



Grants & Incentives program updates

Global developments
benefiting business

Global Tax and Legal, October 2016

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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 program directly.

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Deloitte Global R&DGI Conference

Deloitte's Research & Development and Government Incentives Global Conference, to be held in New York City on 9–10 November 2016, will provide an opportunity for clients to have one-on-one meetings with Deloitte professionals from various countries to discuss how they may be able to benefit from tax and financial incentives if they conduct, or are considering, any of the following:

- New or additional capital investment
- Employee hiring
- Employee training
- New market entrance or market expansion
- R&D

Deloitte professionals from the following countries will be available for one-on-one meetings:

Australia	Greece	Mexico	Spain
Austria	Hungary	Netherlands	Sweden
Belgium	India	Poland	Switzerland
Brazil	Ireland	Portugal	Thailand
Canada	Israel	Romania	Turkey
China	Italy	Russia	United Arab Emirates
Croatia	Japan	Singapore	United Kingdom
Czech Republic	Latvia	Slovakia	United States
France	Lithuania	South Africa	
Germany	Malaysia	South Korea	

Meetings will be scheduled for Thursday 10 November, from 9am to 2pm EST.

If you are interested, please contact Jessie Gutierrez, jesgutierrez@deloitte.com

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China

Guidance on technology contributions published

China's Ministry of Finance and the State Taxation Administration jointly released guidance (Bulletin 101) on 20 September 2016 that refines the income tax policies on capital contributions made in the form of technology. Bulletin 101 applies retroactively as from 1 September 2016.

Previously, incentives granted when technology was contributed to a Chinese company as a capital contribution were available only to scientific institutions, colleges and their faculty and personnel. According to Bulletin 101, enterprises and individuals that use technology to obtain shares in a Chinese company may defer the income tax liability to the time they dispose of the relevant shares. Both enterprise and individual income tax due will be calculated as the proceeds from the share transfer less the original cost of the technology plus taxes associated with the transfer.

The definition of technology in Bulletin 101 is extensive, and includes copyrights of computer software, patents, etc. To enjoy the incentives, enterprises must provide certain information to the relevant tax authorities in advance.

Scheme budget	N/A
Type of incentive	N/A
Deadline	N/A
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Czech Republic

ICT and shared services: Support for projects focusing on software development, data centre operation and shared services centres

The ICT and shared services programme is part of the Enterprise and Innovation for Competitiveness Operational Programme, which focuses on providing support for business entities in the Czech Republic. The programme aims to increase the offer of new information systems, ICT solutions and sophisticated ICT tools, cloud solutions, and new software products and services, as well as related implementation. The programme also supports the establishment and operation of shared services centres and the construction and modernisation of data centres. The support, which comes in the form of a subsidy, is intended for enterprises of all sizes. The subsidy will amount to no more than 45% of expenditure; the minimum amount of aggregate eligible expenses is CZK 1 million and the maximum project amount is CZK 200 million.

Scheme budget	Minimum of CZK 3.45 billion
Type of incentive	Cash grant
Deadline	January 2017 (to be specified)
Contact name	Luděk Hanáček: Partner
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Czech Republic

Real Property: Programme for support of business real property development projects

The real property programme is part of the Enterprise and Innovation for Competitiveness Operational Programme, which focuses on providing support for businesses in the Czech Republic. Participation in the programme is intended for small and medium-sized enterprises (SMEs) wishing to modernise their outdated buildings and sites where they carry out supported economic activities and that currently have insufficient space and technical infrastructure. The subsidy amounts to no more than 45% of the expenditure; the minimum amount of aggregate eligible expenses is CZK 1 million and the maximum project amount is CZK 200 million.

Scheme budget	Minimum CZK 950 million
Type of incentive	Cash grant
Deadline	January 2017 (to be specified)
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Germany

Industry 4.0: Photonics for flexible, connected production

The scheme provides funding for research projects that develop solutions for adaptable systems based on innovative sensors that allow for robust optical registration and the provision of information in the context of industrial production. The following topics are of interest:

- Innovative concepts for compact, includable, robust and eventually energy-autonomous optical sensors;
- Innovative optical and hybrid optical functions for sensor and measurement applications focusing on a possible integration in available production processes;
- Self-adaptive, standardized optical sensors or optical sensor networks for plug and produce;
- Adaptive and eventually freely configurable sensor arrays that can be used in different applications;
- Innovative concepts for optical sensors with reduced latency and real-time capability;
- Development of concepts for a visual presentation of data-based information and integration in assistant systems for employees; and
- Optical guidance and control systems for robots, especially in a cooperative working environment for the identification of employees and anticipation of their movements (Human-Machine-Interaction).

