International R&D Tax Incentives

Guide 2025

Index

Introduction

FI Group is a global player **specialising in the management of R&D funding**. With over 1,400 experts across 13 countries, we support more than 15,000 clients annually, securing over €1.7 bn in funding.

Our expertise extends beyond R&D tax incentives to structured project financing, optimising cash flow, improving financial forecasting, and supporting long-term innovation strategies. We work closely with tax authorities, research institutions, and companies to ensure businesses maximise available funding opportunities. Our methodology, refined over 25 years, is customised to local regulations and industry needs.

Committed to sustainability and technological progress, we support companies tackling social and environmental challenges. Our ISO9001 and ISO27001certified processes ensure quality and information security, while our success-based model means clients pay mainly when we generate tangible savings.

Governments worldwide recognise that investing in R&D drives economic growth. OECD studies confirm that R&D tax incentives encourage businesses to invest more in innovation, boosting competitiveness and job creation. While incentives vary by country, they generally provide:

- Tax credits and deductions to reduce corporate tax burdens
- Lower social security contributions for R&D staff
- Patent Box regimes with tax benefits for income from intellectual property

To help businesses navigate these incentives, FI Group has launched the 2025 edition of the ***International R&D Tax Guide***, offering a practical overview of R&D tax relief across the countries where we operate. Each section includes an overview of the R&D landscape, key incentives, and additional funding opportunities. Additionally, the guide offers insights into the eligibility criteria, benefits, and claiming procedures for R&D tax incentives in various countries.

It serves as a reliable source of information for future applicants and showcases FI Group's deep expertise and commitment to supporting innovation. By maintaining close relationships with public institutions and staying ahead of regulatory changes, we empower companies to focus on groundbreaking advancements while we handle the complexities of financial incentives.

Legal Scenario

In a context of increasing globalisation and digitalisation of the economy, countries have sought solutions to prevent base erosion and profit shifting to low-tax jurisdictions. In response to this challenge, the Organisation for Economic Cooperation and Development (OECD) and the G20 have developed the Inclusive **Framework on Base Erosion and Profit Shifting (BEPS)**, under which **Pillar II** is established, a set of rules that introduces a global minimum **tax of 15%** for large multinational companies.

Pillar II aims to ensure that multinationals with annual revenues exceeding **750 million euros** pay a minimum percentage of their profits in taxes, regardless of where they operate. To achieve this, specific rules have been designed, such as the **Income Inclusion Rule (IIR), the Undistributed Profits Tax Rule (UTPR), and the Qualified Domestic Minimum Top-Up Tax (QDMTT)**, which allow countries to apply measures to ensure payment of the minimum tax.

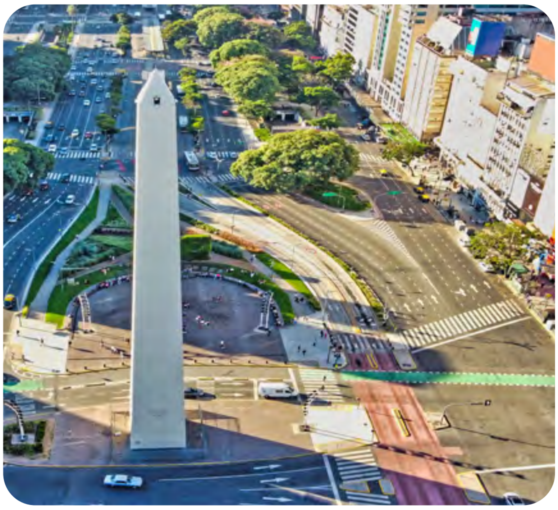
This tax guide aims to explain the operation of R&D&I incentives worldwide. To do this, it is necessary to take into account Pillar II, its impact on companies, and the tax implications for the jurisdictions that implement it. Throughout the document, the key aspects of R&D&I tax incentives will be addressed.

Service Portfolio

FI Group Offices | Operational Hubs | Partnership Network

	Tax Credits/ Deductions	Cash Grants and Loans	Eligibility for Horizon Europe Funding	Reduced Social Security Contributions	Patent Box
Argentina	✓			✓	
Australia	✓	✓			
Belgium	✓	✓	✓	✓	✓
Brazil	✓	✓			
Canada	✓	✓	✓		✓
Chile	✓	✓			
Colombia	✓	✓			
France	✓	✓	✓		✓
Germany	✓	✓	✓		
Ireland	✓	✓	✓		✓
Italy	✓	✓	✓		✓
Netherlands	✓	✓	✓		
Poland	✓	✓	✓		
Peru	✓	✓			
Portugal	✓	✓	✓		✓
Singopore	✓	✓			✓
Spain	✓	✓	✓	✓	✓
United Kingdom	✓	✓	✓		✓
USA	✓	✓			
Uruguay	✓	✓			

ARGENTINA



- Income Tax Relief
- Tax Credits for Employers' Social Security Contributions

OVERVIEW

Background

In Argentina, Law No. 27.506 establishes a promotion regime for knowledge-based economy aimed at promoting economic activities that rely on the use of science and new technologies to develop goods and provide services, all within the scope and limitations established by the law itself, and any regulations provided thereunder.

The regime establishes three different tax incentives: income tax relief, tax credits based on employers' social security contributions, and VAT exemptions in the export of promoted activities.

The law is primarily intended for micro, small, and medium-sized enterprises (MSMEs), but also large companies pursuing R&D activities related to technology and science.
The incentives are currently available until 31 December 2029.

GERD as % of GDP
0.5%

Corporate income tax rate
25% - 35%

Corporate income tax return
June 2023

MAIN INCENTIVES

Incentive type

- Income tax relief
- Tax credits based on employers' social security contributions
- VAT exemptions in the export of promoted activities

Benefit

Argentinian companies can apply for the following benefits:

- 20 - 60% income tax relief depending on the company size (income tax rate 25 - 35%)
- Tax credit for social security contributions: discount on national taxes equalling 70% - 80% of social security contributions paid for R&D personnel
- VAT exemptions in the export of promoted activities

Companies need to meet the following requirements:

1. 70% of the invoices must be for promoted R&D activities
2. At least two of the following requirements:
    - Quality certification of products, services, or processes (or improvement plan)
    - Investments in training or R&D
    - Export of R&D goods or services

Eligible tax liability

Income tax.
Other national taxes for the tax credits.

Ceiling

Total budget $70M (€70k), 10% of the total budget per taxpayer at most.
Tax credits for social security contributions: up to 70% for R&D staff & up to 80% for new R&D hires from special interest groups (e.g. women, LGBT, disabled people, residents of downtrodden areas). The credits are non-transferable and cannot be used to pay off previous debts.

Carry-back & retroactivity	Carry-forward
None	24 months, extendable for another 12

Refundable

No

Eligible activities

R&D projects are eligible if they meet the requirements defined in tax credit law, which are based on the Frascati Manual. Technological innovation activities can also benefit from an additional tax relief for R&D.

Eligible expenditure

Expenses incurred in the development of basic research, applied research and/or technological development, wages of R&D staff, investments in equipment (acquisition of tools, software, laboratory machines) and facilities (scientific buildings, infrastructure upgrade) used for the R&D project, prototype validation activities, financial and economic feasibility studies.

Regulatory body

The authorised entity overseeing the incentive scheme is referred to as the Knowledge Economy Secretariat, and companies need to register with it before incentives can be applied for.

IP consideration

The benefits are not tied to any project/result, so intellectual property issues do not apply.

Claiming procedure

- Applications must be filed by way of the remote formalities platform TAD and electronic document management system GDE
- Prior approval by the Knowledge Economy Secretariat is mandatory
- Taxpayers need to confirm their registration every 2 years

Location of eligible research costs

Promoted activities and related expenses need to be located in Argentina.

Compatibility with other tax incentives

Inapplicable.

Keep in mind

The Knowledge Economy Secretariat will issue monthly tax credit certificates from the month following the company's registration for the scheme.
As a verification and control activity, competent authorities can annually audit the benefitting company's compliance with the respective requirements, and the benefitting company moreover needs to undergo a biennial revalidation.

For further information, please contact us at: global@fi-group.com

AUSTRALIA

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Patent Box

OVERVIEW

Background

In 1985-86, Australia introduced one of the most generous tax incentives in the world: the R&D taxation concession. Expanded by an R&D tax incentive from 1 July 2011, the scheme has been the Australian government's principal measure to enhance and increase the amount of research and development undertaken by Australian businesses. Over the past 25 years, both tax programmes have experienced several reviews to assess and measure their success.

The latest changes of incentive rates apply to R&D conducted from 1 July 2021. Eligible companies can receive a premium on top of their corporate tax rate depending on the turnover of their business, and the existing annual R&D expenditure ceiling has been increased from AUD100m to AUD150m.

There are 11,545 companies with expenditure totalling AUD11.2bn in R&D claims in the 2021-22 tax year. Public and multinational businesses claimed the most on R&D in the 2021–22 tax year with a total of AUD4.9bn, followed by privately owned and wealthy groups with AUD4.1bn, and lastly small businesses with AUD2.2bn in R&D expenditure claimed.

GERD as % of GDP

1.68%

Corporate income tax rate

- For companies with an aggregated turnover below $50m: 25%
- For all other companies: 30%

Corporate income tax return

- Large/medium-sized entities (turnover > $10m): 7 months and 15 days after the end of the fiscal year. Fiscal years in Australia usually end on June 30.
- All other entities and tax agent clients: 10 months and 15 days after the end of the fiscal year.

The R&D tax incentive application for any given financial period is due 10 month after its end, whereafter no application for activities or expenditures can be filed.

MAIN INCENTIVES

Incentive type
Volume-based tax credits.

Benefit
For financial year starting in July 2021

- Companies with an aggregated turnover of less than AUD20m can receive a refundable R&D tax relief equalling their corporate tax rate plus an 18.5% premium
- Companies with an aggregated turnover of AUD20m or more can receive a non- refundable R&D tax relief equalling their corporate tax rate plus an incremental premium.

Premium increments are based on the intensity of the R&D expenditure as a proportion of the total expenditure for the year. There are two premium increments:

- R&D intensity up to 2% receives a tax relief equalling the corporate tax rate plus an 8.5% premium
- R&D intensity above 2% receives a tax relief equalling the corporate tax rate plus a 16.5% premium

The expenditure threshold is AUD150m. For notional deductions above AUD150m, the R&D tax offset rate is the corporate tax rate. The R&D premium does not apply.

Eligible tax liability
Corporate income tax.

Ceiling
The minimum eligible R&D expenditure amount is AUD0.02m. The ceiling amount on R&D expenditure is set to AUD150m per tax year.

Carry-back & retroactivity	Carry-forward
None	Indefinitely

Refundable
Yes, but only for companies with annual turnovers under AUD20m

Eligible activities
A distinction is made between core and supporting R&D activities. Core R&D activities are experimental activities whose outcome cannot be known or determined in advance based on current knowledge, information or experience, and that are conducted for the purpose of acquiring new knowledge (including knowledge or information concerning the creation of new or improved materials, products, devices, processes or services). Supporting R&D activities are activities directly related to core R&D activities.

Eligible expenditure
Salaries, contracted work, and other direct costs related to R&D, materials transformed or consumed during activities, depreciation or amortisation of assets used for R&D, contributions to cooperative research centres and research service providers.

Regulatory body

The R&D tax incentive is administered by AusIndustry on behalf of Industry, Innovation and Science Australia (IISA) and the Australian Taxation Office (ATO). AusIndustry manages the registration of R&D activities to ensure that the activities claimed comply with the R&D legislation. ATO manages the eligibility of R&D expenditures claimed in company tax returns.

Claiming procedure

Ex-post by self-assessment.

Companies are responsible for ensuring that their R&D activities meet legal requirements and must refer to the relevant legislation and regulations when assessing whether their activities are eligible. They must apply to AusIndustry for registration within 10 months after the end of the company's tax year wherein the R&D activities were conducted. An advance ruling process is available for companies seeking certainty on a project. Companies need to submit their application before the end of the tax year in with the R&D activity is undertaken.
An advance ruling gives companies certainty about their eligibility for a period of up to three years.

Location of eligible research costs

Activities must be undertaken within Australia. If the company plans to include overseas R&D activities in its R&D claim, it needs to apply for and obtain an Overseas Finding first. This application should be filed before the end of the tax year in which the activity is conducted or planned to be conducted. There must be a scientific link between the planned overseas activity and the eligible Australian core R&D activity, and the company needs to demonstrate why the activity cannot be solely conducted in Australia (typically occurs when facilities, equipment, environmental, or biological features are not available in Australia). If the anticipated costs of the overseas R&D activities are greater than the anticipated costs of the related Australian R&D activities, they will not be eligible.

Compatibility with other tax incentives

If companies are seeking to claim the R&D tax incentive and currently receiving a government grant or incentive under a different programme, they may be subject to what is known as a "clawback adjustment" or "R&D recoupment tax". Where expenditure that is eligible for the R&D tax incentive is also being claimed under another programme, clawback will apply. Clawback does not decrease the grant expenditure claimed or tax relief companies receive, but rather increases the income tax they are liable to pay for components being claimed under both programmes. There are numerous scenarios where clawback will apply, outlined in detail on the Australian Taxation Office website.

IP consideration

To claim the R&D tax incentive, the entity must demonstrate that the R&D activities concerned are carried out for the company to a significant extent. An R&D activity is conducted for the entity that receives the major benefit of the activity. This is assessed by considering who:

- 'Effectively owns' the know-how, intellectual property, or other similar results arising from the company's expenditure on the R&D activities

- Has appropriate control over the way the R&D activities are conducted

- Bears the financial burden of carrying out the R&D activities

Whether an R&D activity is conducted for a company is a matter of fact. It is determined by whether the activity is conducted, in substance, to provide the majority of knowledge benefits resulting from it, such as access to intellectual property, to that company.

