of eligible personnel expenses or eligible extra-muros expenses; contracts have to be stipulated with entities resident in Italy or resident/located for tax purposes in other EU, EEA countries or countries participating to the exchange of information.
- Payments for other services: For firms that are not required by law to carry out a statutory audit, the expenses incurred to comply with the obligation to certify the accounting documents are recognised for an amount not exceeding 5,000 euros.
- Materials and other consumables: Eligible within the maximum amount of 30% of eligible personnel expenses or 30% of eligible extra-muros expenses.
- Depreciation / amortisation of assets used for R&D: Depreciation of tangible goods and software: eligible only for the part attributable to R&D, only for the amount ordinarily deductible, eligible within the maximum amount of 30% of eligible personnel expenses. Depreciation of industrial property rights: eligible within the maximum amount of € 1 million, as long as they are used in eligible R&D activity; contracts with third parties (no infra-group) resident in Italy or resident/located for tax purposes in other EU, EEA countries or countries participating to the exchange of information.

R&D tax allowance

- Acquisition of software, licences and IP rights used for R&D: R&D expenses for trademarks and know-how are excluded from the incentive cost base. Therefore, qualifying R&D costs only relate to copyrighted software, patents, designs and models. Eligible expenses include maintenance, renewal, protection, prevention from counterfeiting, management of litigations meant to protect rights on eligible intangible assets, except for the case in which the allowance applies in the tax period in which a subsidized intangible asset obtains an industrial property title for R&D expenses incurred in the previous 8 years, which contributed to its creation.
- Additional comments: The general restriction is that eligible expenses must refer to relevant activities (industrial research, experimental development, technological innovation etc.) as defined in the Provvedimento published by the Italian Revenue Agency on 15th February 2022. Law Decree n. 146 of 21 October 2021 (converted into law on 17 December 2021 without substantial changes) repealed the patent box regime and replaced it with a cost-based incentive allowing for a 90% extra deduction of R&D expenses. The Budget Law introduces several amendments to such new incentive: The extra deduction of the eligible R&D expenses is increased from 90% to 110%. Thus, R&D costs may be recognized for an amount equal to 210% of the relevant expenditure for both corporate income tax (IRES) and regional tax (IRAP). R&D expenses for trademarks and know-how are excluded from the incentive cost base. Therefore, qualifying R&D costs only relate to copyrighted software, patents, designs and models. If R&D expenses are incurred prior to the creation of a qualifying intellectual property (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 8th fiscal year before IP protection is granted. Source: <https://taxnews.ey.com/news/2022-0081-italy-issues-2022-budget-law#:~:text=Specifically%2C%20the%20tax%20credit%20available,amount%20of%20%E2%82%AC5%20million>

Japan: Information on eligibility of expenditure refers to the general R&D tax credit, the R&D tax credit for special (collaborative) R&D, and the incremental, high R&D intensity tax credit.

General R&D tax credit, R&D tax credit (special), and R&D tax credit (incremental)

- Wages and salaries of researchers and other R&D personnel: Salaries generally mean the amount paid to employees who are engaged exclusively in R&D activities; however, segregation of activities may be permitted if clearly documented. Labour costs relating to performing qualifying activities may be allowable for R&D credit purposes to the extent details of the activities are clearly documented. Documentation should indicate the time spent by each employee on qualifying R&D activities, with details of appropriate calculations for the labour costs. The legislation is silent as to how to determine the applicable labour costs. Source: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-surveyof-global-investment-and-innovation-incentives.pdf>
- Acquisition of plant and machinery used for R&D: Depreciation of acquired plant and machinery is eligible.
- Acquisition of software, licences and IP rights used for R&D (General and special R&D tax credit): Depreciation of a part of acquired software is eligible.

- Acquisition of land and buildings used for R&D: Depreciation of acquired buildings is eligible.
- Depreciation / amortisation of assets used for R&D: Strictly speaking, the R&D tax credits apply to R&D deductible expenses rather than depreciation of R&D assets.
- Additional comments: Qualifying expenses include R&D expenses by either resident or non-resident corporations, as long as the corporations are blue tax return filers. Qualifying expense is not limited to domestic expenses only (expenses of foreign branches of resident companies may qualify). To qualify for the credit, the expenses must be costs of raw materials, labour cost, overhead, depreciation on fixed assets and contract cost, etc. incurred to manufacture products, or to improve, design, formulate, or invent techniques. However, if the corporation receives payments from others for experiment and research, the amount of qualified expenses is the amount obtained by deducting the payment from the total amount of its experiment and research expenses. In order to make this scheme more taxpayer-friendly, amendments have been introduced after the Japan 2017 tax reform. These amendments include: - expansion of the type of eligible costs for tax credits; - improved flexibility in the case of additions or changes to cost items due to a contractual change; - and simplifying the conformation process of expenses by counterparty. Source: <https://home.kpmg.com/xx/en/home/insights/2017/03/tnf-japan-corporate-tax-items-in-now-approved-tax-reform-legislation.html> <http://www.ey.com/jp/en/services/tax/japan-newsletters-22-december-2016> R&D costs for the development of services in line with the “fourth industrial revolution” (businesses using IT, big data, artificial intelligence, etc.) will be included in the scope of creditable R&D costs: Costs for operation with the purpose of development of new services: (i) Covered operations: - Information collection by use of instruments or techniques which have functions of collecting a large amount of information and all or a main part of which is automated. – Analysis by use of software which has the function of analysing information exclusively used by information analysing professionals in order to find out certain theory concerning the collected information. – Designing new services that make use of the rules found by the above analysis. – Confirming that the rules are reasonable and new services that make use of the rules suit the purpose. (ii) Covered costs: - Material costs. – Labour costs. – Overhead costs. – Outsourcing costs. Source: <https://home.kpmg.com/xx/en/home/insights/2017/03/tnf-japan-corporate-tax-items-in-now-approved-tax-reform-legislation.html> <http://www.ey.com/gl/en/services/tax/international-tax/alert-japan-releases-2017-tax-reform-outline>

R&D tax credit (incremental)

- Acquisition of software, licences and IP rights used for R&D: Acquisition of licenses and IP rights is eligible only when the licensors or the initial IP owners are “SMEs” defined in the taxation system, Depreciation of a part of acquired software is eligible.
- **Additional comments:** The High R&D intensity-based R&D tax credit is applicable for the business years beginning on or after 1 April 2008, through 31 March 2014. The scheme was introduced in 1 April 2008, and the deadline has been extended every 2 years. It is available until the business year starting in March 2019. Qualifying expenses include R&D expenses by either resident or non-resident corporations, as long as the corporations are blue tax return filers. Qualifying expense is not limited to domestic expenses only (expenses of foreign branches of resident companies may qualify). To qualify for the credit, the expenses must be costs of raw materials, labour cost, overhead, depreciation on fixed assets and contract cost, etc. incurred to manufacture products, or to improve, design, formulate, or invent techniques. However, if the corporation receives payments from others for experiment and research, the amount of qualified expenses is the amount obtained by deducting the payment from the total amount of its experiment and research expenses. If a corporation receives a grant from the national government or local governments, the grant shall be included in the amount of gross profits for corporate income tax in principle. However, if the corporation acquires fixed assets with the subsidies suitable for its intended use, it may postpone taxation by reduction entry. Therefore, the receipt of an R&D grant affects the amount of deduction from gross income. In order to make this scheme more taxpayer-friendly, amendments have been introduced after the Japan 2017 tax reform. These amendments include: - expansion of the type of eligible costs for tax credits; - improved flexibility in the case of additions or changes to cost items due to a contractual change; - and simplifying the conformation process of expenses by counterparty. Source: <https://home.kpmg.com/xx/en/home/insights/2017/03/tnf-japan-corporate-tax-items-in-now-approved-tax-reform-legislation.html> <http://www.ey.com/jp/en/services/tax/japan-newsletters-22-december-2016> R&D costs for the development of services in line with the “fourth industrial revolution” (businesses using IT, big data, artificial intelligence, etc.) will be included in the scope of creditable R&D costs: Costs for operation with the purpose of development of new services: (i) Covered operations: - Information collection by use of instruments or techniques which have functions of collecting a large amount of information and all or a main part of which is automated. – Analysis by use of software which has the function of analysing information exclusively used by information analysing professionals in order to find out certain theory concerning the collected information. – Designing new services that make use of the rules found by the above analysis. – Confirming that the rules are reasonable and new services that make use of the rules suit the purpose. (ii) Covered costs: - Material costs. – Labour costs. – Overhead costs. – Outsourcing costs. Source: <https://home.kpmg.com/xx/en/home/insights/2017/03/tnf-japan-corporate-tax-items-in-now-approved-tax-reform-legislation.html> <http://www.ey.com/gl/en/services/tax/international-tax/alert-japan-releases-2017-tax-reform-outline>

Korea: Information on eligibility of expenditure refers to the hybrid R&D tax credit and R&D investment tax credit available in Korea.

R&D tax credit

- Payments for R&D services provided by consultants and other third parties: R&D activities include research conducted by the certified R&D department of the company and/or qualifying bodies (i.e., universities, colleges, research institutes) to develop technology for the company, trademark design, and development, manpower training, and quality control.

