



## Grants & Incentives program updates

### The latest legislative developments from around the world

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

#### Countries included

**EU**

**Czech Republic**

**Germany**

**Italy**

**The Netherlands**

**United Kingdom**

**United States**

## EU

### New LIFE program

The new LIFE program 2014-2020 is expected to open on 18 June 2014. LIFE is the EU financial instrument for the Environment and Climate Action programs and has a budget of €3.4 billion.

LIFE is structured around two sub-programs, the 'environment' sub-program and the 'climate action' sub-program. The 'environment' sub-program covers three priority areas:

- Environment and resource efficiency;
- Nature and biodiversity; and
- Environmental governance and information.

The 'climate action' sub-program covers:

- Climate change mitigation;
- Climate change adaptation; and
- Climate governance and information.

The first call for proposals will cover traditional projects, preparatory projects, integrated projects, technical assistance projects, and capacity building projects. Traditional projects are best practice/demonstration/pilot/information projects.

Entities from the EU member states (public and/or private bodies, actors and institutions) may participate. Third countries (non-EU member states) are also eligible to participate. Cooperation with one or more partners is not obligatory. However, it is beneficial when SMEs and regional or local public bodies are involved in projects and assist with demonstration and/or dissemination activities.

Projects can be either national or transnational, but the actions must exclusively take place within the territory of the EU member states. Projects are expected to last for two to four years.

Eligible direct costs include personnel, travel and subsistence, external assistance (sub-contracting), infrastructure, equipment (in depreciation), prototypes, consumables and other costs. A maximum of seven percent of the total eligible direct costs is available for indirect costs. The maximum rate of co-financing is 60 percent of the total eligible project costs.

<b>Scheme budget</b>	€3.4 billion for the period 2014-2020
<b>Type of incentive</b>	Grants
<b>Deadline</b>	September or October 2014 (depending on the specific sub-program)
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## Czech Republic

### The POTENTIAL program

The POTENTIAL program offers funding to establish and increase capacity to perform research, development and innovation activities, where the result will be utilized in production.

Supported activities include establishing or developing industrial centers for research, development and innovation. Projects must occur outside of Prague.

<b>Scheme budget</b>	Total allocation is CZK 1 billion with access to a grant to cover 25-45% of eligible cost, depending on the size of the company. The minimum subsidy per project is CZK 1million while the maximum subsidy per project is CZK 25 million (CZK 50 million for projects in selected regions).
<b>Type of incentive</b>	Cash grant
<b>Deadline</b>	7 September 2014
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## Germany/Manufacturing/Various Sectors

“Service innovations through digitization” under the funding program, “Research for the production of tomorrow”

Research projects that focus on digitalization as an enabler for better and energy efficient services may be funded. The program focuses on the following areas:

- R&D on technical and organizational modularization concepts and interfaces, architectures and service platforms to achieve service-oriented processes
- Development of models for the use of big data and crowdsourcing as a resource and design element in integrated service processes
- Measures to ensure data consistency in supply chains and implementation of a "digital memory"
- R&D for automation of service processes through digitization
- Design and application of semantic methods for automating error-prone and critical stages of the service processes
- Development of scalable and automated tools for creating, integration and reuse of (service) provision into value systems

<b>Scheme budget</b>	<ul style="list-style-type: none"> <li>• Overall budget not published</li> <li>• For companies, cash grant of up to 50% of the eligible costs</li> <li>• For universities and research institutions up to 100% of the eligible costs</li> </ul>
<b>Type of incentive</b>	Non-repayable cash grant to a consortium
<b>Deadline</b>	Hand in of project idea (project sketch): 30 November 2014
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## Germany/Manufacturing/Life Science Health Care/Consumer Business

### Materials for a resource efficient industry and society

Research projects that focus on the development of materials for increased resource efficiency, including:

- Functional and purpose-related substitution of materials and material efficiency through enhancing material yield
- Increased corrosion protection through new corrosion protection concepts and corrosion protection coating
- New chemical catalysts that adapt to the availability of new raw materials and process optimization through a more effective use of chemical catalysts

<b>Scheme budget</b>	<ul style="list-style-type: none"> <li>• Overall budget not published</li> <li>• For companies, cash grant of up to 50% of the eligible costs</li> <li>• For universities and research institutions up to 100% of the eligible costs</li> </ul>
<b>Type of incentive</b>	Non-repayable cash grant to a consortium
<b>Deadline</b>	Hand in of project idea (project sketch): 31 July 2014
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## Italy - manufacturing sector, production and supply of heat and energy, services to enterprises sector

### Re-launch of the crisis areas in Campania region

The measure encourages large projects, implemented both by Italian and foreign enterprises already operating in Italy, in underdeveloped areas of the Campania region. Investment projects may include the building of new production facilities or the expansion of existing production units by the adoption of innovative solutions from a technical, productive or organizational point of view. To be eligible, the investment must be between €1 million and €20 million. A twin-track aid program characterizes the measure: a grant for CAPEX up to 45% of the eligible costs and a subsidized loan up to 30% of the eligible costs. The call is open to companies established in corporate form, but also to consortium entities and to societies linked with a network contract.

