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Global Research and Development Incentives Group

Credits and Incentives by Country

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Contents

Global R&D credits and incentives by country
(March 2011)

The information on this chart is for general information purposes only and should not be used as a substitute for consultation with professional advisors

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Australia	1. 125% "super deduction" **and** 2. 175% "super deduction"	1. Deduction on volume **and** 2. Deduction on incremental spending	Up to 10% if R&D cannot be performed in Australia	IP is commonly owned by the company incorporated in Australia claiming the R&D Tax Concession however, some situations may arise where IP is held outside Australia subject to 'on own behalf' rules
Belgium	• One-time R&D investment deduction of 13.5% (*) of the acquisition value of qualifying R&D investments • Spread R&D investment deduction of 20.5% (*) of the depreciation on qualifying R&D investments • The above incentives can be claimed in the form of an R&D tax credit which corresponds to the R&D investment deduction, multiplied by the standard corporate tax rate of 33.99% (*) Rate for assessment years 2011 and 2012	Based on volume of investment in qualifying R&D assets (including capitalised R&D expenses)	Yes, part of the R&D can be contracted out to parties located outside Belgium	The law does not explicitly require that the IP which results from the R&D activities should remain in Belgium. The impact on R&D tax incentives should be analysed on a case-by-case basis

Global R&D credits and incentives by country
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Country	Refundable option	Carryforward	Grants/other	"Patent box" regime rate
Australia	Only for small companies	Deductions may be carried forward indefinitely in the form of tax losses subject to the normal tax loss rules	Discreet grant funding available and other business incentive	N/A
Belgium	Yes, if the incentive is claimed in the form of an R&D tax credit, the remaining balance of unused R&D tax credits after five tax years is paid to the company. If the incentive is claimed as R&D investment deduction, no such refund is available	Unused R&D investment deduction/R&D tax credit is carried forward	• 13.5% (*) investment deduction on acquisition value of qualifying patents • Special expat tax status for foreign researchers temporarily assigned to Belgium • Regional R&D grants available, which are exempt from corporate income tax • Notional interest deduction for equity funded R&D activities (*) Rate for assessment years 2011 and 2012	0% to max 6.8%

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Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Brazil	160% to 200% "super deduction"	Volume based	Yes. However, only expenses incurred with Brazilian entities and individuals are subject to the "super deduction"	Yes
Canada	20% non-refundable credit. CCPC's – 35% refundable credit on first $3M, 20% thereafter	Credit on volume	Yes, however only to the extent of 10% of salaries of Canadian residents performing the R&D	Yes

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(March 2011)

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Brazil	No	No	• 50% reduction on the IPI (Federal VAT) levied on acquired R&D machinery and equipment (domestic or imported) • Accelerated depreciation for new R&D machinery and equipment acquired (Income Taxes purposes) • Accelerated amortisation for the acquisition cost of intangibles related to R&D activities (Income Taxes purposes) • Zero withholding tax rate on the remittances for registration and maintenance of trademarks and patents abroad	N/A
Canada	Only for certain Canadian controlled private corporations	Excess credits may be carried forward 20 years (and back 3 years)	Provincial R&D credits, ranging from 4.5% to 37.5%certain of which are refundable	N/A

Global R&D credits and incentives by country
(March 2011)

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
People's Republic of China	• 150% "super deduction" • 15% reduced Corporate Income Tax ("CIT") rate for High and New Technology Enterprise ("HNTE") (Standard CIT rate is 25%) • Business tax exemption and 15% reduced CIT rate for Technology Advance Service Enterprise ("TASE") • CIT exemption/reduction on technology transfer income • Duty free importation of certain R&D equipment	Deduction on volume	Yes	• Super deduction: IP should be owned by the Chinese entity or at least the Chinese entity is the "economic owner" of the IP if it is not the legal owner. • HNTE: Chinese entity should own core IP rights or a global exclusive license to use the IP for at least 5 years • TASE: No IP ownership requirements
Czech Republic	200% "super deduction"	Deduction on volume	Yes, provided it is performed by the party claiming the deduction and not a third party	Yes

Global R&D credits and incentives by country
(March 2011)

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People's Republic of China	No	Excess credits may be carried forward 5 years	R&D centers may import self-used equipment, related technologies, accessories, and spare parts exempt from import duties	0%-12.5%
Czech Republic	No	Non-utilised allowance may be carried forward 3 years	Investment incentives available for setting up/expansion of: (i) production facilities, (ii) technological centres (the R&D allowance cannot be used for projects that are supported by another form of public support)	N/A

Global R&D credits and incentives by country
(March 2011)

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
France	1. 30% credit or 2. 40%/35% credit, in certain situations	Credit on volume	Yes, if performed in EC countries, Norway and Iceland	Yes
Hungary	200% "super deduction"	Deduction on volume	Yes	Yes

Global R&D credits and incentives by country
(March 2011)

