



Global R&D and Government Incentives

See what we see. See it all.



Helene Geijtenbeek

Agenda

- Trends and challenges
- Global government incentives: the landscape
- The new EU financial framework
- Approach taken towards government incentives - What do clients say
- What do we see?
- Technology

Trends and Challenges

Trends

- Rapid growth in countries, regions and municipalities offering incentives all across the globe
- Governments are aggressively competing for your business investment in their jurisdictions
- Positioning of the EU in the global landscape
- R&D, innovation and technology are key in the C-suite

Challenges

- Increasing need for large national and multinational corporations to better manage incentives across the organization
- And managing the overall process globally



Global government incentives: the landscape

Government incentives

Tax and Grants benefits

- Tax Holidays
- Reduced tax rates
- Qualification for offshore regimes
- Free trade zones
- Withholding tax exemptions
- Exemption from registration fees
- Stamp tax and other indirect tax incentives
- Research and development credits
- High tech status
- Credits for development of manufacturing facilities

Value Added Taxes (VAT)

- Financial incentives such as a financial subsidy or an interest free loan to ease the up-front cash flow burden for imported equipment into countries

Customs

- Customs duties exemptions and applicable free trade agreements

Indirect taxes

- Indirect tax exemptions and subsidies

Property and land use taxes

- Financial subsidies and tax exemptions for land and other property taxes

Infrastructure support

- Qualified plans for government support and investment for infrastructure to maintain plants

Land purchase price

- Government support for purchase of land needed for facilities including eminent domain proceedings; land purchase assistance and financing; discount land purchase agreements; rent exemptions

Employee assistance

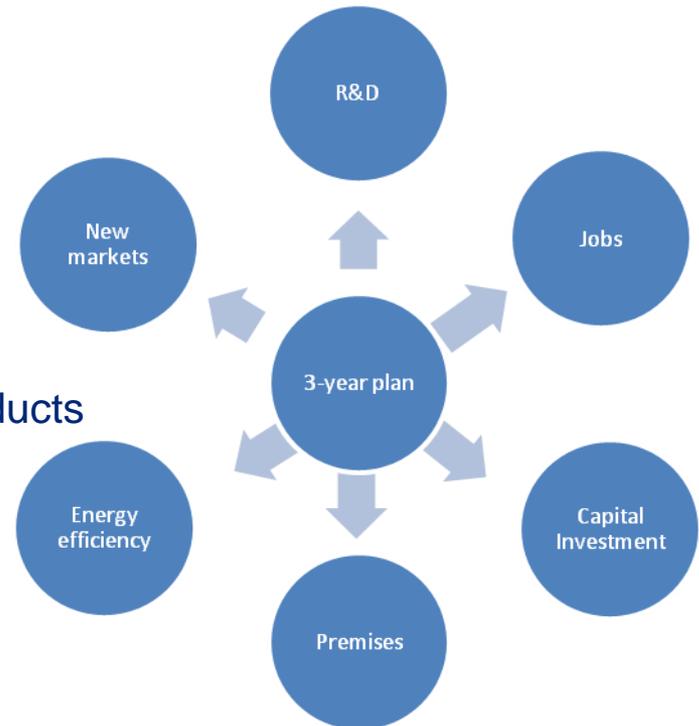
- Support for immigration and residence by granting multiple visas
- Employment and jobs credits
- Training grants

Investment projects in general

- Technology transfer support
- Training support and subsidies
- Support for investment development and investment services
- Investment support for infrastructure systems outside/inside fence of industrialized zones and export processing zones
- Capital investment credits

Understanding Investment Plans

- **Locations:** expanding at locations, new locations, relocating and rationalizing
- **Capital Equipment:** investment in replacement or additional equipment
- **Personnel:** the creation of new jobs or the development of the existing workforce
- **Product Innovation:** a description of potential new products that may be launched
- **R&D:** an indication of the R&D activities that may be performed (product or process)
- **M&A:** information on potential acquisitions that could increase the list of countries/sites to be evaluated
- **Outsourcing:** a description of investments you will require to be outsourced and supply chain partners to perform
- **Sustainability:** explanation of key targets/projects that lead to reduction in the use of utilities
- **Other:** information on any business objective, e.g. CSR



All government incentives, different approaches

Difference in processes, competences and starting points

R&D Tax

- Retrospective, project period 1 year
- Applications filed per single company
- Company financing for continuous innovation activities
- ‘Open budgets’: if activities qualify, applications will be rewarded
- Reasonably predictable application filing calendars