- Additional comments: There is an R&D tax credit for current R&D expenditures (also for R&D expenses incurred in relation to R&D activities for the New Growth Engine Industry or Original Source Technology programs) and for IP purchases. All R&D expenditures directly related to the R&D activities of the company may be claimed in the tax credit computation regardless of the location of the R&D activities; except for research subcontracted to academic institutions – which must be located in South Korea. Any resulting IP does not have to be held by the South Korean company. The R&D tax credits are not allowed for R&D service providers. R&D activities include research conducted by the certified R&D department of the company and/or qualifying bodies (i.e., universities, colleges, research institutes) to develop technology for the company, trademark design, and development, manpower training, and quality control. Qualified R&D costs include labour costs (salaries, wages, bonuses, etc.), materials costs (samples, parts, and raw materials used in the conduct of R&D), rent for R&D equipment, commissions paid to the qualifying body, training costs, and other costs (trademark development costs, design development costs, consulting fees, and quality guarantee costs). For the purpose of supporting sustainable growth, investment tax deductions for R&D in the fields of new growth engines and fundamental technologies (e.g. LED applications, biopharmaceuticals, etc.) were expanded to a level much greater than general R&D investment. Source: Korean taxation 2016.

R&D investment tax credit

- Acquisition of software, licences and IP rights used for R&D: only for SMEs
- Additional comments: The R&D investment credit applies to facility investments (machinery and buildings) made for the purpose of R&D and job training.

Lithuania: Information on eligibility of expenditure refers to the R&D tax allowance and accelerated depreciation provision for R&D.

R&D tax allowance

- Wages and salaries of researchers and other R&D personnel: Wages of employees who are directly involved in scientific research and experimental development works.
- Payments for R&D services provided by consultants and other third parties: Only if the outsourced R&D work was carried out in the European Economic Area or in a State which is outside the European Economic Area, but with which the Republic of Lithuania has concluded and applies the double taxation agreement.
- Payments for other services: Costs for acquisition of services directly related to scientific research and experimental development works (consulting, leasing, repair, warehousing, telecommunication, etc.).
- Additional comments: Lithuania offers R&D investors a deduction of current expenditures at an enhanced rate of 200% since 2008. Eligible R&D expenditures include: (i) wages of employees who are directly involved in scientific research and experimental development works including compulsory health insurance contributions and social insurance premiums; (ii) business trips directly related to R&D work (iii) costs of stock, materials and other short term assets ; (iv) costs for acquisition of services directly related to scientific research and experimental development works (consulting, leasing, repair, warehousing, telecommunication, etc.) (v) costs for acquisition of scientific research and experimental development works from other natural persons or legal entities; if such work was carried out in the European Economic Area or in a country outside the European Economic Area, but with which the Republic of Lithuania has concluded a double taxation agreement and applies its provisions; (vi) import and input VAT from the above costs that was not deducted according to Law on Value Added Tax provisions. Source: <https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq>

Accelerated depreciation

- Acquisition of plant and machinery used for R&D: Plants and machinery: 2 years instead of general 5 years; Installations (structures, wells etc.): 2 years instead of general 8 years; computer hardware, communication equipment, software and acquired rights: 2 years instead of general 3 years, other tangible and intangible assets – 2 years instead of general 4 years.
- Acquisition of software, licences and IP rights used for R&D: Plants and machinery: 2 years instead of general 5 years; Installations (structures, wells etc.): 2 years instead of general 8 years; computer hardware, communication equipment, software and acquired rights: 2 years instead of general 3 years, other tangible and intangible assets – 2 years instead of general 4 years.
- Additional comments: An accelerated depreciation scheme for R&D capital assets is in place since 2008. Acquisition price of fixed assets used in R&D activities can be written-off within two years (instead of 3-8 years in general) in accordance with the procedure laid down in Law on Corporate Income Tax. Source: <https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/EbTWNMsSQq> (see appendix 1) ; <https://kcis.inovacijugentura.lt/kcis/paslaugos/mita/mtep-veiklu-vertinimas.html?lang=lt>

Mexico: Information on eligibility of expenditure refers to the incremental R&D tax credit introduced in Mexico with effect of January 2017.

R&D tax credit

- Payments for other services: Eligible expenses include payments related to costs of external services provided by specialized natural or legal persons of domestic origin, whose services cannot be performed by the contractor and which have to be performed in order to fulfil the objectives of the R&D project and which have been previously accounted for in the project proposal (up to 15% of the total costs of the R&D project). External services refer to a specific and well defined activity which is directly related to the procedures or methodology of the R&D project proposal, whose supporting documentation complies with the corresponding fiscal and legal rules (agreement or contract with specific objectives; on-line digital tax documentation; fees payments). Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Eligible expenses include payments to public or private Higher Education Institutions or Public Research Organizations, registered or pre-registered in the National Registry of Scientific and Technological Institutions and Companies (RENIECyT), for their collaboration in the project, provided that their collaboration has previously been registered in the Electronic Platform and is in compliance with the amounts and conditions thereby specified, as well as with those provisions specified in the collaboration agreement regarding the calendar of payments, which shall be supported by the corresponding official bills of the HEI or PRO, accordingly. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
- Materials and other consumables: Specialized machinery needed for the completion of the investment project. This includes the costs of renting specialized equipment which, due to its costs, is not profitable to be bought, but is required in order to perform tests, experiments or other activities relevant for the completion of the investment project and which is not rented to related parties. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
- Acquisition of plant and machinery used for R&D: Specialized machinery needed for the completion of the investment project. This includes the costs of renting specialized equipment which, due to its costs, is not profitable to be bought, but is required in order to perform tests, experiments or other activities relevant for the completion of the investment project and which is not rented to related parties. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
- Acquisition of land and buildings used for R&D: Eligible expenses include the acquisition or leasing of properties and buildings. It is considered that the firm must have the necessary buildings to perform the investment project. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017
- Additional comments: Investment projects refer to the R&D expenses and investments made in the national territory, addressed directly and exclusively to perform projects which represent a scientific or technological improvement. Source: http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017 The expenses and investments must be directly and exclusively applied to the taxpayer's own projects aimed at the development of products, materials, or production processes that represent scientific or technological breakthroughs. Qualifying industries: The R&D tax credit is not limited to specific industries. Eligible R&D expenditure: • Fees paid to external researchers • Experimental testing • Field work • Tools for experimental testing • Technical training that is essential to the R&D project • Specialized equipment that is essential to the R&D project • External services provided by national third parties • Specialized lab equipment that is essential to the R&D project • Specialized machinery that is essential to the R&D project • Animals or plants that are essential to the R&D project for experimental testing • Lease of specialized equipment that is essential to the R&D project • Prototypes • Materials for experimental design • Collaboration costs paid to Mexican private or public Higher Education Institutions and/or Public Research Centers, registered in the National Registry of Scientific and Technological Institutions and Companies ("RENIECYT") • Experimental pilot plant • Payment for services rendered by national CONACYT labs. The following non-R&D related expenditure may qualify for tax relief subject to approval: • Civil engineering works (except for pilot plant) • Acquisition and/or leased of immovable property • Administrative expenses (e.g., utilities, administrative employees) • Manufacturing expenses • Equipment maintenance • Salaries and wages related to the R&D project paid to the taxpayer's employees • Marketing expenses • Expenses for studies or permits related to federal, state or municipal regulations • Freight expenses • Loss reserves • Interest • Buy-sell of currency • Financial expenses • Taxes • Fines, surcharges and penalties • Expenses financed by other CONACYT or Federal Government incentive programs • Payments made to third parties to prepare the project and/or carry out the corresponding follow-up Source: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-surveyof-global-investment-and-innovation-incentives.pdf> http://www.dof.gob.mx/nota_detalle.php?codigo=5473257&fecha=28/02/2017

Netherlands: Information on eligibility of expenditure refers to the WBSO ("Wet bevordering speur- en ontwikkelingswerk") payroll withholding tax credit for R&D.

