



Global Tax and Legal | May 2015

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.

EU

France

Germany

Netherlands

Poland

Portugal

Russia

Serbia

Slovakia

South Africa

Spain

United Kingdom

USA

For more information

EU—not available to private sector companies

EaSI: Program for Employment and Social Innovation

The Employment and Social Innovation (EaSI) program is a financing instrument at EU level to promote high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.

The call focuses on “Cross-border partnerships and support to cooperation on intra-EU mobility for European Economic Area countries”. Cross-border partnerships must focus primarily on providing services to frontier workers, i.e. EU citizens who reside in one EU country and work in another EU country. The services provided by the cross-border partnerships must contribute to improved mobility in the cross-border regions, the identification of mobility obstacles and the better functioning of cross-border labour markets, thus contributing to economic growth.

Key criteria:

- Proposals must represent at least two EU neighbouring Member States
- The European Commission may finance up to 90% of the total eligible cost of the action
- Duration is twelve months
- Applicants: local and regional authorities, training centers, federations unions, agencies chambers, universities

Scheme budget

2015 budget: €4.4 million

Type of incentive

Cash grant

Deadline

Deadline for submitting applications: 30 June 2015

Contact name

Kees Tuinenbreijer, Senior Manager

Email

ktuinenbreijer@deloitte.nl

Tel no.

+31 6 53 59 8445

[Back to top](#)

France—available nationally

Temporary super deduction for certain new industrial/research investments

This is an opportunity for companies who are subject to corporate income tax to deduct from their taxable income 40% of the original cost (excluding financial expenses) of eligible assets bought or manufactured between 15 April 2015 and 14 April 2016.

Eligible equipment is limited to equipment eligible to the reducing-balance depreciation method and allocated to certain categories of activities (including materials and tools used for scientific and technical research activity). This extra deduction will be spread, on a straight-line basis, over the normal useful life of the assets.

Scheme budget	€2.5 billion over 5 years
Type of incentive	Super-deduction (tax savings)
Deadline	Eligible assets must be acquired or manufactured by the company between 15 April 2015 and 14 April 2016
Contact name	Lucille Chabanel, Partner
Email	lchabanel@taj.fr
Tel no.	+33 1 55 61 54 29

[Back to top](#)

Germany—ICT

Software, methods and tools for high performance computing

High performance computing (HPC) is key to many research areas, yet its use implies challenges related to massively scalable architectures, distributed storage or diverse parallel processors. Grants are awarded to interdisciplinary collaborative projects which address these challenges by developing innovative software, tools or methods.

Projects should promote the development of competencies for HPC experts, help to create clear profiles of competence centers and create expert networks.

Scheme budget

- No overall budget published
- Collaborative projects of universities and research institutions with companies; participation of SMEs recommended
- For companies, grants of up to 50% of eligible costs can be awarded, non-funded project partners should provide a significant own contribution
- For universities and research institutions, grants of up to 100% of eligible costs can be awarded
- Funding period up to three years

Type of incentive

Non-repayable cash grant to a consortium

Deadline

Submission of project outline (first stage): 5 June 2015

Contact name

Oliver Hasse, Senior Manager or Teresa Stahl, Professional

Email

ohasse@deloitte.de or tstahl@deloitte.de

Tel no.

+49 (0) 89 29036 7340 or +49 (0) 89 29036 7394

[Back to top](#)

Germany—ICT/healthcare

Medical-technical solutions for a digital healthcare

This scheme funds medical-technical solutions creating added value within the care chain 'diagnosis–therapy, –aftercare/rehabilitation' through an increased digitalization of processes. The call focuses on:

- digital therapies through therapeutically effective software
- digital therapy support systems to create and provide medical relevant data
- links between digital therapies and digital therapy support systems
- digital production chains to create individualized medical products

Scheme budget

- No overall budget published
- Applicants can be collaborative projects of individual partners with at least one German subsidiary covering the entire value chain. Participation of SMEs is recommended and active participation of clinical users is required.
- For companies, grants of up to 50% of eligible costs can be awarded. Funding rates for SMEs may be higher
- For universities and research institutions, grants of up to 100% of eligible costs can be awarded
- Funding period two or three years

Type of incentive

Non-repayable cash grant to a consortium

Deadline

Submission of project outline (first stage): 30 June 2015

Contact name

Isabel Antholz, Manager or Teresa Stahl, Professional

Email

iantholz@deloitte.de or tstahl@deloitte.de

Tel no.

