

Summary of key criteria

Refundable Research Tax Credits

Country	Explanation
Australia	SMEs are eligible for a refundable tax credit of 45% of qualified research expenses (QREs), but QREs are not deductible. SMEs are entities with gross receipts of less than AUD 20M that are not more than 50% controlled by exempt entities.
Austria	A refundable 10% volume-based credit is available for all taxpayers to the extent the credit exceeds the amount of the company's tax liabilities.
Belgium	Excess tax deductions may be converted into a tax credit refundable after five years if not utilized.
Canada	35% federal ITCs for small Canadian-controlled private corporations (CCPCs) on up to CAD 3M of qualified expenditure per year. This limit applies to all corporations in an associated group. The corporate group of companies must have less than CAD 800K of taxable income and less than CAD 50M in taxable capital employed in Canada (TCEC) to qualify for the refundable ITCs. These caps are based on the prior year.
France	If research tax credits are not utilized within three years, the taxpayer receives a refund for the unutilized credit. Research credits are refundable for SMEs, new companies, young innovative companies and companies facing financial issues.
Ireland	Unused credits may be carried back one accounting period and carried forward indefinitely. If there are unutilized credits after the carryback, the taxpayer may apply for a refund (payable over three years), subject to certain limitations and caps.
Singapore	There is an option to convert up to SGD 100K of tax deductions into a non-taxable cash grant for each qualifying tax year from 2013 to 2018 at the rate of 60% (i.e., SGD 60K).
Spain	The requirements that must be met to qualify for refundable credits limit opportunities for refunds.
United Kingdom	Cash credits are available for SMEs in a loss position, up to 33.35% of qualified expenditure. Large companies can elect to claim a taxable credit of 10%, increased to 11% from 1 April 2015.

Location of IP May Impact Research Incentives

Country	Explanation
Belgium	The R&D Tax Credit and Investment Deduction benefit may be claimed for R&D work performed outside Belgium, but the claimant must retain some associated IP in Belgium to receive the tax benefit. There is no IP ownership requirement for the partial wage tax exemption.
China	To obtain HNTE status, any resulting IP rights must be located in China. Approval authorities often look at whether IP will be retained in China in granting approval to take super deductions, but this is not required by law.
Germany	IP generally must remain in Germany to qualify for certain grant opportunities.
Israel	The location of IP is a factor the authorities review in evaluating grant applications, but otherwise is not legally required.
Malaysia	While tax incentives generally require that the R&D work be performed in Malaysia, there are exceptions.
Mexico	While IP does not have to be retained in Mexico, this factor may be considered by the authorities in deciding whether to fund the R&D project.
Netherlands	Ownership of IP is an important consideration in qualifying for the innovation box.

Qualified Research Must Be Performed Within the Country

Country	Explanation
Austria	Activities must take place in Austria.
Brazil	Only expenditure incurred within Brazil is eligible for the incentives.
Germany	Qualified activities must be conducted and R&D costs must be incurred within Germany.
India	R&D activities must be conducted in India.
Israel	Qualified activities must take place in Israel. The Israeli company must incur the R&D-related expenditure.
Mexico	Qualified activities must take place in Mexico.
South Africa	R&D expenses must relate to activities that are undertaken within South Africa.
Turkey	Qualified activities must take place in Turkey.
United States	Qualifying activities must be performed within the United States and the related qualifying costs must be incurred by a US taxpayer (although such costs may be reimbursed by a foreign affiliate).