- Wages and salaries of researchers and other R&D personnel: The R&D activities must occur within the EU and must be performed by employees on the Dutch payroll.
- Acquisition of plant and machinery used for R&D: Except for investments in land and business assets which qualify for the energy or environmental investment allowance.
- Acquisition of land and buildings used for R&D: Except for investments in land and business assets which qualify for the energy or environmental investment allowance.
- Additional comments: Starting in 2016, the WBSO and the RDA have been merged into a single scheme called the WBSO. It means that from 2016, companies can apply for a WBSO tax credit for both the wage cost of an R&D projects (previously handled by the WBSO) and its other costs and expenses (previously handled by the RDA). The tax benefits are

administered entirely through payroll taxes (and no longer in part through taxation on profits). Self-employed entrepreneurs are awarded a fixed deduction if they carry out at least 500 R&D hours per year. In 2016, self-employed entrepreneurs are no longer being able to apply for the tax credits against the costs and expenses of an R&D project (which used to be handled by the RDA). Source: <https://english.rvo.nl/subsidies-programmes/wbso> The WBSO distinguishes between 'costs' and 'expenses': 'costs' are the total amount paid in order to carry out R&D; 'expenses' are the total amount paid to acquire new capital equipment with which to carry out R&D. Companies can apply for WBSO tax credits against the costs and expenses incurred directly by their own R&D, provided: (i) the costs are entirely (100%) and exclusively incurred by the R&D; (ii) the expenses are linked to the R&D (though they need not be 100% attributable to R&D). Note: firms can also apply for WBSO tax credits against the costs and expenses that other companies operating within their fiscal entity incur for the purposes of R&D. Examples of 'costs' are: costs incurred for the purchase of materials and parts needed in order to build a prototype or to carry out tests; costs incurred in renting third-party equipment needed exclusively to carry out R&D. Examples of 'expenses' are: the cost of equipment or instruments specifically intended for R&D; new buildings or sections of new buildings to the extent that these are used for R&D work. When applying for a WBSO tax credit, applicants can choose between: a fixed sum, or the actual amount of costs and expenses. The choice applicants make in their first WBSO application in a calendar year applies to the whole calendar year. For a 'fixed sum' what counts is the number of allocated R&D hours. All entrepreneurs (except the self-employed) may select this simple option, regardless of the number of allocated R&D hours. The lump sum is calculated as EUR 10 per allocated R&D hour (up to a maximum of 1,800 R&D hours per calendar year) plus EUR 4 per allocated R&D hour for any additional R&D hours. Choosing the fixed sum option means a considerable reduction in the administrative burden. Applicants are not required to maintain and report details of the costs and expenses incurred. It is only needed to simply report, at the end of the calendar year, the actual R&D hours invested. For companies (not for self-employed entrepreneurs) there are two tax brackets with different benefit percentages for all R&D costs (total R&D wage costs, plus either the actual costs and expenses or the fixed sum against costs and expenses). Whether firms opt to apply for a fixed sum or declaring actual costs and expenditures, an amount is added to their R&D wage costs. The WBSO tax credit (the amount firms deduct from their payroll tax bill) is then calculated on the basis of this total amount and specified in their R&D Declaration. Only those costs or expenditures that are directly attributable to the R&D work carried out by the withholding agent come into consideration for the WBSO. This means that these costs and expenditures must have a directly demonstrable causal link to the R&D being carried out. Wage costs other than those incurred by the taxpayer's own R&D do not come into consideration for the WBSO. The costs relate to costs paid in connection with the performance of in-house R&D to the extent that these payments: (i) have not been included in an earlier R&D Declaration (or, for the period 2012 – 2015, in an RDA Decision); (ii) serve solely for the performance of the taxpayer's own R&D; (iii) are borne by the R&D tax withholding agent, or by a company within the tax entity of the R&D tax withholding agent. 'Serve solely' means that these costs cannot be ascribed to in-house R&D only in part. In other words, costs must be fully (100%) attributable to in-house R&D. 'Expenditure' relates to payments in connection with the purchase of new operating assets to the extent that: (a) these operating assets have not been used before; (b) these operating assets have not been included in a previous R&D Declaration (or, for the period 2012 – 2015, in an RDA Decision); (c) these operating assets serve for the purpose of the in-house R&D; (d) the payments are made at the R&D tax withholding agent's expense or that of a company within the tax entity of the R&D tax withholding agent. Depending on the R&D being carried out, the following two cost types will be taken into consideration: 1. the purchase of non-durables, materials and parts with which to carry out experiments or make trial batches; 2. the purchase of materials and parts needed for the in-house construction of a prototype having no production or commercial value, within the framework of an in-house development project; 3. the costs incurred in arranging for the construction of prototypes that will not ultimately serve a production or commercial purpose; 4. the purchase of licences for specific software tools or ICT tools required for the in-house development of technically new software; 5. the costs incurred in renting equipment or leasing buildings used solely for R&D work. Depending on the R&D being carried out, the following expenditures may come into consideration: (a) buildings or sections of buildings to the extent that these are directly used for in-house R&D work; (b) the purchase of new equipment or instruments specifically intended for the construction of models, preparation of trial batches or manufacture of prototypes that will not ultimately serve a production or commercial purpose; (c) the purchase of ICT tools specifically intended for in-house R&D. More examples of costs and expenditures are available at www.rvo.nl/wbso.

New Zealand: Information on eligibility of expenditure refers to the R&D tax credit for deficit related R&D expenses and new R&D tax credit, available with effect of April 2019.

R&D tax credit (deficit)

- Acquisition of software, licences and IP rights used for R&D: Excluded: Acquiring, disposing of, or transferring intangible property, core technology, intellectual property, or know-how, and related activities (for example: drafting sale and purchase agreements for patents).
- Acquisition of land and buildings used for R&D: If used exclusively for housing research or development facilities.
- Additional comments: R&D expenditure as defined for the initiative are more restricted than expenditure that is subject to the income tax deductibility provisions for R&D. Expenditure on certain activities and some types of expenditure are excluded. <http://taxpolicy.ird.govt.nz/publications/2015-commentary-arrdrm/research-and-development> The research and development (R&D) loss tax credit allows business losses from eligible expenditure associated with R&D to be cashed out instead of being carried forward. Generally, tax losses are carried forward to the next income year. Losses that are cashed out are no longer available to apply against income in future years. For income years beginning on or after 1 April 2015, you may be able to "cash out" (have refunded) up to 28% of any tax losses associated with eligible R&D activity if your company is resident in New Zealand. Firms can repay the R&D loss tax credit by paying: (i) future income tax (ie, by trading into profit), and/or (ii) R&D repayment tax following a loss recovery event (LRE). New imputation credits for income tax paid

by a company won't be available to a company that has cashed out R&D losses until that company has repaid the cashed out amounts. The amount you can claim as a tax credit will be the lesser of the company's: •net loss for the year x 28%, or •total R&D expenditure for the tax year x 28%, or •total R&D labour expenditure for the year x 1.5 x 28%. Source: <http://www.ird.govt.nz/research-development/overview/what-is-rdltc/> New Zealand plans to introduce a new tax credit in 2019. The proposed new R&D tax credit foresees a significantly larger cap on eligible expenditures (NZD120 million vs NZD25 million) and has no R&D intensity threshold. For more information, see <https://www.mbie.govt.nz/science-and-technology/science-and-innovation/funding-information-and-opportunities/r-d-tax-incentive/>

R&D tax credit

- Additional comments: Income Tax Act 2007 Schedule 21B Part A: The rules are aimed at ensuring expenditure with a direct connection to an R&D activity conducted in New Zealand is eligible, and that non-R&D expenditure or expenditure tangentially connected with R&D is not. The R&D tax credit regime aims to primarily incentivise R&D activities performed in New Zealand because the wider benefits are more likely to be gained by New Zealand. There is a 10% allowance for expenditure conducted overseas to recognise that experts in certain fields may only be available overseas, or the type of R&D the claimant needs to undertake is not able to be performed in New Zealand or it would be cost prohibitive to perform it here. For R&D activities performed in a commercial production environment, only employee costs and any additional costs of the R&D are eligible. This rule is aimed at ensuring that business as usual expenditure does not qualify for the R&D tax credit. Expenditure must be included on the list of eligible expenditure to be eligible for the tax credit. The following expenditure is all eligible: • depreciation loss for items used in performing R&D • expenditure or loss on acquiring goods and services used in performing R&D • amounts for employees performing R&D. To have eligible research and development (R&D) expenditure, you must have both: • incurred expenditure on an eligible R&D activity • expenditure included on the list of eligible expenditure, and not included on the list of ineligible expenditure. Specific rules apply for R&D in a commercial production environment, contracted R&D and foreign R&D. A tax credit is only available on expenditure of \$50,000 or more, unless you use an approved research provider. There is a cap on eligible expenditure of \$120 million in an income year, unless you obtain approval to exceed the cap. Source: <https://www.classic.ird.govt.nz/resources/6/3/631b482d-d7fb-41a6-a4bb-c4135ae853cd/rdti-guidance-ir1240.pdf>

Norway: Information on eligibility of expenditure refers to the SkatteFUNN R&D tax credit.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: The costs are calculated as numbers of hours worked multiplied by an estimated wage rate including overhead cost (NOK 600 per hour and max 1850 hours per year). The tax base does not include unpaid hours worked (mainly by the owners).
- Payments for R&D services provided by consultants and other third parties: R&D services from domestic and foreign research institutes approved by the Research Council, qualify.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): There are no specific rules regarding cost contribution agreements; instead, payments under such agreements are deductible according to the general deduction rules. In the case of collaboration, every business needs to send its own SkatteFUNN application and describe its project activities in order to get tax deductions for project costs.
- Acquisition of plant and machinery used for R&D: The cost of R&D equipment qualify.
- Acquisition of software, licences and IP rights used for R&D: Patent and licensing costs are not included, except for the costs of patenting incurred in the context of a company's own R&D activity.
- Additional comments: Qualifying R&D expenditures include: (i) R&D personnel costs where the costs are calculated as hours worked on R&D multiplied by an hourly rate (the hourly rate is calculated as 0.12 percent of an employee's nominal annual salary) of maximum NOK 600 (NOK 600 since 2014, up from NOK 560 in 2013). The maximum number of hours per employee per year is 1850 (since 2014). Unpaid hours worked do not qualify as a cost; (ii) Contracted R&D services; (iii) Purchase of R&D equipment; (iv) Other current costs. Patent and licensing costs associated with filing the first patent in a given country may be included. Costs from developing a prototype or a pilot plant may be included although any income generated from subsequent use of the prototype or pilot plant in case will be deducted from the total R&D project expenditures and hence lower the basis for calculating the tax credit. There are no specific rules regarding cost contribution agreements; instead, payments under such agreements are deductible according to the general deduction rules. However, costs relating to a specific project which has become, or may become, a fixed asset (capitalized), are treated as a part of the asset's cost price and depreciated accordingly. Partnership is not required to cooperate in SkatteFUNN projects. The company may choose to make the project work itself, or collaborate with other companies. If several companies are collaborating on a joint project, every business needs to send its own SkatteFUNN application and describe its project activities in order to get tax deductions for project costs. The company can also purchase R&D services from approved R&D institutions or other centres of expertise, to implement project activities. Research and development institutions (research institutions) or R&D institutions/centres of expertise, may be research-intensive companies, colleges or universities. The requirement of being approved as an R&D institution is that the enterprise or institution whose purpose is to conduct research and development (R&D), and to conduct regular scientific publication or systematic work on open technology and knowledge

dissemination. If firms want to purchase R&D services from a competence that is not approved as a research institution in SkatteFUNN, they can apply to have it approved.

