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March 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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Poland—Country profile

Poland is the largest beneficiary of EU funds with the total budget equal to €82.5 billion. For this reason there will be numerous opportunities for enterprises from various industries and of all sizes (some restrictions apply to large enterprises) to take advantage of the available funds and finance their eligible business activities. In addition, companies interested in obtaining co-financing will have to grapple with the challenges of the Financial Framework 2014-2020, which are connected with the definition of R&D, and the very strict approach of the authorities and the limited areas of activities eligible for support (Smart Specializations).

The New Financial Framework 2014-2020 has finally started in Poland—all of the Operational Programs (OPs) along with the Regional Operational Programs (ROPs) have been approved by the European Commission. Currently, the relevant Polish institutions are working on the Detailed Descriptions of Priority Axes and schedules of calls for proposals. For most programs, the process should be completed by the end of April 2015.

Operational Program Smart Growth (OPSG) is one of the most important sources of financing for enterprises (both SMEs and large enterprises) and their collaboration with scientific organizations. OPSG offers €8.6 billion of funding for various activities related to Research, Development and Innovation (RD&I), including financing of R&D infrastructure and networking initiatives (clusters). The financing will take the form of cash grants and other refundable financial instruments. First calls for proposals are expected to be announced during Q2 of 2015. It has been planned that there will be general R&D calls for proposals for applicants from various industries as well as calls for proposals dedicated to specific industries, e.g. for healthcare or aviation.

Below is an overview of the main new funding programs to be announced:

- **Fast Track** – this is one of the first support schemes under OPSG to be announced (April 2015 for SMEs and in October 2015 for large enterprises). The main aim of this scheme is to increase innovation in Polish enterprises through the implementation of the results of R&D in the business. According to preliminary information, the total budget of Fast Track is €2.2 billion (EU funds and national input) and the minimum funding per project is approximately €0.5 million (up to 65% of eligible costs for industrial research). The scheme is continuously open (applications can be submitted at any time) and the decision on whether to grant aid should be made within 60 days of submission.
- **Demonstrator** – this support scheme for R&D projects is expected to be announced in May 2015 (for both SMEs and large enterprises). The scheme aims at enhancing the transfer of research results to the economy by supporting development activities on a new technology and testing it on a demonstration scale. According to preliminary information, the total budget of the scheme is €778 million (EU funds and national input) and the minimum funding per project is approximately €1.2 million (up to 40% of eligible costs).
- **Sectoral Programs** are created as a response to the needs of representatives of a given sector of the economy and aim at supporting R&D projects. They are implemented by the National Center for Research and Development (NCRD).
- **Operational Program Infrastructure and Environment (OPI&E)** – this is another source of support which is of significant importance for enterprises (both SMEs and large companies). It is the largest program financed with EU funds in Poland with a budget of €27.41 billion. The main areas which will be financed under OPI&E include: low-carbon economy, environment protection, prevention and adaptation to climate change, transport and energy security, and health and cultural heritage. In general, large enterprises will only be able to take advantage of the first priority axis: low-emission economy, which aims at financing projects which prove energy efficiency and increased usage of renewable energy sources by enterprises.
- **Operational Program Digital Poland (OPDP)** offers support for projects which aim at strengthening the digital basis for the development of Poland. Main areas of support cover activities contributing to: wide access to high speed internet, efficient and user-friendly e-public services and the constantly increasing level of digital literacy of society. The main recipients of support under the OPDP are: (telecommunications) companies, government entities, and their subordinate units, scientific institutions, consortia of the above with various entities. The EU funds allocation to the OPDP amounts to €2.2 billion. The first call for proposals under OPDP was published in December 2014 (as the first call for proposals in Poland under the New Financial Framework). The timetable for further calls is not yet known.

Apart from EU funds, Poland also offers a large variety of national support schemes, including tax incentives. Most of the national support schemes for R&D projects are announced by the NCRD which plans to spend €1.5 billion annually on innovative R&D projects. According to the recently published timetable of the first calls for proposals in 2015, there will be several calls available for consortia (including entrepreneurs) from the healthcare (under the Strategmed program) and environmental sectors (under the Biostrateg program), among others.

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Fast Track to Innovation (FTI) pilot

Funding for bottom-up proposals for close-to-market innovation activities in any area of technology or application. Successful applications can receive up to 70% of eligible direct project costs (except for non-profit legal entities, where a rate of 100% applies) plus 25% overhead up to a maximum EU contribution of €3 million per project (typical funding expected to be €1-2 million per project).

