



MINISTÈRE  
DE L'ENSEIGNEMENT SUPÉRIEUR  
ET DE LA RECHERCHE  
RÉPUBLIQUE FRANÇAISE



**WORKING PARTY ON INNOVATION AND TECHNOLOGY POLICY (TIP)**

**TIP WORKSHOP**

## **R&D Tax Treatment in OECD Countries: Comparisons and Evaluations**

**10 December 2007**

**OECD Headquarters, Paris - 2, Rue Andre-Pascal, 75016 ---Room CC12**

### **The development of tax incentives for business R&D**

Tax incentives have become one of the main instruments of innovation policy. Numerous countries use them as general instruments for improving the domestic environment for R&D expenditure without any sectoral or technological targeting, in contrast with subsidies. Beyond the goal of encouraging R&D in order to boost innovation and competitiveness, there is now the question of a country's attractiveness in terms of R&D activities. Some 20 OECD countries use tax instruments to encourage firms to increase their R&D expenditure, and such instruments are also being developed in non-member countries, including in China.

Depending on the country, tax concessions or credits are calculated either on a volume share of R&D expenditure, an incremental share, or a mix of both. The development of these instruments increases the need for international comparisons, not only in order to measure their incentive effect, but also to gauge their relative effectiveness and identify best practices. However, the variety of different systems also makes comparisons more difficult. Both the OECD and the European Commission have already provided studies aimed at increasing information and launching international comparisons. In addition to comparisons between systems, international co-operation could further the evaluation of policies to promote R&D.

### **Proposed programme**

The aim of this OECD workshop, organised under the auspices of the CSTP Working Party on Innovation and Technology Policy (TIP) and co-organised by the French Research Ministry is to take stock of different evaluations of tax incentives for R&D in order to identify good practices both for developing qualitative and quantitative evaluations of such schemes and to draw lessons from such evaluation in order to improve the efficiency of tax incentives for R&D and innovation.



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## R&D Tax Treatment in OECD Countries – Comparisons and Evaluations

FINAL DRAFT AGENDA

10 DECEMBER 2007

<b>Chair</b>	<b>Patrick VOCK</b> , Chair of the OECD Working Party on Innovation and Technology Policy (TIP)
<b>9:30</b>	<b>Welcome</b>
<b>9:35</b>	<b>Introductory speakers</b> <ul style="list-style-type: none"><li>– <b>Laurent Buisson</b>, <i>Head of the Innovation and Regional Action Department, Ministry of Higher Education and Research, France</i></li><li>– <b>Werner Stuffer</b>, <i>Vice President Taxes International, Siemens AG</i></li></ul>
<b>10:00-11:00</b>	<b>Session 1. Trends in R&amp;D tax incentive schemes: International comparisons</b>
<b>Overview</b>	<p>Tax incentives for R&amp;D are increasingly used as a tool for governments to encourage innovation. There are several reasons for this (<i>e.g.</i> horizontal measure and non-discriminatory, avoids selection of “winners”). At the same time, R&amp;D is becoming more global and firm R&amp;D investments are more footloose. Governments are consequently keen on stimulating new investments in R&amp;D as well as retaining and attracting R&amp;D investments. This session will focus on international comparisons of different schemes in different countries. It will address the following issues:</p> <ul style="list-style-type: none"><li>- <i>Which countries are using R&amp;D tax incentives? What are the main characteristics?</i></li><li>- <i>Are different types of companies targeted and/or different types of expenditures (i.e. differentiation on the basis of size, ceiling, and limits on certain expenditures)?</i></li><li>- <i>How to measure the reduction in costs represented by tax concessions?</i></li><li>- <i>How do tax incentives fit in the overall policy mix for supporting R&amp;D and innovation (e.g. subsidies, grants, reductions in social security contributions)?</i></li></ul>
<b>Chair</b>	<b>Patrick VOCK</b> , Chair of the OECD Working Party on Innovation and Technology Policy (TIP)
	<ul style="list-style-type: none"><li>• <b>Alessandra Colecchia</b>, OECD, <i>A review of tax incentives for R&amp;D in OECD countries</i></li><li>• <b>Jacek Warda</b>, Consultant, Canada, <i>How much “incentive” in R&amp;D tax incentives? A comparison of the generosity of tax incentives.</i></li></ul>

