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Global Research and Development Incentives Group

Credits and Incentives by Country January 2012

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Contents

Global R&D credits and incentives by country

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The information on this chart, pages 8-15, includes select credits and incentives, and is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Australia	**R&D Tax Concession (income years prior to 1 July 2011)** 1. 125% "super deduction" **and** 2. 175% "super deduction" **New R&D Tax Incentive (income years commencing on or after 1 July 2011)** 1. 45% refundable R&D tax offset for grouped turnover of less than $20 million; **or** 2. 40% non-refundable R&D tax offset for grouped turnover more than $20 million.	**R&D Tax Concession** 1. Deduction on volume **and** 2. Deduction on incremental spending **New R&D Tax Incentive** Tax credit based on volume and tax position (additional benefit if <$20 million grouped turnover and in tax loss)	**R&D Tax Concession** Up to 10% if R&D cannot be performed in Australia **New R&D Tax Incentive** Available if less than the amount of expenditure on 'core' Australian R&D and: 1. R&D cannot be solely performed in Australia **and** 2. the overseas activity has significant scientific linkage to at least one of the Australian core R&D activities	Under the new R&D Tax Incentive, IP may be held outside Australia subject to certain 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
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 $3 million, 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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Australia	**R&D Tax Concession** For small Companies that meet certain criteria **New R&D Tax Incentive** If grouped turnover <$20 million	**R&D Tax Concession** Deductions may be carried forward indefinitely in the form of tax losses subject to the normal tax loss rules **New R&D Tax Incentive** Carry forward losses for the non-refundable R&D tax credit	Discreet grant funding available and other business incentives
Belgium	Yes, if the incentive is claimed in the form of an R&D tax credit, the remaining balance of unused R&D tax credits after five tax years is paid to the company. If the incentive is claimed as R&D investment deduction, no such refund is available	Unused R&D investment deduction/R&D tax credit is carried forward	• 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
Brazil	No	No	• 50% reduction on the IPI (Federal VAT) levied on acquired R&D machinery and equipment (domestic or imported) • Accelerated depreciation for new R&D machinery and equipment acquired (Income Taxes purposes) • Accelerated amortisation for the acquisition cost of intangibles related to R&D activities (Income Taxes purposes) • Zero withholding tax rate on the remittances for registration and maintenance of trademarks and patents abroad
Canada	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

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

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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
Czech Republic	No	Non-utilised allowance may be carried forward 3 years	Investment incentives available for setting up/expansion of: (i) production facilities, (ii) technological centres (the R&D allowance cannot be used for projects that are supported by another form of public support
France	Yes	Excess credits may be carried forward 3 years Any unused tax credit is refundable at the end of this three year period. As an exception, excess credits are immediately refundable to certain qualifying companies.	Declining balance method of depreciation for tangible assets used in R&D activities
Hungary	No	No	10-year tax allowance for certain investments made for research projects with UF 100 million (approximately EUR 370,000)
India	No	No carryforward 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 fulfilment of prescribed conditions

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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
Japan	30% of the corporate tax rate for the period 1 April 2009 to 31 March 2011; 20% on or after 1 April, 2011.	1. Credit on volume **or** 1. Credit on incremental Spending	Yes	No
The Netherlands	• Additional 40% deduction for qualifying R&D costs (other than wage costs) • WBSO, R&D of applied new technology is subsidized by a reduction of wage withholding tax: 42% of the first EUR 110K wage costs and 14% on the excess amount • Deduction for IP development costs at once.	Volume based	In part, for the Innovation Box. For the WBSO the activities should take place inside the EU territory	Yes for WBSO
Portugal	**SIFIDE** Tax Credit = 0,325Dn + 0,5[Dn - (Dn-1 + Dn-2)/2)] Where D stands for the amount of R&D expenses incurred each year, net of non-reimbursable financial Government contributions.	Combination of volume and incremental based	Yes, but R&D expenses need to be in the local company's books to qualify	Yes
Singapore	• 130% to 150% super deduction	• Deduction on volume excluding amounts claimed under PIC	No	No
	• 200% super deduction requiring Minister approval	• Deduction on volume excluding amounts claimed under PIC	No	No unless the taxpayer is an R&D organisation itself and has obtained specific approval
	Productivity and Innovation Credit - "PIC" (YA11 to YA15): Deductions/Allowances of 400% (instead of 150%) on up to $400,000 of total qualifying expenditure per year across six qualifying activities, including R&D.	Volume, up to $400,000	Yes, under PIC program from YA11 to YA15, up to $400,000 p.a. may be incurred on overseas R&D	

