Global Research & Development Incentives Group

November 1, 2013

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Welcome to PwC's Global R&D Incentives Group

The important role innovative companies play in their national economies has led to the enactment of tax incentives and grant programmes to encourage additional research investments by businesses. To stimulate innovation, many jurisdictions around the globe provide research incentives in the form of tax credits, "super" deductions, or even cash grants. In addition, some jurisdictions provide relief in the form of reduced tax for income associated with technology-based intellectual property. Understanding these tax incentives—along with the impact of transfer pricing, intellectual property protection and location, grants, and capital investments to maximize the return on investments in research—is critical for business decision makers.

Jim Shanahan, Global R&D Incentives Group Leader

Leverage our experience

The PwC Global R&D Incentives Group, part of the PwC Global International Tax Services Network, has assisted hundreds of clients around the world in structuring their R&D programmes, improving their return on investment in research and their effective tax rate. We also work with governments to design and improve tax regimes, fostering innovation, which ultimately can stimulate economic growth.

Our team consists of tax, financial, engineering, and science professionals who understand the technical challenges confronting companies in different industries and countries. Since the types of research incentives vary from country to country, businesses need advisers who have experience with the various incentives at all stages of the innovation value chain. Our established network of professionals across the world deliver analysis that can help mitigate risk, manage your tax burden, identify and develop critical, strategic initiatives, and support the implementation through documentation of the key aspects of various relief and corporate tax incentives.

Tony Clemens, Global International Tax Services Leader

Industry scope

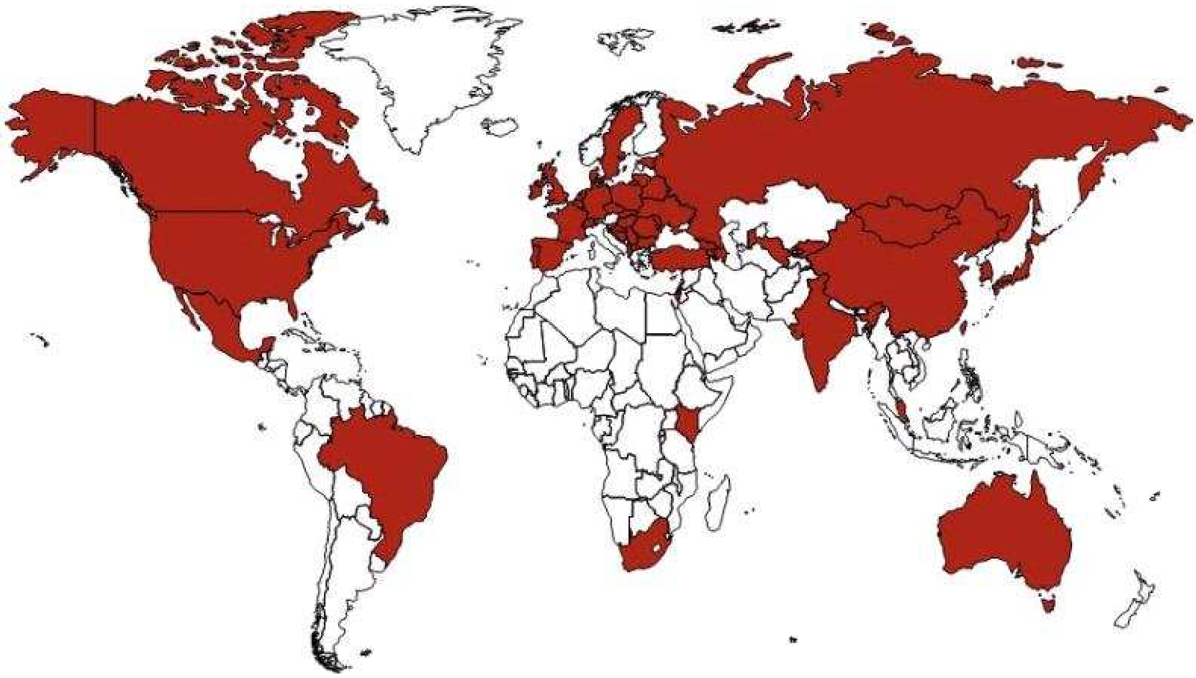
PwC's global R&D team has experience in many industries, including:

- Aerospace
- Agriculture
- Automotive
- Chemicals
- Clean Tech
- Energy
- Entertainment & Media
- Life Sciences
- Manufacturing
- Mining
- Oil & Gas
- Pharmaceuticals
- Pulp & Paper
- Retail
- Software
- Technology
- Telecommunications
- Transportation
- Utilities

Working together

Because it takes strong working relationships to deliver effective solutions, we apply an integrated approach. Our goal is to create a lasting relationship with you.

We have the capabilities to understand the global picture



Business focus

Qualifying for, and quantifying these incentives presents companies with a challenge. PwC can support your R&D objectives both locally and globally with in-depth and well coordinated R&D teams. Our global network of R&D professionals, located in more than 30 countries, combines extensive experience in analysing the often ambiguous statutory language concerning research incentives with knowledge of the rules used by local taxing authorities. Our professionals include technical specialists with extensive industry experience that assist in identifying those research activities that qualify for incentives that might be otherwise overlooked.

