



Global Tax and Legal | June 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.

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Czech Republic

EU

Germany

Italy

Malaysia

Portugal

Thailand

United Kingdom

United States

For more information

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# Czech Republic

## POTENTIAL Programme

The POTENTIAL Programme is part of the Operational Programme Enterprise and Innovations for Competitiveness, focusing on the support of enterprises in the Czech Republic. The program primarily is intended for enterprises that wish to establish and develop centers for industrial research, development and innovation which will subsidize the acquisition of machinery and other equipment of these centers, purchase plots of land and real estate and their renovation thereof. The program also aims to enhance cooperation with research and development (R&D) organizations and to create qualified jobs.

### Scheme budget

€197 million

Subsidy percentage (per one project) 50 percent of eligible costs for all types of applicants.

### Type of incentive

Grants supported from EU Structural Funds

### Deadline

Preliminary applications: June–August 2015

Complete applications: September–November 2015

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# Czech Republic

## INNOVATIONS Programme

The INNOVATIONS Programme is part of the Operational Programme Enterprise and Innovations for Competitiveness focusing on the support of enterprises in the Czech Republic. The program is intended for enterprises that wish to acquire modern machinery, equipment, know-how and licences necessary for the implementation of innovation projects or patents, utility models, industrial models and trademarks in projects for the protection of industrial ownership rights. These projects should contribute to increasing the effectiveness of manufacturing processes and strengthen the introduction of new competitive products to the global market.

### Scheme budget

€398 million  
Subsidy percentage (per one project): 25-45 percent of investment costs

### Type of incentive

Grants supported from EU Structural Funds

### Deadline

Preliminary applications June–November 2015  
Completed applications June 2015–January 2016

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# Czech Republic

## ENERGY SAVINGS Programme

The ENERGY SAVINGS Programme is part of the Operational Programme Enterprise and Innovations for Competitiveness focusing on the support of enterprises in the Czech Republic. The program is intended for enterprises that intend to introduce energy saving measures. For example, it will subsidize activities relating to the insulation of buildings, replacement of windows and doors; investments in the modernization and renovation of electricity wiring, gas and heat distribution system; modernization and renovations of existing equipment for the generation of energy for own consumption; investments in the modernization of lighting sets for buildings and industrial and other areas.

### Scheme budget

€746 million

Subsidy percentage (per one project):

- 45–65 percent of investment costs of the realization of saving measures
- 50–70 percent of costs of energy expert opinion

### Type of incentive

Grants supported from EU Structural Funds

### Deadline

Preliminary applications: June–August 2015

Completed applications: September 2015–January 2016

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# Czech Republic

## APPLICATIONS Programme

The APPLICATIONS Programme is part of the Operational Programme Enterprise and Innovations for Competitiveness and focuses on the support of enterprises and entities and research organizations in the Czech Republic that wish to implement industrial research and experimental development projects and consequently obtain the knowledge necessary for the development of new products, materials and technology. Grants will be provided for staff costs of researchers, technicians and support staff, for tools and instruments, contractual research, findings and patents and other operating expenses.

### Scheme budget

€313 million

Subsidy percentage (per one project):

- Industrial research: 70/60/50 percent of eligible costs\*
- Experimental development: 45/35/25 percent of eligible costs\*
- \*(small/medium/large company)

### Type of incentive

Grants supported from EU Structural Funds

### Deadline

Preliminary applications: June–August 2015

Complete applications: September 2015–November 2015

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LIFE is the EU financial instrument for the Environment and Climate Action programs and has a budget of €3.4 bn. 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 Call for Proposals covers traditional projects, preparatory projects, integrated projects and technical assistance projects. Traditional projects are leading practice/demonstration/pilot/ information projects.

Entities from EU member states (public and/or private sector bodies, actors and institutions) and non-EU member states 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 small to medium-sized enterprises (SMEs) and regional or local public bodies are involved in projects and assist with demonstration and/or dissemination activities.

Projects can be 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 grant rate is 60 percent of the total eligible project costs.

