Eligibility of current and capital expenditure for R&D tax relief in selected OECD and non-OECD countries, 2020

Country	Type of tax incentive	Current R&D expenditure						Capital R&D expenditure			
		Wages and salaries of researchers and other R&D personnel	Payments for R&D services provided by consultants and other third parties	Payments for other services	Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements)	Materials and other consumables	Overheads	Acquisition of plant and machinery used for R&D	Acquisition of software, licences and IP rights used for R&D	Acquisition of land and buildings used for R&D	Depreciation /amortisation of assets used for R&D
Argentina	R&D tax credit (no call for R&D tax incentives in 2020)	x[R]	x[R]			x[R]		x[R]	x[R]		
Australia	R&D tax credit	x (a)[R]	x (a)[R]	x[R]	x[R]	x (a)	x (a)				x (a)[R]
Austria	R&D tax credit	x (3rd)	x (3rd/a)[R]		x (3rd/a)[R]	x (3rd)	x (3rd)	x (3rd)	x (3rd)	x (3rd)	
Belgium	R&D tax credit							x (3rd/a)	x (3rd/a)	x (a)	
	Payroll withholding tax exemption	x (3rd)[R]									
	R&D tax allowance							x (3rd/a)	x (3rd/a)	x (3rd/a)	
	Accelerated depreciation							x[R]	x[R]		
Brazil	R&D tax allowance	x[R]	x[R]			x			x[R]		
	Accelerated depreciation							x[R]	x[R]		
Canada	R&D tax credit	x (a)[R]	x[R]		x[R]	x	x[R]				
Chile	R&D tax credit	x (3rd/a)[R]	x (3rd/a)[R]	x (3rd/a)[R]	x (3rd/a)[R]	x (3rd/a)	x (3rd/a)[R]				x (3rd/a)[R]
	Accelerated depreciation							x (3rd/a)[R]			
China	R&D tax allowance	x	x[R]	x[R]	x[R]	x	x				x
	Accelerated depreciation							x[R]			
Colombia	R&D tax credit	x[R]	x (a)[R]	x[R]	x (a)[R]	x[R]					x[R]
Croatia	R&D tax allowance	x	x		x	x					x[R]
Czech Republic	R&D tax allowance	x	x[R]			x	x[R]		x[R]		x[R]
Denmark	R&D tax credit (deficit)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)				
	Enhanced R&D tax allowance	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)				
	Accelerated depreciation							X(3rd/a)[R]			
France	R&D tax credit	x (a)[R]	x (a)[R]		x (a)	x (a)[R]	x (a)[R]		x (a)[R]		x (a)
	SSC exemption	x (a)[R]									
	Accelerated depreciation							x[R]			
Germany	R&D tax credit	x[R]	x (a)[R]		x (a)[R]						

Country	Type of tax incentive	Current R&D expenditure						Capital R&D expenditure			
		Wages and salaries of researchers and other R&D personnel	Payments for R&D services provided by consultants and other third parties	Payments for other services	Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements)	Materials and other consumables	Overheads	Acquisition of plant and machinery used for R&D	Acquisition of software, licences and IP rights used for R&D	Acquisition of land and buildings used for R&D	Depreciation /amortisation of assets used for R&D
Greece	R&D tax allowance	x	x[R]			x		x	x[R]		x[R]
Hungary	R&D tax allowance	x (3rd/a)	x (3rd/a)[R]	x (3rd/a)	x (3rd/a)[R]	x (3rd/a)		x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)
	R&D tax allowance in innovation contribution	x (3rd/a)	x (3rd/a)[R]	x (3rd/a)	x (3rd/a)[R]	x (3rd/a)		x (3rd/a)	x (3rd/a)	x (3rd/a)	x (3rd/a)
	SSC and KIVA exemptions	x[R]									
	SSC and KIVA credits	xr									
	R&D tax credit					x[R]		x[R]	x[R]	x[R]	
Iceland	R&D tax credit	x (a)	x (a)		x	x (a)	x (a)	x (a)	x (a)	x (a)[R]	
Ireland	R&D tax credit	x (3rd/a)	x (3rd/a)[R]		x (3rd/a)[R]	x (3rd/a)	x (3rd/a)[R]	x (3rd/a)	x (3rd/a)	x (3rd/a)[R]	
	Accelerated depreciation							x[R]		x[R]	
Israel	Accelerated depreciation							x(3rd)[R]		x(3rd)[R]	
Italy	R&D tax credit (volume-based)	x(a)[R]	x(a)[R]	x[R]	x[R]	x(a)[R]			x(a)[R]		x[R]
Japan	R&D tax credit (volume-based)	x (a)[R]	x (a)		x (a)	x (a)	x (a)				x (a)[R]
	R&D tax credit (special R&D)	x (a)[R]	x (a)		x (a)	x (a)	x (a)		x (a)[R]		x (a)[R]
Korea	R&D tax credit	x (a)	x (a)[R]		x (a)	x					
	R&D tax credit (investment)							x		x	
Lithuania	R&D tax allowance	x(3rd/a)[R]	x (3rd/a)[R]	x (3rd/a)[R]		x (3rd/a)	x (3rd/a)				
	Accelerated depreciation							x (a)[R]	x (a)[R]		
Mexico	R&D tax credit (incremental)	x	x	x[R]	x[R]	x[R]	x	x[R]		x[R]	
Netherlands	Payroll withholding tax credit	x (a)[R]				x (a)		x (a)[R]	x (a)	x (a)[R]	
New Zealand	R&D tax credit (deficit)	x	x		x	x				x[R]	
	R&D tax credit	x[R]	x[R]		x[R]	x[R]					x[R]
Norway	R&D tax credit	x (a)[R]	x (a)[R]			x (a)	x (a)	x (a)[R]			
Poland	R&D tax allowance	x	x	x[R]		x[R]			x[R]		x[R]
	Tax deduction for R&D Centres	x	x		x	x	x	x	x	x	
	Accelerated depreciation							x[R]		x[R]	
Portugal	R&D tax credit	x (a)[R]	x (a)[R]	x (a)[R]	x (a)[R]	x (a)	x (a)[R]	x (a)[R]	x (a)[R]		