Key criteria:

- At least 3 and a maximum 5 participants. Each of the 3 must be legally independent and established in a different Member State or associated country. In addition, either:
 - at least 60% of the overall budget must be allocated to consortium partner(s) from industry, or
 - the minimum number of industry participants must be 2 in a consortium of 3 or 4 partners, and 3 in a consortium of 5 partners.
- Must be innovation projects (at least Technology Readiness Level 6), for example prototyping, testing, demonstrating, piloting, large-scale product validation and market replication.
- Proposals can relate to any field under “Leadership in enabling and industrial technologies” and/or any objective under the priority “Societal challenges”.

Scheme budget

€100 million

Type of incentive

Cash grant

Deadline

Continuously open in 2015 with three cut-off dates: 29 April 2015, 01 September 2015 and 01 December 2015.

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LIFE environment and climate change

Funding is available to support innovative projects with a significant environmental benefit, including projects that demonstrate industrial innovations and pilot plants. The program can support public bodies, private commercial organizations and private non-commercial organizations (including NGOs).

Priority areas include: Water (including the marine environment); Waste; Resource Efficiency (including soil and forests, and green and circular economy); Environment and Health (including chemicals and noise); Air quality and emissions (including urban environment).

Key criteria:

- 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.
- Successful applications can receive up to 60% of total eligible project costs.

Scheme budget

€3.4 billion

Type of incentive

Cash grant

Deadline

"Traditional" projects: 15 September 2015 (provisional)

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Celtic-Plus (ICT and telecommunications research program)

Celtic-Plus offers projects the chance of evolutionary as well as disruptive innovation in all relevant ICT areas. Research topics could include (among others): Next generation of mobile and wireless networks; Satellite and terrestrial networks; Internet of Things; Security and Privacy; Smart Cities; E-Health; Big Data.

Scheme budget

The total budget of all Celtic-Plus projects per year is around €100 million. Limitations exist according to the national budgets for each country.

Type of incentive

The amount of funding depends on the national funding rules and on the national research priorities. The percentage for funding is between 25% and 60%.

Deadline

29 May 2015

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Czech Republic

Potential program

The main focus of this program is the foundation or extension of R&D capacities. It supports companies, regardless of their size, in several types of activities, such as the acquisition of land, buildings, machinery/ facilities and other equipment. The first calls are expected to be announced in March 2015 and companies can obtain support from €100,000 to approx. €7 million. The maximum grant percentage is 50% of eligible costs.

Scheme budget

Indicative allocation is €197 million (ERDF).

Type of incentive

Cash grant

Deadline

Expected to be June 2015

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Czech Republic

Innovation program

This program aims at the introduction of new innovative products, services and production processes. It supports companies, regardless of their size, in several types of activities such as the acquisition of modern machinery, equipment, know-how and licences and projects for the protection of industrial ownership rights (patents, utility models, etc.) The first calls are expected to be announced in March 2015 and companies can obtain support from €35,000 to approx. €7 million. The grant percentage ranges from 25% to 45% (depending on the size of the company).

Scheme budget

Indicative allocation is €399 million (ERDF).

Type of incentive

Cash grant

Deadline

Expected to be June 2015

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France

FUI program (unique inter-ministerial fund)

To support ambitious collaborative R&D projects (no topic selection) managed in France.

Conditions:

- At least one competitiveness cluster should support the project (label)
- At least 3 partners (1 SME/1 multinational/1 public organization)

Funding:

- Up to 25% of the eligible costs for multinationals
- Up to 45% of the eligible costs for SMEs

Scheme budget

€100 million for 2015

Type of incentive

Grant

Deadline

2 project calls per year (deadlines end of May and end of November)

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Germany

ATEM—Drive technologies for electric mobility

Support to risky R&D activities to accelerate technological developments in the field of drive systems of electric and hybrid vehicles focusing on, for example:

- Enhancement of safety and energy efficiency
- Improved integration and interaction between individual components
- Increased range with electric traction
- Improved driving dynamics through compact design
- Open for individual or joint projects (interdisciplinary joint projects preferred, participation of SMEs appreciated)
- Companies can receive up to 50% of eligible costs (appropriate own contribution required—at least 50%)
- Universities and research institutions can receive up to 100% of eligible costs
- Funding period up to three years