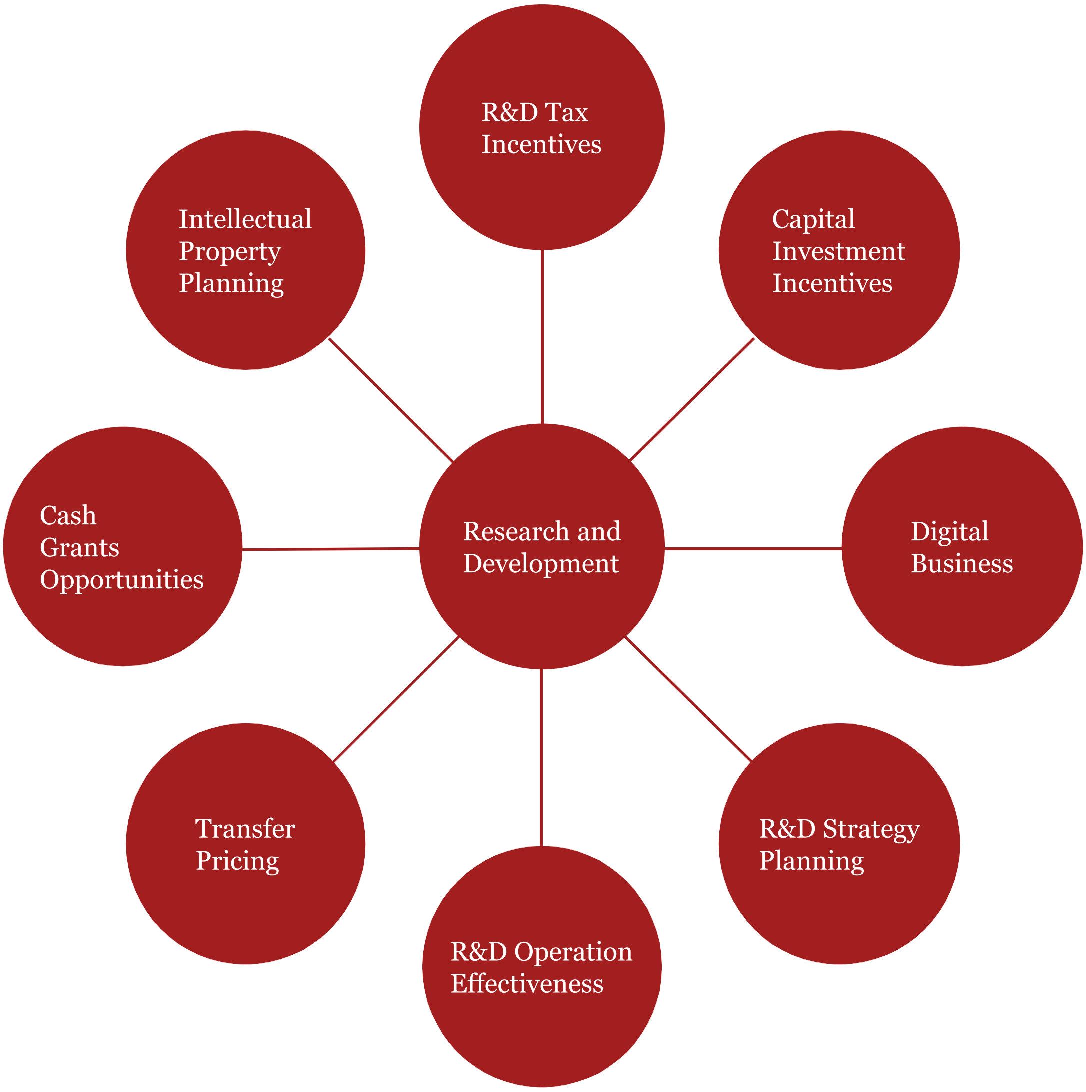
In the countries highlighted above, we assist our clients to:

- Competitively plan in the global economy
- Consider new and/or alternative jurisdictions for innovation and growth
- Connect their global research
- Respond to economic and legislative changes
- Consider the impact of IP migration.

We team with your global and local staff to train individuals on the implementation of strategies to:

- Identify available research activities
- Analyse detailed accounting records to find costs available for jurisdictional relief
- Consider existing and potential alternative tax planning strategies based on the rules in differing jurisdictions, taking into account not only the incentives for research expenditures, but various implications such as withholding taxes, available grants for job creation, and corporate tax rate reductions for the license of intellectual property
- Gather, organise, and develop documentation to support and defend the eligible costs in the event of an enquiry by the tax authorities
- Develop procedures and technologies intended to improve the efficiency and effectiveness of identifying, documenting, calculating, and sustaining current and future incentives

The Big Picture – Research and Development



Our global network of experienced R&D professionals are trained in identifying and documenting research expenditures. Your global strategy may require alternative consideration of where you spend your R&D dollars based on ownership of intellectual property and jurisdictional relief. Our team, including our international tax specialists, can help large multinational companies take advantage of available incentives, consider the effect on transfer pricing, and review your company's global tax strategy for cross-border structuring.

Our global tax planning approach can offer substantial value by focusing on your key tax objectives and developing a sound global tax strategy related to your global R&D activities. PwC's strategies, however, do not end with a review of what has already been done. We understand the value of collaborating with teams involved in all stages of the R&D process.