Country	Type of tax incentive	Current R&D expenditure						Capital R&D expenditure			
		Wages and salaries of researchers and other R&D personnel	Payments for R&D services provided by consultants and other third parties	Payments for other services	Contributions to R&D carried out with 3rd parties (e.g. collaboration agreements)	Materials and other consumables	Overheads	Acquisition of plant and machinery used for R&D	Acquisition of software, licences and IP rights used for R&D	Acquisition of land and buildings used for R&D	Depreciation /amortisation of assets used for R&D
Romania	R&D tax allowance	x (a)^R	x (a)^R	x (a)^R	x (a)^R	x (a)^R	x (a)^R				x (a)^R
	Accelerated depreciation							x^R	x^R		
Russian Federation	VAT and property tax exemptions		x	x	x	x	x	x(a)^R	x^R		x^R
	R&D tax allowance	x	x^R	x^R	x^R	x^R	x				x^R
	Accelerated depreciation							x^R		x^R	
Slovak Republic	R&D tax allowance (hybrid)	x^R	x	x	x	x	x	x	x	x	x
	R&D tax allowance (volume)	x (a)	x (a)	x (a)^R	x (a)	x (a)	x (a)	x (a)^R	x (a)	x (a)^R	x (a)^R
Slovenia	R&D tax allowance	x	x		x	x		x^R			
South Africa	R&D tax allowance	x (3rd)	x (3rd)	x (3rd)		x (3rd)	x (3rd)^R				
Spain	R&D&I tax credit	x (a)	x (a)		x (a)	x (a)		x (a)	x (a)		
	SSC exemption	x (a)^R									
	Accelerated depreciation							x(a)^R	x(a)^R	x(a)^R	
Sweden	SSC exemption	x (a)^R									
Turkey	R&D tax allowance	x(3rd)			x(3rd)^R	x(3rd)	x(3rd)	x(3rd)^R	x(3rd)	x(3rd)^R	x(3rd)
	SSC exemption	x^R									
	Accelerated depreciation							x^R			
United Kingdom	R&D tax allowance (SMEs)	x (3rd/a)^R	x (3rd/a)^R	x (3rd/a)^R	x (3rd/a)^R	x (3rd/a)	x (3rd/a)^R		x (3rd/a)^R		
	R&D tax credit (Large firms)	x (3rd/a)	x (3rd/a)^R	x (3rd/a)^R	x (3rd/a)^R	x (3rd/a)	x (3rd/a)		x (3rd/a)^R		
	Accelerated depreciation							x(a)	x (a)r	x (a)r	
United States	R&D tax credit	x	x^R	x^R	x^R	x^R					

Abbreviations: ME: machinery and equipment, B: Buildings; (3rd): If R&D paid for by third party; (a): R&D costs incurred abroad; (R): See country-specific notes for information on the eligibility of expenditure items and existing restrictions.

Notes: No call for R&D tax incentives in Argentina in 2020. Hungary also offers a KIVA (optional small business tax, replacing SSC and corporate income tax) exemption and credit, both available to small companies and mutually exclusive in their use with the existing SSC exemption and credit. Malta offers various R&D tax credits which are used by few firms and beyond the scope of this note. The table further excludes the R&D tax allowance in Thailand whose retroactive extension in 2020 is pending government approval at the time of reporting.

Source: OECD R&D Tax Incentives Database, http://oe.cd/rdtax, December 2020.

General notes:

This summary table covers national, expenditure-based R&D tax incentives and is confined to tax incentives available to the business sector, excluding tax incentive support to individuals. The table displays R&D tax incentives schemes that are available as of December 2020. This includes R&D tax credits and allowances, payroll withholding and social security contribution related incentives as well as accelerated depreciation provisions for capital assets (machinery and equipment, buildings and land) used in the context of R&D projects. Information on eligible R&D expenditures based on the 2020 OECD-NESTI data collection on tax incentive support for R&D expenditures, complemented with information from past NESTI R&D tax incentive surveys and other relevant, publicly available information. For a summary description of R&D tax incentive schemes and the latest indicators on tax incentive support for business R&D, see **http://oe.cd/rdtax**

Country-specific notes:

Argentina: Information on eligibility of expenditure refers to the Tax credit for R&D projects available in Argentina (no call for R&D tax incentives in 2020).

- Expenditure on human resources must not exceed 75% of the total R&D project expenditures.
- Regarding payments for R&D services provided by consultants and other third parties, tax credit certificates will be issued to the beneficiaries and shall not be transferable.
- Eligible consumables include input and materials used for the construction of prototypes, pilot plants and tuning of equipment used on the field.
- Essential equipment required for project implementation represents qualifying R&D expenditure as well as expenses for the management of intellectual property.

Australia: Information on eligibility of expenditure refers to the R&D Tax Incentive available in Australia since 1 July 2011.

- Reductions in payroll taxes/social security contributions are not part of the tax credit formula.
- Payments to off-site consultants/ contractors qualify as eligible expenditure, but only if the eligible firms receive the benefit from R&D. Some of these costs may be incurred overseas (at least 50% of total costs of the project across all project years must be incurred in Australia).
- In most cases, firms can only claim an R&D tax offset for expenditure on R&D activities conducted on its own behalf rather than for some other entity. In some cases, partners in an R&D project may be able to claim for R&D activities the partnership has undertaken together.
- Contributions by R&D entities to publically funded Cooperative Research Centres and levy collecting Research Service Providers for the conducting of R&D activities are also eligible.
- Payments for other services qualify only if the other services fall within the definition of eligible expenditure. The R&D Tax Incentive can be claimed for the decline in value of tangible depreciating assets (except for buildings) such as plant and machinery.