+49 (0) 40 32080 4910 or +49 (0) 89 29036 7394

[Back to top](#)

Germany—manufacturing/industry 4.0/all industry sectors

Additive manufacturing—Individualized products, complex mass products and innovative materials (ProMat_3D)

Grants for R&D expenses for industry-driven, pre-competitive joint projects on additive manufacturing in the development of products, processes and materials. The call focuses on:

- Production research—new methods and tools for the additive manufacturing of individualised products and complex mass products
- Material research—innovative materials for additive manufacturing

Scheme budget

- No overall budget published
- Interdisciplinary collaborative projects consisting of partners developing and producing in Germany and covering the entire value chain; participation of SMEs highly recommended
- A material manufacturer, system integrator, machine producer or user will need to be a consortium leader
- For companies, grants of up to 50% of eligible costs can be awarded, funding rates for SMEs possibly higher
- For universities and research institutions, grants of up to 100% of eligible costs can be awarded

Type of incentive

Non-repayable cash grant to a consortium

Deadline

Submission of project outline (first stage): 1 September 2015

Contact name

Isabel Antholz, Manager or Teresa Stahl, Professional

Email

iantholz@deloitte.de or tstahl@deloitte.de

Tel no.

+49 (0) 40 32080 4910 or +49 (0) 89 29036 7394

[Back to top](#)

Netherlands—priority sectors

SME Innovation Stimulation Top Sectors (MIT)

The Dutch government and the provinces made a total of € 55 million for the regulation SME Innovation Stimulation Top Sectors (MIT) available in 2015.

The Netherlands has selected a number of Top Sectors in which the business community, knowledge institutes and government work together on innovation.

Top Sectors are the sectors in which the Netherlands excels globally and attracts high government priority. There are nine Top Sectors: Water, Agri-food, Horticulture, High Tech, Energy, Logistics, Creative Industry, Life Sciences and Chemistry.

Thanks to the MIT, SMEs can make use of the facilities available through the Dutch Top Sectors policy: MIT instruments provide funding for e.g. innovation advisory, feasibility projects, R&D cooperation and knowledge vouchers.

Allocation of subsidy of R&D cooperation projects is in accordance to the tender principle and other instruments within the MIT on a first come, first served basis from 19 May.

Cash grant limits:

- Innovation advisory: 50% funding of the eligible costs and max. €10,000
- Feasibility projects: 40% funding of the eligible costs and max. €50,000
- R&D cooperation projects: up to 40% funding of the eligible costs and max €150,000
- Knowledge voucher: 50% funding of the eligible costs and max. €3,750

Scheme budget

2015 budget: €55 million

Type of incentive

Cash grant

Deadline

Deadline for submitting applications: 15 September 2015

Contact name

Kees Tuinenbreijer, Senior Manager

Email

ktuinenbreijer@deloitte.nl

Tel no.

+31 6 53 59 8445

[Back to top](#)

Poland—aviation

InnoLot

InnoLot—innovative aviation, is conducted by the National Centre for Research and Development (NCRD). Enterprises and consortia composed of enterprises are eligible to participate in the program.

The following R&D fields are proposed: Innovative Drive System, Innovative Helicopter/Rotorcraft, Innovative Aircraft, Small Unmanned Air Ship and Others.