Poland: Information on eligibility of expenditure refers to the R&D tax allowance in effect from 1 January 2016 onwards, and tax deduction for R&D centres.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Only if the third party is a scientific unit.
- Payments for other services: Paid use of scientific and research apparatus and purchase of services for the use of scientific and research apparatus
- Materials and other consumables: Purchases of materials and raw materials directly related to the undertaken research and development activity; Costs related to the use of research instruments; the application of the tax credit is dependent on the use of the instruments not based on any contract concluded with an entity related to the taxpayer.
- Depreciation / amortisation of assets used for R&D: Depreciation and amortisation write-offs applied for the undertaken research and development activity, except for passenger cars and facilities, buildings and premises being separate ownership. This, for instance concerns: machinery, new invention patents, software licences, know-how.
- Additional comments: The scope of eligible expenses is much wider here than in case of the repealed new technology tax credit. (i) Costs of remunerations and premiums: remuneration of an employee employed on the basis of an employment contract for the purpose of carrying out the research and development activity including the premiums financed by the payer of these premiums (this also applies to the service relationship, home based work and cooperative work relationship); (ii) Costs of materials and raw materials: purchases of materials and raw materials directly related to the undertaken research and development activity; (iii) Costs of services: expenses incurred for the payment for expert's opinions, opinions, consultancy services and similar services as well as those incurred for the purchase of results of scientific research, rendered or performed on a contractual basis by the scientific unit; (iv) Costs related to the use of research instruments; the application of the tax credit is dependent on the use of the instruments not based on any contract concluded with an entity related to the taxpayer; (v) Depreciation and amortisation write-offs: recognised as operational costs - depreciation and amortisation write-offs applied for the undertaken research and development activity, except for passenger cars and facilities, buildings and premises being separate ownership. This, for instance concerns: machinery, new invention patents, software licences, know-how. Under the new regulations, taxpayers taking R&D relief must segregate the costs of their research and development work in their accounting records or, in the case of legal persons, in their register of fixed assets and intangibles. Through R&D relief, the taxpayer is entitled to take an additional deduction from taxable income for the amount of revenue-earning costs incurred for R&D activity, referred to in the act as "eligible costs." The Innovation Support Act also introduces an additional condition for eligible costs incurred in connection with basic research. Such costs can be deducted only if the basic research was conducted pursuant to an agreement with a scientific unit within the meaning of the Act on the Rules for Funding of Science of April 30, 2010 Taxpayers who operate in a special economic zone during the tax year are not eligible for the relief. The tax credit may be applied irrespectively of the fact whether the costs incurred were paid to the supplier or not. Source: <http://laszczuk.pl/133/publication> http://www.rsm.global/poland/sites/default/files/media/tax-alerts/2016/tax_alert_1_2016_en.pdf Since 1 January 2017: • increasing tax relief for R&D. SMEs conducting R&D activity are entitled to deduct 50% of eligible costs as R&D relief (including salary costs). Large enterprises are entitled to deduct 50% of qualified costs for employee' wages and social contributions and 30% of other qualified costs. • extension from 3 to 6 years the deductibility of costs for R&D, • reimbursement of cash for start-ups (tax cash pay-back), • expanding the list of eligible costs by the costs associated with obtaining a patent (for SMEs). From 2018, the R&D deduction of qualified costs amounts up to 100% for all entrepreneurs regardless of cost and size and up to 150% for R&D centers. The amount of such deduction cannot exceed the amount of income received by the taxpayer in the tax year. The R&D tax relief is available if the qualifying costs are not refundable and for the taxpayer operating within the special economic zone, such deduction is available as regards qualifying costs that are not taken into account when calculating the income exempt from taxation in SEZ. The deduction of R&D expenses is made in the tax return in the tax year in which the qualifying costs are incurred. If the taxpayer bears a tax loss or if the taxpayer's income is lower than the amount of allowed deduction, the deductions – in the entire amount or in the remaining part - can be made in the tax returns for the six tax years following the year in which the taxpayer made the deduction or was allowed to benefit from the R&D tax relief. From 2022, the R&D deduction of qualified costs amounts to 200% for remuneration costs (for all taxpayers regardless of costs and size) and 200% for R&D centers. Else remain 100%. Tax deduction for R&D centres is not an additional deduction. R&D centres can benefit from R&D allowance that is dedicated to all PIT and CIT taxpayers who meet the conditions set out in the personal and corporate income taxes Acts but in a higher amount (150% of qualified R&D costs).

Portugal: Information on eligibility of expenditure refers to the SIFIDE-II R&D tax credit.

R&D tax credit

- Wages and salaries of researchers and other R&D personnel: Wages of personnel directly involved in R&D activities, with minimum qualifications level 4 of the National Qualifications Framework In the case of personnel with a qualification level of 8 according to the National Framework of Qualifications (PhD holders), the amount of the wage is multiplied by a factor of 12

- Payments for R&D services provided by consultants and other third parties: 2021-25: Expenses incurred in connection with projects that include, exclusively, third parties, including contracts and R&D services, are not considered. Until 2020: R&D contracts with external S&T organisations (public entities and/or from entities recognized as possessing R&D capabilities)"
- Payments for other services: Costs of R&D audits (applicable only for SMEs)
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Payments under a cost contribution agreement that fall within the definition of R&D expenditure qualify for an R&D tax credit, under the SIFIDE programme
- Overheads: Operating expenses, such as overhead, of up to 55% of wages of personnel directly involved in R&D activities No limit only in the year of 2011 These costs include: – Overhead, such as electricity, gas, water, rent, repairs, and maintenance; –Contracted R&D services (from entities not officially recognized as possessing R&D capabilities); and – Wages of personnel involved in R&D activities with a qualification level below four Source: <https://www2deloittecom/content/dam/Deloitte/us/Documents/Tax/us-tax-surveyof-global-investment-and-innovation-incentivespdf>
- Acquisition of plant and machinery used for R&D: Only if created or acquired in new condition
- Acquisition of software, licences and IP rights used for R&D: Costs for registering and maintaining patents and patent acquisition costs related to R&D activities (applicable only for SMEs)
- Acquisition of land and buildings used for R&D: Eligible expenditure includes the acquisition cost of new fixed assets connected with R&D activities, except buildings and land Source: <https://www2deloittecom/content/dam/Deloitte/us/Documents/Tax/us-tax-surveyof-global-investment-and-innovation-incentivespdf>
- Additional comments: SIFIDE 2021-25:
 - Eligible expenses related to allowances paid to personnel directly involved with R&D tasks are capped at 55% of the operational expenses incurred.
 - Expenses incurred in connection with projects that include, exclusively, third parties, including contracts and R&D services, are not considered.
 - Expenses relating to staff with a minimum academic qualification of level 8 of the National Qualifications Framework are considered at 120% of their amount.
 - Expenses related to the making of eco-design products will be increased by 10%. This increase will depend on the submission and approval of the project to the Portuguese Environment Agency.
 - Expenses related to demonstrations are eligible for the SIFIDE II regime, provided they are notified up front.
 - Expenses incurred with the acquisition, registration, and maintenance of patents, essential for the performance of R&D activities and audits, are accepted only for micro, small, or medium-sized companies.
 - Also eligible are the expenses incurred in equity investments in R&D institutions or contributions to private or public investment funds. Conditions apply as follows:
 - - Effective investment in equity or quasi-equity of R&D companies.
 - - Mandatory period of five years of maintenance of the investment in an investment fund.
 - - Following an amendment introduced by the 2021 State Budget Law, an additional requirement applies - within five years, it is required that the investment fund effectively makes an investment of at least 80% in the so-called companies dedicated to R&D activities, and these effectively invest in R&D activities; otherwise, the CIT liability of the tax year concerned is increased by the amount of unpaid CIT resulting from the misuse of the tax benefit (proportionally if applicable).
 - The deduction of R&D expenses requires that the entity develops agricultural, industrial, or commercial activities or services as its main business activity. The applications should be submitted by the last day of the fifth month of the year following the year in which the investment was made, and applications referring to years previous to that fiscal year will not be accepted.
 - The regime applies until 2025.
 - Source:<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-survey-of-global-investment-and-innovation-incentives-portugal-2020.pdf>
<https://taxsummaries.pwc.com/portugal/corporate/tax-credits-and-incentives>
 - SIFIDE (until 2020): Any expenditure meeting the R&D expenditure qualifies for a R&D tax credit under the SIFIDE II programme (Enforcing law/regulation: Chapter V of Decree-Law 162/2014 of 31 October). Qualifying expenditures include R&D expenditures by resident companies, R&D expenditures by branches of non-resident companies, as well as R&D expenditures of foreign branches of resident companies. No tax credits are provided to a performer under an R&D service contract. Eligible expenditures include (art 37 Law 162/2014): a) Acquisitions of tangible fixed assets, except for buildings and land, only if created or acquired in new condition and dedicated to research and development activities; b) Personnel expenses with minimum academic qualification level 4 of the National Qualifications Framework, directly involved in research and development tasks (multiplied by 1,2 in the case of level 8 employees/PhD holders); c) Expenses with the participation of leaders and cadres in the management of research and development institutions; d) Operating costs, up to a maximum of 55% of staff costs with minimum academic qualification of the National Qualifications Framework Level 4 directly involved in research and development tasks accounted for as compensation, wages or salaries, for exercise; e) Costs of hiring research and development activities with public entities or beneficiaries of the status of