Austria: Information on eligibility of expenditure refers to the research premium ("Forschungsprämie"), replacing R&D concession incentives in Austria from 2011 onwards.

- Subcontracted R&D expenditure qualifies if the subcontractor represents a qualifying EU/EEC institution which is unrelated to the principal. In case the payments fall under the definition of "extramural R&D" according to Frascati Manual, payments up to EUR 1 million per year qualify. If the fiscal year comprises less than 12 months this ceiling will be adjusted proportionally.
- Under an R&D service contract, and R&D credit may be claimed by the purchaser of the R&D service or the contracting party (principal) providing the R&D services (no double tax relief). The R&D purchasing entity has to notify the R&D service provider by the end of the fiscal year about the amount of subcontracted R&D expenditure it will claim under the research premium. These rules apply to R&D undertaken and paid for by third parties other than government. Government funds are to be deducted from the tax base.
- Payments for other services qualify for tax relief under the research premium as long as the purchases of such services are made as part of an R&D project. Payments for other services with no R&D project context do not qualify as eligible R&D expenditure.

Belgium: Information on eligibility of expenditure refers to the R&D tax credit (incompatible with allowance), R&D tax allowance, accelerated depreciation provision for R&D capital assets and payroll withholding tax credit. Under the latter provision, only payments to wage earners with a Ph.D., a "scientific" master degree (including engineers) or a bachelor degree are eligible for tax relief unless the company qualifies as a "young innovative company". Only R&D investments undertaken on companies' own account apply for the accelerated depreciation provision.

Brazil: Information on eligibility of expenditure refers to the R&D tax allowance available in Brazil.

- Eligible R&D expenditures include wages and salaries, other current costs, R&D contracts with selected parties.
- Taxpayer needs to adjust the employment contracts of employees that are partially dedicated to research projects and explicitly indicate that such employees work as researchers in technological innovation projects.

- The R&D tax allowance rate may increase from 60% up to 100% depending on the R&D staff growth and patent/cultivar registration: 70% for an increase of up to 5% in R&D staff; 80% for an increase of more than 5% in R&D staff; extra 20% deduction for qualifying costs incurred in developing a patent or cultivar (allowed when patent/cultivar is registered).
- Subcontracted R&D expenditure qualifies in the case of R&D subcontracted to national universities, research institutions or independent inventors or SMEs. According to article 6 of Law 11.196 (Lei do Bem), eligible expenditure further includes technical or scientific assistance and royalties for industrial patents paid to individuals or legal entities abroad, subject to compliance with the provisions of arts. 52 and 71 of Law 4.506 of November 30, 1964.

The accelerated depreciation provision for R&D capital assets (machinery and equipment, intangibles) available in Brazil applies only to capital assets dedicated to R&D.

Canada: Information on eligibility of expenditure refers to the Scientific Research and Experimental Development (SR&ED) tax credit established by the federal government in Canada in 1986.

- Reductions in payroll taxes/social security contributions are not applicable. The lower of the total amount of salaries or wages for SR&ED work carried on outside Canada (subject to certain eligibility requirements) or 10% of the total of SR&ED salary or wages for SR&ED carried on in Canada can be claimed as the permissible salary or wages for SR&ED carried on outside Canada.
- The R&D tax credit base includes 80% of arm's length contract payments.
- Contract costs for non-SR&ED work (for example, work performed by electricians, welders, and mechanics) that is not one of the eight support work activities described in the definition of SR&ED in the Income Tax Act may qualify as SR&ED overhead and other expenditures under the traditional method if the directly related and incremental tests are met.
- Overhead expenses may be deducted under two methods (at the taxpayer's discretion): (i) identifying and submitting all overhead expenses; or (ii) proxy method, which calculates overhead expenses as total direct R&D labour costs multiplied by a factor of initially 65%. As of 2013, the proxy rate for the calculation of overhead expenses was reduced to 60% and to 55% in 2014.
- In determining whether the acquisition cost of software and software licences should be treated as a current expenditure or treated as a capital expenditure, the nature, purpose, and anticipated life of the computer software must be considered. Capital expenditures ceased to be eligible for the SR&ED tax incentive program on January 1, 2014.

Chile: Information on eligibility of expenditure refers to the R&D tax credit for intramural and extramural expenses (Law 20.570) available in Chile since September 2012.

- Wages and salaries of researchers and other R&D personnel only qualify if workers have gained experience in R&D in the previous 36 months.
- Overheads expenditure qualifies as long as it does not exceed 5% of total current expenditures of the project unless an authorisation is granted by CORFO (Corporación de Fomento de la Producción).
- The modified law considers only the acquisition of buildings in case of intramural activities for the development of the R&D project (also considers improvement and extension of existing infrastructure). The acquisition of land it is not considered.
- The new law further allows for the depreciation of assets, excluding amortisation of intangibles. Equipment must be purchased in the context of R&D activities in a certified project by CORFO. When taxpayers apply for the tax relief of Modified Law 20.241 (Law 20.570), they can use the straight-line depreciation method or accelerated depreciation for machinery and buildings.
- R&D expenditures incurred abroad are eligible if they do not exceed 50% of the total amount of R&D expenditure.

China: Information on eligibility of expenditure refers to R&D tax allowance in China.

- Cai Shui [2015] No. 119 applies from 1 January 2016. All R&D expenses shall be eligible for the R&D super deduction, unless specifically listed as ineligible. The scope of eligible R&D activities and R&D expenditures will therefore expand. Cooperative or contract R&D related costs will be eligible for the R&D Super Deduction. However, new regulation places a cap of 80% in relation to expenses incurred on a project paid to an external entrusted party.
- Depreciation expenses cover machinery and equipment as well as amortization expenditures for intangible assets. No further information on eligible R&D expenditure and existing limitations is available.

The accelerated depreciation provision for R&D capital assets (machinery and equipment, intangibles) available in China is limited to CNY 1 million. If above, the depreciation can be 40% shorter than usually or the company can follow the double declining value or the sum of the year’s digits method..