Keep in mind

Companies must maintain contemporaneous records to substantiate their R&D tax incentive claim. The company's records must be sufficient to show that the claimed activities took place and that they meet all aspects of the definition for either core or supporting R&D activities. AusIndustry may conduct compliance reviews both before and after registration to ensure the ongoing integrity of the R&D tax incentive programme.

For further information, please contact us at: global@fi-group.com

BELGIUM

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Reduced Social Security Contributions
- Next Generation EU Funds
- Patent Box

OVERVIEW

Background

Belgium provides a wide range of R&D tax incentives. The most popular include payroll withholding tax exemptions, investment tax deductions based on R&D or energy investments, and an Innovation Box for patents, software, and other forms of IP.

Together, they address the three different pillars of R&D efforts, i.e. personnel costs, capital expenditures, and revenues from IP exploitation. Given that the importance of R&D tax incentives has critically grown since the introduction of the first R&D tax support in 2005, the share of R&D tax incentives in total government support has climbed from 29% in 2007 to 71% in 2019.

These three key R&D tax incentives positively and directly enhance the capacity and competitiveness of Belgian companies by subsidising the employment costs of R&D staff by up to 20%, providing tax relief of up to 3.37% on investment values, and enabling an effective tax rate of 3.75% on income generated from patents and developed software.

GERD as % of GDP
3.22%

Corporate income tax rate
25%

Corporate income tax return
Seven months after the balance sheet date at the latest.

MAIN INCENTIVES

1. Partial exemption from wage withholding tax

Incentive type

Partial exemption from the wage withholding tax for R&D scientists

Benefit

The partial exemption from professional withholding tax (PWHT) is calculated from the employee's withholding tax base and provided by way of the payroll process. The exemption can cover up to 80% of the wage withholding tax.

Eligible tax liability

The PWHT for R&D scientists has a positive impact on the company's EBIT and taxable income. It is applicable to different types of entities employing scientists, i.e. companies, universities, research institutions, hospitals and non-profit associations, if they meet the criteria and requirements set out in the legislation.

Ceiling

80% of the employee withholding tax provided that the full withholding tax is subtracted from the pay, making this more restrictive for scientists with a bachelor's degree.

Refundable

If not applied for in the past, the exemption can also be claimed retroactively for up to 3 years, but not after the date of notifying the Belgian Federal Science Policy Office (BELSPO) portal. If the claim is successful, the taxpayer is refunded the amount.

Eligible activities

The PHWT is available for scientists meeting several criteria, most importantly relating to their qualification as measured by their diplomas (bachelor, master, engineer, or doctorate). The qualification criteria for R&D staff can be more flexible or strict depending on the type of entity (company, young innovative company, university, etc). The second criterion is whether their work constitutes R&D. R&D "projects or programmes" are defined as undertakings aimed at fundamental research, industrial research, or experimental development.

Eligible expenditure

The exemption is calculated from the withholding tax base of the employee and applies to all types of withholding tax (salary, bonus, etc).

IP consideration

Intellectual property (IP) does not play a significant role in the application of the PHWT incentive in Belgium.

Regulatory body

The incentive is overseen by the Public Service of Finance. The BELSPO may be optionally asked to validate the R&D nature of a project. This report is binding for the Public Service of Finance. This option is not available in other EU countries.

Claiming procedure

The PWHT can be claimed on a month-by-month basis. The taxpayer needs to ensure that the activities and staff are properly reported via the BELPO portal before its implementation, however.

Location of eligible research costs

To qualify for the PWHT, the employees must work in the EU.

Compatibility with other tax incentives

PHWT is totally compatible with Innovation Box and R&D investment tax reliefs as they concern three different aspects (staff, investments, and income).

2. Innovation Box (IB)

Incentive type

Tax relief for innovation income.

Benefit

The Innovation Box provides an 85% tax relief for net innovation revenue, which is the gross innovation income minus historical (2016 to present) R&D costs underlying the eligible IP (patent, R&D-generated software).

Eligible tax liability

This tax relief calls for a corporate tax base to be deducted from, to which it is applied annually.

Ceiling

85% tax relief for net innovation income.

Carry-forward

If there are insufficient profits or benefits in a tax period, the Innovation Box can be carried forward to subsequent tax periods without time limits.

Eligible activities

The Innovation Box applies to income generated by any kind of commercial utilization (contractual license, embedded royalty) of eligible forms of IP.

Eligible expenditure

The Innovation Box applies to all incomes from eligible IP (patents, plant breeders' rights, orphan drugs, data/commercial exclusivity rights, and R&D-generated software).

This means that the taxpayer needs to hold some rights to the IP (owner, co-owner, usufructuary, or licensee) and must have incurred R&D expenses in its creation or advancement.

IP consideration

Effective IP management can also help in defending claims during audits, in ensuring compliance and maximizing benefits. Here's a summary of how IP impacts the scheme:

1. IP ownership:
To benefit from this incentive, the company must have full ownership, co-ownership, usufruct of the IP, or be a licensee or owner of rights from the R&D activities.

2. Sub-contracted R&D:
R&D expenses must be strictly related to the IP item to be valorised. R&D can be carried out either by the company or outsourced.
The company that retains the IP rights from the subcontracted R&D work is typically the one that can claim the relief.

3. Enhanced benefits for IP management:
Companies actively managing their IP can demonstrate a higher level of innovation, potentially leading to more substantial claims.

Regulatory body

The incentive is overseen by the Public Service of Finance. Where R&D-generated software is concerned, BELSPO may optionally be asked to validate the R&D nature of a project. This report is binding for the Public Service of Finance. This option is not available in other EU countries.

Claiming procedure

Innovation Box applications are filed using a specific appendix of the tax return. Taxpayers wishing to go through a ruling procedure for greater fiscal security need to file a request with a Ruling Commission within a month of the reporting date.

Location of eligible research costs

The geographic location is irrelevant for the Innovation Box. But the "fiscal location" or fiscal perimeter and IP location (IP mapping) are of key importance, especially with complex group structures.

Compatibility with other tax incentives

The Innovation Box is totally compatible with the partial exemption on wage withholding tax and R&D investment tax reliefs as they concern three different aspects (staff, investments, and income).

3. Investment Tax Deduction (ITD)

Incentive type

Volume-based and incremental tax credits.

Benefit

The ITD can range up to 20.5% for profits or benefits generated from CAPEX-related investments in patents or R&D projects. The taxpayer needs to prove that the project is environmentally friendly or energy efficient and that it is R&D. The resulting net tax impact was set to 3.37% for 2021 investments.

Eligible tax liability

This tax relief calls for a corporate tax base to be deducted from, to which it is applied annually.

Ceiling

Certain restrictions apply to the maximum amount of the carried-forward investment deduction that is tax deductible in a given tax year. For the tax year 2024, a maximum of €1,059,270 may be deducted per tax period, or where the total amount of the exemption carried forward at the end of the previous tax period exceeds €4,643,550, up to 25% of that total amount.

Refundable

If there are insufficient profits or benefits in a tax period, the Innovation Box can be carried forward to subsequent tax periods without time limits. Where tax relief is converted into tax credits, taxpayers can benefit from a refund of unused tax relief at the end of the 5th year of carry-forward.

Eligible activities

The ITD applies to patents, energy efficient and/or environmentally friendly R&D investments, and to smoke exhaust and aeration systems in the hotel and catering industry.

Eligible expenditure

The investment tax relief applies to all capitalised assets underlying a R&D project, be they tangible or intangible.

Regulatory body

The incentive is overseen by the Public Service of Finance. Taxpayers must first file a request with the relevant body for the region (Wallonia, Flanders or Brussels) to get an official approval of the R&D project and its underlying environmentally friendly aspects. Based on that approval, taxpayers can then declare the deduction in their tax return.

Claiming procedure

The ITD is claimed through the tax return by filing a dedicated appendix, a form designed by the Ministry of Finance, completed, dated, and signed. Taxpayers need to file this form no later than 3 months after the reporting date. Taxpayers wishing to go through a ruling procedure for greater fiscal security need to file a request with the Ruling Commission within a month of the reporting date.

Location of eligible research costs

Assets must be located in Belgium for the IDT, and there is a further need to identify the regional body to be contacted (regional territory).

Compatibility with other tax incentives

ITD is totally compatible with the Innovation Box and partial exemption from wage withholding tax for R&D staff as they concern three different aspects (staff, investments, and income).

Keep in mind

The Belgian fiscal R&D toolbox is segmented into a variety of item-focused schemes. All of these have different criteria and conditions but can be cumulated for a single R&D project.

We strongly recommend the implementation of well-defined processes enabling the creation of formally compliant documentations based on working documents.

Other incentives

Grants

National and European grants are available for R&D projects realised in Belgium based on the sector, company size, and type and date of the grant scheme.

PWHT

The partial exemption from professional withholding tax can also be available for shift and night work and work performed in immovable property. Businesses can be exempted from paying 22.8% of the wage withholding tax for shift and night work and 18% for work on building sites, based on the total taxable pay of the staff in question.

For further information, please contact us at: global@fi-group.com

BRAZIL

Tax Credits/Deductions

Cash Grants and Loans

OVERVIEW

Background

In 2005 the Brazilian federal government passed Law No. 11.196, aka "Lei do Bem", which provides R&D tax relief for Brazilian companies engaged in research, development, and innovation activities.

With this tax incentive, the federal government seeks to increase the level of R&D investment by the private sector, reduce the costs or risks associated with such activities, and draw companies closer to universities and institutes of science and technology.

To maximise R&D investments, the incentive consists of a tax relief ranging from 60% to 100% on eligible R&D expenses, equalling a reduction of 20.4% to 34% of the corporate income tax and social security contributions.

GERD as % of GDP

1.2%

Corporate income tax rate

Composed of corporate income tax at 25% and social contributions on net income at 9%.

Corporate income tax return

July 31.

MAIN INCENTIVES

Incentive type
Volume-based tax credits.

Benefit
Tax-compliant Brazilian companies engaged in R&D activities can benefit from an additional tax relief of 60% to 100% on eligible R&D expenses (ultimately reducing the corporate income tax and social security contributions by anything from 20.4% to 34%).
The company needs to earn "Lucro Real" (real gains) and make profits in the period in question.

The intensity of the incentive depends on the compliance with the following criteria:
60% of additional tax deduction for R&D expenditures as a minimum, but up to 70% if there are under 5% more exclusive researchers than in the previous year (and up to 80% if their number has grown by more than 5%). If the process results in the granting of a patent or registration of a cultivar, the company may deduct an additional 20%.

The Lei do Bem regulation also provides other benefits for eligible Brazilian companies:
• 50% tax reduction of the tax on industrial products (IPI) for the purchase of equipment exclusively used for R&D.
• Instant depreciation of purchased equipment exclusively used for R&D activities and instant amortisation of intangible assents acquired for and linked exclusively with R&D activities.
• 100% reduction of the withholding tax for the registration and maintenance of trademarks, patents, and cultivars.

Eligible tax liability
Corporate income tax & social security contributions.

Ceiling
None

Refundable
No

Carry-back & retroactivity	Carry-forward
None	5 years

Eligible activities
These activities include the design of new products or processes, services or systems, as well as the addition of new functionalities or characteristics to a product or process, resulting in incremental improvements that bolster competitiveness in the market.
Software development qualifies as an R&D activity if it meets the requirements above.

Eligible expenditure
R&D expenditure includes wages, salaries, inputs, trademarks, patents, and travel costs, projects developed in collaboration with universities and R&D centres, as well as specific payments made to third parties (e.g. for laboratory tests, etc.), that are directly attributable to the pursuit of eligible R&D activities.

Regulatory body
The Ministry of Sciences, Technology, and Innovation (MCTI) proposes and oversees the policies to encourage innovation. Only expenses related to research and development occurring within Brazilian territory are considered eligible.

Claiming procedure
Self-assessment. The application must be included in the corporate income tax return. Claimants must fill in the form available on the MCTI web page and fill it in by 31 July of the following year. Companies need to register their eligible R&D projects and expenses on the website of the MCTI. This is an obligatory step to benefit from the incentive under the law. The MCTI delivers an opinion on the application, evaluating the innovation generated, and recommending the project or not. A tax audit may be performed by the Brazilian Federal Revenue Office up to 5 years after the tax relief claim.

Location of eligible research costs

MCTI proposes and oversees policies to encourage innovation.

Compatibility with other tax incentives

Brazil has various other specific tax incentives like MOVER for the automotive sector or "Lei de TICs" for the electronics industry, all of which are compatible with the *Lei do Bem*.

IP consideration

The provisions regarding intellectual property in the Lei do Bem regulation are unclear. For this reason, it is necessary to evaluate each case individually.

Keep in mind

Technological innovation activities are only eligible in Brazil if they are performed by companies in-house and lead to greater productivity, quality, or competitiveness.

The R&D tax relief is claimed by self-assessment in the CIT return, meaning that in the event of a tax audit, the justification expected by the tax administration calls for a two-fold skill set (as much for the technical aspects as for the taxation-related ones).

Over 7,000 Brazilian companies use the tax relief these days, but the documented R&D expenditure is still very low compared to most developed countries. Which is why the government keeps on looking for improvements to make R&D more attractive for companies.

Other incentives

Grants

National and European grants are available for R&D projects realised in Brazil based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

Mover

Mover is a legislation aimed at supporting the decarbonisation of Brazilian vehicles, technological development, and global competitiveness. The programme's main benefit is the generation of qualified refundable tax credit coupled with the obligation to invest in R&D.