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France	Yes	Excess credits may be carried forward 3 years Any unused tax credit is refundable at the end of this three year period. As an exception, excess credits are immediately refundable to certain qualifying companies.	Declining balance method of depreciation for tangible assets used in R&D activities	15%
Hungary	No	No	10-year tax allowance for certain investments made for research projects with UF 100 million (approximately EUR 370,000)	Current: 10%-19% 2013: 10%

Global R&D credits and incentives by country
(March 2011)

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India	• 200% "super deduction" - Weighted deduction for capital and revenue expenditure (other than cost of land or building) for approved "in-house" R&D expenditure for units recognised by the Department of Scientific and Industrial Research (DSIR) • 100% deduction - Revenue and capital expenditure (other than cost of land) on scientific research activity • 15 year phased income-tax holiday to units operating in SEZs and earning profits	Subject to the satisfaction of certain specific conditions, the weighted deduction can be claimed based on volume of R&D spending in a given year	No	Yes, subject to ownership remaining with the Indian Company who has undertaken such R&D
Ireland	25% credit	1. Credit on incremental spending **and** 2. Credit, effectively on volume basis, for new taxpayers	Yes, if 1. Performed in the European Economic Area **and** 2. No tax deduction is available in the other country	Yes

Global R&D credits and incentives by country (March 2011)

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India	No	No carry forward is permissible although a tax loss generated out of such tax allowance should be permissible	• R&D deduction is available for revenue and capital expenditure (except cost of land/building) • 125% deduction - Any sum paid to specified research institutions and companies recognised by the prescribed authority for this purpose • Additionally, certain indirect tax benefits in the nature of concessional customs duty rate and excise duty exemptions are available on certain goods, subject to fulfillment of prescribed conditions	N/A
Ireland	Yes	Excess credits may be refunded or carried forward indefinitely	Various government grant incentives for establishing or expanding R&D activities in Ireland, e.g., capital, employment, training, feasibility, pilot projects, etc	N/A

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Japan	30% of the corporate tax rate for the period 1 April 2009 to 31 March 2011; 0% on or after 1 April, 2011.	1. Credit on volume **or** 2. Credit on incremental spending	Yes	No
The Netherlands	Innovation Box, the qualifying income (i.e. income that is attributable to qualifying IP) is rated at an ETR of 5%. WBSO, R&D of applied new technology is subsidized by a reduction of wage withholding tax: 50% of the first 220Keuro wage and 18% on the excess amount	Volume based	In part, at least 50% for the innovation box and for the WBSO the activities should take place inside the EU territory	No for Innovation box, yes for WBSO

Global R&D credits and incentives by country
(March 2011)

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Japan	No	Certain excess credits may be carried forward 1 year	Japanese regions provide a variety of tax incentives for companies that make investments in buildings or other facilities within specified zones	N/A
The Netherlands	No	No	Several grants are avaible for R&D, mostly through a sectoral approach (e.g. ICT, Life Science, Chemistry) and provide up to 50% cash grants for eligible cost	The Innovation Box applies to all income derived from qualifying IP. It is not restricted to the income strictly attributable to the patent or R&D IP. For the Innovation Box, the qualifying income (i.e. income that is attributable to qualifying IP) is rated at an ETR of 5%.

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Spain	1. 25% credit **plus** 2. 42% credit **plus** 3. 8% credit on certain asset acquisitions 4. 17% certain staff salaries 5. 8% credit on technological innovation; 12% for tax years that start from 3 March 2011	1. Credit on volume **plus** 2. Credit on incremental increase **plus** 3. Credit on volume for technological innovations (industrial design and production process engineering) 4. Credit on volume for technological innovations	Yes, but must be related to activities carried out in Spain, any Member State of the EU or Iceland, Liechtenstein or Norway.	Yes
United Kingdom	"Super deduction" - 130% for large companies and 175% for small and medium Enterprises (SMEs)	Deduction on volume	Yes	Yes

Global R&D credits and incentives by country
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Spain	No	Excess credits may be carried forward 15 years	Autonomous regions provide additional business incentives; tangible and intangible fixed assets, excluding buildings, used for R&D activities may be freely depreciated	0% to max 15%
United Kingdom	SMEs only - losses surrendered for cash back	Extra deduction reduces taxable profits. If a loss results this can be carried forward indefinitely, offset current profits (including other UK group companies) and offset prior year profits	Expenditure on assets used for R&D attracts 100% tax depreciation; regional grants are available	Not currently. Proposals for 10% tax on IP generated revenue

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United States	20% credit (regular method) 14% credit (alt. simplified credit)	Credit on incremental spending, **with** limitations Credit on incremental spending, **without** limitations	No No	Yes, provided the research is funded by the foreign related party

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United States	No	Excess credits may be carried back 1 year and forward 20	States provide R&D credit in addition to various business incentives	N/A

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