Colombia: Information on eligibility of expenditure refers to R&D tax credit in Colombia.

- Wages and salaries of researchers and other R&D personnel (may include international consultants whose CV (résumé) is not registered in the CvLAC database for Colombian researcher’s CVs)

- Payments for R&D services. This can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project. This item includes the subcontracting of tests, analysis, simulations and software development that the company cannot develop by itself. However, no personnel cost can be included. This item can also include the short-term subcontracting of scientific and/or technological activities, both nationally and internationally, which are essential for the project.
- Payments for other services, e.g. software development; legal counselling
- Consumables, depreciation expenditures (machinery and equipment, buildings and land); costs relating to the rearrangement and use of existing buildings for research purposes up to 20% of the total project costs

Croatia: Information on eligibility of expenditure refers to R&D tax allowance (Act on State Aid for Research and Development Projects (NN 64/18) effective from 26 July 2018) in Croatia.

- Eligible costs are: personnel costs; costs of instruments and equipment to the extent and for the period used for the project; costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project; additional overheads and other operating expenses; costs for feasibility studies.

Czech Republic: Information on eligibility of expenditure refers to the hybrid R&D tax allowance.

- Effective January 2014, qualifying expenses have been expanded to include external services related to R&D provided by public R&D institutions (such as universities and research institutes).
- Likewise, expenditures on intangible results of R&D qualify as of January 2014 if acquired from a public university or a certified research organization.
- Only operating expenses directly related to R&D are eligible.
- The tax depreciation of movable fixed assets used for R&D activities qualifies.

Denmark: Information on eligibility of expenditure refers to the R&D tax credit for deficit related R&D expenses available in Denmark from income year 2012 onwards and the enhanced R&D tax allowance for R&D capital assets introduced in 2018.

- Qualified R&D expenditures include salaries, cost of raw materials as well as rental costs for premises, machinery, equipment and similar equipment, in addition to payments for R&D services performed by others, and professional fees for consultants.
- Payments received by an R&D performer under an R&D service contract or cost contribution agreement do not reduce the tax credit amount available.
- All expenditures on R&D are eligible for enhanced R&D tax allowances, except for expenditure on exploration of raw materials and costs for the procurement of fixed assets and vessels used for the exploration of raw materials. The expense base is thus the same as for the R&D tax credit for deficit related R&D expenses, i.e. the allowance applies to both M&E and B&L used in the context of R&D projects. In the case of M&E, the allowance applies to accelerated depreciation expenditure or acquisition cost.

France: Information on eligibility of expenditure refers to the R&D tax credit (CIR) and the social security exemption for young innovative enterprises (JEI) and young university enterprises (JEU).

- Under the Crédit d'Impôt Recherche (CIR) scheme, wages of researchers with a Ph.D. or equivalent degree are considered twice for R&D credit purposes during the first 24 months following their first recruitment subject to the condition that the employment contract is unlimited and that the headcount of the research personnel is not lower than the one in the preceding year.
- Subcontracted and collaborative R&D expenses are only eligible if contracted to approved, public or private organisations up to certain limits (EUR 10 million per year and company, increased to EUR 12 million in the case R&D contracted to approved public research organisations). Expenditures for subcontracted R&D are doubled if the R&D is outsourced to selected, approved research institutions.
- Only purchases of immobile material qualify as eligible expenditure.
- Operating expenses related to R&D activities are estimated on a flat-rate basis (for fixed assets: 75% of depreciation expenses and 50% of labour costs for researchers and research technicians; in the case of young Ph.D.'s 200% of their actual non-doubled wage during first 24 months). Operating expenses cover in particular the expenditure for support staff, administrative expenses, raw materials, etc.
- Expenses related to the granting, maintenance, depreciation and defence of patents further qualify under the CIR.
- Under the JEI and JEU provision, wages and salaries paid to researchers, technicians, R&D project managers, lawyers involved in the protection of industrial and technology agreements related to the project and personnel responsible for pre-competitive testing qualify.

Germany**:** Information on eligibility of expenditure refers to the R&D tax credit (Forschungszulage).

- 25% of wages and salaries, together with tax-exempt social insurance contributions, will be offset against the annual tax demand, and any remaining overhangs will be refunded. The refund enables companies to profit from the concession even during loss phases. The research incentive is set at 25% of the assessment basis, which is limited to an amount of EUR 2,000,000 (EUR 4,000,000 million for R&D expenditures performed between 1 July 2020 and 30 June 2026). This means that a maximum of EUR 500,000 may be drawn on per year (EUR 1,000,000 per company for R&D expenditures performed between 1 July 2020 and 30 June 2026).
- In contract research, 60 percent of the remuneration paid by the client to the contractor is considered to be an eligible expense. If research and development projects are commissioned abroad, they are only eligible if the contractor is based in a member State of the European Union or in another country to which the Agreement on the European Economic Area (EEA Agreement) applies and which, based on a contractual obligation, provides mutual assistance in accordance with the EU Mutual Assistance Act to an extent that is necessary for the review of the eligibility requirements.
- Eligible expenses are also contributions made by a sole trader in a favoured research and development project. For each proven working hour that the sole trader is engaged in research and development activities, 40 euros per working hour with a maximum of 40 working hours per week are to be recognised as eligible expenses.

Greece: Information on eligibility of expenditure refers to the R&D tax allowance in Greece.

- Expenditures for subcontracted R&D are eligible only if the R&D is contracted out to research laboratories of the public sector.
- Cost incurred for the licensing of patents, know-how, etc., related to the execution of the project qualify for the tax incentive.
- Eligible depreciation expenditure only covers machinery and equipment. R&D capital spending is considered as investment under tax legislation so that it may be written off over three years.

Hungary: Information on eligibility of expenditure refers to the R&D tax allowance, R&D tax allowance in innovation contribution, development tax incentive (R&D tax credit), exemption of social security contributions (SSC), SSC credit as well as KIVA (small business tax) exemption and credit.