Countries That Allow Some Research to be Performed Outside the Country

Country	Explanation
Australia	Up to 50% of the total project costs of R&D activities can be physically performed outside Australia and remain eligible for benefits if an Advanced Overseas Finding has been approved by the government.
Austria	Activities must take place in Austria with the exception of subcontracted research. Subcontracted research must follow management and direction from an Austrian business or branch or PE in Austria. Further, the subcontractor must be based within the EU/EEA.
Belgium	The R&D tax credit and investment deduction may be claimed for R&D work performed outside Belgium, but the claimant must retain some associated IP in Belgium to receive the tax benefit.
Canada	Research generally must be undertaken in Canada to qualify as SR&ED, but where employees of the claimant are working outside of Canada, the amount of eligible wages for SR&ED performed outside Canada is limited to 10% of eligible wages claimed for SR&ED performed in Canada.
China	Qualified activities must take place in China. However, less than 40% of the activity qualifying for the HNTI incentive may take place outside of China.
Czech Republic	Not all R&D activities must occur within the Czech Republic to qualify for a super deduction, but qualified expenses must be tax deductible expenses of the Czech taxpayer.
France	Qualified activities must take place in the EU/EEA.
Greece	While there are no specific jurisdictional restrictions, the need to carry on research outside of Greece must be disclosed to General Secretariat of Research and Technology (GSRT) and could influence whether the GSRT issues a certificate approving R&D expenses.
Ireland	Qualified activities must take place within Ireland or EU/EEA. However, the credit is denied when the activities take place in an EU/EEA country that grants a corresponding tax deduction for such expenditure.
Italy	There are limited situations in which research can be performed outside the country.
Latvia	A company may outsource R&D to Latvian or the EU/EEA scientific institutions/test laboratories provided they are publicly recognized or meet certain criteria in Latvian law.
Malaysia	While tax incentives generally require that the R&D work be performed in Malaysia, there are exceptions.
Netherlands	To claim the WBSO and RDA incentives, the R&D activities must take place within the EU and be performed by employees on the Dutch payroll.
Romania	All R&D activities must take place in Romania or an EU/EEA member state.
Singapore	Some of the super deductions can be claimed for qualified research performed outside the country.
South Korea	Research activities may take place outside of South Korea, but any subcontracted research to university or college must be located in South Korea.
Spain	Qualified activities must take place in Spain or an EU/EEA member states.
United Kingdom	Research activities may take place outside the United Kingdom, but the work must be supervised by the UK company.

Countries that Permit Qualified Research Activities to be Performed Outside the Country Without Any Restriction

Country	Explanation
Croatia	There is no restriction on the location of the research activities.
Hungary	Qualified research can be conducted outside the country.
Japan	Qualified research can be conducted outside the country.
Lithuania	Qualified activities can be undertaken anywhere, provided a Lithuanian entity pays for the research.
Portugal	Research activities may take place outside of Portugal, but the qualified expenses must be incurred by a Portuguese entity.
Russia	There are no specific restrictions on whether activities must be conducted within the country or on whether overseas R&D contractors can be used.

Qualified Contract Research Allowed

Country	Explanation
Australia	Fees paid to contractors to perform research on the taxpayer's behalf is a qualified research expense as long as the work performed by the contractor is directly related to the R&D activities.
Austria	Subcontracted research expenses may be claimed by the party funding the research up to a credit cap of EUR 1M per year. The subcontractor must be a qualifying EU/EEA institution and not a related party.
Brazil	Contractor payments for technical services may be qualified if the taxpayer does not participate in the research. Payments made to small businesses for the implementation of research projects qualify.
Canada	80% of the fees paid to contractors to perform qualified research qualify for the research credit.
China	Contract research expenses qualify for the super deduction.
Croatia	Costs incurred for contractors who provide research services are eligible expenses.
Czech Republic	Qualified contract research expenses are limited to R&D services provided by public universities and public research institutions.
France	There is a cap on private subcontracted research equal to three times the other qualifying expenses (up to EUR 10M in subcontract expenses). If the contracted parties are related, the expenses that can be taken into account are limited to EUR 2M.
Greece	Contract research is allowed by General Secretariat of Research and Technology (GSRT) approved organizations, such as public institutes, labs and research organizations.
Hungary	Contract expenditure is a qualified expense.
India	A super deduction of 125% to 200% is permitted for specified payments made to prescribed entities carrying out R&D in India.

Qualified Contract Research Allowed (cont.)

