



Global Tax and Legal | February 2016

# Grants & Incentives program updates

## The latest legislative developments from around the world



# Countries included

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

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## European Union

Germany

Hungary

Israel

Italy

Portugal

Thailand

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United States

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# European Union

## Promotion of EU agricultural products

The European Commission will provide financial assistance to companies in EU member states to break into or consolidate international markets by supporting actions that explain the standard and quality of EU agri-food products to consumers and importers and highlight the specific features of production methods within the EU.

Qualifying activities:

- Advertising campaigns (press, television, radio, internet);
- Point-of-sale promotions;
- Public relations campaigns;
- Participation in exhibitions and fairs, and a range of other activities; and
- B2B or B2C campaigns.

Support will be available for at least one year but no more than three years.

### Scheme budget

Total budget of EUR 100 million providing co-financing of up to 80%  
Further details are expected to be published in the near future

### Type of incentive

Non-repayable cash grant

### Deadline

May/June 2016 TBC

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# European Union

## European Investment Bank (EIB)

The EIB is the EU's bank, owned by and representing the interests of the EU member states. The EIB supports sustainable investment projects that contribute to furthering EU policy objectives. Services include the following:

**Lending:** Mainly through the granting of loans, the provision of guarantees, microfinancing, equity investment, etc.

**Blending:** Unlocking financing from other sources, particularly from the EU budget, then blending that financing with financing from the EIB to form a full financing package.

**Advising:** Administrative and project management assistance to facilitate investment implementation.

Scheme budget

No defined budget

Type of incentive

Loans are available for various types of activities, including R&D, if the claimant is willing to invest more than EUR 15 million

Deadline

Ongoing

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# Europe–railway transport & logistics

## Shift2Rail

The scheme is aimed at encouraging the following:

- Improving the quality of rail services by increasing reliability and punctuality by as much as 50%;
- Reducing congestion and CO2 emissions by doubling railway capacity;
- Cutting the costs of infrastructure and rolling stock by up to half; and
- Contributing to a shift to attract users to rail. Rail freight will become more cost effective, punctual and traceable as a shipment option for freight forwarders and shippers.

Each of the above objectives will be detailed in one of about 30 individual calls for proposals.

### Scheme budget

Budget: EUR 920 million (for the period 2014–2020)  
Opening date: December 2015

### Type of incentive

Grants – 100% or 70% funded, depending on the level of priority

### Deadline

March 2016

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# Germany—medical technology, biotechnology, photonics

## Light Cares-photonic technologies for handicapped persons

This R&D scheme focuses on cooperation between companies, handicapped persons and so-called “makers”\* to create innovative solutions that improve the daily life of the disabled:

- Tools manufactured with photonic processing (e.g. 3D-printing, laser cutting)
- Tools based on photonic components

The focus of the R&D project should be on open-access solutions that allow for a customization of the developed tools.

\*“Maker” is a term used to describe a person who creates and develops innovative tools in his/her free time

### Scheme budget

Maximum total funding amount per project is EUR 100,000; up to 10 projects will be selected for funding

Funding period will be up to three years

### Type of incentive

Non-repayable cash grant to a consortium

For companies, grants of up to 50% of eligible costs can be awarded, provided there is an own contribution of at least 50%; the funding ratio for SMEs may be higher

For universities and research institutions, grants of up to 100% of eligible costs can be awarded

### Deadline

Submission of project outline (first step): 31 March 2016

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# Germany–Manufacturing, automotive, lightweight

## Lightweight concepts for road and railway vehicles

The scheme focuses on the integration of new lightweight components into road and railway vehicles. Innovative lightweight concepts should be developed for the following modules:

- Vehicle body/vehicle structure
- Support structure, including wheel suspension (including chassis)
- Drivetrain
- Demonstration of the system integration in a prototype is required

With the strong focus on system integration, material development and its production processing are covered by this funding scheme.