Scheme budget

PLN 400 M (approx. 1EUR – 4 PLN)

Type of incentive

Cash grant: PLN 1-7 M (when a leader of the consortium is medium, small or micro-entrepreneur); PLN 10-50 M (when a leader of the consortium is large, medium, small or micro-entrepreneur).

Support intensity: 50% of eligible costs for industrial research and 25% of eligible costs for experimental development. The intensity is increased (up to 80%) by:

- 10% for medium enterprises
- 20% for micro and small enterprises
- 15% if the project involves effective cooperation or its results are widely disseminated

Deadline

24 July 2015

Contact name

Michał Turczyk, Director

Email

mturczyk@deloittece.com

Tel no.

+48 12 394 43 38

[Back to top](#)

Portugal

Incentives for technology research and development–companies (joint projects)

Support industrial research and/or experimental development leading to the invention of new products, processes or systems or significant improvements to existing products, processes or systems (joint projects).

Scheme budget

Overall budget of €34 million

Type of incentive

Non-refundable incentive limited to € 1 million per beneficiary. For incentives in excess of €1 million: 75% of the incentive is non-repayable and 25% of the interest-free incentive is repayable

Deadline

2 June 2015

Contact name

Sérgio Paulo Oliveira, Partner

Email

seoliveira@deloitte.pt

Tel no.

+351210427527

[Back to top](#)

Portugal

Incentives for technology research and development–demonstrators

Support the demonstration of advanced technologies and pilot-lines that are not yet technically/technologically validated for commercial use (individual and joint projects).

Scheme budget

Individual projects: €10 million
Joint projects: €10 million

Type of incentive

Non-refundable incentive limited to €1 million per beneficiary. For incentives in excess of €1 million: 75% of the incentive is non-repayable and 25% of the interest-free incentive is repayable

Deadline

24 June 2015

Contact name

Sérgio Paulo Oliveira, Partner

Email

seoliveira@deloitte.pt

Tel no.

+351210427527

[Back to top](#)

Portugal

Incentives for technology research and development–demonstrators

Support the strengthening of SME's business capacity through the development of qualification processes for internationalization and organizational innovation.

Scheme budget

Qualification projects: €40 million
Internationalization projects: €53 million

Type of incentive

Non-repayable incentive limited to €500,000 per project

Deadline

22 May 2015

Contact name

Sérgio Paulo Oliveira, Partner

Email

seoliveira@deloitte.pt

Tel no.

+351210427527

[Back to top](#)

Russia—national subsidies for manufacturing companies

New federal subsidy program for manufacturing companies

The Russian federal government will be committing up to \$752 million over the next five years to support the creation of new manufacturing facilities in Russia.

The subsidy is targeted at compensating for part of the interest paid on loans received from Russian banks within the period between 2014 and 2016, provided the loan is aimed at the creation of a new manufacturing facility. The amount of subsidy is determined as follows:

- for loans in rubles: 0.7 of the key interest rate of the Russian Central bank (which is currently 14%) or 0.7 of the amount of the interest paid by the company (depending on the interest rate of loans); or
- for loans in foreign currency: 0.9 of the amount of the interest paid by the company (but no more than the amount calculated on the basis of the interest rate equal to 4% per annum).

The funding is available subject to a formal selection procedure which is held twice a year: in 2015 applications for the first selection may be submitted between 13 April 2015 and 12 May 2015. The deadline for the second selection will be determined later by the Ministry of Industry and Commerce.

To obtain a subsidy it will be necessary to meet the following requirements:

- The company is registered in Russia after 1 January 2014
- The cost of the investment project is from \$3 million to \$100 million
- Fixed assets are put in operation after 1 January 2014
- Share of the loan amount is no more than 80% of the total cost of the investment project

Scheme budget

\$752 million up until 2020

Type of incentive

Subsidy

Deadline

12 May 2015; next deadlines to be determined

Contact name

Diana Agarkova, Senior Consultant

Email

dagarkova@deloitte.ru

Tel no.