EU grants

- Future project, with a horizon on 3 to 5 years
- Applications filed for consortia of 3 to 30 organizations from several different countries
- Project financing for specific research topics only
- Applications filed through tenders: only projects with the highest scores will get rewarded with funding (usually only 30% of the applications files)
- Calls for proposals open for short periods, focusing on very specific topics

The new EU financial framework

European program

The European Commission recently launched their new funding instruments for the period 2014-2020. Structure and budgets:

	Centrally managed by European Commission	Shared management by Member States
Research, Development & Innovation	Horizon 2020 Budget: € 70,2 B	
Sustainable growth, Jobs and Social Cohesion	Competitiveness & SME (COSME) Budget: € 2 B	<ul style="list-style-type: none"> • European Regional Development Funds (ERDF) Budget: € 183,3 B • Cohesion Fund Budget: € 66,3 B • European Social Fund (ESF) Budget: € 84 B
	Creative Europe Budget: € 1,3 B	
	Employment and Social Innovation Budget: € 0,8 B	
	Erasmus + Budget: € 13 B	
	LIFE Environment and Climate action Budget: € 3,4 B	Health for Growth Budget: € 0,4 B
Infrastructure	Connecting Europe Facility (CEF) Budget: € 29,2 B	

Horizon 2020

Structure

Topic	Excellent Science	Industrial Leadership	Societal Challenges
Budget	EUR 25.9 billion	EUR 15.7 billion	EUR 25.9 billion
Content	<ul style="list-style-type: none"> ▪ European Research Council ▪ Future and Emerging Technologies ▪ Marie Curie Actions ▪ Research infrastructures 	<ul style="list-style-type: none"> ▪ Leadership in key enabling and industrial technologies ▪ Access to risk finance ▪ Innovation in SMEs 	<ul style="list-style-type: none"> ▪ Health, demographic change and wellbeing ▪ Food security, sustainable agriculture, marine and maritime research, and the bio-economy ▪ Secure, clean and efficient energy ▪ Smart, green and integrated transport ▪ Inclusive, innovative and secure societies ▪ Climate action, resource efficiency and raw materials
FP7	<ul style="list-style-type: none"> • FP7: People, Ideas, Capacities • FP7: Collaborative Projects FET 	<ul style="list-style-type: none"> • Collaborative projects addressing the aforementioned topics 	<ul style="list-style-type: none"> • FP7: Collaborative projects / more open

General requirements with respect to EU grants

- Projects need to be filed by consortia of at least **three independent organizations** (companies, universities, public bodies,...) from at least **2 different EU-member states**.
- The EU funding instruments are open to all organizations in the European Commission. Additionally, **Horizon 2020 is open for non-EU organizations**. In some cases the non-EU organizations can even obtain grants from the EU, in others, the non-EU organizations can just participate.
- EU grant procurement is **highly competitive**. In general only around **30%** of applications filed get rewarded.
- Applications can only be filed through '**calls for proposals**'. For each topic or instrument, there will be one call per year. Usually the timeframe between a call for proposal and deadline for filing amounts **three months**.
- The budget for the multi-annual framework is € 500 billion, the **funding rates go up to 100%** of qualifying project costs. The typical size of projects range from **€ 2M to € 6M** funding. Exceptions of funding up to € 12M are known.

Approach taken towards
government incentives

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What do clients say

Deloitte CFO Survey

What do clients say

In the Netherlands, Deloitte organizes a quarterly CFO Survey, in which Dutch CFO's are being approached to answer a limited set of questions around certain (trending) topics. The answers are presented anonymous in a report, giving good insight how CFO's think about the topics.

In 2011 and 2012, three CFO Surveys contained questions related to grants, incentives and innovation. Below, we give a short resume of the relevant survey outcome.

Q4 2011:

82% of CFOs consider the strategic significance of innovation crucial to very crucial, when striving for growth or the continuation of their company during these current economic hard times.

Some 70% of CFOs state that high to very high priority is given to innovation on the agenda of the board.

Three-quarters of CFOs claim their company already acts in some or many partnerships/open innovation.

More than 60% of CFOs state that more attention should be given to open innovation within their organization to a larger or smaller extent.

Q1 2012:

CFO's indicated that Dutch R&D tax incentives have only limited impact. This seems logical, as WBSO, RDA and Innovationbox have only limited impact on cost management for large companies.

