

Gi³ Newsletter June 2021

Dear,

To complement its services, Deloitte Belgium's Gi³ team aims to provide clients with essential information to keep up with the complicated and constantly evolving global incentives landscape. This newsletter outlines many interesting facts, provides an update on the latest developments in funding innovation and sustainability, intellectual property (IP) strategy, taxation developments, as well as energy incentives.

What's new?

New Belgian Gi³ website

- Would you like to lower the financial risk of your R&D, innovation or sustainability activities?
- Do you already benefit from R&D tax incentives such as a withholding tax exemption for R&D employees in your company or an R&D tax credit/investment deduction?
- Do you have a strategic incentives acquisition process in place to continuously monitor your incentives opportunities and benefits?
- Do you have an IP strategy aligned with your business ambitions and strategy?
- Do you develop or own IP rights such as patented technologies or processes or copyrighted software? Does your company generate revenue through innovation solutions?

If so, visit Deloitte Belgium's new [Gi³ website](#) to learn more about how we can help you by optimising your R&D, innovation and sustainability budget.

Funding

VLAIO subsidy for R&D Feasibility studies

As from May 2021, companies can receive financial support from VLAIO (Flemish Agency for Innovation and Entrepreneurship) to partially fund their R&D Feasibility Studies. A feasibility study is the first important step in an innovative project since it will provide clear and substantiated insight regarding the possibilities and feasibility of an innovation. Companies can receive funding of up to 50% of the cost to investigate the challenging technical and/or scientific aspects of their innovative project. [Read more](#)

VIL Open Call for innovation in logistics

VIL (Flanders Institute for Logistics) recently launched a new call for researching or developing innovative new systems or concepts in logistics. Although all innovative topics are in scope, the call also focuses on ideas for optimising and increasing the dynamic of planning and the delivery processes for collection and delivery activities to distribution centres and warehouses. An innovative 2-page project proposal can be submitted until 5 July 2021. More information can be found on the [VIL website](#).

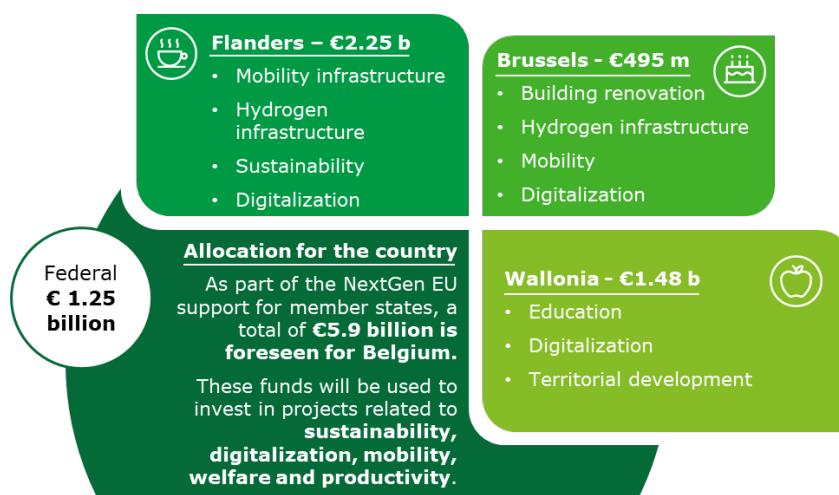
VLAIO small and medium-sized enterprises (SME) growth subsidy

As from 2021, the submission system for the VLAIO SME growth subsidy is organised into three thematic calls per year. The second call of 2021 will be open as from 1 July 2021 until 31 August 2021 and targets the following themes: internationalisation, digitisation, sustainable and circular entrepreneurship

Flemish Recovery and Resilience Plan Opportunities

In April 2021, Belgium submitted its national recovery and resilience plan to the European authorities. The European Commission are currently assessing the plan, which is expected to take around two months.

The plan comprises different programmes for the different regions:



The national plan was produced based on public consultations, governmental discussions and assessments. Multiple opportunities will become available in the following six axis distributed over 142 measures:

1. Climate, durability and innovation;
2. Digital transformation;
3. Mobility;
4. Social living and welfare;
5. Economy of the future and productivity; and
6. Public finances.

The government aims to distribute the majority of the available support in the next three years, creating a variety of opportunities for companies to acquire funding for their future activities. The following opportunities are prosed specifically for the Flemish region:

- An additional EUR 10 million in 2021 in scientific research and R&D projects in cooperation with companies. The extra funding aims at strengthening the network of participants in innovation and promote new initiatives for the sustainable use of bio-based solutions;
- An additional budget of EUR 10 million for investments to stimulate the reuse by local agricultural and horticulturalists of residual water coming from food companies. The project funding will be allocated to provinces and private companies, with an emphasis on water conservation, smart water use, water cycles closure and alternative water sources; and
- An additional budget of EUR 10 million will be allocated to water saving projects within the Ecology Premium + (EP+) and Strategic Ecology Support (STRES) programmes. The technology list has recently been updated (see below).

Support of support for R&D in Wallonia – Win4Research

The annual budget of EUR 356 million will be extended with an additional budget of EUR 717 million for the period until 2024 to boost R&D activities in Wallonia. Key announced with respect to R&D and innovation actions in Wallonia include:

- One of the main actions in the coming years will be to stimulate Walloon participation in EU/supra regional programmes.
- The regional funding schemes for R&D will be reformed with new specifications effective as from September 2021. The aim is to concentrate public support in targeted domains and simplify the application procedure:
 - The objective is to grant 70% of funding to projects related to the strategic innovation fields (Domaines D’Innovation Stratégiques) of the regional smart specialisation strategy known as S3. The renewed strategy is concentrating on five strategic innovation areas: (1) circular materials, (2) innovations for enhanced health, (3) agile and safe design and production methods, (4) energy systems and sustainable habitats and (5) agri-food chains of the future and innovative environmental management; and
 - Existing funding schemes will be regrouped into seven categories, aligned with current market needs. Underlying funding rates and types of intervention will be maintained. Existing funding instruments will remain accessible until 31 August 2021. Existing inter-regional and international funding instruments will be regrouped under Win4Europe but otherwise unchanged.