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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.
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
The Netherlands	No	No	Several grants are available for R&D, mostly through a sectoral approach (e.g., ICT, Life Science, Chemistry) and provide up to 50% cash grants for eligible cost
Portugal	No	6 years	There's a financial grant program available (cumulative with R&D tax credits)
Singapore	PIC: For YA11 to YA13, can cash out up to 30% of first $100,000 of expenditure on qualifying activities.	Yes	Yes, multiple grants available for multiple fields, including innovation, product development, and IP management

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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" of: 130% for large companies. Small and medium Enterprises(SMEs): • 175% pre 1 April 2011 • 200% from 1 April 2011 to 31 March 2012 • 225% from 1 April 2012	Deduction on volume	Yes	Yes
United States	20% credit (regular method) 14% credit (alt. simplified credit)	Credit on incremental spending, **with** limitations Credit on incremental spending, **without** Limitations	No No	Yes, provided the research is funded by the foreign related party

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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
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
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

PwC Global R&D Incentives Group

Country	Contact	E-mail	Telephone
Australia	Sandra Mason	sandra.mason@au.pwc.com	+ 61 (2) 8266 0470
	Tim Donald	tim.donald@au.pwc.com	+ 61 (2) 8266 5436
Belgium	Axel Smits	axel.smits@be.pwc.com	+ 32 (3) 2593120
	Thierry Vanwelkenhuyzen	thierry.vanwelkenhuyzen@be.pwc.com	+ 32 (2) 7107422
Brazil	Nelio Weiss	nelio.weiss@br.pwc.com	+ 55 (11) 3674 2000
Canada	Vik Sachdev	vik.sachdev@ca.pwc.com	+ 1 (416) 869 2424
Central Asia and Caucasus	Robin McCone	robin.mccone@ge.pwc.com	+1 (995) 32 250 8050
China	Charles Lee (South China)	charles.lee@cn.pwc.com	+ 86 (755) 8261 8899
	Edward Shum (North China)	edward.shum@cn.pwc.com	+ 86 (10) 6533 2866
	Peter Ng (Central China)	peter.ng@cn.pwc.com	+ 86 (21) 2323 1828
	Rebecca Lei Wang (US)	rebecca.l.wang@us.pwc.com	+1 (646) 471-7384
Czech Republic	David Borkovec	david.borkovec@cz.pwc.com	+ 42 (02) 5115 2561
Denmark	Søren Jesper Hansen	sjh@pwc.dk	+ 45 3945 3945
France	Rémi Montredon	remi.montredon@fr.landwellglobal.com	+ 33 (1) 5657 4154
	Guillaume Glon	g.glon@us.pwc.com	+ 1 (646) 471 8240
Germany	Thomas Quente	thomas.quente@de.pwc.com	+ 49 30 2636 5297
	Christian Schultz	christian.schultz@de.pwc.com	+ 49 30 2636 3592
Hungary	Paul Grocott	paul.grocott@hu.pwc.com	+ 36 (1) 461 9260
	Andrea Linczar	andrea.linczer@hu.pwc.com	+ 36 (1) 461 9275
	Norbert Izer	norbert.izer@hu.pwc.com	+ 36 (1) 4619433
India	Rahul Garg	rahul.garg@in.pwc.com	+ 91 (11) 2321 0543
	Indraneel R Chaudhury	ndraneel.r.chaudhury@in.pwc.com	+ 91 (80) 4079 6001
Ireland	Liam Diamond	liam.f.diamond@ie.pwc.com	+ 353 (1) 792 6579
	Stephen Merriman	stephen.merriman@ie.pwc.com	+ 353 (1) 792 6505
Israel	Doron Sadan	doron.sadan@il.pwc.com	+ 972 (3) 7954584
Japan	Jack Bird	jack.bird@jp.pwc.com	+ 81 (03) 5251 2577
	Ian McDade	ian.j.mcdade@jp.pwc.com	+ 81 (03) 5251 2190