Ex-Tarifário

This is an instrument for reducing import taxes on capital goods or information and telecommunication goods where similar items are demonstrably not being produced domestically.

Lei de TICs

The Lei de TICs is a regulation providing tax credits for companies in the technology sector that invest in R&D.

For further information, please contact us at: global@fi-group.com

CANADA

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding

OVERVIEW

Background

Historically committed to R&D activities, the Canadian government introduced its first R&D incentive in 1944 through an Income Tax Act. The basic structure of the current system of federal income tax incentives for scientific research and experimental development (SR&ED) was put in place between 1983 and 1985. Since then, numerous changes have affected the incentive, but it has never been suppressed and should remain effective for the coming years. In 2023, the SR&ED programme provided more than C€2.4bn in R&D tax credits in support of research and innovation. Each year, more than 17,000 companies in Canada claim the R&D tax credit.

GERD as % of GDP

1.7%

Corporate income tax rate

The general (federal) corporate tax rate in Canada is set at 38%, but comes down to 28% after federal tax abatement.

Corporate income tax return

6 months after the end of the tax year for all companies. Amended tax returns are possible up to 18 months after the end of the fiscal year.

MAIN INCENTIVES

Incentive type
Volume-based tax credit.

Benefit
Eligible companies can reduce their corporate income tax through the SR&ED tax credit, which ranges between 15% and 35% of qualifying R&D expenditures.

• Canadian-controlled private corporations (CCPCs) and Canadian public corporations (starting in 2025) can claim a refundable tax credit at 35% for the first C$3M (2024) or C$4.5M (starting 2025). Amounts exceeding these thresholds are eligible for a 15% non-refundable tax credit.

• Provincial R&D tax incentives may apply in addition to the federal credit, increasing potential savings.

Eligible tax liability
Corporate income tax.

Refundable
• CCPCs and Canadian public corporations (from 2025) benefit from a refundable tax credit at 35% for the first CAD 4.5M of eligible expenditures. Beyond this cap, the tax credit drops to 15% and becomes non-refundable

• Foreign companies or other corporations are entitled to a 15% non-refundable tax credit

Ceilings
None.

Up to 4.5M$ of eligible expenditures, the tax credit is reduced to 15% and is not refundable.

Carry-back
3 years

Carry-forward
20 years

Retroactivity
18 months

IP consideration
Intellectual Property (IP) plays a crucial role in the SR&ED tax incentive program. Effective IP management can help defend claims during CRA audits, ensure compliance, and maximize benefits. Here are the key points:

1. IP rights and financial risks:
- To qualify for SR&ED tax relief, the company must own the IP resulting from the SR&ED activities.

2. Sub-contracted SR&ED:

• The company that retains the IP rights from subcontracted SR&ED work can claim the relief. Contractual payments to subcontractors should be deducted from the SR&ED eligible expenditure base only if the contracting company is based in Canada.

3. Enhanced benefits for IP management:
- In Quebec, there is a special deduction for companies actively managing their IP. The CRA is also exploring the possibility of implementing a patent-box concept in the future.

Eligible activities
The scope is broad enough and no industry or size is targeted. As the definition of SR&ED is consistent with the OECD definitions, the eligible activities include basic research, applied research, and experimental development.

Regulatory body
The Canadian Revenue Agency (CRA) oversees the incentive administration and validation. Also administering the eligibility assessment of the projects and claimed expenditures, the CRA can decide to carry out further examinations if the claim file is incomplete.

Claiming procedure
Ex-post. Even if the claiming process is by self-assessment, a technical description of each project is mandatory when filing the prescribed tax forms. The SR&ED tax credit application can be filed up to 18 months after the end of the fiscal year.

Location of eligible research costs

The R&D activities must be performed in Canada. If they take place abroad, the SR&ED work must be undertaken by the employees of the claimant and be part of the SR&ED work done in Canada. Limited to 10% of the total salaries or wages for SR&ED conducted in Canada.

Compatibility with other tax incentives

The amount of governmental and non-governmental grants awarded for eligible R&D projects must be deducted from the total expenditures included in the SR&ED tax credit claim.

Keep in mind

Although corporate tax returns must be filed within 6 months, the application for SR&ED tax credits can be filed up to 18 months after the end of the fiscal year. The CRA typically processes claims within 2-12 months (depending on the refundability of the credit), meaning that a cash credit (if applicable) should be received within this timeframe.

For tax years starting on or after December 16, 2024, new changes to the SR&ED programme will be implemented. The spending limit for CCPCs in the SR&ED program will increase to C$4.5 million. Canadian-controlled public companies will now qualify for an enhanced investment tax credit (ITC) of 35%. Capital expenditures will be reintroduced into the SR&ED program.

The CRA still assesses the eligibility of each project, using a 2-step method to determine whether it meets the definition of SR&ED. The CRA simplified the technical part as 5 previously asked questions are no longer included. The definition now describes why and how the SR&ED is conducted, two key requirements that must both be met for work to qualify as SR&ED.

Other incentives

Provincial credits for research & development activities

Every province can offer a specific extra credit for R&D activities performed there. Quebec, for example, offers an extra credit ranging from 14% to 30% of the R&D expenses incurred there. Additional tax credits are available if the expenditures incurred in Quebec are subject to an eligible contract with an eligible research institute.

E-business credit for Quebec: 30% of the salaries of eligible personnel, capped at C$25k of credit per year and employee, for companies located in Quebec with at least 75% of their activities in the IT sector and covered by the North American Industry Classification System (NAICS). For fiscal years starting in 2025, the cap is removed and replaced by an exclusion threshold per eligible employee (based on the yearly basic personal tax credit).

Grants

National and European grants are available for R&D projects realised in Canada based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For any further information, please contact us at: global@fi-group.com

CHILE

Tax Credits/Deductions

Cash Grants and Loans

OVERVIEW

Background

The Chilean government showed its commitment to improving the competitiveness of its companies by introducing a tax credit for investment in research and development in an initiative that led to the passing of an R&D Act in January 2008.

This regulation allows companies to deduct 35% of their eligible R&D expenses from their corporate income tax. Besides which the remaining 65% of the invested amount can be regarded as necessary expenses to generate income, regardless of the company's core business.

But given the regulation's limitations and that the number of claimants for these tax reliefs was lower than expected, the government changed the law to expand the tax credit available and introduce greater flexibility to the R&D tax incentive scheme, which has been in force since March 2012.

GERD as % of GDP
0.39%

Corporate income tax rate
25% for SMEs and 27% for large companies.

Corporate income tax return
April 30.

MAIN INCENTIVES

Incentive type

Tax credits based on R&D investment volume.

Benefit

Chilean companies, regardless of their size, turnover or activity, are eligible for a 35% tax credit on expenditure incurred in R&D projects certified by the Chilean Agency for Economic Development (CORFO).

The R&D activities can be pursued using the company's internal resources, with companies able to decide to use third parties (subcontracting of R&D activities). The law also supports activities that are 100% outsourced to a specialised R&D centre listed in the CORFO register.

Eligible tax liability

Corporate income tax.

Ceiling

The minimum amount for the CORFO to certify R&D activities is UTM100, CLP6.5m (€6k) while the cap is set to UTM15,000 (approx. €1m) per year and taxpayer.

Carry-back & retroactivity	Carry-forward
None	Indefinitely

Refundable

No

Eligible activities

The scope is broad enough, with no particular industry or company size required. The eligible activities include basic research, applied research, and experimental development.

Eligible expenditure

Salaries and fees, direct expenses such as materials, chemical reagents, IT services, and data analysis including services for financial management and accounting, consulting services, and know-how for project development and project formulation.

Service contracts with third parties directly related to project development (at least 50% must be expenses incurred within the country), leasing or subleasing, real estate or buildings necessary to pursue the activities, expenses related to IP registration rights, utility expenses, and expenses related to immovable property that is linked with the project are all eligible.

Regulatory body

CORFO for the management of project certifications and the Chilean tax authority SII for awarding tax credits to eligible taxpayers.

Claiming procedure

Ex-ante. Chilean companies wishing to apply for the tax credit can opt for two ways of incurring the expenses, depending on the location of the R&D project: in-house expenses or expenses from CORFO-certified R&D contracts with registered research centres.

Certification

Before companies can apply for the tax credit, they need to have their R&D projects certified by CORFO. CORFO has 180 days to issue these project certifications, which is a chargeable process from the first administrative act (application or notice of intention to apply for R&D tax credits).

Once the certification is issued by CORFO, companies can get their R&D tax credits by way of their income tax return filed in April (Form 22) of the following year.

Another process is available for companies where R&D expenses were already incurred before the CORFO certification. In this process, applicants need to give notice of their intention to apply for R&D tax credits. Once this is accepted, the claimant can apply for the R&D tax credit when the CORFO certification comes into effect, and all the expenses are deductible retroactively. Applicants have up to 18 months to request the certification by CORFO.

Location of eligible research costs

At least 50% of the R&D activities need to take place in Chile.

Compatibility with other tax incentives

Public grants awarded for eligible R&D projects must be deducted from the total expenses calculated for the R&D tax credit.

IP consideration

Activities related to the establishment of industrial property rights (patents, utility models, industrial designs), copyrights on computer programs, and protection rights for new plant varieties may benefit from the tax incentive of R&D Law No. 20.241. This includes professional services, expert reports, defences against oppositions, and publication costs, as long as they derive from R&D projects and contracts certified by CORFO.

To own the IP is not mandatory to apply for the incentive; however, the regulation promotes the IP mechanisms in order to protect and transfer the IP.

Keep in mind

Taxpayers should keep in mind that innovation is not considered an eligible activity when applying for the R&D tax credit. Only projects with strong R&D are approved. In 2023, the number of certified projects was higher than ever, many of them strategically furthering the development of the country (such as green hydrogen).

Please note that although the Chilean tax authority cannot refuse CORFO certifications because CORFO is the only body accredited for them, it can still audit companies to verify and compare data with CORFO.

Other incentives

Grants

National and European grants are available for R&D projects realised in Chile based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For any further information, please contact us at: global@fi-group.com

COLOMBIA

Tax Credits/Deductions

Cash Grants and Loans

GERD as % of GDP
0.26%

Corporate income tax rate
The standard rate is 35% (some economic activities have other tax rates).

Corporate income tax return
Due dates are set by the government; the 2025 call is forecast for the third quarter.

OVERVIEW

Background

Tax benefits for R&D investments have been around in Colombia for more than 30 years. But in the last six years they have been changed thrice, most recently in 2022 by way of a tax reform.

This tax reform enables large companies to benefit from tax credits that can be a great opportunity for them. But the tax credits also benefit Colombian microenterprises and SMEs. Companies can claim 50% of their eligible investments in R&D projects in tax credits. These tax credits can be applied to the income tax or national tax and any surplus can be carried forward.

The tax relief for R&D expenses has been increased from 25% to 30%, but a regulation permitting R&D investments to be 100% deducted could have a negative impact on these investments. The public body that regulates taxes in Colombia, the National Tax and Customs Directorate (DIAN), has not been clear about the deduction of investments in R&D projects.

The national budget is limited but has been growing by COP200,000M (€46m) per annum in recent years. The competition for claims is growing in parallel, however, **while the annual tax benefit call was not provided in 2024 owing to national budget shortages. The 2025 call for the presentation of new science and technology projects is therefore not assured.**

MAIN INCENTIVES

Incentive type
Tax credits and tax relief.

Benefit
Colombian microenterprises and SMEs can claim a 50% tax credit on eligible R&D expenses. Since 2023, large companies can claim tax credits for projects involving microenterprises or SMEs. The tax credits can be used against the corporate income tax.

Where tax credits exceed the taxes due, this surplus can be offset against other national taxes, such as VAT. Companies can additionally have tax credits refunded by the DIAN tax authority if they exceed €8k, resulting in a tax refund title that can be sold to other companies.

In addition to the above, Colombian businesses can apply for a 30% discount for their R&D expenses in their total result for corporate income tax.

Eligible tax liability
Corporate income tax and other national taxes (tax credits).

Ceiling
Up to €5m for R&D investments per call and year, and up to €20m for the total number of active projects per company.

Carry-back
Fiscal year of the application

Carry-forward
Tax relief up to 4 years.
Tax credits for SMEs are valid for 2 years

Retroactivity
None

Refundable
Where the tax relief exceeds the tax liability, the surplus can be offset against other national taxes or refunded.

Eligible activities
Investments in projects for scientific research (basic/applied research and experimental development), technological innovation (prototypes, operating systems, processes), and innovation (whether applied to a product or process).

Eligible expenditure
- R&D staff
- Acquisition of R&D equipment
- Consumables
- Special software licences
- Subcontracting services
- IP costs

Regulatory body
The Ministry of Science, Technology and Innovation (MINCIENCIAS) is the only authorised body overseeing the process for R&D projects applying for Colombian tax benefits. It needs to certify the eligibility of projects before incentives can be applied for. The Colombian tax authority DIAN can meanwhile subject claimants to tax audits after tax benefits have been applied.

Claiming procedure
Prior state approval is mandatory and available from the Ministry of Science, Technology and Innovation (MINCIENCIAS).

MINCIENCIAS takes 6 months on average to evaluate and respond to project submissions. Additional details and other exigencies can be requested from the claimant throughout this period.

Location of eligible research costs
Eligible activities need to take place in Colombia, but some research can be subcontracted outside the country.

Compatibility with other tax incentives

Tax-exempt income benefit for scientific staff pursuing R&D activities in projects qualified by MINCIENCIAS.