Working with you, we will develop strategies to assist you in obtaining your goals of expansion and growth. We will jointly develop effective strategies for obtaining grants, incentives for innovation, and alternative energy/green initiatives. This analysis will address jurisdictional selection of where to locate R&D operations while taking into consideration other aspects such as transfer pricing, cross-border transactions, and expansion site selection.

Tax Incentive Highlights

Country	R&D Credit	R&D Super Deduction	Patent or Innovation Box
Australia	√		
Austria	√		
Belgium	√		√
Brazil		√	
Canada	√		
China		√	
Czech Republic		√	
Denmark	√*		
France	√		√
Hungary	√	√	√
India		√	
Ireland	√		
Italy	√		
Japan	√		
Korea	√		
Liechtenstein			√
Lithuania		√	
Luxembourg			√
Netherlands	√	√	√
Poland		√	
Portugal	√		
Romania		√	
Russia		√	
Singapore		√	
Slovak Republic	√		
South Africa		√	
Spain	√		√
Switzerland			√
Turkey	√	√	√**
United Kingdom	√***	√	√
United States	√		

*Limited to the tax value of loss incurred in the current assessment year up to DKK 5 million resulting from immediate deduction of R&D costs. Jointly taxed companies are subject to the same limitation on group level. The amount is proposed to be increased to DKK 25 million effective from 2014. Though, no specific legislation proposals have been presented
** In Turkey, patent box regime is only valid for the IP from R&D activities carried out in technology development zones
*** The UK government has recently introduced a new R&D credit scheme for large companies. This scheme is effective for expenditure incurred from 1 April 2013. The new scheme will initially run alongside the R&D super deduction for large companies but will become mandatory from 1 April 2016.

Patent Boxes

Over the last decade, six European Union (EU) countries have adopted "patent box" regimes that sharply reduce the corporate tax rate on qualifying intellectual property (IP) income to a nominal rate of 5-15 percent (effective tax rates typically are lower). China's definition of IP-sourced income, while not called a "patent box" is for companies classified as a High-Technology Enterprise (HNTE) and is even more broad, including types of commercial "know-how" (e.g. process innovation) within their regime.

In addition to the regimes currently in effect in Belgium, China , France, Hungary, Luxembourg, Netherlands, Spain and Turkey, the UK government has enacted a 10% patent box regime which is being phased in effective from 1 April 2013.

What is a "Patent Box"

Tax incentives can be provided at the front-end of the innovation cycle, in the years when R&D expenditures are incurred, and/or at the back-end, in the years when income is generated from exploiting IP. Front-end tax incentives include "super" deductions and tax credits for qualifying R&D expenses, such as the U.S. research tax credit and the recently introduced Dutch R&D deduction. By contrast, patent box regimes are back-end incentives that provide a reduced corporate income tax rate for certain income arising from the exploitation of IP generally through a 50-80 percent deduction or exemption of qualified IP income.

The types of IP that qualify for preferential tax treatment vary. In addition to patents, some countries (Hungary, Luxembourg, and Spain) include designs, copyrights, and models. The Dutch "innovation box" regime includes some forms of unpatented intangibles that are the result of approved R&D activities.

Comparison of Patent Box Regimes (Nov 2013)

Tax Factors	Belgium	China	France	Hungary	Liechtenstein
Effective tax rate	6.8%**	15%	15%	5% -9.5%**	2.5%
Qualifying IP	Patents and supplementary patent certificates	Registered patents and know-how	Patents, extended patent certificates, patentable inventions, and industrial fabrication processes	Patents, know-how, trademarks, business names, business secrets, and copyrights	Patents, supplementary protection certificates, utility models, trademarks, designs, software, technical and scientific databases
Qualifying income	Gross patent income (less cost of acquired IP)	If HNTE qualified, then total income	Royalties net of cost of managing qualified IP	Royalties	Net income from qualifying IP
Acquired IP?	Yes, if IP is further developed	Yes	Yes, subject to specific conditions	Yes	Yes
Cap on benefit?	Deduction limited to 100% of pretax income	No	No	Deduction limited to 50% of royalty income, max. 50% of pretax income	No
Includes embedded royalties?	Yes	Yes	No	No	Yes
Includes gain on sale of qualified IP?	No	Yes	Yes	Yes. The sale of reported IP rights are tax exempt	Yes
Can R&D be performed abroad?	Yes, if R&D center qualifying as a branch of activity (condition not applicable for SME's)' and oversight remains in the company'	Yes, with limitations	Yes	Yes	Yes
Credit for tax withheld on qualified royalty?	Yes	No	Yes	Yes	Yes
Year enacted	2007	2008	2001, 2005, 2010,2011*	2003	2011
Applicable to existing IP?	IP granted or first used after January 1, 2007	Yes	Yes	Yes	IP developed or acquired after December 31, 2010

*The French Finance Act for 2012 (enacted in 2011) has added new conditions to the deductibility of patent concession fees.
** Effective Tax Rate can further be reduced with additional tax planning.