### Scheme budget

Overall budget: EUR 40 million  
Funding period of up to three years  
Forming a consortium of at least one company and one university/research institution is required; inclusion of SMEs with a share of at least 30% of total project costs is recommended

### Type of incentive

Non-repayable cash grant to a consortium  
For companies, grants of up to 50% of eligible costs can be awarded, provided there is an own contribution of at least 50%; the funding ratio for SMEs may be higher  
For universities and research institutions, grants of above 85% of eligible costs can be awarded

### Deadline

Submission of project outline: 15 March 2016

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# Germany/France—security and mobility industry, cities and communities, operators of critical infrastructures

## German-French collaboration: new security concepts for urban areas

The scheme focuses on innovative bilateral security concepts to improve civil security in urban areas:

- Innovative security strategies for districts with a quickly changing population, e.g. sharing of best practices on the use of security concepts and models to ensure the inclusion of all relevant actors (e.g. community representatives, residents, representatives of security agencies)
- Innovative security strategies for mobility in urban areas, e.g. using data generated by new mobility concepts, such as car sharing and automated driving
- Innovative security strategies in the event of a break-down of critical infrastructure, e.g. analysis of possible mitigation and emergency treatment strategies using tools provided under the smart city concept

### Scheme budget

- Funding ratio and application requirements for French companies are published by the French Agence National de la Recherche (ANR)
- Funding period of up to three years

### Type of incentive

Non-repayable cash grant to a German-French consortium working together in a bilateral cooperation  
For German companies, grants of up to 50% of eligible costs can be awarded, provided there is an own contribution of at least 50%; the funding ratio for SMEs may be higher  
For German universities and research institutions, grants of up to 100% of eligible costs can be awarded  
Information for French applicants can be found here: <http://www.agence-nationale-recherche.fr/financer-votre-projet/appels-ouverts/appel-detail0/appel-a-projets-franco-allemand-anr-bmbf-sur-le-futur-de-la-securite-dans-les-espaces-urbains-2016/>

Submission of project outline: 25 April 2016

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# Hungary/All sectors

## Promoting corporate R&D&I

A benefit is available for SMEs and large companies (either as part of a consortium involving SMEs, or independently but sharing benefits/results with SMEs) implementing R&D&I projects in Central Hungary (Budapest and Pest county). Costs of applied research and experimental development are eligible. Projects must be completed within 24 months.

### Scheme budget

HUF 5 billion (about EUR 16 billion)

### Type of incentive

Non-refundable cash grant  
Amount of cash grant can be 25%–80% of eligible costs, between HUF 50–HUF 500 million (EUR 160,000–EUR 1600,000)

### Deadline

25 April 2017 (subject to availability of scheme budget)

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# Hungary/Manufacturing sector

## Individual government decision-based scheme (investment grant)

From 31 December 2015, existing investment grant schemes primarily for large companies are available under more favourable terms. The key changes are:

- Only 50 new jobs (instead of 100) and a minimum of EUR 10 million (instead of EUR 20 million) in eligible expense will qualify investments in Vas, Veszprem and Zala counties
- The job creation requirement can be met jointly by the aid beneficiary and its supplier(s) (previously, the job creation requirement had to be met by the beneficiary)

**Scheme budget**

No cap

**Type of incentive**

Non-refundable cash grant

**Deadline**

Ongoing

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# Hungary/All sectors

## Local business tax credit

As from 1 January 2016, the local municipalities are authorized to amend the local business tax rules and allow companies to reduce their local business tax liability by 10% of the direct costs of R&D activities performed. (Local business tax is levied by the municipalities at a tax rate of up to 2%. The tax base is the net sales revenue, minus various cost items.)

Scheme budget

N/A

Type of incentive

Tax reduction

Deadline

No deadline

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# Israel

## Grant incentives to employers engaged in cyber security

A payroll-related incentive is offered by the Office of the Prime Minister to a corporation or partnership undertaking R&D in cyber security or the provision of protection and performance of cyber defence services. The incentive will offer entities within Beersheba's Kiryat Cyber district grant funding to support the employment of one or more employees that specialize in the relevant cyber activities.