IP Consideration

In the context of the project, at least two results must be submitted to MINCIENCIAS for dissemination and monitoring. It is essential that these results are planned and validated to protect the intellectual property of the proponents. In addition, the deliverables must include an authorisation for their use in dissemination as stipulated. If projects are approved without this prior authorisation, the Technical Secretariat of the CNBT (National Council of Tax Benefits for Science, Technology, and Innovation) may request said information for the issuance of a corresponding resolution or certificate of good standing.

Keep in mind

For applicants to benefit from Colombian tax incentives, they need to undergo several administrative procedures, the first of which is approval by MINCIENCIAS. To heighten their chance of approval, claimants need to submit R&D projects where a clear technological breakthrough is achieved. There are one or two calls for the application process per year, mostly in the first six months.

Given additional requirements, the project's technical features need to be validated by an entity that is recognised by MINCIENCIAS.

The last administrative step for applicants can turn out to be a tax audit by the Colombian tax authorities after the tax relief has been applied. In this case taxpayers will be asked to deliver a report confirming the technological advances and sources of the expenses.

Other incentives

Untaxed income

Wages of scientific staff engaged in R&D tasks are not taxed if their pay comes from resources allocated to the project.

For further information, please contact us at: global@fi-group.com

FRANCE

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Patent Box

OVERVIEW

Background

For over 30 years now, the French government has made major improvements to the existing tax incentives designed to encourage R&D:

- Introduction of the R&D tax credit in 1983, which is a very stable and mature solution
- The Innovative Start-up programme in 2004
- Expansion of the R&D tax credit to include innovative activities in 2013
- Creation of a tax credit for collaborative research

In 2024, the French government's budget for public research was estimated at €26.6bn. In 2023, more than 17,000 companies had benefitted from the Crédit d'Impôt Recherche (CIR) in France. Additionally, the Crédit d'Impôt Innovation (CII) and the Crédit d'Impôt Collaboration (CICo) have also been used by numerous companies to support their innovation and research collaboration activities.

GERD as % of GDP

2.18%

Corporate income tax rate

SMEs: 15% up to a taxable income of €42.5k and 25% above. Large companies: 25%.

Corporate income tax return

Second working day after 1 May (5 May 2025).

MAIN INCENTIVES

Incentive type

Volume-based and incremental tax credits. The main incentive are research tax credits (RTCs) as per "Article 244 quarter B" of the General French Tax Code.

These RTCs cover four types of cost: research costs (CIR), innovation costs for SMEs (CII), collaborative research costs (CICo), and collection costs (CIC) for textiles/clothing/ leather.

Benefit

- **CIR:** French businesses can claim a tax credit for their R&D costs incurred over the tax year. The CIR is assessed per calendar year, regardless of the reporting date.
- **CII:** Innovation tax credits available to SMEs (as defined by the European Union) that are not in difficulties up to 31 December 2027.
- **CICo:** Since 1 January 2022, French businesses may be eligible for tax credits on R&D costs incurred with research and knowledge-dissemination organisations (ORDCs) under a collaboration contract concluded between 1 January 2022 and 31 December 2025.
- **CIC:** The collection tax credit dedicated to the textile/clothing/leather sector is in place until 31 December 2027. This tax credit needs to comply with the de minimis aid regulations. For mixed activities combining the textile/clothing/ leather sector with research, CIC costs come second after CIR costs.

Eligible tax liability

Please remember that CIR is a tax credit and not a tax relief, meaning that if the CIR amount exceeds the tax amount, the difference is refundable by the state as a receivable. In specific categories such as SMEs, CIR credits can be refunded right away.

Ceilings

- **CIR:** French businesses can claim a 30% tax credit for R&D costs of up to €100m incurred over the tax year. The tax credit rate for R&D costs over €100m is meanwhile reduced to 5%. Under certain conditions, the 30% rate can be increased to 50% in overseas territories.
- **CII:** This innovation tax credit is available to SMEs (as defined by the EU) that are not insolvent. Eligible SMEs can claim back up to 30% (with the rate of the innovation tax credit reduced to 20% for expenditure incurred from 1 January 2025) of their costs in specific areas, up to a ceiling of €400k.
- **CICo:** Since 1 January 2022, French businesses may be eligible for a 40% tax credit (50% for SMEs) on R&D costs incurred with an ORDC under a collaboration contract concluded between 1 January 2022 and 31 December 2025. This credit cannot be combined with the CIR or any direct aid or grant for the same costs. But with the expenditures for CICo being capped at €6m, any costs exceeding this threshold can be included for the CIR. **CIC** needs to comply with de minimis aid regulations: the total state aid is capped at €300k over three tax years (this limit was introduced on 1 January 2024 by Regulation 2023/2831). The tax credit rate is the same as with the CIR, i.e. 30% for costs up to €100m and 5% beyond.

Carry-back & retroactivity	Carry-forward
3 years	Up to 3 years

Refundable

To claim CIR, a special declaration (Form 2069-A-SD) needs to be sent to the Companies Tax Office (SIE) and Directorate General for Research and Innovation (DGRI) at the Ministry of Higher Education and Research (MESRI) with the income tax return.

Companies can apply for a prior approval from the tax authorities to ensure that their research costs are eligible for the tax credit. This request for a prior approval known as a tax ruling must be submitted no later than 6 months before the deadline for special tax credit declaration Form 2069-A, or the first special declaration if the research project is multiannual. The tax ruling is optional.

The company can accumulate unused tax credits for three years. After these three years, the company can request a cash refund instead of carrying the credit forward to the fourth year. The request is made through the corporate tax return.

Eligible activities

The definition of eligible R&D is based on the OECD's Frascati Manual. Eligible for tax credits as a rule are research and experimental development, the creation or improvement of a product, procedure, process, program or facility, and demonstrable originality or substantial improvement.

Eligible expenditure

- Salary costs: For staff members with a PhD or diploma of an equivalent level, the expenses are taken into account at twice their amount for the first 24 months following their recruitment. As of 15 February 2025, this double incentive for PhD staff is no longer in place.
- Depreciation of fixed assets created or acquired new and used directly for scientific and technical research operations.
- Other operating expenses: tax credits are set to a flat rate of 75% for depreciation and 43% for personnel costs. From 15 February 2025, the rate is reduced from 43% to 40% for personnel costs.
- Expenditure entrusted to private organisations approved by MESRI, up to a limit of three times the other research costs eligible for CIR.

Regulatory body

The tax authorities are still the most important, even if MESRI oversees the verification of a project's eligibility.

The tax authorities can ask MESRI to audit R&D costs. In a CIR audit, the tax authorities seek the opinion of MESRI or its departments wherever they see a need to assess a project's scientific nature.

The two administrations then coordinate their efforts to check the eligibility of the declared expenses and calculation of the tax base. MESRI cannot adjust the CIR, however.

Claiming procedure

The claim for refunds is contentious. Guidelines published by MESRI specify that CIR refunds must not be regarded as a validation. But refunds can also be provided without a prior tax audit.

Unused tax credits constitute receivables from the French State that are reimbursable three years after their recognition.

The law provides for specific cases where CIR claims are regarded as immediately refundable, even if no earlier than six months after the claim. The tax authorities can check if the expenditure underlying the tax credit was allocated to R&D or innovation. The administration's right of recovery applies up to the end of the third year following the year the special return form 2069 A was filed.

Location of eligible research costs

R&D activities need to take place in the European Economic Area (EU member states plus Iceland, Liechtenstein, and Norway). Subcontracted companies for R&D activities must be CIR-accredited by the Ministry of Higher Education, Research and Innovation (MESRI).

Compatibility with other tax incentives

Public grants awarded to eligible R&D projects are deductible from the total costs calculated for R&D tax credits. R&D tax credits and reduced social security contributions can only be combined by eligible SMEs (in the Young Innovative Start-up programme).

IP Consideration

Ownership of the intellectual property developed is not mandatory to apply for the Research Tax Credit CIR in France. CIR is designed to support R&D activities, and businesses can benefit from it regardless of whether they hold intellectual property rights for their developments or not.

Keep in mind

The 2025 Finance Act in France was adopted by Parliament on 6 February 2025, and published in the official gazette on 15 February 2025, including changes for the CIR:

- Operating expense rate reduced from 43% to 40%
- Cancellation of the "young PhD" bonus
- Cancellation of patent costs (acquisition, maintenance, defence)
- Cancellation of technology watch

The innovation tax credit CII was also reduced from 30% to 20% for expenditure incurred from 1 January 2025. This incentive, as well as the collection tax credit CIC, will remain in force until 31 December 2027.

The R&D expense rate under the Statut JEI (young innovative status) scheme was additionally raised from15% to 20% on the total of the expenses of the year. The social exemptions still apply.

The IP Box and C3IV schemes remain unchanged.

Other incentives

The Green Industry Investment Tax Credit, aka C3IV, was introduced by the Green Industry Act as well as the 2024 Finance Act and is a new tax incentive designed to support the transition to a low-carbon economy. In keeping with EU regulations, the C3IV is available to companies of all sizes in key sectors of the energy transition whose business involves the production of batteries, solar panels, wind turbines, and heat pumps.

Patent Box

The French government runs a Patent Box scheme that came into effect on 1 January 2019 and enables French businesses to benefit from a reduced CIT rate of 10% for income related to the licencing or transfer of the following assets: patents, plant variety certificates, copyrighted software, and industrial manufacturing processes as an indispensable accessory for the exploitation of a patent or utility certificate. Companies must have incurred R&D expenses in the creation and/or development of the aforementioned assets.

Grants

National and European grants are available for R&D projects realised in France based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

GERMANY

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds

OVERVIEW

Background

In November 2019 the Bundesrat, Germany's upper house, approved a tax relief regulation for R&D that came into force on 1 January 2020. The tax relief consists of a 25% volume-based tax credit for eligible R&D expenditures. Eligible expenses were originally capped at €2m per year/entity. As of 30 June 2020, the cap was increased to €4m, equalling a maximum tax credit of €1m per fiscal year. With effect from 28/03/2024, this ceiling was increased to €10m, equalling a maximum tax credit of €2.5m per annum. The tax credit is available to all German companies regardless of their size or industrial sector.

GERD as % of GDP

3.13%

Corporate income tax rate

Corporate income tax/solidarity surcharge: 15.825%, trade tax to 20.3%, depending on the location of the business establishment.

Corporate income tax return

A tax declaration has to be submitted by July 31 of the following year. If a company hires a professional tax consultant, this deadline can be extended on request.

MAIN INCENTIVES

Incentive type
Volume-based tax credit.

Benefit
For R&D projects startedwith a starting date after 01/.01/.2020, German companies can apply for a 25% tax credit on their eligible R&D costs incurred in the tax year. As of 28 Marchh 28th 2024, SMEs can even apply for a higher tax credit of 35%.

Eligible tax liability
Corporate income tax.

Ceiling
The R&D tax credit ceiling is revised per fiscal year as follows:

- From 1 January to 30 June 2020: up to €2m in eligible costs (tax credit of €0.5m)
- From 1 July 2020 to 27 March 2024: up to €4m in eligible costs (tax credit of €1m)
- From 28 March 2024: up to €10m in eligible costs (tax credit of €2.5m for LEs and €3.5m for SMEs)

The total amount of research allowances and other state support granted for an R&D project may not exceed €15m per company (on an individual basis) and R&D project.

Carry-back
None

Carry-forward
None

Retroactivity
4 years

Refundable
The credit can either lead to a reduced tax liability or a cash refund for the claimant.

Loss-making entities falling under the category of "companies facing difficulties" under EU law are not eligible.

Eligible activities
Fundamental research, industrial research, and experimental development within the meaning of EU regulations and with a starting date after 01/01/2020. Activities such as market development or the optimisation of existing products or systems are not eligible.

Eligible expenditure
Wages subject to German tax and social security contributions, contract research, and - as of 28 March 2024 - the depreciation of movable assets. Wages are only eligible insofar as paid to employees engaged in research and development activities in eligible R&D projects. For contract research, the assessment basis includes 60% of the paid expenditure. As of 28 March 2024, the assessment basis for contract research was increased to 70%, and the depreciation of movable assets included.

Regulatory body
The R&D certification body (BSFZ) and the local tax office of the claimant.

Claiming procedure
Two-stage procedure. Claimants need to file a technical request with BSFZ for the issuance of a certificate showing that the R&D project is eligible. The subsequent R&D tax credit application itself is digitally filed with the local tax authority and must be supported by the obtained certificate, along with a documentation of the eligible expenses.

Location of eligible research costs
Qualified activities need to take place in Germany. Eligible personnel costs need be subject to the Income Tax Act. Subcontracted R&D can also be carried out in another country of the EU or European Economic Area (EEA).

Other grants

Any costs for which a business has already received public funds cannot be included in the calculation for the R&D tax credit. The tax credit is subject to GBER-limitations.

IP consideration

Intellectual property, such as patents, has no direct impact on the technical application.

Keep in mind

Applicants should be aware that R&D projects are only eligible if they started after 1 January 2020, and that only the contracting party will be able to claim the R&D tax credit for subcontracting. We moreover urgently advise our clients to accumulate and keep supporting documentation of R&D expenditure incurred over the year.

Other incentives

Grants

National and European grants are available for/from:

- Research & development & innovation
- Investments (including energy saving, sustainable development)
- NextGenerationEU funds

For further information, please contact us at: global@fi-group.com

IRELAND

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Patent Box

OVERVIEW

Background

Since the introduction of the R&D tax credit in 2004 (designed to incentivise incremental R&D expenditure), the importance of R&D tax support has significantly grown in Ireland. At first incremental and then hybrid with the inclusion of a volume-based tax relief since the 2014 Finance Act, Ireland now provides an entirely volume-based R&D tax credit scheme. In 2021, SMEs accounted for 88% of R&D tax reliefs, while their share of R&D tax support was around 25%. Large companies meanwhile accounted for 12% of R&D tax reliefs in the same year, while their share of R&D tax support was around 75%. The credit can be used to offset corporation tax liabilities or be refunded to the company. Recent estimates indicate that over 1,600 Irish companies claimed R&D tax credits, costing the exchequer €753m.