LIFE program provisional timeline

LIFE is an EU funding programme supporting innovative projects in line with nature, environmental and climate related European policies, also supporting their implementation. This programme is open to both large companies and SMEs, as well as governments and non-governmental organisations (NGOs). This year, a new LIFE programme (LIFE 2021-2027) was launched with new priorities for the next seven years to come. The first call for proposals is expected to be launched in late spring 2021, with a deadline for submitting applications in the autumn of 2021.

The latest [European funding timeline](#) outlines the upcoming deadlines for companies' funding objectives.

Energy

Limitative technology list for Ecology Premium Plus extended

Ecology Premium Plus is a Flemish financial subsidy for companies realising ecology investments in the Flemish region. The aim of this incentive is to encourage companies organise their production processes and logistics operations in a more environmentally-friendly and energy-efficient manner. A funding application can be submitted at any time during the year and the funding percentages range between 15% and 55% of the extra cost. Recently, the list of technologies funded under this programme has been recently updated. Remarkably, the “electric charging station” is one of the new technologies for which companies can request support. [Read more.](#)

Call green power

[Call groene stroom](#) is a subsidy programme of the Flemish Energy and Climate Agency to support investments in new solar panels (>40 kW and <2 MW) or investments in new onshore wind turbines (>10 kW and <300 kW). This new subsidy programme replaces the current green certificate system for these installations. Up to a 100% funding is available with a maximum amount funded by installed kWp (solar panels) or kWe (wind turbines).

The target group for this subsidy is divided into two project groups or subcalls. Floating solar panels, solar panels on marginal land and small and medium-sized wind turbines together form project group or subcall 1. All other solar panels are part of project group or subcall 2. The deadline was 3 June 2021 for the **first call for both target groups**.

R&D Tax Incentives

R&D wage tax audit wave: Points of attention

In applying the partial exemption of wage withholding tax for researchers, companies are allowed to retain part of the wage withholding tax deducted from qualifying researchers' salaries. In recent years, tax inspectors have been examining documentation supporting applications for partial exemption in great detail. Some current auditing trends and key takeaways to consider for an audit-proof file can be found [here](#).

Wage tax exemptions

"Norm of a third" threshold:– Do you need to adjust your calculation method ?

Legislation regarding the wage withholding tax exemption for night and shift work states that, to be eligible for the incentive, workers must have worked in shifts or at night for at least one third of their working schedule during the relevant month.

An administrative circular letter clarifies how to calculate the so-called “one-third rule”, leaving it to the employer to assess the threshold on either an hourly or daily basis, provided that the employer applies the chosen methodology in a consistent manner.

Nevertheless the Court of Appeal of Mons recently ruled that calculating the “norm of a third” by counting days rather than hours is illegal and cannot be applied in specific circumstances. The tax authorities now are relying on this case law during tax audits to challenge employers who followed the publicly available administrative guidance. It seems likely that tax authorities will reconsider their guidance and might withdraw their circular or issue a new clarifying circular in order to eliminate the current uncertainty regarding

acceptable calculation methods for verifying whether workers actually work at least one third of their working time in a night or shift scheme.

It is advisable for employers to reassess their methodology for calculating the one-third threshold in light of these recent developments, certainly where the activity carried out during the night is limited in relation to the worker's entire schedule.

Audit wave – Be prepared for more frequent and in-depth verifications

A 2019 report by the Belgian Court of Audit found that historically audits on wage withholding tax exemptions were not structured and sufficiently in depth. It is noticeable that audits on the application of the wage withholding tax exemption for night and shift work have increased exponentially in recent years. Not only have the number and frequency of the tax audits increased, but also the level of detail required by tax inspectors in the form of supporting documentation to demonstrate that the exemption has been correctly applied.

Audits typically start with a lengthy standardized list of questions, followed by a request to provide more detailed data (e.g., large salary data samples, time registration data, and documentation such as collective bargaining agreements or employment agreements) to verify the incentive conditions.

Companies in all sectors potentially are affected by this audit wave, even if the tax authorities appear to be focusing on companies claiming substantial amounts of exemption and on specific sectors.

Since the audit wave may be expected to continue, it is advisable for taxpayers to review and, if required, strengthen their internal controls and processes to ensure correct implementation, while also collating and maintaining the mandatory supporting evidence that will need to be available to the tax authorities. Deloitte can assist employers with the necessary steps to facilitate correct implementation.

Interesting to read



[The role of clean gas in a climate neutral Belgium](#)

[Creating a viable hydrogen economy](#)

Trends

Group of Seven (G7) summit

The leaders of the G7 group of countries, comprising Canada, France, Germany, Italy, Japan, the UK, and the US, held a summit over the weekend of 12-13 June 2021 at which they discussed issues including COVID-19 vaccinations, economic recovery, and climate change. The main conclusions announced regarding the climate and environment were:

- A commitment to retain the 1.5°C global warming threshold;
- A commitment to contribute USD 100 billion per year to support developing countries in the transition to a net zero economy; and
- At least 30% of land and marine areas will be protected and conserved for biodiversity.

Contacts

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