**Scheme budget**

€3.4 billion for the period 2014-2020

**Type of incentive**

Grants

**Deadline**

September or October 2015 (depending on the specific sub-program)

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# Germany—Manufacturing/Industry 4.0/ICT

## Collaborative and versatile assembly

R&D grant for the development, design and implementation of innovative solutions for the final stages of machine-assisted assembly of complex products. Specific, application-oriented and replicable solutions should address the interdependencies between the life cycle of the product and the economically optimal level of automation. Projects should focus on either collaborative assembly systems or versatile assembly facilities.

### Scheme budget

- No overall budget published
- Interdisciplinary collaborative projects of companies with a subsidiary, production plant or registered office in Germany and universities or research institutions; participation of SMEs is recommended
- Production of the developed products and systems in Germany or the European Economic Area and rapid and broad application
- For companies, grants of up to 50 percent of eligible costs can be awarded, significant own contribution of at least 50 percent of total expenses required; funding ratio for SMEs is potentially higher
- For universities and research institutions, grants of up to 100 percent of eligible costs can be awarded
- Funding period of up to three years

### Type of incentive

Non-repayable cash grant to a consortium

### Deadline

Submission of project outline (first stage): 14 August 2015

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# Germany—Manufacturing/Industry 4.0/ICT/all industry sectors

## 5G: Industrial internet (IKT 2020—research for innovation)

This scheme seeks to support R&D projects that develop:

- Innovative technologies for industrial communication networks, e.g. integration and dimensioning of application-oriented (edge) clouds
- Intelligent network management and self-organizing networks, e.g. monitoring and management of virtual networks; static and dynamic QoS

Solutions should focus on user-friendliness, practicability and flexibility of the large communication networks and include safety and security aspects.

### Scheme budget

- No overall budget published
- Interdisciplinary collaborative projects of research institutions/universities and industry; participation of SMEs is recommended
- Participation of industrial users of new network technologies is required
- For companies grants of up to 50 percent of eligible costs can be awarded, appropriate own contribution of at least 50 percent; funding ratio for SMEs is potentially higher
- For universities and research institutions, grants of up to 100 percent of eligible costs can be awarded
- Funding period of two to three years

### Type of incentive

Non-repayable cash grant to a consortium

### Deadline

Submission of project outline (first stage): 31 August 2015

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# Germany—Mobility/ICT

## Human-technology interaction for intelligent mobility—reliable technology for mobile mankind

Support of innovative R&D activities using the increased connection of mobility and ICT to develop individual, usable and reliable mobility solutions. The focus is on:

- Autonomy, control and interaction between human and system (e.g. vehicle-based safety and assistance systems)
- Context-sensitive action support (e.g. user interfaces/surround sensors)
- Sense of security and trust in own mobility and technical means of mobility
- Guidance, warning and support systems across all transport modes

### Scheme budget

- No overall budget published
- Interdisciplinary collaborative projects of science and industry, participation of SMEs highly recommended
- Integration of end-users who are willing and capable of promoting a broad application, service providers, system manufacturers or providers
- Combination of technical components and software for easy integration and suitability for everyday application
- For companies, grants of up to 50 percent of eligible costs can be awarded, appropriate own contribution of at least 50 percent; funding ratio for SMEs is potentially higher
- For universities and research institutions, grants of up to 100 percent of eligible costs can be awarded
- Funding period three years

### Type of incentive

Non-repayable cash grant to a consortium

### Deadline

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

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# Italy

## Settlement Contract

The measure encourages significant investments (minimum investment amount of €20m; joint investment programs could be realized as well) to improve industry in areas defined by the Italian regional aid map. Eligible settlement projects may involve the creation of a new production unit or the expansion/restructuring/acquisition of existing production units.

Projects can be combined with R&D projects within the Settlement Contract program. Eligible expenses may relate to tangible fixed assets, intangible assets, R&D personnel and to other R&D-related expenditures.

**Scheme budget**

€250 million

**Type of incentive**

Grants, subsidized loans and interest-rate subsidies may be provided, or combined up to 75 percent of the gross grant equivalent of eligible expenses.