### Scheme budget

Funding will be provided between 2016 and 2022  
No pre-determined budget

### Type of incentive

A grant equal to 5% to 20% of the employee's salary, with the amount of funding depending on the length of time of employment during the period of the grant

### Deadline

Open-ended, but requests will be reviewed by the relevant committee on a first-come, first-serve basis

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# Israel

## Innovative technology to address challenges in the public sector

This program will support projects aimed at improving the quality of service provided by government ministries or public bodies. The program will award grants to projects in two stages:

**Pre-R&D projects:** Activities can include the design, assembly and testing of a model/prototype of the idea to demonstrate technological feasibility.

**R&D projects:** The project may include an element of a trial, demo or feasibility of the product or service.

Projects should focus on domain challenges in health and digital health, increasing access, connection and operation of various types of databases, digital education, knowledge transfers between public bodies, providing access to information, public procurement optimization, etc.

Scheme budget

TBD – No limit yet announced

Type of incentive

R&D projects: Grants of up to NIS 4 million, with a maximum reimbursement rate of 50% for R&D expenditure over a period of two years  
Pre-R&D projects: Grant of up to NIS 300,000, with a maximum reimbursement rate of 90% of R&D expenditure over a period of 18 months

Deadline

N/A

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# Israel

## Grants for employment of workers from the Ethiopian ethnic minority

This grant is for companies in Israel that recently have employed, or plan to employ, Ethiopian ethnic minorities in higher level positions. The grant aims to increase vocational guidance, provide vouchers for vocational training and financial incentives to employ Ethiopian ethnic minorities in high paying and academic positions.

### Scheme budget

The scope of the program budget is over NIS 55 million, over the next 14 years

### Type of incentive

Incentive structure and expected wage volume are yet to be published

### Deadline

N/A

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# Israel

## Extension of royalties exemptions for traditional industry sector

Companies that are funded by grants from the Office of the Chief Scientist (OCS) must repay the grants in the form of a royalty, at a rate of 3% to 5%, once revenue is generated. A royalty exemption was granted to SMEs and factories in "traditional industries" (i.e. those outside of advanced technology), that was due to expire at the end of 2015 has been extended to the end of 2016. The exemption will continue to be awarded to SMEs that recently commenced R&D activities. Companies must be approved by the research committee as traditional technology industry projects.

**Scheme budget**

No changes to the previous exemption program

**Type of incentive**

Exemption from royalty payments

**Deadline**

Extended to the end of 2016

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# Israel

## New policy for processing applications to employ foreign experts

This policy targets employers that request work approval for a foreign expert/certified specialist and will have the effect of ensuring that the tax rate imposed on the income of the certified foreign expert will not exceed 25%.

**Scheme budget**

No pre-determined limit provided the foreign experts meet the criteria

**Type of incentive**

Tax reduction incentive  
The lower tax rate will be granted for three to eight years on an approval basis

**Deadline**

N/A

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# Israel

## Establishing a capital fund to invest in SMEs

This scheme is aimed at providing funding for companies that have annual revenues between NIS 10 million and NIS 100 million. Entities are eligible for funding for all expenses, except property acquisitions and financing.

### Scheme budget

Under the terms of the fund, the Agency for Small and Medium-Sized Enterprises in the Ministry of Economy will invest in two appointed companies that will provide long-term financing solutions for business investment. Each of the funds is over NIS 100 million, while private matching funds are expected to reach between NIS 300 and NIS 450 million

### Type of incentive

Improved funding for SMEs

### Deadline

N/A

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# Italy

## Stability Law 2016–140% super deduction

The Stability Law to encourage investment in new capital goods by providing an accelerated rate of depreciation for manufacturing equipment. For certain machinery and equipment purchased between 15 October 2015 and 31 December 2016, depreciation can be claimed at a rate of 40%.