Scheme budget	<ul style="list-style-type: none">• No overall budget published• Forming of a consortium is required; inclusion of SMEs is welcomed• For companies, grants of up to 50% of eligible costs can be awarded, provided there is an own contribution of at least 50%• For universities and research institutions, grants of up to 100% of eligible project costs can be awarded
Type of incentive	Non-repayable cash grant to a consortium
Deadline	Submission of project outline (first application step): 30 November 2016
Contact name	Isabel Antholz: Senior Manager or Teresa Stahl: Consultant
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Germany

Innovation in bio-economy

The scheme provides funding to accelerate the development of bio-economic innovation areas as a driver for structural change towards a sustainable, bio-based economy. The innovation areas should be newly created to promote innovation environments where the work for the R&D projects can be carried out. Such R&D projects can range from basic research to the development of innovative processes to products and services. The potential economic use of scientific results should be implemented comprehensively and effectively with the help of the innovation areas. Innovation areas should be focused on specific technology if it opens new application areas, and innovation areas should not concentrate on one region or product, process, service or technology.

Scheme budget	<ul style="list-style-type: none"> • “Sketch phase”: No funding • Conception phase: If the sketch phase is evaluated positively, preparation for the conception phase can be funded with up to EUR 100,000 over a maximum period of 12 months. • Implementation phase: A budget of up to EUR 20 million will be allocated to each innovation area. R&D projects conducted during the implementation phase will be funded according to the following rules: <ul style="list-style-type: none"> – For companies, grants of up to 50% of eligible costs can be awarded, provided there is an own contribution of at least 50% – For universities and research institutions, grants of up to 100% of eligible project costs can be awarded
Type of incentive	Non-repayable cash grant to a consortium
Deadline	Submission of project sketch (first application step): 17 February 2017
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Germany

E-ticketing and digital networks in public transport

The scheme provides funding for research projects that focus on public transport:

- **Automated fare calculation and electronic fares:** Development and demonstration of methods, systems and products that have an application in an EFM system for e-tickets and that aim at automatic fare calculation. The needs of customers (e.g. flexibility, simplicity, transparency) also should be taken into consideration.
- **National and transnational network of electronic ticketing:** The developed components and systems must support the national and/or interregional use of electronic tickets. The application is to demonstrate the research result in a joint project over at least two traffic areas.
- **Linking passenger and fare information for public transport:** The development and use of services, interfaces, and standards for the networking of passenger information systems in public transport should be supported.
- **Integration of mobility services:** A digital link for the intermodal and multimodal offers for the customer should be produced.

Scheme budget	<ul style="list-style-type: none">• For companies, grants of up to 50% of eligible costs can be awarded• For universities and research institutions, grants of up to 100% of eligible project costs can be awarded
Type of incentive	Non-repayable cash grant to a consortium
Deadline	Applications may be submitted until 31 December 2018
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Netherlands

Proposed changes to innovation box to apply from January 2017

Following the recommendations in action 5 of the OECD’s BEPS project, a bill was presented to the Dutch parliament in September 2016 that would make changes to the innovation box. If adopted, the revised rules would take effect on 1 January 2017. The proposed changes, in particular, would affect medium-sized and large businesses.

Although most companies would continue to be able to benefit from the innovation box regime, additional substance and documentation requirements would be introduced:

Substance: The existing rules would be amended to ensure that the profits attributable to the innovation box have sufficient substance in the Netherlands.

R&D statement: For each qualifying intangible, the taxpayer would be required to prepare an R&D statement and submit the statement to the relevant authorities at least one month before the period in which the R&D activities were to be performed.

Additional requirement for medium and large-sized taxpayers: In addition to the R&D statement, medium and large taxpayers would need to have applied for a patent or plant variety right, registered utility model, license for marketing medicines, additional protection certificates or software or an exclusive license to use the patent.

Administrative requirements: New documentation requirements would be introduced, thus, increasing the administrative burden on taxpayers.

Grandfathering: Taxpayers with qualifying intangible assets developed before 1 July 2016 would be entitled to benefit from the current innovation box regime for five years, i.e. until fiscal years that end on 30 June 2021.