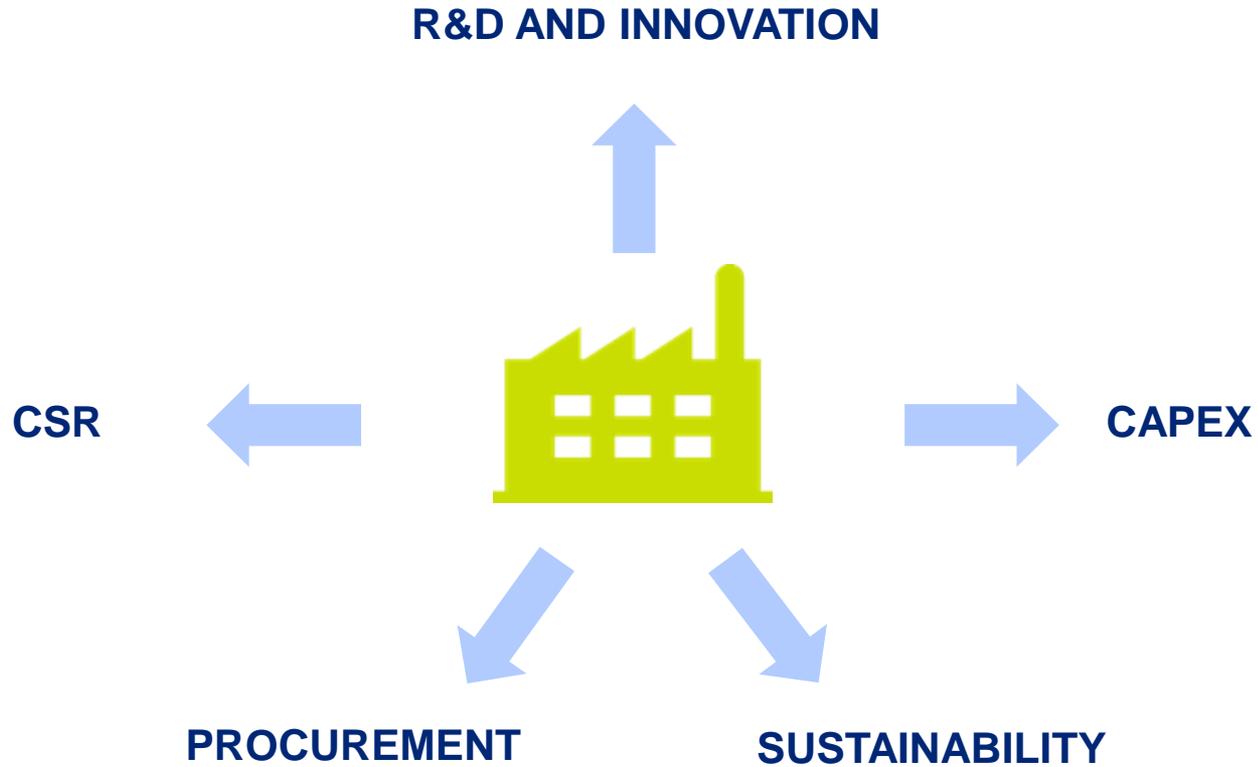
Q4 2012:

More than half the CFOs rate fiscal incentives - i.e., wage tax or indirect tax – high to very high. These types have a direct cash flow impact. National and EU cash grants show a larger group of CFOs within “neutral”. This might indicate these types to be fairly unknown. Due to their unfamiliarity, CFOs may miss out on benefits from national or EU budgets. CFOs are more reluctant to apply for R&D incentives because of the administrative burden than because of the potential compliance risks. Some 43% of CFOs do not apply for available R&D incentives, because of the administrative burden.

Some 45% of CFOs treat R&D incentives as a local matter within the company. We experience that if R&D incentives are managed in a decentralized manner, companies may miss opportunities to make use of R&D incentives available. Both international and national firms are advised to address and prioritize this topic at a strategic central level.

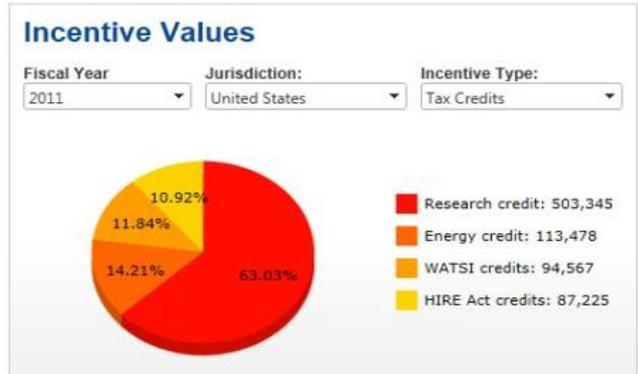
What do we see?