GERD as % of GDP
1.45%

Corporate income tax rate
12.5%

Corporate income tax return
9 months after the end of the accounting period.

MAIN INCENTIVES

Incentive type
Volume-based tax credits.

Benefit
The volume-based tax credit is calculated as 25% of eligible expenditure. For accounting periods commencing on or after 1 January 2024, this rate has increased to 30%.
Following exponential growth within the gaming sector over the past 10 years, Ireland has a digital games corporation tax credit aimed at promoting the development of culturally Irish and European digital games. This is a tax relief for the digital gaming sector that can be claimed on certain costs incurred in the development of digital games, and available to digital game development companies. To qualify, digital games need to pass a cultural test administered by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. The credit per digital game is 32% of the lowest of:
- Eligible expenditure
- 80% of total qualifying expenditures, or
- €25m

The expenditure needs to amount to €100k as a minimum to qualify.

Eligible tax liability
Corporate income tax (corporation tax).

Ceiling
Subcontracting costs are limited to the greater of €100k or 15% of the expenditures incurred in R&D activities by the company itself.

Refundable
Where a company has offset the credit against the corporation tax of the current and preceding accounting periods and an excess amount remains, the company may request to have the amount of that excess paid to it by Revenue Irish Tax and Customs in three instalments over a period of 33 months from the end of the accounting period in which the expenditure was incurred.

Eligible activities
The eligible activities include basic research, applied research, and experimental development. They additionally need to be aimed at scientific or technological advancement and involve the resolution of scientific or technological uncertainties.

Eligible expenditure
Most operating costs relating to the performance of the R&D, including personnel, materials consumed, proportional overheads, relevant computing costs, plants, and machinery. For subcontracting costs the company needs to notify the subcontracting party in writing that they must not make a claim for either the R&D tax credit or the R&D corporation tax for these projects.

Carry-back & retroactivity	Carry-forward
1 year	Indefinitely

Regulatory body
Revenue Irish Tax and Customs oversees the administration and delivery of R&D tax credits to eligible companies. Technical experts may inquire as to the eligibility of expenditures, especially during the first year's claim.

Claiming procedure
All claims for the R&D tax credit (under section 766) and the R&D corporation tax credit (under section 766C) must be made within 12 months from the end of the accounting period in which the expenditure was incurred, using Form CT1 in the Revenue Irish Tax and Customs online system.

Location of eligible research costs

A company may qualify for R&D tax credits or R&D corporation tax credits if it is liable to pay corporation tax in Ireland, performs eligible activities in Ireland, the European Economic Area (EEA), or the United Kingdom, and the expenditure does not qualify for a tax deduction in any other country.

Compatibility with other tax incentives

Any expenditure which is funded directly or indirectly by any grant (from the state or EU) will not qualify for R&D tax relief.

IP consideration

Intellectual property significantly impacts the application of the R&D Tax incentive in Ireland. Proper IP management can also help in defending claims during audits, in ensuring compliance, and maximising benefits.

Keep in mind

Companies claiming R&D credits are not required to hold the intellectual property rights resulting from their R&D work. When R&D is subcontracted, the ownership of the IP can determine which party is eligible to claim the tax relief. The company that retains the IP rights from the subcontracted R&D work is typically the one that can claim the relief. Equally, there is no requirement for the R&D work to be successful. Proper records must be maintained by companies claiming R&D credit.

Other incentives

Patent Box

Known as the Knowledge Development Box (KDB), this relief applies to income from eligible patents, computer programs and, for smaller companies, certain other certified intellectual property. A company that is eligible for the KDB may be entitled to a deduction equalling 50% of its qualifying profits, meaning that its qualifying profits will be taxed at an effective rate of 6.25%.

Grants

National and European grants are available for R&D projects realised in Ireland based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

ITALY

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Patent Box

OVERVIEW

With its new Transizione 4.0 plan, Italy has decided to relaunch, stabilise (until at least 2031), and step up the incentives for companies investing in R&D, innovation and design aimed at more sustainable and digital production processes. The tax credit's intensity has been heightened to boost R&D investments by businesses operating in the southern regions of Italy. The intensity varies depending on the type of activity pursued by Italian taxpayers, be it R&D, technological innovation related to Industry 4.0, sustainable development or design. Besides which Italy is one of the greater beneficiaries from the Recovery Plan funds. This provides for further promising opportunities.

GERD as % of GDP
1.37%

Corporate income tax rate
24%

Corporate income tax return
October 31.

MAIN INCENTIVES

1. R&D Tax Credit

Incentive type
Volume-based tax credits.

Benefit
For the fiscal year 2024, the tax credit's intensity varies depending on the type of activity: 10% tax credit for research and development, 5% for technological innovation related to Industry 4.0, sustainable development, and technological innovation in design.

Eligible tax liability
The tax credits can be offset against a wide range of taxes and contributions (corporate income tax, regional production tax, with-holding tax liabilities, VAT), even where a company reports losses.

Ceiling
The tax credits available to businesses in the 2024 fiscal year were limited to:
- €5m for R&D
- €4m for technological innovation related to Industry 4.0 and sustainable development
- €2m for design and aesthetic ideation
- €2m for technological innovation

Carry-back
None

Carry-forward
3 years

Retroactivity
5 years under specific conditions

Refundable
No

Eligible activities
The activities are not restricted to any field or industry. Eligible activities are defined by the Ministry of Enterprises and Made in Italy (MIMIT) in keeping with the OECD's Frascati and Oslo Manuals and include:
- Basic research
- Industrial research
- Experimental development
- Technological innovation
- Design and aesthetic ideation

Eligible expenditure
The eligible expenditures are the same regardless of the activities pursued:
- Employee recruitment costs
- esearch agreements with universities, research institutes, enterprises, innovative startups, and SMEs
- Depreciation of laboratory equipment and instrumentation
- Generation of technical knowledge and industrial property rights

Regulatory body
The Italian tax administration Agenzia Entrate oversees the fiscal aspects, and MIMIT the technical part.

Claiming procedure
Ex-post. R&D tax credits must be supported by a certification of eligible expenses to calculate the benefit. Technical reports validating activities need to be certified by a legal representative of the beneficiary. Tax credits are claimed by way of the tax return using the F24 form, in three equal annual instalments. From March 2024: companies willing to claim R&D tax credits have to declare the amount of investment and the corresponding tax credits in advance, and the completion of the activities afterwards.

Location of eligible research costs
To be eligible, activities need to take place in Italy, a member state of the EU or European Economic Area (EEA), or in a state bound by an information exchange agreement for the avoidance of double taxation.

Compatibility with other tax incentives

If not specified otherwise, R&D tax credit are compatible with other tax incentives or grants. Public grants awarded to eligible R&D projects must be subtracted from the total expenses calculated for the R&D tax credit.

IP consideration

The ownership of IP rights can play a significant role, with companies investing in research and development being able to claim tax credits for expenses related to IP, such as patenting and licensing fees.

2. New Patent Box

Incentive type

Volume-based tax relief.

Benefit

Italian companies can apply for a super-deduction of expenses incurred in the development, cultivation, maintenance, protection, and exploitation of qualifying intangible assets, now increased to 110%..

Intangible assets

- Patents
- Software
- Design and Models

Ceiling

None

Refundable

No

Eligible activities

The activities are not restricted to any field or industry. Eligible activities are defined by MIMIT in keeping with the OECD's Frascati and Oslo Manuals and include:

- Basic research
- Industrial research
- Experimental development
- Technological innovation
- Design and aesthetic ideation
- Legal protection activities

Eligible expenditure

Eligible costs include:

- Employee recruitment costs
- Research agreements with universities, research institutes, enterprises, innovative startups, and SMEs
- Depreciation of laboratory equipment and instrumentation
- Generation of technical know-how and industrial property rights
- Expenses linked with the legal protection of intangible assets

Regulatory body

MIMIT oversees the technical aspects, while the Italian tax authority oversees the fiscal side.

Recapture mechanism

In the tax period wherein a subsidised intangible asset obtains an industrial property title, the taxpayer can deduct the expenditure incurred over the eight previous tax periods in connection with the creation of this intangible asset, increased to 110%.

Claiming procedure

Ex-post by self-assessment. Companies wishing maximum protection can prepare a technoeconomic justification to be signed by the legal representative before applying for the incentive, which will protect them from sanctions and fines in case of an audit.

Location of eligible research costs

Eligible activities need to take place in Italy, a member state of the EU or European Economic Area (EEA), or in a state party to an information exchange agreement for the avoidance of double taxation.

Compatibility with other tax incentives

The New Patent Box is compatible with R&D tax credits and grants. The New Patent Box tax relief is calculated net of the grants received for developing the intangible assets.

Keep in mind

The procedure for certifying the eligibility of R&D activities carried out by companies came into force in 2024. Taxpayers are now able to appoint a certifier registered with MIMIT to issue a certificate on the eligibility of R&D activities for tax credits. The procedure is optional and only binding for the tax administration with regard to the eligibility of activities, not the amount of expenditure. The certification can be issued for activities that have already been carried out (since 2015), but also for activities that companies plan to carry out in future.

Other incentives

Capital goods tax credit Transizione 4.0

Tax credit for investing in eligible capital goods

Capital goods tax credit Transizione 5.0

Tax credit for investing in eligible capital goods aimed at reducing overall energy consumption

Grants
National and European grants are available for R&D projects realised in Italy based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

PERU

Additional Deductions

OVERVIEW

Background

R&D investment is low in Peru and merely accounts for 0.12% of the GDP, with the average in Latin America also being less than 1%. But the Peruvian government does keep investing every year to promote and stimulate the country's R&D. In 2013, it passed Act No. 30.309, which is aimed at encouraging Peruvian companies to invest in the development of innovative activities.

This regulation also provided taxpayers incurring expenses in R&D projects with a 100% deduction of eligible expenses from their corporate income tax. But as the tax credits became better known and found growing use, the government decided to review them and significantly stepped up the R&D-related tax relief.

The previous Act No. 30.309 was thus amended by Act No. 31.659 enabling taxpayers to benefit from an additional relief ranging between 160% and 240% of incurred R&D expenses. The government has officially extended the R&D tax relief until 31 December 2025.

GERD as % of GDP
0.12%

Corporate income tax rate
10% - 29.5%

Corporate income tax return
First week of April at the latest.

MAIN INCENTIVES

Incentive type

Volume-based tax relief for R&D expenses.

Benefit

Peruvian companies may apply for an additional volume-based tax relief based on R&D expenses in the following situations:
Large companies with an income exceeding €3.2m (2,300 tax units):

- 190% deduction of incurred expenses if the project is executed directly by the taxpayer or via research, technological development, or innovation centres based in Peru.

- 160% deduction of incurred expenses if the project is executed by research, technological development, or innovation centres outside Peru.

Micro-companies and SMEs with an income exceeding €2.6m (2,300 tax units):

- 240% deduction of incurred expenses if the project is executed directly by the taxpayer or via research, technological development, or innovation centres based in Peru.
- 190% deduction of incurred expenses if the project is executed by research, technological development, or innovation centres outside Peru.

Eligible companies can choose to realise their projects directly with their own resources or indirectly by the advance outsourcing of R&D services to approved scientific research, technological development and/or technological innovation centres. The subcontracted centre needs to be accredited by the Peruvian National Council for Science, Technology and Innovation (CONCYTEC).

Eligible tax liability

Corporate income tax.

Eligible activities

R&D projects are eligible if they meet the definitions provided by the tax credit regulation, based on the Frascati Manual. Technological innovation activities can benefit from the additional R&D tax relief too.

Ceiling

The annual tax relief cannot exceed UIT500 (S/ 2.675.000 = €692k).

Carry-back & retroactivity	Carry-forward
None	None

Refundable

No

Regulatory body

CONCYTEC oversees the eligibility and certification of R&D projects, while the taxation side is seen to by the tax authorities.

Claiming procedure

R&D personnel needs to be registered with RENACYT (Registro Nacional Científico, Tecnológico y de Innovación Tecnológica).

The claim is ex-ante. Once the pre-approval and certification have been issued by CONCYTEC (within 45 business days of the request being made), claimants can apply for the tax deduction. This means that eligible R&D expenses will be deducted in the fiscal year of their pre-approval and certification. The additional R&D tax relief can ultimately be claimed by way of the online corporate income tax return on the tax authority website in April.

Eligible expenditure

The costs of equipment (tools, software, laboratory machines) and facilities (scientific buildings, infrastructure upgrades) used for the R&D project.

Other eligible expenditures include:

- Materials and consumables (IT licenses, fares, raw materials, etc.)

- Rent and lease payments (goods, offices, equipment, machines, cars) required for the R&D project
- Subcontracting expenses with third parties
- Intellectual and industrial property costs (patents)

Location of eligible research costs

There are no restrictions apart from the intensity of the R&D tax relief depending on the location of the R&D expenditure.

Compatibility with other tax incentives

Any public grants awarded for an R&D project must be deducted from the total costs calculated for its R&D tax relief.

IP consideration

In the end, the result of the R&D project or technological innovation can be registered with the National Institute for the Defence of Free Competition and the Protection of Intellectual Property (INDECOPI), if relevant.

To own the IP is not mandatory to apply for the incentive; however, the regulation promotes the IP mechanisms in order to protect and transfer the IP.