Intangible assets developed before 1 January 2017 for which a patent or plant variety right was granted to the taxpayer would continue to qualify under the current innovation box regime.

Scheme budget	N/A (dependent on fiscal profit of the taxpayer)
Type of incentive	Tax incentive
Deadline	The tax authorities can agree to issue a ruling for the taxpayer at any time during the fiscal year
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Poland

IUSER: Measure 1.2 of Smart Growth Operational Programme

Entrepreneurs or consortia carrying out innovative projects in the field of energy may obtain grants for industrial research and experimental development of energy storage, systems for disseminated power generation, systems and equipment for energy efficiency, technology for the construction of the Internet of Things devices for M2M service delivery, and equipment and software for the network security of critical infrastructure.

Administered by the National Centre for Research and Development (NCR&D), the programme supports industrial research and experimental development or experimental development carried out by enterprises or consortiums of enterprises consisting of at least two entrepreneurs focused on the energy industry.

To benefit, a project must fall within the scope of one of the R&D&I funding priorities in the “National Smart Specialization” and within the thematic scope of the programme.

Costs eligible for a grant include remuneration and outsourcing costs of up to 60% for projects implemented independently or 50% for projects implemented by a consortium. In the latter case, depreciation and leasing costs for R&D infrastructure and equipment, costs incurred on intangible assets, land and buildings, other operational costs and up to 17% of indirect costs can be included.

Scheme budget	Approximately EUR 30 million
Type of incentive	<p>Grants: 25%–80% of eligible costs</p> <p>The grant, available as a percentage of costs that are eligible for the scheme, is as follows:</p> <ul style="list-style-type: none"> • Industrial research: Up to 70% for micro and small enterprises, 60% for medium-sized enterprises and 50% for large enterprises • Experimental development: Up to 45% for micro and small enterprises, 35% for medium-sized enterprises and 25% for large enterprises <p>In the event of a wide dissemination of R&D results or effective collaboration, the aid intensity is increased by 15%.</p> <p>Maximum aid intensity is 80% of the costs.</p>
Deadline	30 December 2016
Contact name	Dominika Orzolek: Manager
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Poland

PBSE: Measure 1.2 of Smart Growth Operational Programme

Entrepreneurs or consortia carrying out innovative projects in the field of energy may obtain grants for industrial research and experimental development of conventional or renewable energy technology, electricity networks and new products/services (e.g. smart metering, billing models, customer intelligence, e-mobility).

Administered by the NCR&D, the programme supports industrial research and experimental development or experimental development carried out by enterprises or consortiums of enterprises consisting of at least two entrepreneurs focused on the energy industry. To benefit, a project must fall within the scope of one of the R&D&I funding priorities in the “National Smart Specialization” and within thematic scope in detail determined by the programme.

Costs eligible for a grant include remuneration and outsourcing costs of up to 60% for projects implemented independently or 50% for projects implemented by a consortium. In the latter case, depreciation and leasing costs for R&D infrastructure and equipment, costs incurred on intangible assets, land and buildings, other operational costs and up to 17% of indirect costs may be included.

Scheme budget	Approximately EUR 35 million
Type of incentive	<p>Grants: 25%–80% of eligible costs (depending on type of actions, the size of the enterprise and dissemination of R&D results).</p> <p>The grant available as a percentage of costs that are eligible for the scheme is as follows:</p> <ul style="list-style-type: none"> • Industrial research: Up to 70% for micro and small enterprises, 60% for medium-sized enterprises and 50% for large enterprises • Experimental development: Up to 45% for micro and small enterprises, 35% for medium-sized enterprises and 25% for large enterprises <p>In the event of wide dissemination of R&D results or effective collaboration, the aid is increased by 15%.</p> <p>Maximum aid is 80% of the costs.</p>
Deadline	20 December 2016
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Poland

Regional Operational Programme: Sub measure 1.4.1 promoting entrepreneurship and attracting investment

This scheme focuses on the construction, reconstruction and modernization of logistics centres. The incentive is in the form of a grant issued to qualifying proposals. Key criteria relating the call for proposals are: market demand, quality and complexity, location, capacity (TEU/year) and innovativeness.

Costs eligible for a grant include land and buildings, construction, tangible assets, telematics systems, and IT systems.