<b>Scheme budget</b>	€53.4 million shared among five crisis areas
<b>Type of incentive</b>	Subsidized loans and grants for equipment
<b>Deadline</b>	30 June 2014
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## Italy/San Marino- all sectors

### Investment deduction for San Marino companies

Companies that produce business income are entitled to a tax reduction on reinvested profits, from 40 percent to 90 percent, if they have an investment project related to technological improvements such as the development of existing products and processes.

Investment deduction measures include:

- Purchase of tangible and intangible assets for technological improvements to upgrade existing products or processes, up to 60%
- Restructuring building to introduce new production processes or upgrade existing ones, up to 40%
- Acquiring plant, machinery or technological processes aimed at achieving large energy savings or large reductions in pollution, up to 90%.

In case of a mix of the above, the maximum percentage of non-taxable income is 70%.

<b>Scheme budget</b>	N/A
<b>Type of incentive</b>	Investment deduction
<b>Deadline</b>	A formal application must be filed within 120 days from the start of the project
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## The Netherlands

### New European Regional Development Fund (ERDF) program for Northern Netherlands 2014-2020 submitted to the European Commission

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances among its regions. The ERDF focuses its investments on key priority areas including innovation and research, the digital agenda, support for small and medium-sized enterprises and the low carbon economy.

The ERDF Operational Program for Northern Netherlands will open Q3/Q4 2014. The content and objectives of the initial tender will focus on stimulating innovation to realize maximum value and benefits for SME's. Support will be given for the innovation process, from product development to market introduction.

<b>Scheme budget</b>	Via tenders and calls. For the period 2014-2000 Netherlands is expected to be allowed to divide €104 million for the Northern Netherlands. A prerequisite for this is that this amount is doubled by the Dutch government or private companies.
<b>Type of incentive</b>	Grants
<b>Deadline</b>	Fall 2014
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## The Netherlands

### Stimulering Duurzame Energieproductie (SDE+): an incentive for the production of renewable energy in the Netherlands

The SDE+ is an operating (feed-in-tariff) subsidy. In contrast to investment subsidies, producers receive a subsidy for the production of renewable energy, and not for the acquisition of production installations.

The SDE+ is aimed at companies and non-profit organizations that would like to produce renewable energy. The cost price of renewable energy is higher than that of grey (fossil) energy. Likewise, the production of renewable energy is not always profitable. The SDE+ compensates for the difference between the cost price of grey energy and that of renewable energy, over a period of five, 12 or 15 years, depending on the relevant technology.

In 2014, the SDE+ is opened for the production of:

- Renewable electricity
- Renewable gas
- Renewable heat or a combination of renewable heat and power (CHP)

<b>Scheme budget</b>	In 2014, €3.5 billion will be available to support projects
<b>Type of incentive</b>	The SDE+ is an operating (fee-in-tariff) subsidy. In other words, producers receive a subsidy for the production of renewable energy rather than a subsidy towards the investment cost.
<b>Deadline</b>	In 2014, the SDE+ is open from 1 April to 18 December
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## United Kingdom - Collaborative research and development

### Advanced Propulsion Center: Creating UK capability in low-carbon automotive technologies

Funding is available for collaborative R&D projects in the field of low-carbon propulsion technologies. Projects are expected to strengthen the UK's capability in this area and develop and grow the UK's propulsion systems supply chain. Projects must be collaborative and business-led. Total eligible project costs are expected to be between £5 million and £40 million.

Funding will support either Industrial Research or Experimental Development. Projects must have either a vehicle manufacturer and/or a tier one supplier in the consortium to ensure there is a clear route to market. It can also include academia. Funding of eligible costs will depend on the R&D activities involved and the size of the entity performing them (Large Enterprise or SME; or academia). Projects are expected to last between 18 and 42 months.