Keep in mind

Researchers or specialists developing projects must be registered in the Directory of CVs related to Science and Technology (CTI Vitae of CONCYTEC).

With subcontracted R&D services, applicants can only change the R&D subcontractor if the new one is CONCYTEC-accredited in the same research discipline as the approved project.

Applicants will be asked to keep proper accounts for each project, duly maintained by either the taxpayer or the subcontracted R&D centre.

For further information, please contact us at: global@fi-group.com

POLAND

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Patent Box

OVERVIEW

Background

Until 2016, Poland offered an accelerated depreciation of machinery, equipment, and buildings used for R&D. A marked increased in implied R&D tax subsidy rates became noticeable in 2016 when an enhanced, volume-based R&D tax allowance was introduced. The Polish government's desire to support local companies then gradually increased the allowance rate in the following years from 30% to 100% in 2018. In January 2022, the government introduced the so-called Polish Deal, a package of incentives to reboot the economy after the epidemic. This is intended to introduce new and tweak existing tax breaks to support investment and innovation.

As such, the Polish Deal brings many significant changes for companies as the existing R&D tax relief rises to 200% for costs related to R&D staff salaries, while prototype and robotics tax reliefs are introduced to allow taxpayers to benefit from a tax deduction on eligible costs, and finally with a relief for innovative employees available to entities where no R&D relief has been deducted in earlier years. These will be entitled to deduct the relief from the advance income tax payments deducted monthly from the salaries of selected employees.

GERD as % of GDP
1.56%

Corporate income tax rate
19% & 9% for SMEs (annual sales revenues not exceeding €2m) and new businesses.

Corporate income tax return
3 months after the end of the fiscal year.

MAIN INCENTIVES

Incentive type

Volume-based tax deductions.

Benefit

R&D tax relief: From 1 January 2022, all companies based in Poland can claim 200% of eligible R&D expenditure related to salaries of R&D staff in the reduction of their tax base by the current year's expenditure, and 100% of other eligible costs. The same benefit is available to companies entitled to R&D centre status, but here the 200% relief is applicable to all types of eligible cost. Companies that benefit from exemptions in the Polish Investment Zone or special economic zones are only entitled to deduct eligible costs for R&D insofar as they are not included in the calculation of exempted income for the instruments above.

Prototype tax relief: This offers a 30% deduction of the costs of the trial production and launch of a new product. Companies enjoying exemptions in the Polish Investment Zone or special economic zones are only entitled to deduct eligible prototype costs insofar as they are not included in the calculation of exempted income for the instruments above.

Robotisation tax relief: This permits an additional (50%) deduction of robotisation costs from the tax base. The duration of the relief is 5 years (the expenditure must be incurred in the years 2022 -2026). The tax relief may be rolled over for 6 years, which means that the last expenses can be written off in 2032. Companies that enjoy exemptions in the Polish Investment Zone or special economic zones are only entitled to deduct eligible robotisation costs insofar as they are not included in the calculation of exempted income for the instruments above.

Innovative employees tax relief: This supplements the R&D relief and enables companies to settle eligible costs incurred in R&D activities more quickly. Eligible costs incurred in R&D activities that exceed the income in a given tax year can be used to reduce the advance income tax paid on staff salaries. The deduction is conditional to the employees concerned spending at least 50% of their total working hours directly on R&D activities in any given month.

Eligible tax liability

Corporate income tax & personal income tax.

Ceiling

R&D tax relief: The deduction must not exceed the income earned from sources other than capital gains in a tax year.

Prototype tax relief: The deduction must not exceed 10% of the income earned from sources other than capital gains in a tax year.

Robotisation tax relief: The deduction must not exceed the income earned from sources other than capital gains in a tax year.

Carry-back & retroactivity*	Carry-forward
5 years by filing adjusted CIT-PIT	6 years for R&D, robotisation and prototyping

* does not apply to innovative employees tax relief

Refundable

R&D tax relief: Startups can benefit from a "cashback". If a company is making losses or its earned income was less than the amount of the deduction available in the year it starts operating, the incentive can be offered in cash.

Eligible activities

R&D tax relief is available to businesses engaged in activities within the scope of R&D works as defined by tax law. According to the statutory definition, R&D activities are creative activities involving research or development and undertaken in a systematic manner to add to and use knowledge resources for the creation of new applications.

Prototype tax relief is intended for companies incurring costs related to the trial production and launch of new products.

Robotisation tax relief is available to production entities investing in the automation of their plants.

Eligible expenditure

R&D tax relief: Salaries (wages, allowances, bonuses, overtime, leave, payroll tax, and workers insurance), civil law agreements (contract of mandate, contract work), materials & supplies (all materials and supplies used for R&D including low-cost lab equipment), cooperation with scientific units (costs of analysis, research, development, and comparable services), leasing of research equipment, legal protection for technical knowledge (all costs of obtaining patents and other similar legal protections), amortisation (intangible assets) and depreciation (fixed assets) of assets used in R&D, excluding houses, buildings, and vehicles.

Prototype tax relief: The purchase price or manufacturing costs of brand-new fixed assets needed to start the trial production of a new product, expenditures incurred in improving property, plant, and equipment to adapt them to the launch of a new product's trial production, costs of acquiring materials and raw materials purchased solely for the purpose of a new product's trial production. The costs of launching a new product include: any documents required by law or for a new product's approval for marketing or use, tests of a new product's lifecycle, environmental technology verification systems.

Robotisation tax relief: Costs of purchasing new industrial robots (and related machines and devices), robot operation software, as well as training costs for employees in their use.

Regulatory body

The incentives are overseen by the Ministry of Finance.

Claiming procedure

Ex-post by self-assessment. To benefit from the R&D tax relief, entities need to be engaged in R&D activities and prepare records of the eligible costs incurred in connection with R&D in a given year. With the prototype and robotisation tax relief there is no need to be engaged in R&D activities, the only condition being the incurrence of costs related to the trial production and launch of new products/ robotisation.

There is no specific separate reporting apart from having internal justifications and documentations supporting the classification of specific costs as R&D expenditures. A company claiming R&D tax relief needs to submit an appendix (CIT/BR, PIT/BR) with its annual tax return. Tax authorities may review the deduction in a regular tax audit. The statutory limitation period in Poland is five years.

Location of eligible research costs

Eligible R&D activities need to take place in Poland.

Compatibility with other tax incentives

Any public grant awarded to eligible R&D projects needs to be deducted from the total expenses calculated for the R&D tax relief.

IP consideration

There is no ownership requirement for IP in relation to R&D tax incentives claims.

Keep in mind

Taxpayers are required to keep accounting records in accordance with separate regulations and a manner ensuring the calculation of the amount of income (loss), tax base, and the amount of tax due for the tax year, and to include information necessary to calculate the amount of depreciation in the records of tangible and intangible assets. Taxpayers conducting R&D activities who claim R&D tax deductions are required to segregate the costs of R&D activities in their records to permit the separate identification of eligible costs.

Other incentives

Grants

National and European grants are available for R&D projects realised in Poland based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

IP Box

This permits companies to benefit from a reduced 5% tax rate for income earned from eligible intellectual property rights (eligible IP). The Polish Deal lets companies conducting R&D activities benefit from the IP Box and R&D tax reliefs at one and the same time.

For further information, please contact us at: global@fi-group.com

PORTUGAL

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Patent Box

OVERVIEW

Background

Seeing them as an essential economic factor, the Portuguese government has historically shown its support by offering various incentive programmes for private R&D activities.

Originally introduced in 1997, these SIFIDE II incentives have been reviewed and revised over the years.

In its current form, SIFIDE enables companies to benefit from a 32.5% tax relief on current-year R&D expenses, plus an incremental rate of 50% on the cost increase compared to the average R&D costs of the preceding two fiscal years. Which is why it is currently to be regarded as one of the most generous R&D tax credits available in the OECD.

There is no specific information about a sunset date, but the incentive should be continued until 2025 as a minimum.

GERD as % of GDP
1.56%

Corporate income tax rate
21%

Corporate income tax return
May 31.

MAIN INCENTIVES

Incentive type
Volume-based and incremental tax credits.

Benefit
Portuguese companies can apply for a 32.5% tax credit for the costs of eligible R&D activities performed during the year. Also available on top of this volume-based scheme is an incremental tax credit enabling businesses to reduce their tax rate by 50% for eligible R&D expenses exceeding the average R&D costs of the preceding two years. With initial claims, all eligible expenses are deductible at a higher rate of 82.5%. For SMEs not in existence for two fiscal years and thus unable to benefit from the incremental rate, an additional 15% can be added to the volume-based tax credit, resulting in a 47.5% tax credit on R&D costs incurred over the year.

Eligible tax liability
Corporate income tax.

Ceiling
The incremental tax credit is capped at €1.5m.

Carry-back & retroactivity	Carry-forward
None	Up to 12 years

Refundable
No

Eligible activities
The eligible activities are defined by the OECD Frascati Manual and include basic and applied research as well as experimental development.

Eligible expenditure
- Costs of personnel directly involved in R&D activities (from qualification level 4 as per Portugal's national qualification framework)
- Acquisition of tangible fixed assets
- Expenses related to the filing and upkeep of patents
- Investments in R&D institutions and contributions to investment funds
- Operating expenses up to 55% of the personnel expenses
- R&D audit costs (as per NP4457)
- Expenses related to contracting R&D activities with entities whose suitability for R&D is recognised by the National Innovation Agency (ANI)
- Expenses related to the participation of directors and managers in the management of R&D institutions
- Expenses for demonstration activities arising from supported R&D projects reported to ANI before

Regulatory body
The Portuguese regulatory body overseeing SIFIDE applications and assessing the eligibility of applicant projects is ANI.

Claiming procedure
Ex-post. Applications need to be filed by way of the annual corporate income tax return (Modelo 22) before the end of the fifth month following the year the expenses were incurred in. SIFIDE applications also need to be formalised using the official online platform or by mail to ANI, which can be done before or after the corporate income tax return.

Location of eligible research costs
R&D activities need to take place in the European Economic Area (EU member states plus Iceland, Liechtenstein, and Norway).

Compatibility with other tax incentives

Public grants awarded to eligible R&D projects are deductible from the total costs calculated for R&D tax credits. The tax credit on collaborative expenses is incompatible with the research tax credit.

IP consideration

Expenses associated with intellectual property can be included in SIFIDE. Specifically, the following IP costs are eligible for this tax benefit:

• Costs of registering and maintaining patents
• Acquisition of patents for R&D activities (only for SMEs)

These expenses have no limit. The expenses associated with the registration and maintenance of patents do not require an assessment by ANI. In fact, a company can benefit from SIFIDE just for expenses associated with the registration and maintenance of patents. But in turn, the acquisition of patents must be directly related to the R&D projects developed. It is not necessary for a company to hold IP to apply for SIFIDE. Industrial property appears only as a typology of expenses that companies can include in the calculation of the benefit associated with R&D projects developed in each period. The costs of registering and maintaining patents can be national or international. The costs of acquiring patents should be related to R&D activities carried out on national territory.

Keep in mind

In the tax credit application process, R&D claims need to be assessed by ANI, which gives a stamp of approval to projects meeting its R&D scope. This calls for a technical and financial report to substantiate R&D claims.
The evaluation is performed by experts who assess the submitted R&D project's degree of novelty and proofs of technological breakthrough, which is the most demanding criterion for the approval of Portuguese R&D tax credits.

Other incentives

Patent Box

This recent programme enables companies to qualify for an 85% tax relief on taxable profits from IP (patents, industrial drawings, models after 30/06/2016, and copyright of computer programs since 09/02/2020). It applies to the assignment and transmission of certain intangible assets. Income from contracts concerning the assignment or temporary use of subsequent intellectual property rights, when registered, contributes to the determination of taxable profit at 85% of its value.

Grants

National and European grants are available for R&D projects realised in Portugal based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

SINGAPORE

- Tax Credits/Deductions
- Cash Grants and Loans
- Patent Box

OVERVIEW

Background

Research and development play a key role in Singapore's ambition to be an innovation-driven and value-creating economy. From the introduction of the Productivity and Innovation Credit (PIC) Scheme in 2010 to the enhancements of the ongoing scheme, the generous framework of R&D tax incentives has benefitted many businesses. Over the past decade, the government has continued to improve the available R&D programmes to incentivise eligible activities carried out in Singapore, performed in-house, or outsourced, or as part of any cost sharing agreement if the taxpayer is the beneficiary of the R&D activities. The tax deduction available for eligible R&D projects can reach up to 400% until the fiscal year 2027. Digital forms and extensive guidelines from the tax administration make the incentives easy to use as the taxpayer doesn't need to contact any government agency for them in person.

GERD as % of GDP
2.2%

Corporate income tax rate
17%

Corporate income tax return
November 30.

MAIN INCENTIVES

Incentive type

Volume-based tax relief.

Benefit

Singaporean companies can apply for a 250% tax deduction for eligible R&D expenses incurred in Singapore, while eligible R&D expenses overseas can benefit from a 100% tax deduction. Based on the current corporate income tax rate, the 250% R&D tax deduction equals an after-tax benefit of 42.5%, while the 100% tax deduction equals an after-tax benefit of 17% for overseas activities.

With the new Enterprise Innovation Scheme (EIS) introduced by the Singaporean government in the 2023 budget, the tax deduction rate is raised to 400% on the first S$400k of eligible R&D expenses for the financial years 2023 to 2027. Based on the current corporate income tax rate, this raises the after-tax benefit to 68% for the first S$400k of eligible R&D costs.

Eligible tax liability

Corporate income tax.