Scheme budget	Approximately EUR 9.3 million
Type of incentive	Grants: Up to 85% of eligible costs. The aid cannot exceed the difference between eligible costs and the operating profit from the investment.
Deadline	30 December 2016
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Portugal

Incentives for qualification and internationalisation of SMEs (Projects for internationalisation)

SMEs undertaking projects to increase their capacity and presence in the global market can claim a cash grant of up to 45% of expenses related to areas such as market knowledge and presence, international development and promotion, and international marketing.

Scheme budget	EUR 61.25 million
Type of incentive	Non-repayable cash grant of 45%
Deadline	31 October 2016
Contact name	Sérgio Paulo Oliveira: Partner
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Portugal

Incentives for qualification and internationalization of SMEs (Projects for qualification)

SMEs undertaking projects to increase their productivity, flexibility, and response capacity in the global market can claim a cash grant of up to 45% of expenses incurred on ICT, the digital economy, brands and designs, the development of new products and services, quality, knowledge transfers, eco-innovation, distribution, and logistics.

Scheme budget	EUR 42.1 million
Type of incentive	Non-repayable cash grant of 45%
Deadline	31 October 2016
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Turkey

Super deduction criteria defined

A decision of Turkey's Council of Ministers published in the official gazette of 10 August 2016 defines the criteria for R&D and design centres to benefit from the super deduction for R&D expenditure. Turkey has a regime that provides for a 100% deduction of R&D expenditure for qualifying R&D projects, as well as an additional (super) deduction of 50% of the R&D expenditure increase over the prior year. The super deduction will be available provided the centre has at least a 20% increase over the previous year with respect to the following:

- Portion of R&D and design expenditure within the total turnover;
- Number of registered national or international patents;
- Number of internationally supported projects;
- Ratio of post-graduate degree researchers to total R&D personnel;
- Ratio of all researchers to total R&D personnel; and
- Ratio of turnover obtained from new products emerging from R&D project to total turnover

Scheme budget	No pre-determined budget
Type of incentive	Tax deduction
Deadline	No specific deadline
Contact name	Burak İnam: Senior Manager
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Turkey

Expansion of definition of design activity

Design activities have been included within the scope of R&D incentives and support since 1 March 2016. As a result of a cabinet decision on 11 August 2016, the scope of design activities was further been expanded as follows:

“In accordance with the statistical classification of economic activities in the European Community, innovative activities that have potential for creating added value and competitive edge, aimed at developing, improving, diversifying, and increasing the functionality of products in the following fields are regarded as design activity:

- Motion picture, video, and television programme production activities
- Motion picture, video, and television programme post-production activities
- Specialized design activities
- Support activities to performing arts.”

Scheme budget	No pre-determined budget
Type of incentive	Tax deduction
Deadline	No specific deadline
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United Kingdom

Innovate UK: Emerging and enabling technologies

Innovate UK is investing up to GBP 15 million in emerging and enabling technologies, i.e. technologies with the potential to deliver the products and services of tomorrow and to disrupt existing markets. An emerging technology is one that is progressing in, or has recently emerged from, the research base. An enabling technology is one that underpins the development of high-value products and services in many industrial sectors and markets—they improve performance and productivity.

Projects must clearly show high-growth potential innovations in one or more of the following areas:

- Emerging technologies: Energy harvesting, imaging technologies, graphene or biofilms;
- Enabling technologies: Satellite applications; electronics; sensors; photonics; digital; internet of things; data; cybersecurity; virtual or augmented reality; and distributed ledger technology.

Projects are expected to range in total costs from GBP 35,000 to GBP 2 million and last between six months and three years.

There are two options (“Streams”) to apply for this competition, depending on the duration and size of the project. Stream 1 is for projects that last less than 12 months and cost less than GBP 100,000. Stream 2 is for projects lasting longer than 12 months or that cost more than GBP 100,000.

Grants of up to 70% are available to support project costs for feasibility studies and industrial research, while grants of up to 45% are available for experimental development. The size of the grant also will depend on the size of the entity. All funded projects must be industry-led, include at least one UK SME (as defined by the European Commission), but need not be collaborative.

Scheme budget	GBP 15 million
Type of incentive	Cash grant
Deadline	Registration deadline: 30 November 2016 Competition deadline: 7 December 2016
Contact name	Alistair Davies: Director or Nina Barton: Manager
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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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