Scheme budget

N/A

Type of incentive

Super deduction

Deadline

31 December 2016

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# Italy

## Stability Law 2016–tax credit for investment in Southern Italy

A tax credit is granted to companies owning a plant in certain areas of the southern regions of Italy (Campania, Puglia, Basilicata, Calabria, Sicily, Molise, Sardinia and Abruzzo) that purchase new capital goods and manufacturing facilities between 1 January 2016 and 31 December 2019.

### Scheme budget

No overall budget is published

The amount of the credit depends on the size of the company:

- For large companies, up to 10% of eligible costs (capped at EUR 15 million)
- For medium-sized companies, up to 15% of eligible costs (capped at EUR 5 million)
- For small companies, up to 20% of eligible costs (capped at EUR 1.5 million)

### Type of incentive

Tax credit

### Deadline

31 December 2019

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# Portugal

## Portugal 2020–business innovation and entrepreneurship

Support for projects promoted by non-SMEs or SMEs in all economic activities, particularly those aimed at the production of tradable and exportable goods and services that fulfil the following objectives: (i) strengthen non-SME and SME investments in innovative activities; (ii) contribute to the internationalization of the Portuguese economy, the creation of qualified employment and the spill-over effect on SMEs; and (iii) promote qualified and creative entrepreneurship.

**Scheme budget**

EUR 413 million

**Type of incentive**

Refundable incentive, free of interest, with a base support rate of 35%. Possibility for an exemption from reimbursement for up to 50% of the refundable incentive. The gross grant equivalent cannot exceed the maximum rates as set by the regional state aid maps for the period 2014–2020

**Deadline**

31 March 2016

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# Portugal

## Incentives for technology R&D (Individual demonstration projects)

Support at rates ranging from 25% to 80% for individual demonstration projects (IDP) promoted by companies, provided the following conditions are satisfied: (i) the IDP concerns advanced technologies and pilot lines; (ii) the IDP falls within the scope of the priority areas of the national and/or regional R&I strategy for a smart specialisation; and (iii) the IDP has an eligible investment amount of at least EUR 150,000, among others.

**Scheme budget**

EUR 13.25 million

**Type of incentive**

Non-refundable incentive up to EUR 1 million per beneficiary  
Where the incentive exceeds EUR 1 million, 75% can be non-refundable and 25% refundable, without interest

**Deadline**

15 March 2016

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# Portugal

## Incentives for technology R&D (Co-promotion demonstration projects)

Support at rates ranging from 25% to 80% for co-promotion demonstration projects (CDP) promoted by companies and/or research and knowledge dissemination organisations provided the following conditions are satisfied: (i) the CDP is engaged in advanced technologies and pilot lines; (ii) the CDP is within the scope of the priority areas of the national and/or regional R&I strategy for a smart specialization; and (iii) the CDP has an eligible investment amount of at least EUR 150,000, among others.

**Scheme budget**

EUR 10.25 million

**Type of incentive**

In the case of companies, a non-refundable incentive up to EUR 1 million per beneficiary; where the incentive exceeds EUR 1 million, 75% can be non-refundable and 25% refundable, without interest  
For research and knowledge dissemination organizations, non-refundable incentive.  
The support rate is calculated according to the average support rate of the beneficiary companies

**Deadline**

15 March 2016

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# Portugal

## Incentives for technology R&D (Co-promotion projects)

Support at rates ranging from 25% to 80% for co-promotion projects (CP) promoted by companies and research and knowledge dissemination organizations provided the following conditions are satisfied: (i) the CP falls within the scope of the priority areas of the national and/or regional R&I strategy for a smart specialization; (ii) the CP has an eligible investment amount of at least EUR 150,000; and (iii) the leader of the consortium provides at least 30% of the eligible investment, among others.