public utility or entities whose suitability for research and development recognized by order of the members of Government responsible for the economy, innovation, science, technology and higher education; f) Own interest in research and development institutions and contributions to investment funds, public or private, to finance companies mainly dedicated to research and development, including financing the utilization of results, whose suitability for research and development is recognized by order members of the Government responsible for the economy, employment, education and science; g) Costs of registration and maintenance of patents; h) Cost of acquiring patents that are predominantly aimed at conducting research and development activities (only for SMEs); i) Cost of audits for research and development; j) Expenses demonstration actions arising from supported research and development projects, since previously communicated to the certifying entity.

Romania: Information on eligibility of expenditure refers to the R&D tax allowance for R&D expenditures.

R&D tax allowance

- Wages and salaries of researchers and other R&D personnel: Personnel costs involved in the research and development activities, including activities related to their needs (documentation, conducting studies, experiments, measurements, testing, exchange of experience) and the salaries of staff participating indirectly in the R&D activity.
- Payments for R&D services provided by consultants and other third parties: Operating costs, including: third-party services expenses.
- Payments for other services: Operating costs, including: third-party services expenses.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): If a part of the R&D activities are ordered and subsequently carried out by a third party, the tax incentives are granted to the part which takes the risk irrespective the costs payed by the tax payer; usually this is the third party, so that the tax incentives are allowed to the performer of R&D (assuming it is fulfilling all other conditions). In this case the tax payer should not register the contractual expenses with the third party as R&D expenses and therefore should not benefit on the incentive. Operating costs include payments to third party services, expenses on consumables, expenditure on inventory objects, costs of raw materials, modules, components, expenditure on experiment animals, and other products, processes, or similar services used in RD activities. R&D tax incentives are also granted to taxpayers who perform R&D activities for the benefit of group companies, provided they also receive the full right to use the results of those R&D activities.
- Materials and other consumables: Operating costs, including: third-party services expenses, expenses on consumables, expenditure on materials inventory objects, expenses for raw materials, parts, modules, components, expenditure on experimental animals and other/similar goods used in research and development.
- Overheads: Overheads that can be allocated directly or proportionately research results by using an allocation key; the key shall be the one used by taxpayers to allocate common expenses.
- Depreciation / amortisation of assets used for R&D: Depreciation costs or rent of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development (accelerated depreciation also may be applied for the equipment used for R&D activities).
- Additional comments: Romania offers super deduction on qualifying R&D expenses (art.20 alin.(5) Law.227/2015 -Fiscal Code and the norms regarding the deductions for R&D expenses upon determination of taxable profit, approved via Order 1056/2016). the rate of incentives is 50 percent enhanced allowance. By law, the super deduction can be applied only to expenses incurred in relation to applied research and technological development. Under the incentive, the taxpayer would benefit from an additional deduction for CIT purposes representing 50% of R&D expenses. Deductions are granted by RD projects. Fiscal incentives are granted for research and development conducted by both the national territory and in EU Member States or in European countries which belong to the European Economic Area. Recovery can be done both for itself by taking in actual work of research results, according to business needs industrial or commercial activities by taxpayers and by selling results of research or exploitation of intellectual property rights results. Source: https://static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_19072016.htm Eligible expenses taken into account in granting additional deduction in determining taxable income are: a) depreciation costs or rental of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development; b) personnel costs involved in the research and development activities, including activities related to their needs (documentation, conducting studies, experiments, measurements , testing, exchange of experience); c) the costs of maintenance and repairs of tangible and intangible assets referred to in subparagraph a); d) operating costs, including: third-party services expenses, expenses on consumables, expenditure on materials inventory objects, expenses for raw materials, parts, modules, components, expenditure on experimental animals and other/similar goods used in research and development; e) overheads that can be allocated directly or proportionately research results by using an allocation key; the key shall be the one used by taxpayers to allocate common expenses: 1. e1) directly allocated overheads category may include costs for: rent location where they carry out research and development, ensuring the utilities, such as running water, sewerage, sanitation, electricity and heating, natural gas corresponding surface used for research and development activities and expenditures and office supplies, copying and photocopying, postal and courier, telephone, facsimile, internet, transport, storage and related research and development activities necessary to obtain research results; 2. e2) in the category of overheads allocated by sharing key can be included costs: administrative and accounting services, postal and telephone services, maintenance of equipment and services for IT systems, copying and photocopying, office supplies and rent location where Project activities are carried out, ensuring the utilities, such as water, sewerage, sanitation, electricity, gas and other expenses necessary for the project. (2) If the expenses referred to in para. (1) a)-d) are not fully recorded for research and development,

they will be allocated using a fixed allocation key for the taxpayer. (3) If the development costs are capitalized under applicable accounting regulations, the tax deduction can be applied in the tax period in which they are registered or in the period they are transferred as an expense in the income statement. The above expenses must be incurred in connection with qualified research activities. The R&D deduction is applicable even if R&D expenses are capitalized according to the accounting regulations. No industry sectors are expressly excluded. Sources: https://static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_19072016.htm,

Russian Federation: Information on eligibility of expenditure refers to the R&D tax allowance, the accelerated depreciation scheme for R&D assets and the VAT exemption and property tax credit.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties / Payments for other services / Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements) / Materials and other consumables: Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs, and all eligible R&D expenditures may include deductions to STI foundations, but not exceeding 15% of revenue.
- Additional comments: Benefits include a 150% super deduction of eligible R&D expenses incurred for activities started before the 1st of January 2012 in accordance with the Government-approved list. The super deduction can be applied regardless of whether the activities are successful, i.e., whether or not the activity results in the creation of IP. If the R&D activities do lead to the creation of IP, the relevant expenses are multiplied by 1.5 and amortized over a two-year period (point 11, article 262 of the Russian Tax Code). Qualifying costs include current expenditures such as labour costs and R&D contractor expenses. The Russian Federation's tax policy plan foresaw a clarification of the list of R&D expenditures qualifying for the super deduction over the period 2010-12. Source: Gokhberg L., Kitova G., Roud V. (2014) Tax Incentives for R&D and Innovation: Demand vs. Effects. Foresight-Russia, vol. 8, no 3, pp. 18–41. According to the art. 262 point 2 of the Tax Code eligible S&T (wider than R&D) expenditure includes in particular manufacturing and sales related expenditure. That means such expenditure is excluded from taxable profit. Moreover, in point 7 of the same article it is stated that organisations performing R&D that are included to the priority-list approved by the Government of the Russian Federation are allowed to increase their R&D expenditure using a multiplying coefficient equal to 1.5. Other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs. Eligible R&D expenditures may include deductions to STI foundations, but not exceeding 15% of revenue. There is no specific rule on whether R&D activities must be carried out in Russia or whether foreign R&D contractors can be engaged. However, a contractor performing R&D for a third party cannot claim the incentive, but the third party can make the claim if it meets all other criteria.

Accelerated depreciation

- Acquisition of plant and machinery used for R&D: eligible also for high energy efficient M&E in accordance with the list approved by the Government of the Russian Federation.
- Accelerated depreciation with the use of a coefficient smaller or equal to 3 applied to standard depreciation rates for M&E and buildings used for S&T purposes only (Art 2593 point 2 of the Tax Code). Generally, the expenses may be carried forward for 10 years.
- Acquisition of land and buildings used for R&D: S&T activities related only M&E and buildings (amortizable fixed assets).