Various G&I-relevant company processes



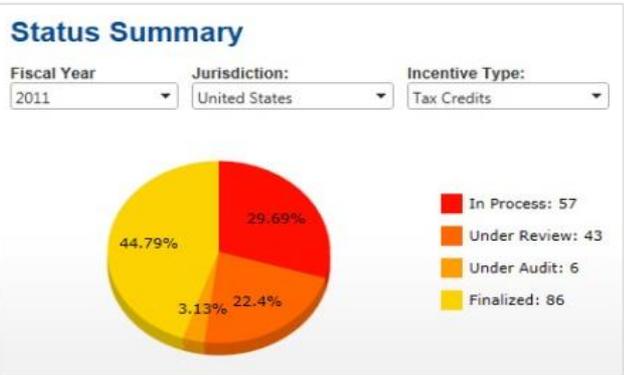
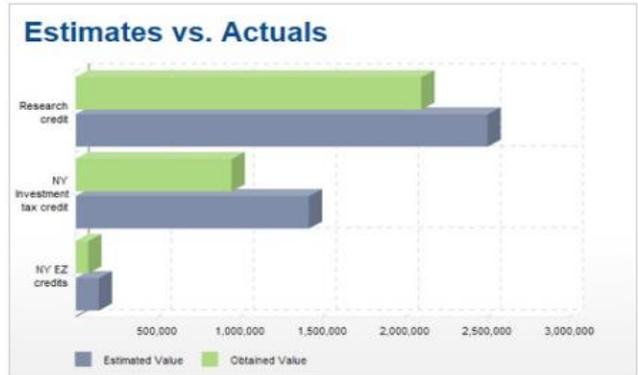
Technology

I Smart: Incentives management tooling



Incentive Status and Milestones

Incentive	Next Milestone	Due Date	Status
Research credit	Filing Deadline	03/15/2011	Green
NY Investment tax credit	Activity Surveys Due	04/01/2011	Red
NY EZ credits	Expenditure review	05/30/2011	Yellow
Energy credit	Application submission	02/15/2011	Green
WATSI credits	Incentive filing finalized	12/01/2011	Yellow
HIRE Act credits	Application draft due	03/01/2011	Red
CA EZ credits	Respond to info request	08/01/2011	Green
PA EZ credits	Application revision due	09/15/2011	Red

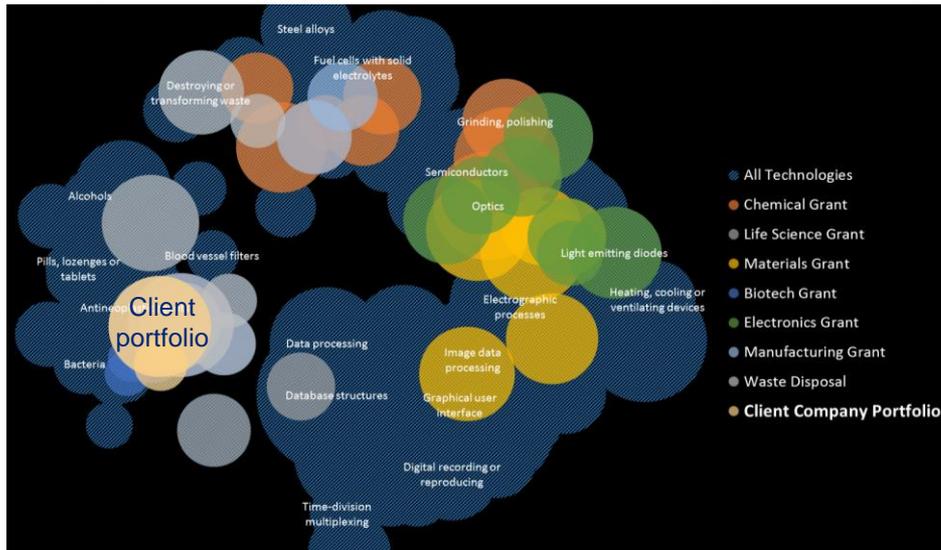


Technology: EU Grant Finder

Technology to help clients win R&D grants and form consortia



Strategic R&D landscape for H2020 opportunity spotting and positioning



Company search tool to build consortia beyond usual suspects





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