Comparison of Patent Box Regimes (November 2013)

Tax Factors	Luxembourg	Netherlands	Spain	Turkey	UK
Effective tax rate	5.76%	5.00%	15%	20%	10%
Qualifying IP	Patents, trademarks, designs, domain names, models, and software copyrights	Patented IP or IP from approved R&D projects	Patents, secret formulas, processes, plans, models, designs, and know-how	Licence, patent, adaptation, development, revision, deployment and plug-in derived from the software or products developed as a result of the r&d activities in technology development zones*	Patents, supplementary protection certificates, regulatory data protection, and plant variety rights
Qualifying income	Royalties	Net income from qualified IP	Gross patent income	Net income from qualified IP	Net income from qualifying IP
Acquired IP?	Yes, from non directly associated companies	Yes, if IP is further self-developed	No	No	Yes, if further developed and/or actively managed
Cap on benefit?	No	No	Yes, six times the costs incurred to develop the IP	No	No
Includes embedded royalties?	Yes	Yes	No	No	Yes
Includes gain on sale of qualified IP?	Yes	Yes	No	Yes	Yes
Can R&D be performed abroad?	Yes	Yes for patented IP; strict conditions for IP from approved R&D projects	Yes, but must be self-developed by the licensor	No	Yes
Credit for tax withheld on qualified royalty?	Yes	Yes, subject to limitations	Yes, subject to limitations	No	Yes
Year enacted	2008	2007 , 2010	2008	2001	2013
Applicable to existing IP?	IP developed or acquired after December 31, 2007	Patented IP developed or redeveloped from 2007; IP from approved R&D projects from 2008	Yes	No./ IP income only arising from R&D activities carried out in technoparks.	Yes

* Technology Development Zones (TDZs) are areas designed to support R&D activities and attract investments in high technology fields, integrating academic, economic, and social structures at or near the campus of certain universities; advanced technology institutes; an R&D centers or institutes; or a Technopark involved in these same areas of work.

Global R&D credits and incentives by country (Nov 2013)

The information on this chart, pages 10- 23, includes select credits and incentives, and is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Australia	1. 45% refundable R&D tax offset for grouped turnover of less than $20 million; **or** 2. 40% non-refundable R&D tax offset for grouped turnover more than $20 million.	Based on volume	Available if overseas expenditure is less than the amount of expenditure on 'core' Australian R&D and: 1. the overseas R&D cannot be performed in Australia **and** 2. the overseas activity has significant scientific linkage to at least one of the Australian core R&D activities	IP may be held outside Australia however it must be held within the same Multinational Group as the Australian entity
Belgium	• One-time R&D investment deduction of 14.5% (*) of the acquisition value of qualifying R&D investments • Spread R&D investment deduction of 21.5% (*) of the depreciation on qualifying R&D Investments • The above incentives can be claimed in the form of an R&D tax credit which corresponds to the R&D investment deduction, multiplied by the standard corporate tax rate of 33.99% (*)Rate for financial years ending between 31 December 2013 and 30 December 2014 (included)	Based on volume of investment in qualifying R&D assets (including capitalised R&D expenses)	Yes, part of the R&D can be contracted out to parties located outside Belgium (also possible to benefit from local R&D benefits)	The law does not explicitly require that the IP which results from the overall R&D activities should remain in Belgium. The impact on R&D tax incentives should be analysed on a case-by-case basis
Brazil	160% to 200% "super deduction"	Volume based	Yes. However, only expenses incurred with Brazilian entities and individuals are subject to the "super deduction"	Yes
Canada	1. 20% non-refundable federal tax credit on qualified expenditures. Reduced to 15% after 2013. Certain Canadian controlled private corporations are eligible for the 35% refundable credit on the first $3 million of qualified expenditures; and 2. Provincial tax credits, ranging from 4.5% to 37.5%, certain of which are refundable	Credit on volume	Yes, however only to the extent of 10% of salaries of Canadian residents performing the R&D	Yes

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
Australia	Yes - if grouped turnover <$20 million	Non-refundable R&D tax credit can be carried forward and used in future years	Discreet grant funding available and other business incentives
Belgium	Yes, if the incentive is claimed in the form of an R&D tax credit, the remaining balance of unused R&D tax credits after five tax years is paid to the company. If the incentive is claimed as R&D investment deduction, no such refund is available	Unused R&D investment deduction/R&D tax credit is carried forward	• 14.5% (*) investment deduction on acquisition value of qualifying patents • Special expat tax status for foreign researchers temporarily assigned to Belgium • 75% payroll withholding tax exemption will increase to 80% as from 1 January 2014. The exemption is assigned to qualifying research programs. • Specific advantageous regime for qualifying SMEs that qualify as young innovative companies • Regional R&D grants available, which are exempt from corporate income tax • Notional interest deduction for equity funded R&D activities (*)Rate for financial years ending between 31 December 2013 and 30 December 2014 (included)
Brazil	No	No	• 50% reduction on the IPI (Federal VAT) levied on acquired R&D machinery and equipment (domestic or imported) • Accelerated depreciation for new R&D machinery and equipment acquired (Income Taxes purposes) • Accelerated amortisation for the acquisition cost of intangibles related to R&D activities (Income Taxes purposes) • Zero withholding tax rate on the remittances for registration and maintenance of trademarks and patents abroad
Canada	• Federal credits are refundable for certain Canadian controlled private corporations. • Certain of the provincial credits are refundable.	Unused non-refundable federal and provincial tax credits may be carried forward 20 years or carried back 3 years	• 65% uplift on eligible salary based expenditures. Uplift reduced to 60% for 2013, and to 55% after 2013 • Certain federal and provincial direct funding programs may be available for R&D activities • R&D capital expenditures attract 100% tax depreciation in the year available for use. Repealed for years after 2013