Ceiling

None

Carry-back & retroactivity
Up to 4 fiscal years

Carry-forward
Indefinitely

Refundable

No

Eligible activities

To be eligible, R&D projects need to meet the definition of R&D in sections 14C, 14D (1) and 14D (1A) of the Income Tax Act. There are three requirements:

- Projects need to acquire new knowledge or create new products/processes, or improve existing products or processes
- They need to involve novelty (being the first of their kind in Singapore) or technical risks (scientific or technological uncertainty that cannot be readily resolved)
- They need to follow a systematic, investigative, and experimental study in a field of science or technology

Eligible expenditure

The eligible costs include personnel costs, consumables, and subcontracted R&D expenses.

When the R&D work is contracted out to a R&D organisation and a breakdown of the expenditure is not available, the eligible R&D expenditure is deemed to be 60% of the payments made to the R&D organisation or under that agreement. Projects conducted under a cost-sharing agreement are also eligible for claims.

Regulatory body

Claims are processed by the Singapore Tax Authority and the Inland Revenue Authority of Singapore (IRAS).

Claiming procedure

Ex-post. Companies need not seek government preapproval for R&D tax measures. To be eligible, companies need to submit the claim in their income tax return and their tax calculation in an R&D form. All claimants are required to complete this R&D form, which includes a detailed description of R&D projects based on official guidelines. To provide upfront certainty on their R&D claims for up to 3 financial years, IRAS has implemented a pre-claim evaluation process referred to as the R&D Assurance Framework. To apply for this R&D Assurance Framework, companies are required to:

- Maintain good internal evaluation processes and supporting documentation to prove that projects included in R&D claims satisfy the requirements
- Undertake at least 5 R&D projects in-house in the year concerned
- The R&D costs for these projects need to amount to $500k as a minimum

Location of eligible research costs

Eligible R&D expenses incurred in Singapore will benefit from a tax deduction of up to 400%, whereas eligible overseas R&D expenses can benefit from a 100% tax relief.

Compatibility with other tax incentives

Any public grants awarded for eligible R&D projects must be deducted from their total expenses calculated for R&D tax relief.

IP consideration

To claim R&D expenses under the scheme, companies need to be the beneficiaries of the R&D activities. This is conditional to the company being able to commercially exploit the result of the R&D activity and bearing the financial burden of pursuing it.

Keep in mind

To be able to claim R&D tax incentives, taxpayers must be the beneficiary of the R&D activities in question, which means that they bear their costs and effectively own the know-how, intellectual property, or other results to come of them.

In case of intragroup arrangements, international companies should therefore analyse their IP-sharing and cost reinvoicing agreements. One of the potential solutions can be the conclusion of a cost-sharing agreement with a Singaporean subsidiary.

Other incentives

Grants

National grants are available for R&D projects developed in Singapore based on the sector, size of the company, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

SPAIN

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- Reduced Social Security Contributions
- Patent Box

OVERVIEW

Background

Tax credits for R&D and technological innovation have been around since 1978. But in the first two decades of the new millennium, various legal changes and improvements made them more attractive for public and private companies. These new regulations permit a greater and broader use of incentives, e.g. by refunding unused credits (in the Ley de Emprendedores scheme). The governmental R&D support includes volume- based (25%) and incremental (42%) tax credits for R&D-related expenses, and a 12% tax credit for technological innovation activities. Further major tax credits are available for eligible costs (wages, intangible fixed assets) if specific conditions are met. Circa 5,800 Spanish companies applied for R&D tax credits in 2020.

GERD as % of GDP

1.41%

Corporate income tax rate

Spain's 2022 budget introduced a minimum corporate income tax rate of 15% for specific taxpayers, effective from the 2022 financial year. This 15% rate is the minimum tax liability, with the standard rate being 25%.

Corporate income tax return

6 months and 25 days after the end of the fiscal year. Most Spanish companies file their corporate tax returns on July 25.

MAIN INCENTIVES

Incentive type
Volume-based and incremental tax credits.

Benefit
Spanish companies can apply for a 25% tax credit on their eligible R&D expenses over a tax year. An incremental tax credit available in addition to the volume-based credit amounts to 42% of all eligible expenses exceeding the 2 previous years' average of such expenses. An additional 17% credit is available for wages paid to eligible dedicated R&D scientists. Finally, an 8% tax credit is available for investments in tangible and intangible fixed assets exclusively dedicated to R&D. Where the costs of technological innovation activities are concerned, taxpayers can apply for a 12% tax credit.

Eligible tax liability
Corporate income tax.

Ceiling
25% of due corporate income tax (50% if the R&D tax relief makes up more than 10% of the total tax due).

Carry-back & retroactivity	Carry-forward
4 fiscal years	18 years

Refundable
If the requirements of Law 27/2014, Article 39.2 are met - mandatory pre-approval by the Ministry of Science, Innovation and Universities (MICINUN) - taxpayers can claim the full tax credit of 80%.

Eligible activities
Scientific investigation and research for the manufacture of new materials or products, technological improvement of existing methods, new software, and technological innovation.

Eligible expenditure
- R&D staff wages
- Acquisition of R&D equipment
- Materials
- Subcontracting activities involving public R&D institutions, universities, institutes, and private companies
- Equipment depreciation proportional to the intensity of their use for R&D

Regulatory body
The Ministry of Science, Innovation and Universities (MICINUN) has an important role to play in the approval and delivers a report to the tax authorities on the R&D or technologically innovative nature of the expenses incurred and investments made. This report is optional and only binding for the tax administration with respect to the R&D or technological innovation project's eligibility.

Claiming procedure
Ex-post. Self-assessment or pre-approval by MICINUN.

Companies wishing to be absolutely certain about their tax credit can request an R&D assessment agreement before the project start or at the end of each financial project year. This report is binding for the tax authorities with regard to a project's eligibility.

R&D claims are overseen by the Spanish tax authorities. In the event of a tax audit, a full technical justification report will be requested from the taxpayer.

Location of eligible research costs
To be eligible, activities need to take place in Spain or a member state of the EU or European Economic Area (EEA).

Compatibility with other tax incentives

Public grants awarded to eligible R&D projects are deductible from the total costs calculated for R&D tax credits. R&D tax credits and reduced social security contributions can only be combined by eligible SMEs (in the Young Innovative Start-up programme).

IP consideration

An important parameter to be analysed is who owns the intellectual property of the developments made, or the object of the deduction, to determine who has the right to apply for such deductions. In this analysis there are certain nuances that must be taken into account to fine-tune the regulations to the reality of the project.

Keep in mind

Spain is one of the countries in the OECD with an optional procedure to apply the tax credit that require a technical pre-approval of projects, which is binding in the event of a tax audit and supplied by MICINUN. The issuance of this pre-approval may take from three months to one year.

Other incentives

Reduced social security contributions

This incentive offers a 40% reduction of social security contributions payable by full-time R&D and innovation activity staff.

Patent Box

An incentive offering 60% income tax relief for eligible net incomes from the licencing or transfer of eligible intangible assets.

Grants

National and European grants are available for R&D projects realised in Spain based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

NETHERLANDS

- Volume based Tax Credits/ Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Next Generation EU Funds
- IP Box

GERD as % of GDP
2.296%

Corporate income tax rate
The Dutch corporate tax rate may change depending on the amounts. Up to an income of €200K, companies are taxed at a 19% rate, if they surpass this amount, they will qualify for a 25.8% rate.

Corporate income tax return
Generally, the due date is five months after the end of the company's financial year.

OVERVIEW

Background

Having been introduced in 1994, the Dutch R&D tax programme is one of the oldest in the European Union. The efforts involved in the promotion of R&D has led the country to adopt a comprehensive R&D financing policy which stimulates the entire R&D lifecycle of a project. The fiscal R&D toolbox in Netherlands comprises two schemes: WBSO (Wet Bevordering Speur en Ontwikkelingswerk) and an Innovation Box.

The WBSO R&D tax credit is a tax-based incentive scheme that offers compensation for part of the R&D wage costs, other costs, and expenditures. In practice the scheme reduces the payroll tax burden. The Innovation Box provides tax relief to encourage innovative research. All profits earned from innovation activities are taxed at a special rate of 9% instead of the standard corporate income tax rate. With the second scheme being dependent on the first, the toolbox is as simple as it is comprehensive, and its workings are easily understandable for taxpayers.

The government has set itself the goal of investing at least 3% of the GDP in innovation by 2030. The increase in the WBSO budget plays an important role in achieving this ambition. The available budget for 2025 has been increased to €1,582bn. With this expansion, the government supports companies by fiscally compensating part of the labour costs associated with R&D activities.

MAIN INCENTIVES

Incentive type
Volume-based tax credit.

Benefit
Dutch companies can qualify for a tax credit to lower the salary costs for R&D as well as other, similar expenditures such as material, tooling, and external testing costs. From 2025, the tax credit is raised to 36% for the first €380k of R&D salary costs and 16% for all further R&D costs and expenses. The percentage for startups is raised from 40% to 50% to further encourage innovation in startups.

Eligible tax liability
Corporate income tax.

Ceiling
The deduction of R&D withholding tax credits must not lead to a reduction of the payroll tax payable in a tax period to less than zero.

Carry-back	Carry-forward
None	None

Refundable
None

Eligible activities
Apart from "public knowledge organisations", every entrepreneur in Netherlands planning to carry out R&D can submit an application for a WBSO tax credit. The company can be of any size and working in any business field. The WBSO distinguishes between entrepreneurs who withhold payroll taxes and those subject to income tax. The WBSO extends support to two types of project:

- Development projects: this concerns the development of technically new (components of) physical products, physical production processes, or software
- Technical scientific research: this concerns explanatory research that is technical in nature

Eligible expenditure
Dutch applicants can choose between two types of claim: either they opt for the actual costs (purchase of non-durables, materials, and parts) and expenditures (purchase of new operating assets) of their own R&D, or a fixed sum which approximates these costs and expenditures. With both options, these expenditures are added to the R&D wage costs. The eligible expenditures are R&D wage costs, all direct R&D costs (directly demonstrable link to R&D activities), and a share of indirect costs.

Regulatory body
The WBSO is an initiative of the Ministry of Economic Affairs and Climate Policy which helps companies to reduce the costs of their R&D. The scheme is implemented by Netherlands Enterprise Agency (RVO), which is part of the Ministry of Economic Affairs and Climate Policy.

Claiming procedure
Ex-post. A pre-approval granted by the RVO is mandatory. To obtain it, companies must have submitted their application. In total, up to 4 applications can be filed per year as long as they cover a minimum period of 3 months and a maximum period of 12 months.

Companies will also have to prove the validity of their projects by providing the expected R&D documentation: nature and content of the R&D activities performed, the time spent per day for performing R&D activities, and the progress of the R&D undertaken.

Location of eligible research costs
The development work needs to take place in the European Union. Employees working on WBSO projects must therefore be physically located in the EU. Remote or hybrid work outside the EU is not permitted.
Employees must be salaried employees and their company must pay them payroll taxes in Netherlands.

Since Brexit, the UK is no longer part of the EU, therefore employees working from the UK are also not allowed to apply for WBSO.

Compatibility with other tax incentives

The amount of public grants awarded for eligible R&D projects must be deducted from the total expenses calculated for the R&D tax credit.

IP consideration

The WBSO is specifically meant to stimulate innovation in Netherlands, and wants to keep innovation and high-risk programming work within its own borders. The incentive allows companies to attract more talent. So as long as a project is new to the organisation and qualifies as high-risk R&D work, IP is not necessary.

Keep in mind

The R&D definition follows the Frascati Manual directives quite strictly. As such, some R&D-related activities are deemed ineligible. The RVO provides clear guidelines regarding eligible and ineligible R&D activities. The eligibility evaluation grid distinguishes technical and scientific endeavours, with both having to be present in a single project to make it eligible. The project description accompanying the application for approval by the RVO must be succinct and straightforward. The editing is important as claimants must answer questions regarding the R&D eligibility in a concise way while keeping in mind all the specific interpretations and exceptions provided by the RVO.

Other incentives

Patent Box

The Dutch government offers an Innovation Box to fiscally stimulate innovative activities. The Innovation Box is part of the corporate tax return. All profits earned from innovative activities are taxed at a special rate of 9% instead of the 25.8% tax rate in force in 2025.

Grants

National and European grants are available for R&D projects realised in Netherlands depending on the sector, size of the company, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For further information, please contact us at: global@fi-group.com

UNITED KINGDOM

- Tax Credits/Deductions
- Cash Grants and Loans
- Eligible for Horizon Europe Funding
- Patent Box

OVERVIEW

Background

Initially introduced in 2000 for SMEs, the R&D tax scheme is the main source of state support for innovative companies in the UK. It remains one of the most lucrative schemes globally. The UK government recently simplified the claiming process into two well defined schemes:

1. The merged scheme:
This combines the previous RDEC (Research and Development Expenditure Credit) and SME schemes and is open to any business. The R&D expenditure credit rate under the merged scheme is set at 20%.

2. Enhanced R&D-intensive support (ERIS):
This is specifically designed for loss-making R&D-intensive SMEs. SMEs can deduct an additional 86% of their qualifying costs, on top of the 100% deduction already available, making a total of 186%.

GERD as % of GDP

2.77%

Corporate income tax rate

- Companies with profits over £250k: 25%
- Companies with profits under £250k: 19%

Corporate income tax return

- 12 months after the end of the accounting period covered
- Tax returns can be amended up to 24 months after the end of the accounting period to file claims

MAIN INCENTIVES

Incentive type

Volume-based tax credit.

