



## **Global Investment and Innovation Incentives Updates**

Global developments benefiting business

Global Tax & Legal, July 2017

# Contents

This update provides a summary of the latest developments, affecting Grants & Incentives and Research & Development programs. For more information, please contact the local leader of the respective programme directly.

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# China

## R&D Super Deduction Rate Increased to 75% for Small and Medium-Sized Science and Technology Enterprises

On 2 and 3 May 2017, China's Ministry of Finance, the State Administration of Taxation, and the Ministry of Science and Technology issued guidance that increases the super deduction percentage applying to R&D expenses incurred by small and medium-sized qualifying science and technology enterprises (SMSTEs) for the period 2017 to 2019, from 50% to 75%. The two circulars, which apply as from the date of issuance, also clarify the qualification and evaluation criteria and the application procedure for qualifying SMSTEs on the basis of self-evaluation and voluntary reporting.

To qualify as an SMSTE and be eligible for the 75% super deduction, an enterprise must meet all of the following requirements:

- Be an enterprise registered within the territory of the People's Republic of China (excluding Hong Kong, Macau, and Taiwan);
- Employ fewer than 500 individuals, have annual sales revenue less than CNY 200 million and total assets less than CNY 200 million;
- Not have any products or services that fall within a prohibited or restricted category or that have been eliminated by the state;
- In both the previous year and the current year of registration, not have any major safety or quality incidents, not commit any serious illegal acts relating to environmental protection or fraudulent acts relating to scientific studies, and not be included on the list of enterprises that have engaged in "abnormal" operations or the list of dishonest enterprises with serious violations; and
- Achieve a satisfying level of "integrated evaluation" for SMSTEs.

An enterprise that meets the requirements in 1-4 above can immediately qualify as an SMSTE if it also fulfils any of the following conditions:

- It holds a valid high-new-tech enterprise qualification certificate;
- It has been awarded a national level science and technology prize within the last five years and was ranked in the Top 3 of all enterprises winning the award;
- It has an R&D department that has been identified as one that meets certain standards by departments at or above the provincial or ministerial level; or
- It has played a leading role in formulating international, national, or industrial standards in the previous five years.

Scheme budget	N/A
Type of incentive	Tax incentive; R&D super deduction
Deadline	N/A
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# Czech Republic

## The Potential Programme

The potential programme allows small and medium-sized businesses to obtain a grant for the establishment or development of centres for industrial research, development and innovation, regardless of the location of realization. The grant can amount to 50% of eligible costs and can range from EUR 77,000 up to a maximum amount of EUR 3 million, or EUR 6 million for centres located in economically distressed regions and areas with a high level of unemployment.

Scheme budget	EUR 58 million
Type of incentive	Cash grant
Deadline	October 2017 (TBC)
Contact name	Luděk Hanáček: Partner, Tax and Legal in Central Europe
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# Czech Republic

## The Innovation Programme

The goal of the innovation programme is to support the purchase of production technology, equipment, know-how, and licences for implementing projects following completed R&D. The subsidy is intended for the launch of new or innovative products and processes into operation and on the market. Companies of all sizes implementing their project outside Prague are eligible for the subsidy. An eligible project may obtain a subsidy amounting to a maximum of 45% (small businesses), 35% (medium-sized businesses), and 25% (large enterprises) of eligible costs. The size of the project subsidy can range from EUR 38,000 up to a maximum of EUR 2 million.

Scheme budget	EUR 115 million
Type of incentive	Cash grant
Deadline	12 October 2017
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# Czech Republic

## The Application Programme

The application programme aims to support the implementation of industrial research and experimental development projects. Companies of all sizes implementing their project outside Prague are eligible for the subsidy. The project subsidy is available for up to 70% of eligible costs, with the amount based on the company's size, type of project activity (industrial research or experimental development), and extent of cooperation with other R&D institutions. The subsidy amount can range from EUR 38,000 to EUR 4 million.

Scheme budget	EUR 62 million
Type of incentive	Cash grant
Deadline	November 2017 (TBC)
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# Germany

## Funding program “Always on site–mobile medical solutions for patient-friendly healthcare”

The goal of this call is to more closely align the provision of healthcare via mobile and technological solutions with the needs of patients. The call supports application-oriented R&D projects focusing on specific medical needs to increase the flexibility and efficiency of patient care or enable new methods of healthcare.

Examples of funding topics include:

- Mobile medical technology solutions for prevention, diagnosis (including “point of care” testing), therapy, aftercare, rehabilitation, and (palliative) care;
- Healthcare services being transferred from inpatient care to outpatient care, from outpatient care to domestic care, from domestic care to portable solutions, or to new locations (e.g. public places or cars); and
- Medical solutions for use in structurally weak regions, rural areas, or public urban areas.