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
People's Republic of China	• 150% "super deduction" • 15% reduced Corporate Income Tax ("CIT") rate for High and New Technology Enterprise ("HNTE") (Standard CIT rate is 25%) • Business tax exemption and 15% reduced CIT rate for Technology Advance Service Enterprise ("TASE") • CIT exemption/reduction on technology transfer income • Duty free importation of certain R&D equipment	Deduction on volume	Yes	• Super deduction: IP should be owned by the Chinese entity or at least the Chinese entity is the "economic owner" of the IP if it is not the legal owner. • HNTE: Chinese entity should own core IP rights or a global exclusive license to use the IP for at least 5 years • TASE: No IP ownership Requirements
Czech Republic	200% "super deduction"	Deduction on volume	Yes, provided it is performed by the party claiming the deduction and not a third party	Yes
France	• From 1st January,, 2013 30% rate up to €100m eligible expenses. • 5% credit in excess of €100m eligible expenses • Scope of the R&D tax credit has been extended to some innovation expenditures, such as prototypes, design, and pilot plants for new products incurred by small and medium-size enterprises. For said expenses, the credit rate is 20%, and applies to a maximum of €400,000 of innovation expenses (i.e. assessment basis).	Credit on volume	Yes, if performed in EC countries, Norway and Iceland, subject to conditions	Yes
Hungary	• 200% "super deduction" • 10-year tax allowance for certain investments made for research projects with present value of at least HUF 100 million (approx. EUR 350,000) available up to 80% of the calculated corporate income tax liability	Deduction on volume	Yes. Contracted R&D activities as well as mutual R&D activities performed based on R&D agreement are also possible.	Yes

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
People's Republic of China	No	Excess credits may be carried forward 5 years	• R&D centers may import self-used equipment, related technologies, accessories, and spare parts exempt from import duties • Also provides indirect tax incentives for R&D, namely: - Business Tax exemption for qualified offshore outsourcing services in 21 cities. - VAT zero-rate / exemption for export of R&D services under the new Business Tax to VAT Pilot Program.
Czech Republic	No	Non-utilised allowance may be carried forward 3 years	Investment incentives available for setting up/expansion of: (i) production facilities, (ii) technological centres (the R&D allowance cannot be used for projects that are supported by another form of public support
France	Yes	Excess credits may be carried forward 3 years Any unused tax credit is refundable at the end of this three year period. As an exception, excess credits are immediately refundable to certain qualifying companies.	The R&D tax credit tax ruling process has been adjusted as from 1st January 2013: a tax ruling could be requested from the French tax authorities to confirm the eligibility of the R&D projects launched during a given year. The tax ruling request in this respect shall be filed no later than six months before the R&D tax credit filing deadline (i.e. by mid-October 2013 for R&D expenses incurred in 2013)
Hungary	No	Yes. If R&D costs are capitalized as intangible assets, the amortization on these assets is deductible during the amortization period.	State and EU sponsored grants for R&D purposes are also available. Direct own R&D costs can also be deducted from the from the base of the Hungarian local business tax (tax rate is maximum2% of the net sales revenue, decreased by the material costs, direct costs of R&D, costs of subcontractors' work, and certain part of costs of goods sold and costs of mediated services) and innovation contribution (tax rate is 0.3% of the base of the local business tax). The Hungarian government established the Hungarian Intellectual Property Office ("HIPO"). This organization is authorized to issue binding rulings in order to identify whether future R&D project of Hungarian companies qualifies as R&D projects. The HIPO acts as an advisor in assistance with the Tax Authority regarding retrospective R&D project as well.

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
India	• 200% "super deduction" - Weighted deduction for capital and revenue expenditure (other than cost of land or building) for approved "in-house" R&D expenditure for units recognised by the Department of Scientific and Industrial Research (DSIR). * no deduction available for expenditure incurred after 31 March 2017 • 100% deduction – Revenue and capital expenditure (other than cost of land) on scientific research activity	Subject to the satisfaction of certain specific conditions, the weighted deduction can be claimed based on amount of R&D spend in a given year	This position has not been tested so far by the India tax authorities	Yes, subject to ownership remaining with the Indian Company who has undertaken such R&D. Further, foreign patent filing expenditure is not allowed as a weighted deduction.
Ireland	25% credit	1. First €300,00 on volume basis 2. Credit on incremental spending and 3. Credit, effectively on volume basis, for new taxpayers	Yes, if 1. Performed in the European Economic Area and 2. No tax deduction is available in the other country	Yes
Israel	R&D expenses shall be deducted in the tax year incurred when such expense has been approved as an R&D expense by the relevant government department . The approval in regard to industrial related projects is generally granted by the Office of the Chief Scientist ("OCS"). When such OCS approval is not obtained, the expense shall be deducted over three tax years.	Based on volume of investment in qualifying R&D assets.	Yes, part of the R&D can be contracted out to parties located outside of Israel, subject to OCS approval.	Yes . However, eligibility for the tax deduction may vary.
Japan	1. Maximum credit of 20% of total tax liability. (30% for a fiscal year beginning from April 1, 2013 to March 31, 2015). 2. Additional and temporal 10% credit.	1. Credit on volume 2. Temporal credit on incremental spending until the fiscal year beginning before 1 April 2014	Yes	Generally speaking, while not explicitly provided in the rules, it appears that the IP needs to stay within the Japanese "tax net". It is possible that this may include, however, IP held in a foreign branch of a Japanese company since earnings from a foreign branch are taxable in Japan.