**Scheme budget**

EUR 27.5 million

**Type of incentive**

In the case of companies, a non-refundable incentive up to EUR 1 million per beneficiary; where the incentive exceeds EUR 1 million, 75% can be non-refundable and 25% refundable, without interest  
For research and knowledge dissemination organizations, non-refundable incentive.  
The support rate is calculated according to the average support rate of the beneficiary companies

**Deadline**

15 March 2016

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# Thailand

## Board of Investment (BOI) measure to accelerate investment

Projects where applications for a corporate income tax exemption are submitted between 1 January 2014 and 30 June 2016 can enjoy an additional exemption of one to four years (subject to an overall cap of eight years when combined with existing corporate income tax exemptions). Projects that already benefit from an eight-year exemption also can claim a 50% reduction of corporate income tax for five years following the expiration of the eight-year period.

The project must commence operations by 2017, but may not have generated revenue before 16 November 2015. The number of years of the additional corporate income tax exemption will depend on the actual investment made by the promoted project. BOI promoted projects generally require a minimum of THB 1 million investment (excluding land and the cost of working capital).

Scheme budget

N/A

Type of incentive

Corporate income tax exemption

Deadline

The application for BOI investment promotion must be submitted by 30 June 2016

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# Thailand

## Additional eligible activities for investment promotion

Six additional activities have been added to the Board of Investment's list of eligible activities for investment promotion:

- Manufacture of Animal Food or Animal Food Ingredients
- Manufacture of Construction Materials and Manufacture of Pre-stressed Concrete for Public Utilities (except for the Manufacture of Ceramic Roof Tiles and Floor or Wall Tiles);
- Manufacture of Chemical Substances for Cleansing such as soap, shampoo and toothpaste (except for cosmetics);
- Manufacture of Plastic Products for Consumer Goods such as plastic containers;
- Manufacture of Goods Made from Pulp or Paper such as paper boxes; and
- Building Development for Industrial Factories and/or Cargoes.

The project must be located in a Special Economic Development Zone. Tax incentives include an eight-year corporate income tax exemption and an exemption from import duty on machinery and on raw and essential materials used in the production of products for export.

BOI promoted projects generally require a minimum of THB 1 million investment (excluding land and the cost of working capital).

Scheme budget

N/A

Type of incentive

Tax and non-tax incentives

Deadline

The application for investment promotion in six additional eligible activities must be submitted to the BOI by 30 June 2016.

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# United Kingdom—collaborative R&D

## APC5: Driving UK productivity through low carbon propulsion innovation

Funding is available on a competitive basis to support collaborative R&D projects that focus on the development of low carbon, low emission automotive propulsion technologies. Projects must demonstrate the development of technologies based on one or more of the following technology areas:

- Internal combustion engines;
- Lightweight vehicle and powertrain structures;
- Electric machines and power electronics;
- Energy storage and energy management; or
- Alternative propulsion systems.

The aim of the scheme is to develop on-vehicle technologies for on- or off-road vehicles. Technologies that primarily reside off the vehicle, such as charging infrastructure, are outside the scope of the scheme.

It is expected that the majority of the technologies will have achieved Technology Readiness Level 5 (TRL5) or higher and Manufacturing Readiness Level 4 (MRL4) or higher before the start of the project. Projects should aim to advance the technologies to TRL8 and MRL6.

Proposals must be collaborative and be led by a UK-based business organization. Consortia must include at least one vehicle manufacturer or Tier 1 supplier and a SME. Projects are expected to be split between industrial research and experimental development, in which a business partner generally will attract up to 50% public funding for the project costs depending on the level of R&D involved (70% for small companies and 60% for medium-sized companies). Projects are expected to last between 18 and 42 months. Project costs should range in size from GBP 5 million to GBP 40 million, although projects outside these ranges will be considered.

**Scheme budget**

GBP 35 million

**Type of incentive**

Cash grant

**Deadline**

Competition deadline 30 March 2016; Registration deadline 23 March 2016

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# United States/Texas

## Exemption–R&D Investment

The Texas comptroller of public accounts has adopted a new rule to implement the sales and use tax exemption and franchise tax credit available for qualified R&D activities as defined under Internal Revenue Code section 41. Taxpayers that carry out qualifying R&D activities in Texas have the option of claiming a sales or use tax exemption or a franchise tax credit.

