

Germany



Background

The corporate tax rate generally is 15%, in addition to a 5.5% solidarity surcharge levied on corporate income tax (i.e., effective tax rate of approximately 15.8%). Municipal trade tax is imposed at rates usually between 7% and 17% (an average of 14%), with rates determined by the municipalities. The effective combined income rate (i.e., corporate income tax, trade tax and the solidarity surcharge) averages 30%.

Nature of incentives

R&D incentives, mainly in the form of non-repayable cash grants, are awarded on a “per project” basis, usually for collaborative projects. There is no legal claim for R&D funding.

Grant rates average at 50% of eligible project costs, although higher rates may be possible for SMEs.

The selection criteria for eligible projects include:

- Extent of innovation;
- Extent of technical risk; and
- Extent of economic risk.

R&D loans are an alternative to R&D grants. R&D loans are not contingent on conducting R&D activities in a specific technology field and there are no application deadlines.

R&D loans are provided under different governmental programs (e.g., the ERP Innovation Program offers 100% financing of eligible R&D project costs up to EUR 5M).

R&D tax incentives are not yet offered, but the introduction of such incentives is on the political agenda.

Eligible industries and qualifying costs

Eligibility is not limited to particular industries. Companies in the following industries typically seek cash grants:

- Biotech and life sciences
- Information and Communication Technology (ICT)
- Manufacturing, including automotive
- Energy and utilities

Germany offers cash grants for eligible R&D projects, but does not offer tax incentives.

While no industry is expressly ineligible for grants, there are rarely grant opportunities for:

- Banks and companies in financial services
- Insurance companies

Qualifying expenditure includes: personnel costs, materials, overhead, subcontracts, amortization, and travel costs. Cash grants generally are disbursed to the business after costs have been incurred.

Qualifying activities include the following:

- Fundamental research—experimental or theoretical work aimed at gaining new knowledge;
- Industrial research—research with a specific practical objective aimed at developing new products, processes, or services, or at improving existing ones; and
- Experimental research—research aimed at producing draft, plans, and prototypes.

IP and jurisdictional restrictions

R&D activities must be conducted and R&D costs must be incurred within Germany. The exploitation of project results generally must occur in Germany. Moreover, the IP created through the research must remain in Germany.

Other concerns

Attractive grant programs exist for projects related to energy efficiency, CO₂ reduction, and renewable energy. Improving the energy efficiency of industry, in particular, has become a focus of the authorities, with more funds allocated to projects related to process innovation in those areas.

Contact:

Thomas Northoff
tnorthoff@deloitte.de
49 89 2903 68566

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Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Non-repayable cash grants	No income tax incentives are offered under German law, but grants are awarded for eligible project costs. Grant rates average about 50% of eligible project costs, although higher rates may be possible for SMEs.	Large projects require EU notification.	N/A
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Yes	No	Yes	No