* In the case of Electronics Corporation of India Ltd. it was held by the Tribunal (appellate authority) that the quantum of weighted deduction certified by DSIR is not amenable to questioning by the tax/appellate authorities. The said deduction cannot be tampered by the tax/appellate authorities.

Global R&D credits and incentives by country (Nov 2103)

Country	Refundable option	Carry forward	Grants/other
India	No	No carry forward is permissible although a tax loss generated out of such tax allowance is permissible.	• 125% deduction - Any sum paid to specified / approved research institutions and companies recognised by the prescribed authority for this purpose. • 175% deduction - Any sum paid to specified/approved research association which has the object of undertaking scientific research or to a specified/approved university/ college/ other institution to be used for scientific research • 200% deduction - Any sum paid to National Laboratory / Indian institute of Technology (IIT)/ University/ specified person with a specific direction to use it for scientific research undertaken under the programme approved by the head of National Laboratory/ IIT/University • Additionally, certain indirect tax benefits in the nature of concessional customs duty rate, excise duty and service tax (a tax akin to VAT on services) exemptions are available on certain goods and services, subject to fulfillment of prescribed conditions
Ireland	Yes	Excess credits may be refunded or carried forward indefinitely	Various government grant incentives for establishing or expanding R&D activities in Ireland, e.g., capital, employment, training, feasibility, pilot projects, etc. For accounting periods commencing from 1 January 2012, companies who are in receipt of an R&D tax credit will now in certain instances have the option to reward key employees.
Israel	No	Tax loss generated from R&D deductions can be carried forward indefinitely.	Where R&D costs are borne by a taxpayer that is not the owner of an enterprise in the abovementioned fields or the taxpayer participates in R&D costs of another developer in consideration for a reasonable return, when such R&D projects also enjoy government grants, the R&D expenses incurred shall generally be deducted over two tax years. The deductible expenses allowed to a participant in R&D costs of another developer generally may not exceed 40% of the taxable income of the investor in the year in which the expenses were incurred.
Japan	No	Certain excess credits may be carried forward 1 year	Government bodies provide various grants for R&D activities. Special Measures for the Promotion of R&D by Certified Multinational Enterprises.

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Korea	1. Tax credit to the extent of either (i) 3% to 6% (25% for Small & Medium Enterprises; SMEs, 8% for Middle-market Companies ; MMCs, 15% or 10% for the intermediate stage from SMEs to MMCs) of the current R&D expenses or (ii) 40% (50% for SMEs) of the incremental portion of the current R&D expenses over the amount of last year. 2. The tax credit has been extended to include R&D in relation to core technologies as authorised by government ministries as well as pre designated strategic growth industries at the credit rate of 20% (30% for SMEs) of the current expenditures.	Credit on either incremental or volume. However, the incremental method cannot be used in case of either (i) no R&D expense has been incurred during the previous four years or (ii) the R&D expenses of last year are less than the average of the previous four years.	Yes	Yes, subject to ownership remaining with the Korean company
Lithuania	Qualifying R&D costs (except for depreciation or amortisation costs of fixed assets) may be deducted three times from income during the tax period when they are incurred, i.e. 300% deduction is applied.	Volume based	Yes, if R&D works are performed in a country of the European Economic Area or in a country which has concluded a double taxation treaty with Lithuania.	No requirements for the resulting IP to reside in Lithuania are established.
Mexico	No	No	80% of the R&D activities must be performed in Mexico.	The IP resulting must be registered with the Mexican IP Authorities, even if it could be registered abroad.
Netherlands	• "Super deduction" of 160% for qualifying R&D investments and expenses (other than wage costs) • R&D credit for qualifying wage. cost: 35% of the first Eur 250k and 14% on the excess amount (known as WBSO). • Corporate tax deduction for IP development costs at once.	Volume based	In part, for the Innovation Box. For the WBSO the activities should take place inside the EU territory	Yes for WBSO
Poland	Tax relief for new technologies – 9,5% of expenditures may be deducted from taxable income	Volume	No	N/A