- Under the R&D tax allowances, payroll taxes and social security contributions are part of the direct costs of R&D activities, and are thus deductible in proportion to the other activities carried out by the researchers.
- On the basis of the Act C of 2000 on Accounting, direct costs of R&D include classified costs incurred in connection with an R&D activity if it is clearly stated and proved that these costs are directly related to the R&D activity and incurred in connection with the R&D activity. Payments to on site consultants and contractors might be regarded as direct costs of the R&D activity if consultants and contractors are experts of the special field of the specified R&D.
- Costs of research and experimental development services might be deducted by the person to whom they were provided if the service provider declares of having provided the service without the involvement of research and experimental development services provided by a resident taxpayer or by the Hungarian branch of a non-resident entrepreneur, or by a private entrepreneur governed under the Act on Personal Income Tax.
- Subcontracted R&D activities and R&D activities performed based on a collaboration agreement may also be performed abroad.
- In 2020, the rate of social contribution tax and the vocational training contribution will be 0 percent (instead of 18 percent) for gross wages of researchers up to 500 000 HUF per month. For PhD students or doctoral candidates, the social contribution tax rate is 0% (instead of 8.25 percent) for gross wages of researchers up to 200 000 HUF per month. Under the KIVA exemption, the KIVA (small business) tax rate be 0 percent (instead of 12 percent) for gross wages of researchers up to 500 000 HUF per month. For PhD students or doctoral candidates, the KIVA tax rate is 0% (instead of 6 percent) for gross wages of researchers up to 200 000 HUF per month. The 50% SSC credit only affects the Social Contribution Tax (16.5%) but not the Training Levy, and the 50% KIVA credit applies to the KIVA (small business) tax applicable at a rate of 12%.
- Under the development tax incentive, firms receive tax support for investment projects with a value of at least HUF 100 million and a maximum tax relief of 80% of the calculated corporate tax. Qualifying costs include capital expenditure. The value of intangible assets which may include inventions, patents, licenses and know-how must not exceed 50 % of total eligible costs.

Iceland: Information on eligibility of expenditure refers to the tax credit in Iceland. The cost of tools and equipment, buildings and land is eligible for the tax credit to the extent and only for the time period during which such equipment or property is used for research purposes. Costs incurred for contractual research, technical knowledge and patents bought or licensed obtained from outside sources at market in arm's length transactions and costs for consultants and similar services exclusively used in connection with research activities, further qualify for the tax incentive.

Ireland: Information on eligibility of expenditure refers to the R&D tax credit in Ireland.

- Contracted research costs are subject to a limit of 15% of total qualifying expenditures on R&D activities in any one year. This applies where the subcontractor carrying out the research and development activities is unrelated to the company which paid for the research. Where the R&D activities are contracted to a university or institute, the limit is 5% of the company's R&D expenditures in the period. For accounting periods ending after 1 January 2012, the subcontracting limit is the greater of EUR 100 000, or the 15% and 5% limits described above. Overheads are eligible only if wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity.
- Qualifying capital expenditure only includes machinery, equipment and buildings (at least 35% of their use shall be for R&D). Land is excluded.

The accelerated depreciation provision for R&D capital assets available in Ireland applies to machinery and equipment and buildings.

Israel: Information on eligibility of expenditure refers to the Scientific investment deduction (Art. 20A of the Corporate Income Tax Act)

- For an R&D expense (including labour expense) to be deductible, it must meet five basic conditions: 1) the R&D expense must be related to the areas of industry, agriculture, transportation or energy; 2) the research must have been approved by the party authorized by the government Minister whose ministry deals with the subject to which the research relates; 3) the amount of any grant given by the government is deducted from the amount of R&D expenses that are allowed as deductions; 4) the R&D expenses have not been claimed as depreciation expenses; and 5) a taxpayer who claims a deduction for R&D expenses must fall into one of the three following categories: i) the taxpayer owns an enterprise and the R&D is for the purpose of developing or promoting the taxpayer's enterprise, whether the research is carried out by the taxpayer himself or by an external provider; ii) the taxpayer performing the research has received a grant from the Office of the Chief Scientist iii) the taxpayer takes part in the financing of a scientific research carried out by another party for the purpose of a share of the profits, provided that the government supported the research by a grant. The total amount allowed as a deduction for participation in the financing of R&D carried out by another person may not exceed 40% of the taxpayer's taxable income in the year the expenses were paid. R&D expenses are allowed as a deduction in the year in which they were paid. Any R&D expenses paid by a taxpayer who owns an enterprise, for the purpose of developing or promoting his enterprise, and which are not allowed as a deduction because one or more of the five conditions listed above under 1) to 5) are not met, will be deductible in three equal annual instalments, beginning in the tax year in which they were paid.

Italy: Information on eligibility of expenditure refers to the R&D, innovation and design tax credit (Law 160/2019).

- Under the R&D, innovation and design tax credit qualifying expenditures include labour costs for researchers and technicians employed in R&D activities (costs related to highly qualified employees under 35 years of age with a Ph.D, in their first job and employed with a fixed-term contract are computed at 150 percent of the actual expenditure);
- Eligible expenditures further include depreciation expenses and leasing fees related to the utilization of tangible goods or software (the maximum eligible cost is equal to 30 percent of labour costs for researchers) and related to the utilization of intellectual property purchased by third parties (the maximum eligible cost is EUR 1 million);
- Eligible expenditures also includes extramural R&D expenditures and costs incurred for technical expertise (the maximum eligible cost is equal to 20 percent of the labour costs for researchers or contract R&D costs);
- Eligible expenditures also include costs for materials (the maximum eligible cost is equal to 30 percent of labour costs for researchers or contract R&D costs).

Japan: Information on eligibility of expenditure refers to the volume-based R&D tax credits for large companies and SMEs, the R&D tax credit for special (collaborative) R&D, and the high R&D intensity tax credit.