+7 (812) 703 7106 x 2595

[Back to top](#)

Russia—priority industry sectors

Direct grants for R&D with universities

The Russian federal government has recently announced a plan to continue supporting companies conducting research and development in strategic areas of science and technology in collaboration with universities. The funding is available following the conclusion of a formal tender procedure. The grant covers 100% of the R&D project costs (contracted to the university) and 100% of co-funding is needed from the company to launch the production of the results of the research. Preferences may be given to the companies which attract foreign laboratories as a subcontractor. A foreign group may be able to participate as an applicant, which must itself be a Russian legal entity, though the opportunities for receiving funding in such circumstances are limited.

Scheme budget

Maximum level of support for one project; €5.5 million with the typical project lasting 3 years

Type of incentive

Cash grant

Deadline

The ongoing call for proposals is expected to be announced in June 2015

Contact name

Yana Butrimovich, Senior Consultant

Email

ybutrimovich@deloitte.ru

Tel no.

+7 (812) 703 71 06

[Back to top](#)

Serbia—manufacturing/internationally marketable services

Attracting (foreign) investments

State grants are offered for both Greenfield and Brownfield projects and may be awarded for financing projects in manufacturing and internationally marketable services sector, with certain exceptions. For example, projects in primary agriculture, production of synthetic fibres, coal and tobacco are not eligible for funding.

Scheme budget

The maximum amount of funds that may be awarded:

- If the project value is less than €50 million, the State may grant up to 50%* of eligible investment costs;
- If the project value is from €50 to €100 million, the State may grant additional funds up to 25% of eligible investment costs for the amount above €50 million;
- If the project value exceeds €100 million, the state may grant additional funds up to 17% of eligible investment costs for the amount above €100 million.

*for SME's this percentage may be increased—up to 70% for small and 60% for medium enterprises.

Type of incentive

Non-refundable cash grant (paid out in tranches)

Deadline

TBD (the first public announcement is expected in the second quarter of 2015)

Contact name

Srdjan Petrovic, Partner or Filip Kovacevic, Manager

Email

spetrovic@deloittece.com or fkovacevic@deloittece.com

Tel no.

+381 (0) 11 3812 144 or +381 (0) 11 3812 164

[Back to top](#)

Slovakia

Investment incentives

Investment incentives are provided for projects realized in underdeveloped regions of Slovakia and are aimed primarily at the creation of new jobs in these regions. The type of projects eligible for support are creation or expansion of technological centers, creation or expansion of centers of strategic services, investments in tourist centers and investments in manufacturing business. Higher levels of support are available in regions with higher unemployment rates. The maximum aid intensity is 35% of the investment depending on the location of the project.

Scheme budget

N/A

Type of incentive

Tax relief, cash grants and transfer or exchange of immovable assets at prices lower than their fair market price

Deadline

No fixed deadlines

Contact name

Martin Rybar, Director

Email

mrybar@deloittece.com

Tel no.

+421258249113

[Back to top](#)

South Africa

Electricity levy and Section 12L energy efficiency tax incentive

The energy efficiency tax incentive in terms of Section 12L of the Income Tax Act No 58 of 1962 ("the Act") is calculated as 95 cents per kilowatt hour ("kWh") and will be extended to cogeneration projects. In order to claim the deduction the tax paying entity must be able to provide a certificate from the South African National Energy Development Institute ("SANEDI") which confirms the energy efficiency savings submitted complies with the South African National Standard 50010 ("SANS 50010, Measurement and Verification of Energy Savings") and complies with the published regulations of Section 12L of the Act.

Once a carbon tax is implemented, this incentive will be funded through a recycling of revenues from the carbon tax.

Scheme budget

R14 billion

Type of incentive

Income tax deduction

Deadline

31 December 2019

Contact name

Newton Cockcroft, Director

Email

ncockcroft@deloitte.co.za

Tel no.