Scheme budget

No overall budget published

Type of incentive

Cash grant

Deadline

Submission of project outline (first stage): 13 April 2015

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Germany

Big Data in agriculture

The scheme aims at innovative R&D activities that promote a resource efficient and sustainable agricultural industry. The focus is on:

- the development of farm management systems for the automation of business processes (e.g. use and exchange of Big Data)
- the improvement of electronic control, automation and monitoring of machines, technical equipment and processes
- optimization of satellite-, sensor-controlled and geodata-based solutions for resource efficiency in addition:
- It is open for individual or joint projects, universities and research institutions in cooperation with the private sector
- Companies can receive up to 50% of eligible costs
- Universities and research institutions can receive up to 100% of eligible costs

Scheme budget

No overall budget published

Type of incentive

Cash grant

Deadline

Submission of project outline (first stage): 30 April 2015

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Germany

Photonics research Germany: “open photonics”

Funding of high risk, pre-competitive R&D activities which involve different technologies and practical application focussing on photonics.

- Open innovation approaches which improve the use of photonic components, e.g. through open interfaces to facilitate inside-out processes
- Open source approaches for a wider use of photonic components and systems (open hardware as an alternative to commercial products)
- Open Science: Increase the participation of citizens in scientific projects
- Companies can receive up to 50% of eligible costs (appropriate own contribution required—at least 50%). Funding quota higher for SMEs.
- Universities and research institutions can receive up to 100% of eligible costs
- Companies must have at least one German subsidiary
- Funding period up to three years

Scheme budget

No overall budget published

Type of incentive

Cash grant

Deadline

Submission of project outline (first stage): 18 May 2015

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Greece

Fast Track framework

Since December 2014, an extension of the Fast Track framework allows the inclusion of high-end research, technological development and innovation projects in the scheme (see criterion F below).

The Fast Track framework provides benefits in terms of permitting, licensing and taxation for strategic investment projects. The eligibility criteria are:

- A. The total investment cost exceeds € 100,000,000, irrespective of the investment sector or
- B. The total investment cost exceeds € 15,000,000 in the case of investment in manufacturing within industrial areas, or € 3,000,000, in the case of investments which constitute approved projects within the framework of the JESSICA portfolio fund or
- C. The total investment cost exceeds € 40,000,000 while concurrently the investment in question creates at least 120 new jobs or
- D. The investment creates, in a viable and sustainable manner, at least 150 new jobs or at least 600 jobs are maintained in a viable and sustainable manner or
- E. The total investment cost exceeds € 5,000,000 for investments concerning the development of Business Parks or
- F. The total investment cost in high-end research, technological development and innovation exceeds € 1,000,000, either independently or within investments referred to in criterion A above.

Scheme budget

N/A

Type of incentive

Fast licensing and permitting, special spatial provisions, special tax regulations and 10-year long EU residence permits

Deadline

01 January 2020

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Italy

New incremental R&D tax credit

All organizations carrying out an entrepreneurial activity (including permanent establishments of foreign entities) are eligible to claim in each fiscal year (2015 to 2019), an incremental tax credit equal to 25%-50% of the annual R&D incremental expenditures exceeding the average value of R&D expenditures incurred during fiscal years 2012, 2013 and 2014 up to €5 million, provided there is an annual minimum investment equal to €30,000. The following costs are eligible:

- the cost of highly-qualified researchers and the cost of R&D activities contracted to universities, research entities or to other companies (percentage equal to 50%);
- the depreciation of machinery and instruments utilized in R&D activities (with a unit cost not lower than €2,000) and the cost of purchased technical knowledge and patents (percentage equal to 25%).

No pre-approval procedure is required and no yearly offsetting cap is applicable. A Ministerial Decree to be shortly issued will further define details.

Scheme budget

€2.3 billion

Type of incentive

Tax credit

Deadline

30 September 2016

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Netherlands

Stimulation of Sustainable Energy Production (SDE+)

Support for the production of renewable energy in the Netherlands. The SDE+ is available for the production of renewable electricity, renewable gas and renewable heat or a combination of renewable heat and electricity (CHP). The primary target groups for SDE+ are companies, institutions and non-profit organizations. The project must be realized in the Netherlands.

The cost price for the production of renewable energy is set in the base sum for the technology. The yield of fossil energy is established in the correction sum. The SDE + contribution = base – correction sum. This makes the level of the SDE contribution dependant on energy-price developments. The correction amount is the average energy price per category during the year of production.