- Labour expenditure generally includes wages and salaries paid to employees who devote 100% of their time to R&D.
- Depreciation of acquired plant and machinery as well as buildings is eligible. Depreciation of a part of acquired software is eligible.
- Under the application of the R&D tax credit for special R&D, acquisition expenses of licences and IP rights are eligible when the licensers or the initial IP owners are "SMEs" as defined in the Japanese taxation system.
- The R&D tax credits apply to R&D deductible expenses rather than depreciation of R&D assets.

Korea: Information on eligibility of expenditure refers to the hybrid R&D tax credit and R&D investment tax credit available in Korea. The R&D investment credit applies to facility investments (machinery and buildings) made for the purpose of R&D and job training.

Lithuania: Information on eligibility of expenditure refers to the R&D tax allowance.

- Eligible labour costs include wages of employees who are directly involved in scientific research and experimental development works.

- Payment to off-site consultants are eligible only if the outsourced R&D work was carried out in the European Economic Area or in a non-EEA State with which Lithuania has concluded and applies a double taxation agreement.
- Eligible services include costs for acquisition of services directly related to scientific research and experimental development works (consulting, leasing, repair, warehousing, telecommunication, etc.).

An accelerated depreciation scheme for R&D capital assets is in place since 2008. These capital assets may be written-off over a very short period (2 years or more). The Capital assets must be used exclusively for R&D or R&D activities mainly, but not episodic.

Mexico: Information on eligibility of expenditure refers to the incremental R&D tax credit introduced in Mexico with effect of January 2017.

- Eligible expenses include payments related to costs of external services provided by specialized natural or legal persons of domestic origin, whose services cannot be performed by the contractor and which have to be performed in order to fulfil the objectives of the R&D project and which have been previously accounted for in the project proposal (up to 15% of the total costs of the R&D project). External services refer to a specific and well defined activity which is directly related to the procedures or methodology of the R&D project proposal, whose supporting documentation complies with the corresponding fiscal and legal rules (agreement or contract with specific objectives; on-line digital tax documentation; fees payments).
- Eligible expenses include payments to public or private Higher Education Institutions or Public Research Organizations, registered or pre-registered in the National Registry of Scientific and Technological Institutions and Companies (RENIECyT), for their collaboration in the project, provided that their collaboration has previously been registered in the Electronic Platform and is in compliance with the amounts and conditions thereby specified, as well as with those provisions specified in the collaboration agreement regarding the calendar of payments, which shall be supported by the corresponding official bills of the HEI or PRO, accordingly.
- Eligible expenses include reagents, solutions, and any other inputs required to perform experimental designs which are needed for the completion of the investment project.
- Specialized machinery needed for the completion of the investment project. This includes the costs of renting specialized equipment which, due to its costs, is not profitable to be bought, but is required in order to perform tests, experiments or other activities relevant for the completion of the investment project and which is not rented to related parties.
- Eligible expenses include the acquisition or leasing of properties and buildings. It is considered that the firm must have the necessary buildings to perform the investment project.

Netherlands: Information on eligibility of expenditure refers to the WBSO ("Wet bevordering speur- en ontwikkelingswerk") tax credit for R&D.

- Starting in 2016, the previous WBSO and RDA are merged into a single scheme called the WBSO. This means that from 2016 onwards the WBSO tax credit includes both the wage costs of an R&D-project (previously handled by the WBSO) and its other costs and expenses (previously handled by the RDA). The tax benefits are administered entirely through payroll taxes (and no longer in part through taxation on profits).
- Under the WBSO, R&D activities must occur within the EU and must be performed by employees on the Dutch payroll.
- Spending on plant and machinery and building qualifies for the WBSO; excluded are investments in land and business assets which qualify for the energy or environmental investment allowance.

New Zealand: Information on eligibility of expenditure refers to the R&D tax credit for deficit related R&D expenses and new R&D tax credit, available with effect of April 2019. Under the R&D tax credit for deficit related R&D expenses, spending on buildings and land qualifies only if exclusively used for housing R&D facilities. Under the new R&D tax credit, firms must spend at least NZD 50,000 on R&D to qualify, although may claim for R&D under this amount if it is performed by an approved research provider. No more than 10% of expenditures may be performed overseas.

Norway: Information on eligibility of expenditure refers to the SkatteFUNN R&D tax credit.

- Labour costs are calculated as numbers of hours worked multiplied by an estimated wage rate including overhead cost (NOK 600 per hour and max 1850 hours per year). The tax base does not include unpaid hours worked (mainly by the owners).
- R&D expenditures must be related to taxable income in Norway. There are no territorial restrictions related to SkatteFUNN, i.e. own and subcontracted R&D may take place in any part of the world. A company may subcontract R&D to any other entity in any other country. A general condition for eligibility is that the R&D cost in question is incurred with the aim of obtaining an income for the applicant. A company would not be entitled to a tax credit for R&D undertaken for another company, for example a foreign parent company. R&D for other entities does not qualify for SkatteFUNN.
- There are no specific rules regarding cost contribution agreements; instead, payments under such agreements are deductible according to the general deduction rules. In the case of collaboration, every business needs to send its own SkatteFUNN application and describe its project activities in order to get tax deductions for project costs.
- The cost of R&D equipment qualifies. Patent and licensing costs are not included, except for the costs of patenting incurred in the context of a company's own R&D activity.

Poland: Information on eligibility of expenditure refers to the R&D tax allowance in effect from 1 January 2016 onwards.