+27118065298

[Back to top](#)

South Africa

Special Economic Zones

The Special Economic Zones (“SEZ”) Act aims to contribute towards the industrialization of the country, economic growth and job creation through improvement of the investment climate, offering appropriate support measures, such as incentives, to investors.

The SEZ Act makes provision for, amongst others:

- The designation, promotion, development and operation of the SEZs;
- The establishment of the SEZ advisory board; and
- The establishment of the SEZ Fund and appropriate incentives to attract domestic and foreign fixed investments into the zones.

The major incentives available to investors locating in a SEZ are listed below:

- A lower company tax rate of 15% in terms of section 12R of Income Tax Act No 58 of 1962 (“the Act”)
- An accelerated building allowance of 10% per annum in terms of the new section 12S of the Act
- VAT and customs duty relief similar to what is being applied in the current Industrial Development Zones

Scheme budget

R3.5 billion over 2015 - 2018, mainly for infrastructure development

Type of incentive

N/A

Deadline

28 February 2018

Contact name

Newton Cockcroft, Director

Email

ncockcroft@deloitte.co.za

Tel no.

+27118065298

[Back to top](#)

South Africa

Critical infrastructure program

The Critical Infrastructure Programme (“CIP”) is a cash grant that covers between 10% and 30%, capped at R30 million, of the construction costs for the development of critical infrastructure to support strategic investment projects in South Africa. The main aim of the CIP is to support infrastructure that will service new investment projects or the expansion of existing investment projects. The CIP application must be submitted to the DTI and must receive approval from the Minister of Trade and Industry before “breaking” ground.

Scheme budget	R580 million over 2015–2018
Type of incentive	Refundable cash grant
Deadline	N/A
Contact name	Newton Cockcroft, Director
Email	ncockcroft@deloitte.co.za
Tel no.	+27118065298

[Back to top](#)

South Africa

Section 121 industrial policy projects

The industrial policy project tax incentive supports the National Industrial Policy Framework's objectives to diversify South Africa's industrial output, develop a knowledge-based economy and create higher levels of employment.

This incentive supports capital investment and training for both Greenfield and Brownfield investments:

- Greenfield investment—new industrial projects that utilize only new and unused manufacturing assets
- Brownfield investments—expansions or upgrades of existing industrial projects.

Capital Investment Benefit

The capital investment benefit will depend on the status that a project is awarded upon approval. The benefit is calculated as follows:

Type	Status	Percentage	Amount in millions	After tax benefit
Brownfields	Preferred	55%	R550	R154
Brownfields	Qualifying	35%	R350	R98
Greenfields	Preferred	55%	R900	R252
Greenfields	Qualifying	35%	R550	R154

Training Benefit

An entity may deduct from the taxable income an allowance equal to the training cost, to a maximum of R36 000 per employee, for training provided as a result of the project.

The total training allowance for a project with a preferred or qualifying status may not exceed R30 million and R20 million respectively and the training must be provided within 6 years from the date of approval.

Scheme budget

R20 billion

Type of incentive

Refundable Cash Grant

Deadline

31 December 2017

Contact name

Newton Cockcroft, Director

Email

ncockcroft@deloitte.co.za

Tel no.

+27118065298

Spain—defined geographical regions

Investment program for foreign companies in R&D activities

Call to support the implementation of measures which can promote the investment of foreign capital companies with high innovative activities.

The R&D granted activities must be performed in one or more of the following Spanish autonomous communities: Extremadura, Andalucía, Murcia, Castilla la Mancha, Canarias, Galicia and Valencia.

The call can support the following:

- R&D projects aimed at foreign owned companies who want to establish an R&D center in Spain, and
- R&D projects aimed at foreign owned companies already in Spain but looking to attract new R&D projects to subsidiaries in Spain

Scheme budget

The total budget of the scheme is €2 million. Non refundable grant support is provided up to a maximum aid per beneficiary of €200,000. The grant intensity may reach up to 80% of eligible costs for industrial research and 60% for experimental development.