Country	Explanation
Ireland	A fee paid to a contractor to perform research on the taxpayer's behalf is a qualified research expenditure if the contractor is not related to the taxpayer. For periods starting on or after 1 January 2014, fees paid to third-party contractors are limited to the greater of EUR 100K or 15% of the total qualified research expenditures. Where the R&D activities are contracted to a university or research institution, the limit is 5% of the total qualified research expenditures.
Italy	Contract research expenses paid for conducting research generally are eligible for the incremental research credit.
Japan	Contract expenditure is a qualified expense for SMEs and large companies.
Latvia	Contract research is allowed, but only where it is provided by publicly recognized scientific institutions in Latvia or similar institution within the EU/EEA.
Lithuania	Purchased services, such as consultation services related to research activities, are qualified expenditure.
Malaysia	Contract expenditure is a qualified expense if incurred directly for the conduct of qualified research.
Netherlands	Contract expenditure is a qualified expense for the RDA incentive.
Portugal	Expenses incurred for contract research qualify for research incentives as long as the entity is recognized as possessing R&D capabilities. (There are some limited exceptions).
Russia	Contract expenditure is a qualified expense.
Singapore	Singapore offers a variety of super deductions and contract research expenses qualify for certain specified deductions. For example, payments are made to a R&D organization for R&D performed outside Singapore qualifies for the Section 14(DA)(2) 300% enhanced super deduction provided that: (i) the R&D expenditure is related to the entity's existing trade or business, (ii) the benefits from the R&D accrue to the taxpayer, and (iii) the taxpayer bears the financial risk of loss in the event the research is unsuccessful. Moreover, qualifying R&D expenditure also includes payments made under any cost-sharing agreement.
Slovakia	Fees paid for subcontracted R&D services are qualifying expenses if the work is subcontracted to public universities or public research institutes. Fees paid to certified private R&D organizations are also eligible as long as the organization does not also claim the super deduction for the costs it incurred in providing the qualified services.
South Korea	Contract expenditure is a qualified expense if paid to university or other research institutions.
Turkey	Contract expenditure (outsourced benefits and services) is a qualified expense.
United Kingdom	SMEs can claim 65% of subcontracted costs. Large companies only can claim subcontracted expenses if paid to university, health authority, charity, scientific research organization, individuals, or a partnership of individuals.
United States	65% of the amount paid to contractors to perform research on the taxpayer's behalf within the United States are QREs if: (i) the taxpayer bears the risk of loss in the event the research is unsuccessful e.g., time-and-materials contracts and (ii) the taxpayer retains a right to the research results.

Treatment of Income and Expenses Related to IP

Country	Explanation
Austria	For income from royalty payments related to self-developed IP that is covered by a registered patent, or capital gains from the sale of such self-developed IP, the tax rate is reduced by 50% for individual taxpayers.
Belgium	Taxpayers can deduct 80% of qualifying IP income from taxable income, resulting in a 6.8% maximum effective tax rate.
Brazil	An extra 20% deduction is for IP-related development expenses, but only if a patent is registered.
China	Taxpayer granted HNTE status has a reduced 15% income tax rate. For qualified income from technology transfers, the first CNY 5M is exempt from EIT, with the amount exceeding CNY 5M is taxed at 50% reduced EIT rate.
France	Income from licensing or the sale of patents or patentable technology is taxed at a reduced rate of 17%, provided the technology was owned by the French company for at least two years; the sale of the technology to related parties is excluded from the benefit of the 17% rate. For the French licensee, the royalty fee is deductible at the standard corporate income tax rate (unless the licensee does not effectively exploit the IP rights).
Greece	The income attributable to an international tax patent is tax free for the first three years of the utilization of the patent. The profits will be treated as non-taxed reserve, which will be taxed accordingly upon use.
Hungary	50% of the gross royalty from IP (up to 50% of pretax profit) may be deducted from the corporate income tax base. Gains derived from the sale/transfer of qualifying IP are tax exempt.
Italy	A patent box will provide a 50% tax exemption that will be phased-in over a three-year period: (i) a 30% exemption for FY2015; (ii) a 40% exemption for FY2016; and (iii) a 50% for FY2017. The patent box will apply to the corporate and local tax on productive activities tax bases.
Netherlands	Qualifying income (net of development costs) allocated to the innovation box is taxed at a reduced rate of 5%.
South Korea	If a SME purchases or transfers certain IP (prescribed in the tax law) from a Korean third-party resident, the SME is entitled to claim a tax credit in the amount of 7% of the purchase price. If an SME transfers or leases such IP to a Korean third-party resident, the SME is entitled to a tax exemption in the amount of 50% of the corporate income tax on capital gains resulting from the transfer, or 25% of the corporate income tax on rental income, respectively.
Spain	60% of IP related income is exempt from taxable income.
Turkey	Income earned from software development and other R&D activities in a TDZ is exempt from income and corporate tax until 31 December 2023. Wages of researchers, R&D workers and software workers in a TDZ are exempt from income tax. Income from technology services is exempt from VAT for the same period.
United Kingdom	A proportion of income generated from patents may be taxed at a reduced rate of 10% under the patent box regime effective on income earned from 1 April 2013.

Countries Offering Research Grants Only

Country	Explanation
Germany	Nonrepayable cash grants for research projects are awarded on a “per project” basis, usually for collaborative projects.
Mexico	Cash grants are provided through 1) High Added Value Technological Innovation for Technological Research, Development, and Innovation (INNOVAPYME); 2) Development and Innovation of Precursor Technologies for Technological Research, Development, and Innovation (PROINNOVA); and 3) Technological Innovation to Enhance Competitiveness for Technological Research, Development, and Innovation (INNOVATEC).

Jurisdictions Offering Super Deductions