Scheme budget

€3.5 billion (2015)

Type of incentive

Cash grant

Deadline

Tender start: 31 March 2015; Tender end: 17 December 2015

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Thailand

Board of Investment (BOI) new 7-year investment promotion strategies

The new investment promotion strategy (2015 – 2021) came into effect in January 2015. This strategy:

- Introduces “merit-based” incentives where companies can receive additional corporate income tax (“CIT”) exemption. The granted CIT exemption is limited to a maximum of 8 years; and
- Provides additional tax incentives for projects located in special economic zones (currently 5 border provinces).

The BOI classifies 2 groups of incentives based on the importance of activities as follows:

Group A consists of activities that shall receive corporate income tax incentives, machinery and raw materials import duty incentives and other non-tax incentives;

Group B consists of activities that shall receive only machinery and raw materials import duty incentives and other non-tax incentives.

A list of activities eligible for investment promotion determines which incentives are available for which activities.

Unless stated otherwise, BOI promoted projects generally require a minimum of THB 1 million capital investment (excluding cost of land and working capital).

Scheme budget

N/A

Type of incentive

Corporate income tax exception and tax incentives

Deadline

Incentives apply to all applications submitted from January 2015

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United Kingdom

Developing non-animal technologies (collaborative R&D)

Grant support is available for projects which develop and commercialize non-animal technologies and testing systems which better predict human and animal responses to, and the environmental effects of, chemicals and new molecular entities.

The competition covers technologies which could be used in early drug, veterinary medicine, chemical and consumer product development, and suites of technologies intended to replace regulatory toxicology studies. Eligible technologies could, but are not limited to the following:

- Biological, tissue engineering and imaging-related (for example stem cell technologies/tissue engineering).
- Manufacturing-related (for example high-throughput technologies/combinatorial chemistry).
- Computational and mathematical methods (for example mathematical modelling).

Applicants are expected to demonstrate a clear commercial application of the technology, and a credible plan to develop it and put it to use.

Proposals must be collaborative and led by a business. Collaborations with academic and research organizations are encouraged.

The competition is expected to fund mainly industrial research projects in which a large business partner can claim up to 50% public funding for their project costs (60% for SMEs).

Total project sizes can range from total costs of £500,000 to £1 million although projects outside this range may be considered.

Scheme budget

£6m

Type of incentive

Cash grant

Deadline

A two-stage application process. Registration deadline 29 April 2015. Stage One Expression of Interest deadline 6 May 2015; Stage Two (invited applicants only) full application deadline 15 July 2015

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United States

Work opportunity tax credit (WOTC)

WOTC is a federal income tax credit for companies who hire and retain qualified employees from a variety of targeted groups (veterans, recipients of federal assistance, etc.). The Tax Increase Prevention Act of 2014 ("TIPA") had retroactively extended the WOTC expiration date from 31 December 2013, to 31 December 2014. On 19 February 2015, the IRS issued Notice 2015-13, which provides guidance for taxpayers seeking to retroactively claim the Work Opportunity Tax Credit (WOTC) for current employees by furnishing the required certification request to the applicable state workforce agency by 30 April 2015. The Notice provides additional time beyond the original 28-day deadline specified to submit Form 8850 (Pre-screening Notice and Certification Request for the Work Opportunity Credit) to an applicable Designated Local Agency ("DLA") in order to claim the credit.

Scheme budget

The credit is worth up to \$2,400 for each qualified employee, but can be worth up to \$9,000 per employee depending upon qualification category.

Type of incentive

Fiscal Incentives

Deadline

30 April 2015

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United States

Texas research and development activities credit

Effective 1 January 2015 , through 31 December 2026, a franchise tax credit will be available to entities performing qualified research. Taxpayers have the option of claiming either a sales tax exemption or a franchise tax credit to entities performing qualified research and development activities in Texas. The exemption or credit only applies to research conducted in Texas.

Entities that claimed a sales tax exemption cannot claim a franchise tax credit for the same tax period. The total credit claimed for a report, including the amount of any carry forward credit, may not exceed 50% of the amount of franchise tax due for the report before any other applicable tax credits.

Scheme budget

Generally, the franchise tax credit will be calculated as 5% of the difference between an entity's qualified research expenses during the period on which the tax report was based and 50% of the average amount of qualified research expenses over the three previous tax reporting periods.

Type of incentive

Fiscal Incentives

Deadline

Effective 1 January 2014, through 31 December 2026

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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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