**Deadline**

Opening of the program: 10 June 2015.

Resources are distributed among claimant companies based on the time the claim is submitted.

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# Italy

## Incremental R&D tax credit

The R&D tax credit instructions have been approved and the procedure to determine the benefit defined. It has been confirmed that:

- The average value of past R&D expenditure (in FYs 2012, 2013 and 2014) must be compared with the “overall” annual R&D incremental expenditure exceeding it; that amount then must be broken down into the incremental expenditure arising in each expenditure “group” to which the 25 percent or 50 percent percentage is applied
- Prior approval is not required to obtain the R&D tax credit, nor is it necessary to file an application

Further details will be discussed as soon as the instructions will be effectively issued.

Scheme budget

€2.3 billion

Type of incentive

Tax credit

Deadline

30 September 2016

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# Malaysia—Trading; Services

## Global principal hub incentive scheme

A principal hub is a company incorporated in Malaysia and uses Malaysia as a base for conducting its regional and global businesses and operations to manage, control and support its key functions, including management of risks, decision-making, strategic business activities, trading, finance, management and human resources. Principal hubs will enjoy a reduced corporate tax rate of 0 percent, 5 percent or 10 percent [rather than the standard corporate tax rate of 25 percent (24 percent with effect from year of assessment 2016)] for a period of five years for a company that qualifies as a “Tier 1”, “Tier 2” or “Tier 3” principal hub respectively.

Scheme budget

N/A

Type of incentive

Reduced corporate tax rate, customs duty exemption, no local equity requirements, foreign exchange administration flexibility; and certain permitted posts for expatriates

Deadline

Application must be submitted to (MIDA) before 30 April 2018

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# Malaysia—Manufacturing

## Increased automation capital allowance

Increased capital allowance of 200 percent will be provided on the first RM4m expenditure incurred within the years of assessment 2015-2017 for high labor-intensive industries (rubber products, plastics, wood, furniture and textiles). For other industries, an increased capital allowance of 200 percent will be provided on the first RM2m expenditure incurred within the year of assessment 2015 to 2020.

Scheme budget

N/A

Type of incentive

Increased capital allowance

Deadline

Years of assessment 2015–2017 for high labor-intensive industries;  
Years of assessment 2015–2020 for other industries

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# Portugal

## Portugal 2020–R&D voucher

Projects undertaken by SMEs to acquire Technology Research and Development (TR&D) services, such as the acquisition of R&D technological services, and technology transfer services.

**Scheme budget**

€10 million

**Type of incentive**

Non-repayable incentive, limited to €15,000 per project, at a 75 percent incentive rate.

**Deadline**

31 March 2016

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# Portugal

## Portugal 2020–Entrepreneurship voucher

Projects undertaken by SMEs to acquire entrepreneurship consulting services, including the preparation of business plans.

**Scheme budget**

€6.75 million

**Type of incentive**

Non-repayable incentive, limited to €15,000 per project, at a 75 percent incentive rate

**Deadline**

31 March 2016

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# Portugal

## Portugal 2020–Internationalization voucher

Projects undertaken by SMEs to acquire market research consulting services.

Scheme budget

€9 million

Type of incentive

Non-repayable incentive, limited to €15,000 per project, at a 75 percent incentive rate.

Deadline

31 March 2016

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# Portugal

## Portugal 2020–Innovation voucher

Projects undertaken by SMEs to acquire consulting services in the innovation area (management consulting, technological assistance, intellectual and industrial property rights).

**Scheme budget**

€9.2 million

**Type of incentive**

Non-repayable incentive, limited to €15,000 per project, at a 75 percent incentive rate

**Deadline**

31 March 2016

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# Portugal—Autonomous Region of Madeira

## Madeira 14-20—Internationalize 2020

Promote the international capacity and competitiveness of companies located in the Autonomous Region of Madeira, which may include the support of expenses related to the knowledge of markets, international development and promotion, prospection of and presence in international markets, international marketing, use of digital channels, etc.