### Scheme budget

The franchise tax credit generally will be calculated as 5% (or 6.25% for entities that contract with a public or private higher education institution to perform the research) of the difference between the qualified research expense incurred during the tax report period and 50% of the average amount of qualified research expenses over the previous three periods. The total credit claimed, including the amount of any carryforward, may not exceed 50% of the amount of franchise tax due before other credits. If there were no qualified research expenses incurred in Texas in at least one of the three preceding tax periods, the credit will be 2.5% of the qualified research expenses in Texas for the tax reporting period

A 100% sales and use tax exemption can be claimed on the purchase, lease, rental, storage or use of depreciable tangible personal property directly used in qualified research in Texas. A taxpayer must register with the Texas comptroller's office before claiming the exemption on qualifying purchases

### Type of incentive

Tax Incentives

### Deadline

The franchise tax credit or sales/use tax exemption is effective 1 January 2014 through 31 December 2026.

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# United States/California

## California Competes Tax Credit–3rd Application Period

The California Competes Tax Credit (CCTC) is an income tax credit available to businesses that create or retain jobs in California. Since 2014, the governor's Office of Business and Economic Development (GO-Biz) has awarded USD 223 million to 330 companies projected to create over 42,000 jobs and USD 9.6 billion in investments. For fiscal year 2015/2016, USD 43.7 of the USD 200.9 million available in tax credits was awarded to 89 companies in application period 1.

### Scheme budget

For fiscal year 2015/2016, GO-Biz authorized USD 200.9 million in available CCTC to be allocated over three application periods. During the second application period, there will be USD 75 million in negotiated funds available

### Type of incentive

Tax Incentive

### Deadline

Applications for the third period begin on 7 March 2016 and close on 28 March 2016

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# United States/Connecticut ("CT")

## Connecticut Enacts Tax Law Changes

Connecticut offers two separate tax credits against the Corporation Business Tax for taxpayers with qualified R&D expenditure (QRE) incurred in the state. The non-incremental R&D tax credit is based on the total amount of QREs incurred in CT during the tax year and ranges from 1% to 6% of QREs incurred in the state. The incremental R&D credit is equal to 20% of incremental QREs incurred in the state over a base amount.

A taxpayer that claims a nonincremental credit for any income year must reduce the amount of QREs by the amount of excess QREs, as computed for the Incremental R&D credit.

### Scheme budget

On 29 December 2015, Connecticut Governor Dannel Malloy signed Senate Bill 1601, which increases the maximum amount of R&D tax credits that may be utilized against the corporation business tax from 50.01% of tax due for income years beginning on or after 1 January 2015, to 70% of tax due for income tax years beginning on or after 1 January 2019, phased in as follows:

2015	2016	2017	2018	2019
50.01%	55%	60%	65%	70%

### Type of incentive

Tax Incentives

### Deadline

N/A

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# United States/All States

## Federal Government Enacts Legislation to Extend Employee Hiring Credits

On 18 December 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH Act), which includes the following modifications to current law:

- Extension of the Work Opportunity Tax Credit (WOTC) through 31 December 2019.
- A new target group added to the WOTC consisting of qualified long-term unemployment recipients.
- Extension of the Empowerment Zone (EZ) hiring incentives and the Indian Employment Tax Credit (IETC) through 31 December 2016.

The above changes are effective retroactively to 31 December 2014.

### Scheme budget

- The WOTC is a federal income tax credit ranging from USD 2,400 to USD 9,600 for each qualified newly hired employee who falls into one of nine targeted groups
- The federal EZ hiring credit program provides an annual federal income tax credit of up to USD 3,000 per EZ resident hired
- The federal IETC program provides an annual tax credit of up to USD 4,000 based on wages and health insurance costs paid to qualified employees

### Type of incentive

Fiscal incentives

### Deadline

See above.

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# For more information

For more information on any of the programs 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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