Preference is given to solutions for diseases of high prevalence, chronic diseases, or diseases where mobile or flexible care is particularly beneficial. Solutions should include physical components and cannot be based exclusively on software.

Scheme budget	<ul style="list-style-type: none"><li>• Funding is disbursed to universities, research institutions, clinics with research, and companies (eligible parties)</li><li>• The formation of a consortium (several partners from industries and research) is required; an industry-led consortium that can ensure market access and the inclusion of a clinical user is beneficial</li><li>• The project duration should not exceed three years</li><li>• Funding for companies can be up to 50% of eligible project costs</li><li>• Universities and research institutions can be subsidized up to 100% of the project-related expenditure</li></ul>
Type of incentive	Non-repayable cash grant to a consortium
Deadline	Submission of a project outline: 30 September 2017 (first application step)
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# Germany

## Funding program photonics research Germany-“Key components for quantum technologies”

The focus of this call is quantum technologies, i.e. technologies based on the specific exploitation of quantum effects, such as semiconductor or laser technologies. This call aims to support a new generation of devices developed in close cooperation between manufacturers and researchers. The devices should be specifically designed or substantially modified for use in quantum technologies. New opportunities may be related to information transmission and processing applications, highly sensitive and high precision measurements and imaging methods, or the simulation of complex systems. The overall aim is to improve the economic prospects of new quantum effects through system stability and cost efficiency.

Examples of funding topics are devices, components, or processes regarding the following:

- Systems and components for the long spectral range, from infrared to microwave, including control and evaluation electronics;
- Laser diodes for wavelengths relevant for the quantum technology; and
- Hybrid microsystems, optical precision construction and connection technologies, integrated solutions, modular construction techniques, and adjustment strategies.

Scheme budget	<ul style="list-style-type: none"><li>• Funding is disbursed to universities, research institutions, and companies (eligible parties) that are incorporated or active in Germany</li><li>• The consortium to be set up should consist of at least one research institution and one company and correspond to the relevant value chain</li><li>• Funding for companies can be up to 50% of eligible project costs</li><li>• Universities and research institutions can be subsidized up to 100% of the project-related expenditure</li></ul>
Type of incentive	Non-repayable cash grant to a consortium
Deadline	Submission of a project outline: 1 September 2017 (first application step)
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# United Kingdom

## Innovate UK: R&D–Infrastructure Systems Round 3

UK businesses can apply for a portion of the GBP 15 million available in total to fund the development of innovative solutions to challenges in infrastructure systems. The funding is competitive and can be used to support feasibility studies, industrial research and experimental development, and projects may span more than one category of research.

Projects must show significant innovation in one of Innovate UK's priority areas:

- Smart infrastructure;
- Energy;
- Connected transport; and
- Urban living.

Proposals must improve business growth, productivity, and/or create export opportunities for at least one UK small and medium-sized enterprise (SME) involved in the project.

Projects must be led by a business and include at least one SME working alone or in collaboration with other organizations. Project costs are expected to range in size from GBP 25,000 to GBP 5 million. Projects must last from three months to three years. Projects lasting longer than 12 months or those with costs of GBP 100,000 or more must involve working with at least one SME partner.

Up to 70% of project costs for feasibility studies and industrial research is available, and up to 45% for experimental development, both allocations being dependent on the size of the entity.

Scheme budget	GBP 15 million
Type of incentive	Cash grant
Deadline	13 September 2017
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# United States

## Minnesota R&D Tax Credit Revised

The governor of Minnesota signed a bill (House File 1 (H.F. 1)) on 30 May 2017 that affects individual and corporate income tax, sales and use tax and estate tax, and includes an increase in the Minnesota R&D tax credit rate from 2.5% to 4.0% on qualifying expenses exceeding USD 2 million. This rate change is effective for taxable years beginning after 31 December 2016.

Scheme budget	N/A
Type of incentive	Corporate income tax credit
Deadline	Claimed on a timely filed original or amended state income tax return
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# United States

## Arizona Quality Jobs Program Revised

The Arizona Quality Jobs Program provides income tax credits to companies creating new jobs in and investing in Arizona. The recently enacted Senate Bill 1416 extends the sunset of the program from July 2017 to July 2025.

In addition, the program previously had a fixed minimum capital investment requirement of USD 1 million in rural areas and USD 5 million in metro areas. Senate Bill 1416 provides a tiered structure in which the minimum required capital investment, for both rural and metro areas of the state, can be progressively lowered as the median project wage increases.

All of the changes are effective as from 1 January 2018.

Scheme budget	Benefits may be provided for up to 10,000 aggregate state-wide jobs per year
Type of incentive	Corporate and individual income tax credits
Deadline	Credits allocated to taxpayers by order of application
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## For more information

For more information on any of the programmes listed above, please contact the in-country representative or your usual contact. For further information on how Deloitte can assist with available grants and incentives, please contact:



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