R&D Tax Incentives: Greece

1. Public support for business R&D: the mix of direct funding and tax relief

Governments in many countries seek to promote R&D investment in the economy by granting a preferential tax treatment to eligible R&D expenditures, especially those incurred by firms. In 2016, 29 of the 35 OECD countries, 22 of 28 EU countries and a number of non-OECD economies offer R&D tax incentives.

Figure 1. Direct government funding of business R&D and tax incentives for R&D, 2014 (nearest year)

As a percentage of GDP

Main points:

- Greece is placed below the OECD median in terms of the total volume of (central) government support for business R&D, equivalent to 0.08% of GDP.
- Tax incentives account for 63% of total public support for business R&D in Greece.
- From 2006 to 2014, R&D tax support as a percentage of GDP increased in Greece by 0.04 percentage points, while the OECD median increased by 0.02 percentage points.

2. Trends in government support for business R&D

Over the last decade, several OECD countries have increased their reliance on R&D tax incentives. However, this trend has not been uniform. The relative importance of tax incentives declined briefly following the global financial crisis, reflecting the demand-led nature of tax relief and its dependence on profits.

Figure 2. Direct funding of business R&D and tax incentives for R&D, Greece, 2000-2014

As a percentage of GDP, 2010 prices (right-hand scale)

Main points:

- In Greece, R&D tax support increased from EUR 28 million in 2005 to EUR 94 million in 2014, with a sharp increase in 2012. In this year, the 3908/2011 investment law came into force, shifting public support for business R&D from grants to R&D tax incentives.
- As percentage of GDP, tax support steadily increased from 0.01% of GDP in 2005 to 0.05% in 2014.
- Direct funding of BERD rose from 0.01% of GDP in 2005 to 0.03% of GDP in 2014.

3. Design of R&D tax incentive support

Countries differ in the extent to which they rely on tax measures to support R&D, and those that do design tax relief measures in substantially different ways. Key design features relate to the type of tax instrument, eligible R&D costs, provisions for firms with insufficient tax liability, ceilings and thresholds among others.

Table 1. Main design features of R&D tax incentives

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>Volume-based</th>
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<tbody>
<tr>
<td>Eligible expenditures</td>
<td>Current, capital depreciation, intangibles</td>
</tr>
<tr>
<td>Headline rates (%)</td>
<td>30</td>
</tr>
<tr>
<td>Refund</td>
<td>No</td>
</tr>
<tr>
<td>Carry-over (years)</td>
<td>5 (carry-forward)</td>
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<tr>
<td>Thresholds &amp; ceilings</td>
<td>No</td>
</tr>
</tbody>
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†For additional information: OECD. R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief.


Main points:
- Greece provides R&D tax relief through a volume-based R&D tax allowance.
- In the case of insufficient tax liability, unused credits can be carried-forward 5 years.
- No ceilings are placed on the amount of qualifying R&D expenditure or value of R&D tax relief.

4. Generosity of R&D tax support

The design of R&D tax incentives influences the "expected" generosity of tax relief per additional unit of R&D investment. Across OECD and partner economies providing tax relief, there is a significant variation in tax subsidy rates for firms of different size and profitability.

Figure 3. Implied tax subsidy rates on R&D expenditures, 2016


Main points:
- In Greece, the marginal R&D tax subsidy rate for SMEs is estimated at 0.11 (0.08) in the profit (loss-making) scenario; smaller than the OECD median of 0.18 (0.11) for profitable (loss-making) SMEs.
- The tax subsidy rate for profitable (loss-making) large enterprises in Greece is 0.11 (0.08); identical (similar) to the OECD median of 0.11 (0.09) for profitable (loss-making) large enterprises.


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