R&D Tax Incentives: Greece, 2018

Design features
Greece provides R&D tax relief through a volume-based R&D tax allowance since 2013.
- The headline rate of relief is 30%.
- 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.

Table 1. Main design features of R&D tax incentives in Greece, 2018†

<table>
<thead>
<tr>
<th>R&amp;D tax allowance</th>
<th>Volume-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of instrument</td>
<td>Current, capital depreciation, intangibles</td>
</tr>
<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>
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</tbody>
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Recent developments and trends
Differences in the design of R&D tax incentives drive a significant variation in the expected generosity of tax relief per additional unit of R&D investment across OECD and partner economies and over time. In 2018, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Greece is estimated at 0.11 (0.08), smaller than the OECD median of 0.20 (0.17). The tax subsidy rate for large enterprises is equal to 0.11 (0.08) in the profit (loss)-making scenario, below the OECD median of 0.13 (0.10).

The generosity of R&D tax incentives has increased in Greece in more recent years, looking at each of the four scenarios considered. Greece offered an incremental R&D tax allowance of 50% over the 2004-12 period. A slight reduction in R&D tax subsidy rates is observable over these years. This decline is attributable to the step-wise reduction in the corporate income tax rate between 2004 and 2011, the magnitude of which directly affects the value of tax allowances. In 2013, Greece converted its incremental tax allowance into a volume-based scheme. This led to an increase in the implied R&D tax subsidy rate estimated for SMEs and large firms from 0.01 (0.01) in 2012 to 0.09 (0.07) in 2013 in the profit (loss-making) scenario. Due to an increase in the standard depreciation rate for machinery and equipment from 10% in 2013 to 33% in 2014 (straight-line depreciation), marginal R&D tax subsidy rates rose slightly from 2013 to 2014. With an increase of the CIT rate in 2016, marginal R&D tax subsidy rates increased in each of the four scenarios considered.

Figure 1. Implied tax subsidy rates on R&D expenditures: Greece, 2000-18


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Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief. For more information on the calculation of implied tax subsidy rates, see http://www.oecd.org/sti/rd-tax/rd-tax-methodology.pdf, and for notes regarding the modelling of the country-specific time series, see http://www.oecd.org/sti/rd-tax/methodology-notes.pdf
Public support for business R&D: the policy mix

Governments adopt various instruments to incentivise R&D by business. In addition to direct support such as grants and buying R&D services, 30 out of the 36 OECD countries provided fiscal incentives in 2018.

**Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2016 (nearest year)**

As a percentage of GDP

- Greece is placed below the OECD median in terms of total government support to business R&D as a percentage of GDP, equivalent to 0.033% of GDP in 2015.
- From 2011 to 2015 (relevant data for 2006 to 2016 are currently not available), government support for BERD as a percentage of GDP increased in Greece by 0.01 percentage points.
- From 2011 to 2015, business R&D intensity in Greece increased from 0.23% to 0.32%.
- In Greece, R&D tax incentives accounted for 14% of total government support for R&D in 2015.

**Trends in government support for business R&D**

Over the last decade, a general trend towards non-discretionary instruments such as R&D tax incentives has been observed. This trend is far from uniform and the policy mix can vary by country and over time.

**Figure 3. Direct funding of business R&D and tax incentives for R&D, Greece, 2000-15**

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

- Greece offered an incremental R&D tax allowance from 2004 to 2012, replaced by a volume-based scheme in 2013. Over the 2011-15 period (for which relevant data are available), the importance of tax incentives increased in Greece in absolute terms but remained fairly stable in relative terms.
- The cost of tax support increased (in 2010 prices) from EUR 5 million in 2011 to EUR 9 million in 2015 (1 EUR = USD 1.14 USD, 31 Dec 2018), with a downturn observable in 2013, the first year in which the new volume-based R&D tax allowance scheme came into operation.
- As percentage of GDP, tax support increased from 0.002% in 2011 to 0.005% of GDP in 2015.
- Direct funding of BERD rose from 0.02% of GDP in 2011 to 0.03% in 2015.
- The share of R&D tax incentives in total government support increased slightly over these years, from 11% in 2011 to 14% in 2015. With a peak value in 2012 (17%).


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