PwC Global R&D Incentives Group

Country	Contact	E-mail	Telephone
Kenya	Gilles de Vignemont	gilles.j.de.vignemont@us.pwc.com	+ 1 646 471 1301
Korea	Dong-Keon Lee	dong-keon.lee@kr.pwc.com	+ 82 (0) 2 709 0561
Mexico	Luis Lozano	luis.lozano@mx.pwc.com	+ 52 (0) 55 5263-6000 ext. 8648
	Mario Alberto Rocha	mario.alberto.rocha@mx.pwc.com	+ 52 (0) 55 5263 6000 ext. 8602
Netherlands	Richard Hiemstra	richard.hiemstra@nl.pwc.com	+ 31 (20) 88 792 7618
	Auke Lamers	auke.lamers@us.pwc.com	+ 1 (646) 471 0570
	Jeroen van Dijk	jeroen.van.dijk@nl.pwc.com	+ 31 (20) 88 792 3184
Poland	Andrzej Jarosz	andrzej.jarosz@pl.pwc.com	+ 48 (61) 8505151
Portugal	Pedro Deus	pedro.deus@pt.pwc.com	+ (351) 225 433 131
Russia	David C. John	david.c.john@ru.pwc.com	+ 7 (495) 232 5588
Singapore	Elaine Ng	elaine.ng@sg.pwc.com	+ (65) 6236 3627
Slovak Republic	Christiana Serugova	christiana.serugova@sk.pwc.com	+ (421) 2 59 350 614
South Africa	Bennie Botha	bennie.botha@za.pwc.com	+ (27) 12 429 0292
	Gilles de Vignemont	gilles.j.de.vignemont@us.pwc.com	+ 1 646 471 1301
Spain	José Elías Tomé Gómez	jelias.tome@es.pwc.com	+ (34) 915 684 292
Sweden	Jorgen Haglund	jorgen.haglund@se.pwc.com	+46 (0) 8 55533151
Switzerland	Stefan Schmid	stefan.schmid@ch.pwc.com	+ 41 (58) 792 4482
	Christian Marty	christian.marty@us.pwc.com	+ 1 (646) 471 5152
Taiwan	Shuo-Yen Lin	shuo-yen.lin@tw.pwc.com	+ 886 (2) 27296666 3679
Turkey	Kadir Bas	kadir.bas@tr.pwc.com	+ 90 (212) 326 6526
United Kingdom	Diarmuid MacDougall	diarmuid.j.macdougall@uk.pwc.com	+ (44) 1895 52 2112
	Rachel Moore	rachel.moore@uk.pwc.com	+ (44) 1223 55 2276
United States	Jim Shanahan*	jim.shanahan@us.pwc.com	+ 1 (202) 414 1684
	Jeff Jones	jeffery.p.jones@us.pwc.com	+ 1 (415) 498 5340
	Tim Gogerty	timothy.c.gogerty@us.pwc.com	+ 1 (646) 471 6547

*Leader, PwC Global R&D Incentives Group

For more information, please contact our country specialists listed above, visit us online using your mobile phone (QR reader required), or contact Carolyn Singh at +1 (202) 346-5264 or carolyn.singh@us.pwc.com.

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