	<p><b>Discussants:</b></p> <p><i>Julian Williams, Principal Adviser, Ministry of Research, Science + Technology, New Zealand.</i></p> <p><i>John Lester, Finance Department, Canada</i></p>
11:00-11:30	Coffee Break
<b>11:30-13:00</b>	<b>Session 2. Assessing effectiveness: impact of tax incentives and interactions within R&amp;D and innovation policy</b>
Overview	<p>This session will focus on presentations by different countries of the evaluations they have carried out, drawing on standard cost/benefit models and econometric evaluations as well as evaluations using micro-data. Discussion by academics/experts and member countries. Key Issues include:</p> <ul style="list-style-type: none"> <li>– <i>Past and ongoing evaluation methods in different countries. What has worked? What hasn't and what are the solutions?</i></li> <li>– <i>Quantitative impact on corporate R&amp;D (leverage effect) or changes in behaviour as regards types of projects or partnerships (behavioural additionality)</i></li> <li>– <i>Methods for measuring the interaction of tax credits with other forms of support to business R&amp;D support, such as subsidies.</i></li> </ul>
<b>Chair</b>	<b>Frédérique SACHWALD</b> , Advisor to the Strategy Directorate and Head of the Business R&D Office, Ministry of Higher Education and Research, France
	<ul style="list-style-type: none"> <li>• Australia (<b>Tricia Berman</b>, General Manager, Department of Industry, Tourism &amp; Resources)</li> <li>• Canada (<b>John Lester</b>, Finance Department, Canada)</li> <li>• France (<b>Emmanuel Duguet</b>, Professor University of Evry, France)</li> </ul> <p><b>Discussants :</b></p> <p><i>Professor Pierre Mohnen, Department of Quantitative Economics, MERIT, Maastricht</i></p> <p><i>Professor Jacques Mairesse, CREST-INSEE, Paris, France</i></p>
<b>13:00-14:30</b>	<b>Lunch Break</b>
<b>14:30-16:00</b>	<ul style="list-style-type: none"> <li>• Netherlands (<b>Arie van der Zwan</b>, Ministry of Economy)</li> <li>• Norway (<b>Torbjorn Haegeland</b>, Head of Research, Statistics Norway)</li> <li>• United Kingdom (<b>Jeremy Sherwood</b>, Senior Official, HM Revenue and Customs)</li> </ul> <p><b>Discussants:</b></p> <p><i>Phaedra Sydor, Senior Tax Policy Officer, Canada</i></p> <p><i>Dr. Stephane Lhuillery, EPFL, Switzerland</i></p> <p><b>General Discussion</b></p>
16:00-16:30	Coffee and tea Break

<b>16:30-17:45</b>	<b>Session 3: Panel Discussion: Improving the effectiveness of tax incentives for R&amp;D and innovation</b>
Overview	<p>Many OECD governments are grappling with how to improve the use and impact of tax incentives. But tax incentives are not a panacea, and require a proper design that would reflect country context and effective monitoring. This policy discussion will focus on how countries have modified or are attempting to modify their R&amp;D tax incentives in light of evaluations and international best practice. <i>It may be interesting to consider both design of tax incentives and implementation/management issues, such as control or interactions with other policies.</i></p> <p>The panel will also include experts from countries which have recently introduced tax incentive schemes or are considering doing so.</p>
<b>Chair</b>	<b>Tricia BERMAN</b> , Vice-Chair of TIP, General Manager, Department of Industry, Tourism & Resources, Australia
	<b>Keynote industry speaker: Monica M. MCGUIRE</b> , Senior Policy Director, Taxation, National Association of Manufacturers, United States
<i>Countries having or considering changes to R&amp;D tax credits</i>	<ul style="list-style-type: none"> <li>• Belgium, <b>Pierre Moortgat</b>, <i>Secretary Federal Science Policy Council</i></li> <li>• Chile, <b>David Noé</b>, <i>Advisor, Ministry of Finance</i></li> <li>• Korea, <b>Song Jong Guk</b>, <i>Research Fellow, Science and Technology Policy Institute (STEPI)</i></li> <li>• Spain, <b>Natalia Jaquotot</b>, <i>Ministry of Economic Affairs and Treasury</i></li> <li>• United States, <b>Gary Guenther</b>, <i>Congressional Research Service, Government and Finance Division</i></li> </ul>
<i>Countries without R&amp;D tax credits</i>	<ul style="list-style-type: none"> <li>• Germany <b>Juergen Wengel</b>, <i>Deputy Head of Division, Federal Ministry of Education and Research.</i></li> <li>• Sweden, <b>Jan Edling</b>, <i>Analyst, Vinnova</i></li> </ul>
<b>17:45-18:15</b>	<b>General Discussion</b>
<b>18:15</b>	<b>Workshop Adjourns</b>
	<b>Workshop Rapporteurs: Dominique Guellec and Mario Cervantes</b> , OECD ( <i>Rapporteur's summary to be made to the TIP on the morning of 11 December</i> )
<b>18:15 -19:30</b>	<b>TIP Cocktail and Reception</b>