Type of incentive

Non refundable grant

Deadline

The application deadline is 31 December 2015

Contact name

Omar Garzesi, Director or Helena Escribano, Senior Associate

Email

ogarzesi@deloitte.es or hescribano@deloitte.es

Tel no.

+34 932 30 48 48

[Back to top](#)

United Kingdom—collaborative research and development

Energy Catalyst—late-stage awards—pre-commercial technology validation

The Energy Catalyst will support businesses and researchers from any sector, who can deliver innovative solutions that contribute to all elements of the energy trilemma:

- reducing emissions,
- improving security of supply, and
- reducing cost.

Proposals should bring new and innovative solutions and applications into the energy sector and its supply chain.

The adoption and integration of cross-cutting, enabling technologies which are applicable across a range of sectors is encouraged. Examples of these include high-value manufacturing, advanced materials, sensors and information and communication technologies (ICT).

Proposals must be collaborative and business-led. Funding will be expected to cover mainly Experimental Development projects in which a business partner will generally attract up to 25% public funding for their project costs (35% for SMEs). Industrial Research projects are funded under “Mid-stage awards”—details available on request. Projects are expected to take up to 36 months and the total project costs can be up to £10 million.

Scheme budget

£14 million

Type of incentive

Cash grant

Deadline

Competition deadline 9 September 2015; Registration deadline 2 September 2015

Contact name

Alistair Davies, Director

Email

aldavies@deloitte.co.uk

Tel no.

+44 (0) 2920 264272

[Back to top](#)

USA—New Mexico

New sustainable building credit

Effective tax years beginning 2017 to 2026, a credit is available for the construction in New Mexico of a sustainable building, renovation of an existing building in New Mexico into a sustainable building, or the permanent installation of manufactured housing that is a sustainable building. The credit amount is based on the certification level the building has achieved in the LEED green building rating system and the amount of qualified occupied square footage in the building.

Scheme budget

The total amount of credits may not exceed \$1.25 million with respect to sustainable commercial buildings, \$3.375 million with respect to sustainable residential buildings. For commercial buildings the credit amount ranges from \$0.30-\$6.25/sq. ft. and for Residential buildings, \$2.50-\$9.00/sq. ft. depending on the LEED of Build Green NM certification level and amount of square footage

Type of incentive

Fiscal Incentives

Deadline

Applies to tax years starting 1 January 2017 through 31 December 2026

Contact name

Doug Tyler, Tax Director

Email

dtyler@deloitte.com

Tel no.

+1 212 436 3703

[Back to top](#)

USA—Alabama

Alabama Jobs Act enacted

The Alabama Jobs Act has been enacted, which provides incentives to certain businesses for projects that create any number of new employees, for a qualifying project whose predominant activity includes chemical manufacturing, data centers, engineering, design, research or metal/machining technology, or at least 50 new employees for all other projects. The law authorizes an incentivized company to claim either or both (1) a jobs credit against utility taxes equal to 3% of wages paid to eligible employees in the previous year for 10 years, or (2) an investment credit against income taxes, financial institution excise taxes, insurance premium taxes, utility taxes, or some combination of these taxes in an amount of 1.5% of the capital investment for 10 years.

Scheme budget

Aggregate balance of outstanding incentives may not exceed \$850 million

Type of incentive

Fiscal incentives

Deadline

Effective 3 July 2015 to 31 December 2019

Contact name

Doug Tyler, Tax Director

Email

dtyler@deloitte.com

Tel no.

+1 212 436 3703

[Back to top](#)

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:



Natan Aronshtam

Global Managing Director—R&D and GI, DTTL

naronshtam@deloitte.ca

+1 416 643 8701



Alistair Davies

Director, Deloitte UK

aldavies@deloitte.co.uk

+44 (0) 2920 264272

[Back to top](#)

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