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
Korea	No	Excess credits can be carried forward 5 years.	1. Reserve for development of technology and manpower shall be deductible up to 3% of annual sales, which shall be reversed as income after 3 years. This provision is proposed to be abolished on Dec 31, 2013. 2. Investment tax credit on facilities for the purpose of R&D and job training up to 10% of such investment. Its is proposed that the uniform tax credit rate of 10% for such investment would be reduced and differentiated by the company size. In other words, a 3% tax credit would apply to large companies while 4% and 5% would apply to Middle-market Companies and SMEs respectively.
Lithuania	No	All R&D costs can be deducted during the tax period when they are incurred despite whether a company has calculated taxable profits or losses during a respective period. Tax losses calculated after R&D investment deduction can be carried forward indefinitely.	• R&D documentation containing a description of R&D works (objectives, implementation process, results and other related information) is required in order to apply the tax incentive. • Tax incentive is not applied for R&D works which were subsidized by the State grants. • Reduced depreciation/amortization rates can be applied for fixed assets solely used in R&D activities.
Mexico	No	No	The Mexican Government provides complementary financial support for the R&D projects developed in Mexico on annual basis to promote competitiveness and innovation. The funds usually grant a percentage of the investment spent mainly in the following concepts: training, acquisition of specialized equipment, human resources, specialized consulting fees (foreign and local), IP protection strategy, trials, pilot and prototype expenses. The National Council of Science and Technology (CONACyT) is the Mexican authority in charge of granting funds with reference to R&D activities, however, there are other funding options according to State or Sector. One important aspect to consider, is that once a project is favoured by one Fund, it cannot receive any further support from the Mexican Government, for the same phase/stage/activities.
Netherlands	No	No	Several grants are available for R&D, mostly through a sectoral approach (e.g., ICT, Life Science, Chemistry) and provide up to 50% cash grants for eligible cost
Poland	No	Yes. Tax relief may be utilized within 3 years	• grants for R&D projects aimed at developing new products and technologies • cash grants for R&D works and commercialization of innovative environmentally-friendly technologies, allowing also for financing the investment stage of a project • opportunity to benefit from cash grants dedicated to industrial research and development works conducted within the particular sectors (separate schemes available for aviation sector, medicines, coal energy and shale gas extraction in Poland) • co-financing of costs incurred by submittal of a patent application possibility to obtain governmental cash grants for creation of R&D centers • cash grants for the science and industry sector within the scope of applied research in various scientific fields

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Portugal	**SIFIDE** Tax Credit = 0,325Dn + 0,5[Dn - (Dn-1 + Dn-2)/2)] Where D stands for the amount of R&D expenses incurred each year, net of non-reimbursable financial Government contributions.	Combination of volume and incremental based	Yes, but R&D expenses need to be in the local company's books to qualify	Yes
Romania	50% additional deduction of the eligible expenses from research and development activities that lead to results which can be capitalised by the tax payer to its own use . The eligible research and development activity must be applicative research and / or technological development, relevant to the taxpayer's activity .	Deduction on volume. The deduction is granted separately for each research and development project.	Yes, the R&D may be performed also outside the country in one of the EU Member States or the EEA Member States.	No
Russia	• Expenses related to R&D activities in certain areas included into Government-approved list are eligible for tax deduction with a coefficient of 1.5; • Investment tax credit /deferral on profits tax, regional and local tax payments (with interest accrued and due upon repayment of tax) is available for companies performing R&D activities; • Accelerated depreciation rate for certain assets; • Possibility to set up a deductible provision for future R&D expenses; • Possibility of immediate tax write-off for computer hardware for certain companies; • Preferential rates on social contributions for IT companies;	Volume-based	Yes	Yes
Singapore	• 130% to 150% super deduction on qualifying R&D expenditure (essentially staff costs and consumables)	• Deduction on volume excluding amounts claimed under PIC	No	No
	• 200% super deduction requiring Minister approval on qualifying R&D expenditure (essentially staff costs and consumables)	• Deduction on volume excluding amounts claimed under PIC	No	No unless the taxpayer is an R&D organisation itself and has obtained specific approval
	• Productivity and Innovation Credit - PIC (YA 2011 to YA 2015): Deductions/Allowances of 400% (instead of 150%) on up to S$400,000 of total qualifying expenditure per year across six qualifying activities, including R&D. • With effect from YA 2012, the scope of R&D activities under PIC is expanded to include R&D cost sharing agreement.	• Volume, up to S$400,000	Yes, under PIC program from YA11 to YA15, up to S$400,000 p.a. may be incurred on overseas R&D (subject to satisfaction of the condition that the overseas R&D activities are related to the taxpayer's trade or business)	No

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
Portugal	No	6 years	There's a financial grant program available (cumulative with R&D tax credits)
Romania	No	Yes, as part of tax losses . Tax losses may be carried forward for 7 years	Support is provided for the development of the research capacities in enterprises. The procurement of instruments, equipment, computers, software, etc necessary for R&D activity is financed. Personal income tax exemption applies for qualified IT personnel involved in software development activities. A new Government Decision is in force, providing a state aid scheme for the period 2012-2013. This scheme is aimed at supporting R&D investments and hence employment in the R&D sector. The maximum aid is 50% of eligible costs = salary costs (gross wages plus mandatory social security contributions) for the new jobs created through the investment. These costs are calculated over a period of 2 consecutive years. However, the maximum amount of aid which may be granted is limited to €28.125 million. The main requirement for the eligible companies is to maintain the created jobs for a period of at least 5 years from the moment of receiving the first state aid payment.
Russia	No	Carry forward of losses from R&D activities is available for 10 years as part of general tax losses carry forward.	Beneficial tax treatment is available for companies registered as tax residents of Skolkovo Innovation Center or Special Economic Zones organized in Russian regions. Skolkovo residents are eligible for the following tax benefits: • Exemption from the CIT, VAT, Property tax for a limited period of time; • Reduced rates of mandatory social contributions and some other tax incentives. Tax residents of the Special Economic Zones are eligible for the following tax concessions: • reduced CIT rate (0-18 % instead of 20%); • exemption from property tax; • reduced rates for social contributions; • other tax incentives. The above tax concessions can differ depending on the region of the Special Economic Zone and peculiarities of the local tax legislation. Tax benefits for R&D activity are also available as part of Rosnano grant programs.
Singapore	PIC For YA11 to YA12, can cash out up to 30% of the first $100,000 of expenditure on qualifying activities. For YA13 to YA15, can cash out 60% of first $100,000 of expenditure on qualifying activities. In addition, the PIC Bonus gives businesses a dollar-to-dollar cash bonus for PIC qualifying expenditure, capped at $15,000 for all 3 YAs combined.	Yes	Yes, multiple grants available for multiple fields, including innovation, product development, and IP management