- Eligible payments for services include expenses incurred for the payment for expert's opinions, opinions, consultancy services and similar services.
- Expenses related to the cost of materials refer to purchases of materials and raw materials directly related to the undertaken R&D activity and costs related to the use of research instruments. The application of the tax credit is dependent on the use of the instruments not based on any contract concluded with an entity related to the taxpayer.
- Eligible intangibles include expenses incurred for the purchase of results of scientific research, rendered or performed on a contractual basis by the scientific unit.
- Depreciation and amortisation refers to write-offs applied for the undertaken research and development activity, except for passenger cars and facilities, buildings and premises being separate ownership. This, for instance concerns: machinery, new invention patents, software licences, know-how.
- The tax credit may be applied irrespectively of the fact whether the costs incurred were paid to the supplier or not.

The accelerated depreciation provision for R&D capital assets available in Poland applies to machinery and equipment and buildings.

Portugal: Information on eligibility of expenditure refers to the SIFIDE-II R&D tax credit.

- Eligible expenditure includes wages for personnel directly involved in R&D, with minimum qualifications level 4 of the National Qualifications Framework. In the case of personnel with a qualification level of 8 according to the National Framework of Qualifications (PhD holders), the amount of the wage is multiplied by a factor of 1.2.
- The cost of R&D contracts with external S&T organisations (public entities and/or from entities recognized as possessing R&D capabilities) qualify as well as the cost of R&D audits.
- Payments under a cost contribution agreement that fall within the definition of R&D expenditure also qualify.
- Operating expenses, such as overhead, are eligible up to 55% of wages of personnel directly involved in R&D activities.
- Spending on machinery and equipment, if machinery and equipment are created or acquired in new condition, further qualifies. Patent acquisition costs related to R&D activities are only eligible in the case of SMEs.

Romania: Information on eligibility of expenditure refers to the R&D tax allowance.

- Eligible expenditure comprises costs of personnel involved in the R&D activities, including activities related to their needs (documentation, conducting studies, experiments, measurements, testing and exchange of experience) and the salaries of staff participating indirectly in the R&D activity.
- Regarding sub-contracted costs, they include operating costs, third-party services expenses, expenses on consumables, expenditure on materials inventory objects, expenses for raw materials, parts, modules, components, expenditure on experimental animals and other/similar goods used in research and development.
- Overheads that can be allocated directly or proportionately research results by using an allocation key; the key shall be the one used by taxpayers to allocate common expenses.
- Depreciation costs or rental of tangible and intangible assets or part of these costs for the period of use of tangible and intangible assets in research and development (accelerated depreciation also may be applied for the equipment used for R&D activities).

The accelerated depreciation provision for R&D capital assets available in Romania applies to machinery and equipment. Under the accelerated depreciation method, a maximum of 50% of the fiscal value of the asset may be deducted during the first year of usage, while the rest of the asset's value would be depreciated over the remaining useful life (5 years). In the extreme case the asset would be written off over a two year period.

Russian Federation: Information on eligibility of expenditure refers to the R&D tax allowance and R&D tax credit (VAT and property tax exemptions) available to R&D performing organisations (by main type of their economic activity according to the National Classification of Economic Activities) as well as some other S&T institutions.

- Tax exemptions include VAT exemptions (for R&D and wider S&T activities as well as operations on protection and commercialisation of IPRs), property tax exemptions for state scientific centres (list-based) and income tax exemptions applicable for educational organisations (incl. HEIs) under certain conditions (art. 284.1 of the Tax Code).
- Organisations taking part in Skolkovo projects are eligible for all above mentioned tax exemptions. Skolkovo management companies are further exempt from the land tax.
- Intangibles eligible include transfer of exclusive rights on IP and rights on using these items within license contracts.
- Depreciation expenditure qualifies if related to buildings. Accelerated depreciation can be applied to fixed assets used in S&T activities and also eligible for high energy efficient M&E in accordance with the list approved by the Government of the Russian Federation.
- Under the tax allowance scheme other current costs within eligible R&D expenditures may not exceed 75% of total R&D labour costs, and all eligible R&D expenditures may include deductions to STI foundations, but not exceeding 1.5% of revenue.

- According to the tax allowance scheme eligible R&D expenditure can be increased by a multiplying factor of 1.5 for R&D included in the priority-list (except SSH) approved by the Government of the Russian Federation.

The accelerated depreciation provision for R&D capital assets available in the Russian Federation applies to machinery and equipment and buildings.

Slovak Republic: Information on eligibility of expenditure refers to the hybrid R&D tax allowance scheme and the volume-based R&D tax allowance for grant subsidy recipients.

- Under the R&D tax allowance (hybrid) scheme, labour cost qualifies only if the employee is an EU citizen younger than 26 years and has completed a secondary or university education in the previous two years.
- Under the R&D tax allowance scheme for grant subsidy recipients, costs of consultancy and equivalent services used exclusively for the project qualify.
- Costs of instruments and equipment to the extent and for the period used in the project. If such instruments and equipment are not used in the project throughout its useful life, eligible costs are considered only the depreciation corresponding to the duration of the project, calculated on the basis of generally accepted accounting principles.
- The deduction includes the depreciation of buildings and the commercial transfer or capital costs of land.

Slovenia: Information on eligibility of expenditure refers to the R&D tax allowance. Eligible expenditure includes purchases of R&D equipment only if such equipment is used exclusively and permanently for the purposes of the taxpayer's R&D activity.

South Africa: Information on eligibility of expenditure refers to the R&D tax allowance. Eligible expenditure includes overhead expenses only if directly related to R&D. Depreciation expenditures related to M&E further qualify subject to standard depreciation rules as accelerated depreciation for R&D capital was repealed in October 2012. Depreciation of R&D assets do not qualify for enhanced rate, but do receive accelerated depreciation allowances (improvement at a rate of 40:20:20:20 and new unused machinery or plant at 50:30:20.

Spain: Information on eligibility of expenditure refers to R&D&I tax credit and partial exemption of social security contributions.