Benefit

Any UK-based profit-making business can claim tax credits amounting to 20% of their qualifying R&D expenditure. This is a top-line, non-taxable income and can be offset against the corporation tax liability. Loss-making SMEs that are R&D-intensive can claim a total of 186% of their qualifying costs. They can also claim a payable tax credit worth up to 14.5% of their surrenderable loss. Only SMEs whose R&D expenditure is over 30% of their total expenditure can claim this in the new ERIS scheme, however.

Eligible tax liability

Corporate income tax (corporation tax).

Ceiling

There is a cap on UK R&D Tax claim benefits. The aim is to prevent abuse of the R&D tax relief and ensure that the relief goes to those who should receive it. Briefly, this cap includes:

- **SMEs & Large Companies:** For both the ERIS and Merged schemes, the amount of payable R&D tax credit that a small or medium-sized enterprise (SME) can claim is capped at £20,000 plus 300% of its total Pay As You Earn (PAYE) and National Insurance Contributions (NICs) liability for the period
- **Exemptions:** A company is exempt from the cap if its employees are creating, preparing to create, or managing Intellectual Property (IP), and it does not spend more than 15% of its qualifying R&D expenditure on subcontracting R&D to, or the provision of externally provided workers (EPWs) by, connected persons.

For more information, speak to FI Group consultant.

Eligible activities

Creation or improvement of a product, procedure, process, program or equipment, demonstrating originality or substantial improvement. These developments must seek to achieve scientific or technological advancements and involve the resolution of scientific or technological uncertainties.

Eligible costs

- Personnel costs
- Operating costs (software and consumables)
- 65% of subcontracted activities
- 65% of externally provided workers (EPWs)

Refundable

- For profit-making SMEs, the enhanced R&D deduction reduces tax liability and, in cases where tax was already paid, can result in a cash refund of tax to the claimant
- For loss-making SMEs, claimants have the option of surrendering a portion of their losses for a cash creditFor loss-making large companies, the net credit can be paid out in cash

Regulatory body

His Majesty's Revenue & Customs (HMRC) is a non-ministerial department of the UK government responsible for the disbursement of R&D tax credits.

Claiming procedure

Applications are filed by way of a self-assessment process in the corporate tax return. Technical, financial and additional information forms must be filed before the submission of tax calculations.

Location of eligible research costs

There used to be no specific requirements for the ownership of the IP, and the R&D activities could have taken place anywhere in the world. This will remained the case until April 1st 2024. Applications filed thereafter are subject to new rules for the location of the R&D (some exceptions exist, but for costs to be claimed outside the UK it must be proven that the work could not be done within it).

Compatibility with other tax incentives

The costs arising from grant-funded R&D projects can still qualify for the RDEC scheme, nonetheless.

IP consideration

Intellectual property plays a significant role in the application of the R&D tax incentive in the UK. Effective IP management can also help in defending claims during HMRC audits, in ensuring compliance and maximising benefits. Here's a summary of how IP impacts the scheme:

1. IP ownership:
To qualify for R&D tax relief, the company must own the IP resulting from the R&D activities.

2. Sub-contracted R&D:
The company that retains the IP rights from the subcontracted R&D work is typically the one that can claim the relief.

3. Enhanced benefits for IP management:
Companies actively managing their IP can demonstrate a higher level of innovation, potentially leading to more substantial claims.

Keep in mind

Whether you are a large company or SME, you should always consider the size of your operation on a global level and not just in the UK. HMRC will typically process claims within 28 days, meaning that a cash credit should be received within this timeframe.

For tax years starting on or after 1 April 2024, a new merged scheme is applied, which combines the old SME scheme and RDEC. This means that all companies will claim the same 20% with a net benefit of 15%. The key difference between the new and old schemes being that large companies can now claim subcontracting costs. The rules for R&D-intensive SMEs still apply, but have been reduced to 30% of operational expenditures. R&D-intensive companies will be able to claim between 18.6% and 27% in tax relief.

Costs not incurred in the UK are excluded from 1 April 2024, meaning that overseas EPWs need to have their payroll administered in the UK to be eligible. Subcontractors must perform their tasks in the UK to be eligible.

Other incentives

Patent Box

The Patent Box scheme enables profits arising from patented inventions to be taxed at a lower rate than other profits. The profits eligible for the Patent Box scheme are taxed at 10% instead of the standard 20% rate.

Grants

National and European grants are available for R&D projects realised in the UK based on the sector, company size, and type and date of the grant scheme - please contact our local team: international@fi-group.com.

For any further information, please contact us at: global@fi-group.com

URUGUAY

Tax Credits/Deductions

OVERVIEW

Background

The tax credit incentive was created by Act 19.739/2019 establishing that corporate income taxpayers and taxpayers for the transfer of agricultural and livestock assets who incur R&D expenses can qualify for a tax credit ranging between 35% and 45% of said certified expenses.

The Tax Credit Regulation 407/2019 established the National Agency for Research and Innovation (ANII) as the technical entity in charge of implementing the scheme.

In 2024, the Ministry of Economy and Finance (MEF) established that the tax benefits to be assigned this year will amount to UYU156,825,500 (€3.7m), a growth of ca. 4.6% from 2023.

GERD as % of GDP

0.6%

Corporate income tax rate

25% (except free zones).

Corporate income tax return

Due dates are set by the government between January and December based on the ID of the company. Certification is quarterly, with prior approval by ANII.

MAIN INCENTIVES

Incentive type
Tax credits for national taxes or social security contributions based on R&D expenditures.

Benefit
Uruguayan companies can claim a tax credit amounting to 35% of their eligible R&D expenses in projects developed directly with their own resources.
The tax credit will rise to 45% of eligible R&D expenses if the project is executed in cooperation with universities or technology centres.

Eligible tax liability
Corporate income tax, agricultural and livestock asset transfer tax, as well as other national income taxes.

Ceiling
The maximum is 9,000,000 tax units (€1.25M) per fiscal year.

Carry-back & retroactivity	Carry-forward
None	None

Refundable
No

Eligible activities
R&D projects are eligible if they meet the definitions provided by ANII. The scope is broad enough, with no particular industry or size required.
Projects must have an important research component, with high uncertainty, advancement of knowledge, or technological development.

Eligible expenditure
- Training services, R&D staff pay
- Acquisition of R&D equipment
- Consumables
- Consulting services
- IP costs
- Contributions to R&D centres

Regulatory body
ANII is the authorised entity in charge of the process for R&D projects applying for tax credit. Its ruling on the eligibility of projects is mandatory before the incentive can be obtained.
In addition, the Uruguayan Tax Authority is the entity in charge of issuing the corresponding tax credit certificates for national taxes or social security contributions.

Claiming procedure
Prior approval by ANII is mandatory.
ANII's evaluation of submitted projects takes 120 days on average. Additional details and other exigencies can be requested from the claimant for part of this period (60 days maximum).
Expenses will be eligible upon ANII's approval.

Location of eligible research costs
The R&D project and related expenditure need to be located in Uruguay.

Compatibility with other tax incentives
Tax credits are incompatible with public grants.

IP consideration
Expenses for the protection of intellectual property are admissible in the profit budget. The acquisition of intellectual or industrial property is not considered, however, when it is the main object of the R&D work.

To own the IP is not mandatory to apply for the incentive; however, the regulation promotes the IP mechanisms in order to protect and transfer the IP.

Keep in mind

According to the criteria established by ANII, projects must be executed in the space of no more than 36 months from their approval. The expenses associated with a project will moreover be valued in current tax units.

In the course of the project, claimants need to supply ANII with progress reports and proof of incurred R&D expenses. ANII will then review if the period's activities and expenses are relevant and accord with the proposed project.

For further information, please contact us at: global@fi-group.com

USA

Tax Credits/Deductions

OVERVIEW

Background

Initially temporary, US R&D tax credits were introduced in 1981 and have continuously been extended ever since. The incentives became permanent in 2015 when a Congress proposition was accepted (PATH Act). Originally, the incentives were provided as a traditional R&D tax credit. As this was particularly difficult to use for newborn companies (excluded as they don't have a base amount), an alternative simplified credit was introduced in 2008. Nowadays, most of the companies are applying for the alternative simplified credit, even if it has a smaller rate, because the base amount applies for the three prior years. The US tax credit is considered generous as each state can also offer its own R&D tax credit, which is normally combined with the federal one.

GERD as % of GDP

3.5%

Corporate income tax rate

21%. A local tax rate is also effective, ranging from 0% to 12% depending on the state.

Corporate income tax return

For C-corps: 15th day of the 4th month after the end of the company's fiscal year. For S-corps and partnerships: 15th day of the 3rd month after the end of the company's fiscal year. It is possible to request an extension period of 6 additional months.

MAIN INCENTIVES

Incentive type
Incremental R&D tax credit.

Benefit
U.S. companies can benefit from an incremental R&D tax credit made up of two different incentives known as the traditional R&D tax credit and alternative simplified credit (ASC). Companies applying for the ASC scheme will be able to offset 14% of the difference between the current year's qualified research expenses (QRES) and 50% of the average QRES of the 3 prior taxable periods. In cases where a taxpayer has no qualified research expenditures in any of the 3 preceding tax years, the credit will be 6% of the current year's QRES. Taxpayers qualifying for the traditional R&D tax credit will be eligible for a 20% tax credit based on the excess amount of QRES over a determined base amount. The base amount is determined by the company's average annual gross receipts for the preceding 4 tax years multiplied by a fixed percentage (3% in the first 5 years of claims, and based on the QRES and gross receipts thereafter), or 50% of current year QRES, whichever is smaller.

Eligible tax liability
Corporate income tax, payroll tax credit elected by small businesses, and alternative minimum tax for eligible SMEs.

Ceiling
None

Carry-back	Carry-forward
3 years	20 years

Retroactivity
1 year

Refundable
The incentive is not refundable for the current year. There are some cases in which it can be refundable: by rectifying tax that has been payable in previous years, under the one-year carry-back rule, or with some of the state R&D credits.

Eligible activities
To be eligible, the company must satisfy the four-part test prescribed by the Internal Revenue Service (IRS). The activities need to meet the following criteria:

- Technological in nature (activities undertaken to expand knowledge of technological sciences such as physics, biology, engineering, or computer science)
- A qualified purpose (the purpose of the research is to create or improve products or processes, such as improving functionality, performance, reliability, quality, and reducing costs which can have an impact on the company's performance)
- Elimination of uncertainty (the activity is undertaken with the aim of eliminating uncertainty about the development or improvement of a process or product. These can be uncertainties such as capability uncertainty, methodology uncertainty, and product design uncertainty)
- Process of experimentation (the activity must prove that more than one hypothesis was evaluated for achieving the desired result)

Eligible expenditure
- Wages paid to employees for eligible services
- Supplies used and consumed in the R&D process
- Contract research expenses paid to a US-based third-party outsourcer (65% of the cost is allowed)
- Basic research payments to educational institutions and scientific research organisations (up to 75% of the cost)

Regulatory body
The IRS oversees the application and legislation of the R&D tax credit.

Claiming procedure

Ex-post. But even with the application being by self-assessment using Form 6765, audits may be performed by the IRS to detect potential frauds. To prepare for potential audits, claimants can request a pre-audit and receive an evaluation concerning their project and related expenses. As with other tax credits, claimants must keep business records to be able to justify the claimed tax credit.

Location of eligible research costs

R&D performed abroad is not eligible.

IP consideration

Regarding the impact of intellectual property on the research and development tax credit, the assessment is conducted through the analysis of funded research. This analysis evaluates the activities, assesses who bears the financial risk of the project, and who retains substantial rights to the results. If these conditions are not met, the project and associated expenses cannot be claimed by the company, but must be claimed by the external party hired for the project.

Compatibility with other tax incentives

The R&D tax credit is considered a general business credit and can be combined with other general credits on Form 3800.

Keep in mind

On 3 January 2022, the IRS published an official memorandum presenting a list of new elements that must be provided in the R&D tax credit claiming process. The five items presented in this new regulation are:

- Identification of all business components related to the credit claimed
- Matching of the qualifying activities with these business components
- Presentation of the individuals who performed the activities, by business components
- All the information individuals sought to discover
- The total amount of all expenses related to the credit.

There is a new regulation under discussion by the IRS requiring more documentation of projects and expenses related to R&D credits, to begin applying as of fiscal year 2025.

Other incentives

State credits for research & development activities

Every state can offer specific extra credits for R&D activities performed there. South Carolina offers a 5% tax credit on eligible R&D expenditures, for example.

For further information, please contact us at: global@fi-group.com

FI Group International Network & Philosophy

FI Group has always opted for an international positioning. The main idea was to be able to interconnect the various R&D tax incentives of different countries and thus help our clients be more competitive. FI Group is convinced that R&D investments must be considered from a global and strategic perspective for future business success.

Our ability to assess SMEs and large companies in our markets and operate remotely in new countries is augmented by the services of our International Department, made up of a team exclusively dedicated to analysing, informing, and coordinating the management of the different opportunities with our international clients. In addition to the international team, we rely on an extensive network of ambassadors within FI Group who channel this information and cover the financing needs of our clients outside their native markets.

This global coordination with specific local action is also the main aspect of our work for increasing our clients' R&D savings. From an R&D tax credit perspective, these initiatives allow our clients to reduce the number of advisors and take advantage of existing synergies from the perspective of their technological portfolio and their vision of innovation. It also helps them by highlighting opportunities and providing relevant information for decision-making in the area of R&D and innovation investment.

The output of all this work is summarised in a periodic report on the client's R&D tax incentive situation in each of its subsidiaries, and the different opportunities arising in real time. We also provide an annual management report that enables clients to visualise the return on investment, risks and opportunities based on the structure, and type of their R&D projects.

For more information or any questions, you may have, please contact us at: **global@fi-group.com**.

Thank You

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