R&D tax credit

- Materials and other consumables: Exemption from VAT for imported products (materials or goods) that have no equivalents in Russia and bought for R&D purposes (art 150). Since 2003 VAT rate in Russia is 18% (art 164 point 3). There is a list of activities and goods (art 164 point 1 of the Russian Tax Code) fully exempted from VAT (tax rate = 0%). For some specific activities that may be related to S&T and innovative activities (e.g. medical and pharmaceutical production, publishing activities, etc.), as provided in art 164 point 2, the VAT rate is set at a level of 10%.
- Acquisition of plant and machinery used for R&D: VAT exemption (point 7, article 150 of the Russian Tax Code) in case of purchasing machinery & equipment that have no analogues in Russia.
- Acquisition of software, licences and IP rights used for R&D: Transfer of exclusive rights on inventions, utility models, industrial designs, software, databases, integrated circuit topographies, know-how and rights on using these items within license contracts.
- Acquisition of land and buildings used for R&D: Skolkovo management companies are exempt from the land tax Reduction and exemptions of property tax may be allowed by regional legal authorities and of land tax by local authorities. Only eligible for property tax credits.
- Depreciation / amortisation of assets used for R&D: Depreciation expenditure qualifies if related to buildings. Reduction and exemptions of property tax may be allowed by regional legal authorities and of land tax by local authorities. The property tax rate, set by regional legal authorities, must not exceed 22% (art 380 of the Code).
- Additional comments: Tax exemptions include VAT exemptions (for R&D and wider S&T activities as well as operations on protection and commercialisation of IPRs), property tax

exemptions for state scientific centres (list-based) and income tax exemptions applicable for educational organisations (incl. HEIs) under certain conditions (art 284 point 1 of the Russian Tax Code). Depreciation expenditure qualifies if related to buildings. Organisations taking part in Skolkovo projects are eligible for all above mentioned tax exemptions; Skolkovo management companies are further exempt from the land tax (art 145 of the Russian Tax Code).

Slovak Republic: Information on eligibility of expenditure refers to the hybrid R&D tax allowance scheme and the volume-based R&D tax allowance for grant subsidy recipients.

R&D tax allowance (grant recipients)

- Payments for R&D services provided by consultants and other third parties: Cost of contractual research.
- Payments for other services: Costs of consultancy and equivalent services used exclusively for the project.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): An applicant for incentives is obliged to submit a declaration in writing on the number of entrepreneurs cooperating.
- Acquisition of plant and machinery used for R&D: Costs of instruments and equipment to the extent and for the period used in the project. If such instruments and equipment are not used in the project throughout its useful life, eligible costs are considered only the depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles.
- Acquisition of land and buildings used for R&D: The deduction includes the depreciation of buildings and the commercial transfer or capital costs of land.
- Additional comments: Tax relief for incentives recipient (Income Tax Act § 30b): A taxpayer that has obtained a decision approving incentives provision under a special regulation^{120d} is allowed to claim a tax relief under paragraph 2 separately for each taxation period during the entire period covered by the decision, however, this relief may not exceed the amount of cost showed in the financial statements of the taxpayer covered by its own resources^{120e} for the purpose under a special regulation if, at the same time, the taxpayer meets the terms and conditions under a special regulation^{120d} and special terms and conditions under paragraph 3. A taxpayer may claim a tax credit for a maximum of three consecutive tax periods up to the amount of the costs reported in the taxpayer's financial statements paid from its own funds. (1) Eligible cost for a basic research project or applied research project or experimental development project shall be cost specified by a special regulation. (2) Eligible cost of a project feasibility study elaboration include: a) labour cost (wages) and other staff (employment) cost for the entity solving the project, and other employees corresponding to the scope of their involvement in solving the project including health insurance cost), social insurance cost), retirement pension savings cost); b) overhead cost of energy, water supply and drainage while elaborating the study; c) cost of material used for the project solution; d) cost of business trips abroad related to the incentive being provided up to the amount a title to which is specified by a special regulation). A list of eligible costs for research and development projects allocated to a specific category of research and development is also provided under <https://stimuly.vedatechnika.sk/index/ostimuloch>: a. Staff costs: researchers, technicians and other supporting staff to the extent that they are involved in the project; b. costs of instruments and equipment to the extent and for the period used in the project. If such instruments and equipment are not used in the project throughout its useful life, eligible costs are considered only the depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles; c. costs for building and land, to the extent and for the duration used for the project. With regard to buildings, the eligible cost as only depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles. For land are eligible costs of commercial transfer or actually incurred capital costs; d. cost of contractual research, knowledge and patents bought or licensed from outside sources, on the arm's length principle, as well as costs of consultancy and equivalent services used exclusively for the project; e. additional overheads and other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the project. The law does not exclude that the R&D can be performed outside the country. However the practice has been that until now only Slovak entities with R&D performed in Slovakia applied for the aid.

R&D tax allowance (hybrid)

- Wages and salaries of researchers and other R&D personnel: Labour cost qualifies only to the extent that these costs are related to R&D project.
- Payments for R&D services provided by consultants and other third parties: Generally, deduction may not be applied to the expenses (costs) which have been: 1) covered, fully or partially, by a subsidy from public finances 2) incurred on services, licenses, and non-material results of research and development procured from other persons, except for the expenses (costs) of a) services which are connected with implementation of a R&D project and with non-material results of R&D procured from the Slovak Academy of Sciences (Slovenská akadémia vied), legal entities doing research and development established by the central bodies of state agencies, public universities and state universities; b) non-material results of R&D procured from individuals under special legislation (Act No. 172/2005 on Organization of State Support of R&D as amended) who were issued a certificate of qualification for R&D; c) Certification of taxpayer's own R&D results incurred by the taxpayer.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Only if: Partner/ Private R&D entity does not claim super deduction on the same expenses (costs) incurred.

- Additional comments: Article 30c of the Income Tax Act (Law 595/2003): https://www.mfsr.sk/files/archiv/63/ActNo_595_2003_Coll_on_Income_Taxver_2020.pdf The deductible costs include the sum of the following: i) 100% of the R&D costs incurred in the taxation period for which the tax return is filed; ii) 100% of the positive difference between the average total expenditures (costs) spent in a) the tax period on R&D included in the deduction and the total expenditures (costs) spent in the immediately preceding tax period on R&D included in the deduction and b) two immediately preceding tax periods on R&D included in the deduction. The costs to be deducted have to be booked on separate accounts. It is possible to deduct costs, as defined above, which directly and fully relate to R&D projects. If these costs partially relate to R&D projects, only a proportional part of these costs can be considered for deduction. Costs of the acquisition of services, licences or the non-tangible results of R&D activities can also be deducted provided they are acquired from public research institutes present in the Slovak Republic.

Slovenia: Information on eligibility of expenditure refers to the R&D tax allowance.

R&D tax allowance

- Payments for other services: Costs of education/training and costs related to the protection of intellectual property arising directly from the taxpayer's R&D activity.
- Acquisition of plant and machinery used for R&D: Purchases of R&D equipment used exclusively and permanently for the purposes of the taxpayer's R&D activity are eligible expenditure.
- Acquisition of software, licences and IP rights used for R&D: Costs related to the protection of intellectual property arising directly from the taxpayer's R&D activity. Purchase of licences shall not be deemed part of investments in the purchase of R&D services.
- Additional comments: According to the Rules on claiming tax relief for investments in research and development the following expenditure are eligible: Internal R&D activities: a) costs of personnel working on concrete R&D projects of an undertaking in a given period; b) purchase of R&D equipment used exclusively and permanently for the purposes of the taxpayer's R&D activity; c) costs of materials and services related to R&D activity (including costs of supporting services for this activity); d) costs of education/training aimed exclusively at the needs of R&D projects implemented in the undertaking; e) costs related to the protection of intellectual property arising directly from the taxpayer's R&D activity. External R&D activities: 1) Investments in the purchase of R&D services performed by other persons, including associated enterprises and/or other public or private research organisations, shall include the following: a) cost of contracts concluded with external experts and researchers working on a R&D project or programme; b) cost of contracts relating to R&D activities, concluded with R&D organisations and other persons registered for performing R&D activities. 2) Purchase of licences shall not be deemed part of investments in the purchase of R&D services. Source: Policy on the application of tax incentives to invest in research and development (Official Gazette of the RS, no. 75/12) <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV11404>

South Africa: Information on eligibility of expenditure refers to the R&D tax allowance.

R&D tax allowance

- Wages and salaries of researchers and other R&D personnel: Tax allowance - If expenditure incurred in respect of approved R&D.
- Payments for R&D services provided by consultants and other third parties: Tax allowance - If expenditure incurred in respect of approved R&D.
- Payments for other services: Tax allowance - If expenditure incurred in respect of approved R&D.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): If referring to cost sharing arrangements - no. A requirement of the R&D tax incentive is that the applicant - taxpayer or third party acting on behalf of taxpayer - must control the methodology.
- Materials and other consumables: Tax allowance - If expenditure incurred in respect of approved R&D.
- Overheads: Tax allowance - Only directly related to R&D.
- Acquisition of plant and machinery used for R&D: Tax allowance - Prototype or pilot plant are eligible, provided they are created solely for the purpose of the process of R&D.
- Depreciation / amortisation of assets used for R&D: Depreciation of R&D assets do not qualify for enhanced rate, but do receive accelerated depreciation allowances (improvement at a rate of 40:20:20:20 and new unused machinery or plant at 50:30:20).