Only UK-based companies and research organizations are eligible to apply. However, non-UK based companies and research organizations are also eligible to apply provided, prior to the project start, they have set up a UK base from where the funded work will be carried out, and there is evidence that they intend to expand their R&D activity in the UK beyond the life of the specific project.

<b>Scheme budget</b>	£75 million
<b>Type of incentive</b>	Cash grant
<b>Deadline</b>	Competition deadline 2 July 2014; Registration deadline 25 June 2014
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## United Kingdom - Collaborative research and development and feasibility studies

### Mechanical conversion manufacturing processes

Funding is available for projects which focus on the proving and commercial application of a wide range of recent or emerging manufacturing technologies involving mechanical conversion processes (for example machining, casting, forging, molding and joining).

The main aim of this competition is to help companies of all sizes overcome the technical and business challenges of transforming novel technologies and leading-edge application knowledge into robust, competitive manufacturing capabilities and business processes.

Funding will support collaborative research and development (industrial research) with a business partner attracting 50% public funding for their projects costs (60% for SME's). Projects must be business-led and have at least two companies as funded partners, one of whom should represent the supply chain. Projects are expected to last up to three years and range in size from £350,000 to £1.2 million.

<b>Scheme budget</b>	£6 million
<b>Type of incentive</b>	Cash grant
<b>Deadline</b>	Competition opens 16 June 2014; Competition deadline 3 September 2014 (EOI); Registration deadline 27 August 2014
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## United States

### Election to use the alternative simplified credit

The U.S. Treasury Department and the Internal Revenue Service (IRS) issued temporary and proposed regulations (TD 9666 and REG-133495-13, which were published in the Federal Register on 3 June 2014) enhancing taxpayers' flexibility when claiming research tax credits by allowing alternative simplified credit (ASC) elections to be made on amended income tax returns. Specifically, the temporary regulations allow taxpayers to elect the ASC determined under section 41(c) (5)—which takes into account only recent qualified research spending by the taxpayer and any other members of its controlled group—on an amended return for a tax year, provided that neither the taxpayer nor any member of its controlled group for that tax year has previously claimed the regular research credit for that same year. Although the temporary regulations generally apply to tax years ending on or after 3 June 2014, the effective-date provision expressly states that taxpayers may rely on the new rules to make an ASC election on an amended return filed before the period of limitations for assessment of tax has expired for the tax year the credit is determined. See Treas. Reg. § 1.41-9T (d). As a result, taxpayers generally will have the option of claiming the ASC on an amended return for one or more of its three years preceding the current tax year (as well as for any other year still under examination) so long as they have not previously claimed a regular credit on a return filed for that same year. Otherwise, for credits determined in closed tax years ending before 3 June 2014 (i.e., years for which the statute of limitations has already expired), the prior set of regulatory rules apply, which prohibited both ASC elections on amended returns and extensions of time to make late ASC elections under Treas. Reg. §301.9100-3.

<b>Scheme budget</b>	N/A
<b>Type of incentive</b>	Credit
<b>Deadline</b>	N/A
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## United States/California

### California Competes Tax Credit (CCTC)

The CCTC is a negotiated incentive income tax credit that will be awarded to taxpayers based upon a competitive application process. Under the CCTC, taxpayers will compete for a set amount of tax credits made available by the California Governor's Office of Business and Economic Development each fiscal year. If a taxpayer is considering expansion (employment and/or investment) or relocation to California, or has done so within the past 15 months, an application under the CCTC should be considered.

<b>Scheme budget</b>	The amount of available incentives for fiscal year 2014-2015 is approximately US\$150 million.
<b>Type of incentive</b>	Fiscal incentives (Corporate Income Tax)
<b>Deadline</b>	Applications for the credit will be announced 1 July 2014
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# United States/Mississippi

## Mississippi national or regional headquarters tax credit

Mississippi has enacted legislation expanding the national or regional headquarters tax credit, available against corporate income tax, to include relocation expenses. Applicants must apply for the tax credits before 1 July 2019. The qualified company must transfer or relocate its national or regional headquarters to Mississippi from outside of Mississippi to receive a tax credit under this program in an amount equal to the actual relocation costs paid by the company. Relocation costs for which a credit may be awarded will include those non-depreciable expenses that are necessary to relocate headquarters employees to the national or regional headquarters and may not exceed US\$1 million per taxpayer.

<b>Scheme budget</b>	TBD
<b>Type of incentive</b>	Fiscal incentives (Corporate Tax)
<b>Deadline</b>	By 1 July 2019
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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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