**Scheme budget**

€7.87 million

**Type of incentive**

Non-repayable incentive, limited to €250,000 per project, at a 30 percent incentive base rate, with possible increments (for non-SME, de minimis rule applies).

**Deadline**

31 December 2020

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# Portugal—Autonomous Region of Madeira

## Madeira 14-20—Entrepreneurship 2020

Projects undertaken by SMEs for the creation of new establishments in the Autonomous Region of Madeira and to promote the production of tradable goods and services with a high level of regional integration (must correspond to an initial investment).

**Scheme budget**

€11.42 million

**Type of incentive**

Interest-free repayable incentive, limited to €500,000 per project, at a 45 percent incentive base rate, with possible increments

**Deadline**

31 December 2020

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# Thailand

1. The International Headquarters (IHQ) regime and
2. The International Trading Center (ITC) regime

Thailand has enacted the IHQ and ITC incentives regimes to replace the Regional Operating Headquarters (due to expire in November 2015) regime and the International Procurement Center (that expired in 2013) regime. The IHQ/ITC regimes offer better incentives than their predecessors. While the ITC regime offers incentives only to trading centers, the IHQ regime is an “all-in-one” package that allows an IHQ to simultaneously serve as a headquarters, a trading hub, a treasury center and a holding company. Incentives under the IHQ regime include, but are not limited to, a corporate income tax exemption for offshore transactions, a reduction in the statutory corporate income tax rate from 20 percent to 10 percent for onshore transactions, an exemption from the specific business tax (SBT) on interest income earned as a result of providing a loan (SBT on interest income normally would be imposed at 3.3 percent), as well as an exemption from withholding tax on dividends paid to the overseas shareholders of an IHQ from income that is subject to the corporate income tax exemption.

Scheme budget

N/A

Type of incentive

Tax incentives for headquarters and trading centers

Deadline

N/A

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# United Kingdom

## Low carbon vehicles: propulsion technologies

Proposals are sought for business-led projects that will deliver significant reductions in CO2 or other emissions.

Projects must be based around one or more propulsion technology areas:

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

Proposals must be collaborative and business-led and must include a vehicle manufacturer or a tier 1 supplier and an SME.

Funding will be expected to cover mainly industrial research projects in which a large business partner can attract up to 50 percent public funding for the project costs (up to 60 percent for a medium sized business and up to 70 percent for a small business). Projects are expected to cost between £5 million and £40 million and to last between 18 and 42 months.

**Scheme budget**

£60 million

**Type of incentive**

Cash grant

**Deadline**

Competition deadline 1 July 2015; Registration deadline 24 June 2015

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# United States

## Research & Experimentation Tax Credit

Legislation to permanently extend the research and experimentation tax credit cleared the House of Representatives on 20 May 2015 by a vote of 274-145. However, the bill faces an uncertain future in the Senate and a potential veto threat from the Obama administration.

The American Research and Competitiveness Act of 2015 (H.R. 880), approved by the Ways and Means Committee on 12 February 2015, would make permanent a modified version of the now-expired alternative simplified method for calculating the research and experimentation tax credit effective for tax years beginning after 31 December 2014. Going forward, the credit would equal:

- 20 percent of qualified research expenses for the tax year that exceed 50 percent of a taxpayer's average qualified research expenses in the three preceding tax years, plus
- 20 percent of basic research expenses for the tax year that exceed 50 percent of a taxpayer's average basic research expenses in the three preceding tax years, plus
- 20 percent of all expenses (without regard to a base amount) paid to an energy research consortium for research conducted for the taxpayer

A taxpayer that has no qualified research expenses in any of the preceding three tax years would be permitted to claim a reduced research credit at a rate of 10 percent.

The traditional 20 percent credit that was calculated using a base period would be repealed.

The legislation also would provide that in the case of an eligible small business (as defined in section 38(c)(5)(C)), the research credit determined under section 41 for taxable years beginning after 31 December 2014, is a specified credit and thus may be used to offset both regular and alternative minimum tax liability.

Scheme budget

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Type of incentive

Tax credit

Deadline

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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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