Additional comments: All private firms that are not tax-exempt and operate in South Africa are eligible. Foreign firms or their subsidiaries are eligible for the R&D tax incentive only if they are conducting eligible R&D within the boundaries of South Africa. To be eligible they must be registered as taxpayer in South Africa. R&D activities conducted outside South Africa, even if funded from within the country, are not eligible for this incentive. Eligible R&D expenditures include current/operating expenses: salaries and wages of R&D personnel directly engaged in R&D activities, materials consumed and transformed in execution of R&D activities, overheads and R&D contracts performed on their behalf. The costs of applying for patents do not qualify. Patents costs and license expenditure are currently not treated as eligible R&D expenditure. Computer software developed for the purpose or for purposes that include the purpose of sale, rent, license, hire or lease to two or more non-associates of the firm is eligible. However, software programmes designed for management or internal

business processes are not eligible. Expenditures incurred for subcontracting R&D project to science councils, other private companies, universities, and non-profit benefit organisation, are eligible. However, if the R&D project is outsourced to another private company and is South African taxpayer, the R&D performer/contracted company can claim 150% (100% baseline + 50% enhanced) deduction if the outsourcing company does not claim the deduction. This limitation is to avoid double dipping. Source: http://www.dst.gov.za/images/pdfs/interpretation_note_no_50.pdf Expenditure incurred on the following activities are not eligible for the R&D tax incentive: o market research, market testing or sales promotion o administration, financing, compliance and similar overheads o routine testing, analysis, collection of information and quality control in the normal course of business o development of internal business processes, unless such processes are mainly intended for sale or for granting the use or right of use or permission to the use thereof o social science research, including the arts and humanities o oil and gas or mineral exploration or prospecting, except R&D that develops technology that is used for such exploration or prospecting o creation or development of financial instruments or financial products. o Creation of trademarks or goodwill Source : Word document in <http://www.dst.gov.za/index.php/services/the-rad-tax-incentives-programme>

Spain: Information on eligibility of expenditure refers to R&D&I tax credit, partial exemption of social security contributions and accelerated depreciation provision for R&D.

R&D&I tax credit

- Acquisition of land and buildings used for R&D: Costs for land and buildings are excluded.
- Additional comments: Eligible R&D expenditures include: current and capital costs (tangible and intangible assets); excluded are costs for land and buildings. Supplies and indirect expenses are excluded as well. Qualifying expenses incurred by the taxpayer must be directly related and effectively applied to the realization of R&D activities, and must be itemized by project (art. 35.1.b) LIS). Qualifying R&D expenses for the credit may correspond to activities carried out in Spain or in any Member State of the European Union or the European Economic Area. In turn, shall be considered as research and development expenses amounts paid for carrying out such activities in Spain or in any Member State of the European Union or the European Economic Area, on behalf of the taxpayer, whether alone or together with others. For tax years beginning after 2015, the regulatory framework is the Law 27/2014, of November 27, the income tax. Chapter IV, Article 35 sets out the measures regulating tax deductions for R + D + i, as well as rules on the application of Article 39. Deductible expenses and investments: project expenditures (personnel, depreciation, consumables, external collaborations, etc.), provided they meet: a. Direct costs, b. Individual projects and c. Effectively applied to the project form. Source: <https://www.ciencia.gob.es/portal/site/MICINN/menuitem.7eac5cd345b4f34f09dfd1001432ea0/?vgnnextoid=45d1a8f3785b4410VgnVCM1000001d04140aRCRD>

SSC exemption

- Wages and salaries of researchers and other R&D personnel: Full-time research staff only; reduction in social contributions for new researchers. Contract may be temporary and internship. Minimum 3 months long and fully dedicated to R&D projects except for a maximum of 15% dedicated to certain activities like training. Other R&D personnel not eligible.
- Additional comments: Prior to the partial exemption of social security contributions (SSC), Spain offered a tax credit for R&D wages at a rate of 17%. The SSC exemption was initially introduced in 2007 (Royal Decree 278/2007), abolished in 2012 (Royal Decree 20/2012, July 13) and reinstated in 2014 (Royal Decree 475/2014). The provisions of the Royal Decree will be applied retroactively to full-time research staff in high status from January 1, 2013. Companies that do not make use of the tax deduction for R&D (R&D tax credit) may deduct 40% of employers' social security contributions for research staff. Registered "Innovative SMEs" (innovation intensive SMEs) can benefit from both schemes at the same time. Companies benefiting from the bonus should be devoted to research and development and innovation (R + D + i) and hire workers: (i) With a permanent or temporary contract internship or work or service 3 months minimum. (ii) Exclusively dedicated, full-time, to the realization of R + D + i as defined in Article 35 of the Corporation Tax Act -LIS-. For these purposes, it is admitted that up to 15% of the time spent on tasks of training, dissemination or the like, to compute the exclusive R & D commitment. (iii) Included in contribution groups in the General Scheme of the Social Security Numbers 1 (engineers and graduates, and senior management personnel not included in article 1.3.c) ET); 2 (Technical Engineers, experts and qualified assistants); 3 (Chief Administrative and Workshop) and 4 (helpers graduates). The delimitation of the scope as set out above implies the exclusion of bonuses regime under this Royal Decree for employees who: (i) Intended only part of their working day to carry out those activities. (ii) Work for companies that carry out R + D + i whose work consists of other activities than those indicated in Article 35 of the activities LIS , such as, among others, management, resource management, marketing, general services and address . (iii) They have contracted with the General State Administration and public bodies, regional governments or local authorities and public bodies, as well as other public entities that are fully exempt from income tax. (iv) Employees subject to labour relations of a special nature. Staff hired by companies or agencies for R + D + i whose procurement is explicitly subsidized or publicly funded, provided that such financing also includes employer contributions to Social Security. Sources: <https://www.ciencia.gob.es/portal/site/MICINN/menuitem.7eac5cd345b4f34f09dfd1001432ea0/?vgnnextoid=45d1a8f3785b4410VgnVCM1000001d04140aRCRD> <http://www.laboral-social.com/real-decreto-475-2014-13-junio-bonificacion-40-por-ciento-cotizacion-empresarial-%20contingencias-comunes-contratacion-investigado> http://noticias.juridicas.com/base_datos/Laboral/531430-rd-475-2014-de-13-jun-bonificaciones-en-la-cotizacion-a-la-seguridad-social.html http://noticias.juridicas.com/base_datos/Admin/rdl20-2012.html http://noticias.juridicas.com/base_datos/Laboral/rd278-2007.html [32](http://noticias.juridicas.com/base_datos/Fiscal/rdleg4-

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Accelerated depreciation

- Acquisition of plant and machinery used for R&D: Art. 12.3.b) (LIS)
- Acquisition of software, licences and IP rights used for R&D: Art. 12.3.b) (LIS)
- Acquisition of land and buildings used for R&D: Art. 12.3.b) (LIS)
- Additional comments: Eligible R&D expenditures include investment cost on property, plant and equipment and intangible assets, excluding buildings, pertain to the activities of research and development. Buildings will be amortized linearly over a period of 10 years, in the part that is used for research and development. The research and development costs capitalized as intangible assets, net of amortization of the elements to enjoy accelerated depreciation. http://www.boe.es/diario_boe/txt.php?id=BOE-A-2014-12328

Sweden: Information on eligibility of expenditure refers to the reduction in contribution amounts for social security charges for R&D employees.

SSC exemption

- Wages and salaries of researchers and other R&D personnel: From July 2021 work at least 50% of its working hours on R&D and at least 15 hours per month. Until 30 June 2021, 75% of working hours on R&D were required. Until 31 May 2016, the person has to be aged between 26 and 64 (at the beginning of the year for which the deduction is claimed). From June 2016 there is no lower age limit due to other changes in the deduction for employees aged 18-26. Additional comments: The incentive was introduced in January 2014. The Swedish Government provides a reduction in contribution amounts for social security charges for R&D employees. Reduced social security contributions apply only for tasks concerning commercially performed R&D (business-oriented systematic and qualified research or development). The salary must be paid from an employer which is tax resident in Sweden. In order to be eligible for the deduction, the form of employment does not matter, nor if they have worked in Sweden or any other country. However, employees who have management or coordination function as CEO, project manager or similar and working more than 25% of tasks that do not related to the actual R&D is not subject to deduction. Until May 2016, the reduction applies only for employees born between 1951 and 1990; from June 2016 the reduction is extended to all employees born in 1951 or later. No reduction is available for employees born in 1950 or earlier. Source: <https://www.skatteverket.se/foretagorganisationer/arbetsgivare/socialavgifter/forskningsavdrag.4.8dcbbe4142d38302d7cb4.html> <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-swedenguide-2016.pdf>

Turkey: Information on eligibility of expenditure refers to the R&D tax allowance and exemption of social security contributions for R&D and support personnel who work in R&D centres on R&D and innovation projects.