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Slovak Republic	1. Cash subsidies for R&D projects from the state budget 2. Income tax relief – at the amount incurred on R&D within the project for which incentives were approved	Incremental	Yes, law does not exclude such possibility. However the practice has been that until now only Slovak entities with R&D performed in Slovakia applied for the aid.	Yes Subject to ownership of core IP rights remaining with the Slovak entity, which was undertaking R&D activities.
South Africa	Super charged deduction of 150%; • 100% of qualifying R%D expenditure is claimed automatically • Further 50% of qualifying R&D expenditure is claimed upon pre-approval by the Department of Science and Technology (DST)	Volume based	No	IP can be held outside the country
Spain	1. 25% credit **plus** 2. 42% credit **plus** 3. 8% credit on certain asset acquisitions 4. 17% certain staff salaries 5. 12% credit on technological innovation.	1. credit on volume **plus** 2. credit on incremental increase **plus** 3. credit on volume for technological innovations (industrial design and production process engineering) 4. credit on volume for technological Innovations	Yes, but must be related to activities carried out in Spain, any Member State of the EU or Iceland, Liechtenstein or Norway.	Yes
Turkey	**R&D Law No.5746:** • 100% R&D deduction over the eligible innovation and R&D expenditures. The same expenditures can also be capitalised and expensed through amortisation over five years. • Companies with separate R&D centres employing more than 500 R&D personnel can – in addition to the above deduction – deduct half of any increase in R&D expenditures over R&D expenditures in previous period. • 80% (90% for personnel with a PhD degree) of the salary income of eligible R&D and support personnel is exempt from income tax. • Half of the employer portion of social security premiums for R&D and support personnel are funded by the Ministry of Finance for five years. • Documents prepared in relation to R&D activities are exempt from stamp duty. **Technology Development Zones Law No.4691:** • Profit derived from the software development activities or research and development activities in techno parks is exempt from corporate income tax until 31 December 2023. • The salaries of R&D and support personnel working in technoparks are exempt from income tax. • Half of the employer portion of social security premiums for R&D and support personnel are funded by a budget of the Ministry of Finance for five years. • Deliveries of software produced by the companies operating in the technoparks are exempt from 18% VAT.	Incremental	No	Yes

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
Slovak Republic	No	No	Other grants for R&D are accessible via EU funds.
South Africa	No	If the company is in a tax loss position the benefit may be carried forward until it is utilised	No
Spain	No	Excess credits may be carried forward 18 years	Autonomous regions provide additional business incentives; tangible and intangible fixed assets, excluding buildings, used for R&D activities may be freely depreciated
Turkey	No	Any unutilized R&D deduction can be carried forward without any time limitation, indexed to the revaluation rate which is an approximation of inflation rate.	• Grants funding by several governmental institutions for eligible R&D projects. • Other grants for R&D are accessible via EU funds. • Corporate income tax exemption. • R&D deduction. • Income tax exemption. • Social security premium support. • Stamp tax exemption.

Global R&D credits and incentives by country (Nov 2013)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
United Kingdom	"Super deduction" : Large Companies • from 1 April 2013 option to claim the 10% Research & Development expenditure credit (RDEC) instead of 130% super deduction. • from April 2016, RDEC will be mandatory. RDEC will be payable to loss-making companies. Small and medium Enterprises(SMEs): • 175% pre 1 April 2011 • 200% from 1 April 2011 to 31 March 2012 • 225% from 1 April 2012	Deduction on volume	Yes	Yes
United States	20% Credit (regular method) 14% Credit (Alt. Simplified Credit)	Credit on incremental spending, **with** limitations Credit on incremental spending, **without** Limitations	No No	Yes, provided the research is funded by the foreign related party

Global R&D credits and incentives by country (Nov 2013)

Country	Refundable option	Carry forward	Grants/other
United Kingdom	**Large companies** – no ability to receive cashback under the super deduction regime, however cashback will be available under the new optional 10% RDEC regime (subject to restrictions, including deduction of withheld tax at prevailing corporation tax rate). **SMEs** – ability to surrender losses for cash back – assuming sufficient losses, effective cashback is 24.75% (cashback rate of 11% on a super deduction of 225%)	Extra deduction reduces taxable profits. If a loss results this can be carried forward indefinitely, offset current profits (including other UK group companies) and offset prior year profits. **Large company RDEC -** loss making companies - it is possible to carry forward any withheld tax and excess credit due to restrictions.	Expenditure on assets used for R&D attracts 100% tax depreciation in the year of acquisition. Regional grants are available.
United States	No	Excess credits may be carried back 1 year and forward 20	States provide R&D credit in addition to various business incentives. in addition to the credit, R&D expenditures are deductible in determining taxable income.

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