

Netherlands



Netherlands offers a variety of R&D incentives, including an innovation box, super deduction, reduced wage tax and social security contributions for employees conducting qualified research.

Background

Netherlands corporate tax rate ranges from 20% to 25%. Three incentives are offered to taxpayers engaged in qualified research:

- WBSO: This incentive reduces wage tax and social security contributions for employees engaged in R&D activities.
- R&D allowance (RDA): The RDA is a super deduction of 160% of qualifying expenses directly attributable to qualified research activities.
- Innovation box: Qualifying income attributable to innovations is taxed at a 5% rate.

Nature of incentives

Wage tax and social security contributions are reduced for R&D employees if the taxpayer qualifies for WBSO benefits. The reduction is 35% (up to 50% for start-up companies) of the first EUR 250K in R&D wage costs and 14% for the remaining wage costs, with a maximum reduction of EUR 14M per taxpayer. To receive the WBSO tax benefits, the taxpayer must receive certification from the Dutch government in advance.

The super deduction is 160% of qualifying R&D expenses, but is limited to expenses other than wages that are attributable to R&D. The application for the RDA is made simultaneously with the WBSO request.

The innovation box applies to patented and nonpatented innovations alike, provided the R&D efforts qualify for the WBSO. There is no cap on the amount that can be allocated to the innovation box.

Development costs and losses on the exploitation of IP are deducted from the income allocated to the "innovation box" in determining the income subject to the special 5% tax rate.

As from 1 January 2013, an additional benefit is offered to new patented and nonpatented innovation-related income for R&D activities that are eligible for the WBSO. Under this the benefit, 25% of the annual income from innovation can be taxed at the reduced 5% rate, with a cap of EUR 25K profit annually. This benefit applies to income before netting the development cost, and is designed for SME companies that have low income from qualifying inventions. The taxpayer has the option to elect the benefit for one,

two or three years for each innovation. However, once the benefit is elected for the year, it covers all innovation-related income for that year. For example, assume a taxpayer has income from innovation in Year 1 of EUR 80K, Year 2 of EUR 0, and Year 3 of EUR 200K. If the taxpayer elects this benefit, 25% of Year 1 income is taxed at 5%, and maximum EUR 25K income from Year 3 is taxed at 5%. In Year 2, the taxpayer is eligible to use the other innovation box benefit.

Eligible industries and qualifying costs

The WBSO, RDA, and innovation box are open to all industries. R&D means:

- The development of technically new physical products, physical production processes, software, or components thereof;
- Technical-scientific research seeking to explain phenomena in fields, such as physics, chemistry, biotechnology, production technology, and information and communications technology;
- Analysis of the technical feasibility of an R&D project; and,
- Technical research aimed at enhancing physical production processes or software.

The RDA super deduction applies to certain operating costs (OPEX) and capital costs (CAPEX).

Qualifying OPEX expenses are "all amounts paid" (other than wages) in R&D projects that would qualify for the WBSO and RDA incentives.

Qualifying CAPEX expenses are "all amounts paid" for the investment in new business assets used in R&D, except investments in land and business assets that qualify for the energy or environmental investment allowance.

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IP and jurisdictional restrictions

To claim the WBSO and RDA incentives, the R&D activities must occur within the EU and must be performed by employees on the Dutch payroll.

For the innovation box, a qualifying intangible must be developed at the risk of and for the reward of a Dutch company. Ownership of the IP is an important consideration. If the patent is owned by a Dutch company, the related research activities can be subcontracted abroad.

Other concerns

It is anticipated that the WBSO and RDA will be amended for 2016. These incentives will be consolidated into a single scheme and will grant only a wage tax reduction; the RDA will be a “below-the-line” incentive.

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Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Super deduction, innovation box, wage tax and social security contribution benefits	<ol style="list-style-type: none"> 1. Wage tax and social security contributions for employees conducting qualified research are reduced by 35% (50% for start-up companies) of the first EUR 250K in R&D wage costs and 14% for the remaining wage costs with a maximum reduction of EUR 14M per taxpayer. 2. Innovation box provides a reduced tax rate of 5% on qualifying revenue attributable to patents and innovation. 3. RDA allows 160% super deduction, but wages do not qualify for this benefit. 	Yes, taxpayer must receive certification from the government in advance.	No
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Qualified activity must take place within the EU for the super deduction and wage tax benefits.	The wage tax and social security contribution benefits are limited to EUR 14M per taxpayer.	Ownership of the IP is an important consideration. If the patent is owned by a Dutch company, the related research activities can be subcontracted abroad.	No