R&D tax allowance

- Payments for R&D services provided by consultants and other third parties: Up to 50% of total R&D and innovation expenses for services received from third party (as of 01.03.2016)
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Up to 50% of total R&D and innovation expenses for services received from third party (as of 01.03.2016)
- Overheads: It has been explained that “shares to be calculated on common general operating expenses according to various criteria” which are not treated as relating to overhead expenditures for R&D and innovation activities and design activities do not include rent or depreciation, water and energy expenses calculated for centers. Accordingly, shares to be calculated on the aforementioned expenditures can be taken into account. Source: <https://taxinsights.ey-vx.com/archive/archive-news/Turkiyes-randd-reform-package-increases-current-randd-incentives.aspx>
- Acquisition of plant and machinery used for R&D: Only capital spending on machinery.
- Acquisition of software, licences and IP rights used for R&D: Only buildings for using R&D activities (As of 01.03.2016).
- Additional comments: Tax incentives and supports provided to R&D and innovation activities in Turkey are expanded by R&D Reform Package within the scope of The Law No. 6676, effective from 1 March 2016. According to the scope of R&D and Innovation Reform Package, changes and amendments are summarised below: i. The Law amends the possibility and definition provisions of the aforementioned laws, so that “designing activities” in design centres, R&D centres, and technology development centres will be covered by R&D incentives. <https://taxinsights.ey-vx.com/archive/archive-news/turkey--randd-reform-package-announced.aspx> <https://regfollower.com/2016/02/26/turkey-rd-reform-package-enters-into-force/> <http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf> R&D expenditures must be incurred within Turkey, and include starting material costs, depreciation and amortization, labour costs (salaries and wages), outsourced benefits and services, duties, taxes and levies on R&D related activities (such as real estate, tax on R&D land or customs duty on imported R&D related materials, etc.), and other indirect cost for the conduct of qualified research (such as public utility services,

transportation expenses, communication expenses, maintenance and repair expenses, insurance expenses, etc.). Allocated general administrative expenses are excluded. Payments for R&D services provided by third parties as well as contributions in collaboration agreements are limited to 50% of total R&D and innovation expenses.

SSC exemption

- Wages and salaries of researchers and other R&D personnel: The full-time-equivalent support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel (see comments below).
- Additional comments: For R&D and support personnel who work in the R&D/Design centre on R&D and innovation projects and graduated from natural sciences, half of the employer's share of the insurance premium calculated on the wages such personnel are entitled to in return for their work is paid from the allowance, which will be set aside for each employee in the budget of the Ministry of Finance until 2023. The full-time-equivalent (FTE) support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel. If the number of the support personnel exceeds 10% of the total full-time R&D personnel, the insurance premium employer's share incentive is applied starting from the wage of the support personnel member with the lowest gross salary. If the gross salaries are the same, the support personnel to benefit from the insurance premium employer's share incentive shall be determined by the employer. Source: https://www.ey.com/en_gl/tax-guides/worldwide-r-and-d-incentives-reference-guide <http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf>

United Kingdom: Information on eligibility of expenditure refers to the R&D tax allowance (Corporate Tax Credit for Research & Development) and Research and Development Expenditure Credit (RDEC) for large companies, introduced for expenditure incurred on or after 1 April 2013, and accelerated depreciation provision for R&D. The RDEC was initially optional and ran alongside the Large Company enhanced-deduction scheme (Corporate Tax Credit for R&D), which it replaced in April 2016.

R&D tax allowance (SMEs)

- Wages and salaries of researchers and other R&D personnel: The staff must be employed under a contract of employment directly with the company or organisation - not consultants, agency workers, or staff/directors whose contracts of employment are with other companies. However, these others may qualify under either the rules for staff providers or subcontractors.
- Payments for R&D services provided by consultants and other third parties: See additional comments in box below, but depends on contractual arrangement.
- Payments for other services: Needs to be R&D services within the guidelines.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Depends on contractual arrangement (see subcontracting rules).
- Overheads: Has to be within specific categories of expenditure.
- Acquisition of software, licences and IP rights used for R&D: Software used directly in carrying out R&D. No deduction for licenses and IP rights.
- Additional comments: Qualified R&D expenditures include: (i) Employing staff who is directly and actively engaged in carrying out R&D, (ii) Consumable or transformable materials used directly in carrying out R&D (iii) Power, water, fuel, and computer software used directly in carrying out R&D, (iv) the cost of relevant payments to subjects of clinical trials. Expenditures on land, patents and patent protection are specifically excluded. Special rules apply for payments made to staff providers and subcontractors. R&D tax relief only applies to revenue expenditure - generally, costs incurred in the day-to-day running of the business, not to money spent on capital assets. So firms cannot claim this relief on anything you spend on capital assets. But they may be able to claim relief for capital expenditure on R&D as a capital allowance known as 'Research and Development Allowance'. If any R&D revenue expenditure is 'capitalised' in a company's accounts, this may still qualify for R&D tax relief. Source: <http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm#4> <http://www.hmrc.gov.uk/manuals/cirdmanual/cird84000.htm> <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81470> <https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief#how-and-when-to-claim-rd-tax-relief>

R&D tax credit (large firms)

- Payments for R&D services provided by consultants and other third parties: Large companies can only claim subcontract costs if they are paid to a university, health authority, charity, scientific research organization, individual, or a partnership of individuals.
- Payments for other services: Large companies can only claim subcontract costs if they are paid to a university, health authority, charity, scientific research organization, individual, or a partnership of individuals.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): Large companies can only claim subcontract costs if they are paid to a university, health authority, charity, scientific research organization, individual, or a partnership of individuals.
- Acquisition of software, licences and IP rights used for R&D: Software used directly in carrying out R&D. No deduction for licenses and IP rights.
- Additional comments: The Large Company Scheme includes an 'above the line' credit which has been introduced for expenditure incurred on or after 1 April 2013. It will initially be

optional, running alongside the enhanced-deduction scheme which it will replace in April 2016. The qualifying expenditures are the same as those under the Corporate Tax Credit for Research & Development. Once a company has claimed RDEC for the first time, it has effectively elected into RDEC and the election is irrevocable.

Accelerated depreciation

- Acquisition of software, licences and IP rights used for R&D: No deduction for licences and IP rights.
- Acquisition of land and buildings used for R&D: Buildings used for R&D only.
- Additional comments: A 100% immediate capital allowance (expensing) is provided for capital expenditure on R&D (including expenditure on machinery and buildings) qualifying for Research and Development Allowances. The treatment depends on whether the R&D is performed for a company's own account, or for another company (e.g. under an R&D service contract). Qualifying expenditure is capital expenditure that a trader incurs on research and development directly undertaken by the trader or on the trader's behalf provided that: •the research and development is related to a trade that the trader carries on, or •the trader sets up and commences a trade connected with the research and development. RDA is only due if the research and development expenditure is related to the trade being carried on or about to be carried on. Research and development related to a trade includes: •any research and development which may lead to or facilitate an extension of the trade; and •medical research which has a special relation to the welfare of workers employed in that trade, for example research into an occupational disease. Firms should only treat expenditure as incurred on behalf of a trader if there is a clear, close and direct link between the trader and the research undertaken. The relationship between the person claiming the allowances and the person undertaking the research need not be contractual, but if it is not it must be one of agency, or something similar to agency. The fact that research undertaken by someone else is for a trader's benefit, or is in his interest, is not enough to make the expenditure qualify for RDA. Source: <https://www.gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca60400>

United States: Information on eligibility of expenditure refers to the Federal research and experimentation tax credit.

R&D tax credit

- Payments for R&D services provided by consultants and other third parties: 65 percent of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research (75 percent for amounts paid to certain research consortia and 100 percent for amounts paid to certain small businesses, institutions of higher education and Federal laboratories).
- Payments for other services: Only services engaging in the direct supervision or direct support of research activities which constitute qualified research would be a QRE.
- Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements): 65 percent of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research (75 percent for amounts paid to certain research consortia and 100 percent for amounts paid to certain small businesses, institutions of higher education and Federal laboratories).
- Materials and other consumables: Supplies qualify for the credit if they are used in the conduct of qualified research. Section 41(b)(2)(C) defines a supply as any tangible property other than land or improvements to it and depreciable assets like buildings and equipment. Since overhead costs, leasing expenses, and licensing fees are not tangible property, they cannot be regarded as supplies for the purpose of claiming the credit. Supplies are used in the conduct of qualified research if an employee of the taxpayer (or someone acting in that capacity) uses them to provide qualified services. So, a supply qualifies for the credit if it can be regarded as non-depreciable tangible property acquired by a company that is used in the performance of qualified services.
- Overheads: Overhead, license fees and costs for leasing assets are not tangible property and, therefore, not supplies.
- Acquisition of software, licences and IP rights used for R&D: Overhead, license fees and costs for leasing assets are not tangible property and, therefore, not supplies.
- Additional comments: Section 41(b)(1) defines QREs as the sum of (1) "in-house research expenses" and (2) "contract research expenses". Section 41(b)(2) defines in-house research expenses as: 1. any "wages" paid or incurred to an employee for "qualified services" performed by such employee; 2. any amount paid or incurred for "supplies" used in the conduct of "qualified research"; 3. under regulations prescribed by the Secretary, any amount paid or incurred to another person for the right to use computers in the conduct of qualified research. Section 41(b)(2)(B) identifies three types of qualified services: 1. Engaging in qualified research, 2. Directly supervising qualified research; or 3. Directly supporting qualified research. Section 41(b)(2)(C) defines the term "supply" to mean any tangible property other than (1) land or improvements to land, and (2) property of a character subject to the allowance for depreciation. Section 41(b)(3) defines "contract research expenses" as 65% of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research. If an expense is not set forth in section 41(b), a taxpayer may not claim the expense as a QRE.