- Qualifying R&D expenses for the credit may correspond to activities carried out in Spain or in any Member State of the European Union or the European Economic Area. In turn, shall be considered as research and development expenses amounts paid for carrying out such activities in Spain or in any Member State of the European Union or the European Economic Area, on behalf of the taxpayer, whether alone or together with others.
- For tax years beginning after 2015, the regulatory framework is the Law 27/2014, of November 27. The income tax Chapter IV, Article 35 sets out the measures regulating tax deductions for R + D + i, as well as rules on the application of Article 39. Deductible expenses and investments: project expenditures (personnel, depreciation, consumables, external collaborations, etc.), provided they meet: a. Direct costs, b. Individual projects and c. Effectively applied to the project form.
- Companies that do not make use of the tax deduction for R&D (R&D tax credit) may deduct 40% of employers' social security contributions for research staff. Registered "Innovative SMEs" (innovation intensive SMEs) can benefit from both schemes at the same time. Companies benefiting from the bonus should be devoted to R + D + i and hire workers: (i) With a permanent or temporary contract internship or work or service 3 months minimum. (ii) Exclusively dedicated, full-time, to the realization of R + D + i as defined in Article 35 of the Corporation Tax Act. For these purposes, it is admitted that up to 15% of the time spent on tasks of training, dissemination or the like, to compute the exclusive R & D commitment. (iii) Included in contribution groups in the General Scheme of the Social Security Numbers 1 (engineers and graduates, and senior management personnel not included in article 1.3.c) ET); 2 (Technical Engineers, experts and qualified assistants); 3 (Chief Administrative and Workshop) and 4 (helpers graduates).

The accelerated depreciation provision for R&D capital assets available in Spain applies to machinery and equipment and intangibles.

Sweden: Information on eligibility of expenditure refers to the reduction in contribution amounts for social security charges for R&D employees.

- Employees must work at least 75% of their working hours on R&D and at least 15 hours per month, and be aged between 18 and 64 at the beginning of the year when the reduction is claimed. Until 31 May 2016, the lower age limit was 26 years old.
- Reduced social security contributions apply only for tasks concerning commercially performed R&D (business-oriented systematic and qualified research or development).
- The salary must be paid from an employer which is tax resident in Sweden, the form of employment does not matter, nor if they have worked in Sweden or any other country.
- All enterprises can get the reduction, except self-employed and partners in a trading partnership. The deduction cannot be made by public employers (state, county, municipality or university) that are themselves engaged in research. Private companies engaged in the framework of a public sector R&D project cannot deduct the net R&D salary costs either.
- However, deduction can be made if the employer receives public funding for their own research activities. Deduction can also be made if the employer receives government grants to

certain employees engaged in R&D, for example, in the form of subsidies.

Turkey: Information on eligibility of expenditure refers to the R&D tax allowance and exemption of social security contributions for R&D and support personnel who work in R&D centres on R&D and innovation projects.

- Under the tax allowance, companies ordering contracted R&D and innovation/design activities will benefit from R&D deduction, as well as the parties carrying out contracted R&D activities, sharing the total incentive amount by 50% - 50%. Benefits and services received from third parties may not exceed 50% of total R&D and innovation expenses.
- Only capital spending on machinery qualifies for tax relief.
- The full-time-equivalent support personnel who benefit from the employer share insurance premium cannot exceed 10% of the number of total full-time R&D personnel.

The accelerated depreciation for R&D capital can only be applied for new machinery and equipment purchased between 01.05.2018 and 31.12.2019**.**

United Kingdom**:** Information on eligibility of expenditure refers to the R&D tax allowance (Corporate Tax Credit for Research & Development) and Research and Development Expenditure Credit (RDEC) for large companies, introduced for expenditure incurred on or after 1 April 2013. The RDEC was initially optional and ran alongside the Large Company enhanced-deduction scheme (Corporate Tax Credit for R&D), which it replaced in April 2016.

- The qualifying expenditures are the same for the Corporate Tax Credit for Research & Development and the RDEC.
- The staff must be employed under a contract of employment directly with the company or organisation - not consultants, agency workers, or staff/directors whose contracts of employment are with other companies. However, these others may qualify under either the rules for staff providers or subcontractors.
- Large companies can only claim subcontract costs if they are paid to a university, health authority, charity, scientific research organization, individual, or a partnership of individuals.
- SMEs can claim R&D related subcontract costs in the following situations:
  - Payments to unconnected subcontractor: If the company and the subcontractor are not “connected” (CIRD82150) the company can claim R&D tax relief on 65% of the payment it makes to the sub-contractor. The subcontractor does not have to do the work itself but can subcontract the work to a third party.
  - Payments to connected subcontractor: If the company and the subcontractor are “connected”, the company can claim R&D tax relief on the lower of:
    - the payment that it makes to the subcontractor, and
    - the relevant expenditure of the subcontractor, so long as the whole amount of the subcontract payment is brought into account in determining the subcontractor’s profit in accounts drawn up under GAAP ending within 12 months of the end of the claimant company’s accounting period for which the relief is claimed. The company and the subcontractor may jointly elect to be treated as if they are connected even though they are not connected. The election applies to all payments under the same contract arrangement and must be made by notice in writing gives to HMRC officer with responsibility for the principal’s affairs within 2 years of the end of the principal’s accounting period in which the contract is made. The subcontractor does not need to be UK resident and there is no requirement for the subcontracted R&D to be performed in the UK. The actual work carried out by the subcontractor need not be R&D when looked at in isolation. For example a company might as part of its R&D activities need to subcontract analytical testing of a material to another person who has the specialised machinery needed for the test. The testing may be well established and routine, and on its own it would not be R&D. But the subcontracted work will count as R&D from the perspective of the company, because it is one component of a larger project that is R&D. One of the conditions for a company to make a claim under the SME scheme is that the expenditure is not incurred in carrying on R&D activities as a subcontractor. In some cases, the SME company may still be able to make a claim under the Large Company scheme CIRD89500. This will entitle the company to a 30% deduction for qualifying expenditure. However, losses arising from that expenditure cannot be surrendered for a payable tax credit.
- Regarding payments received by third party for subcontracted R&D, SMEs cannot claim the more advantageous small company relief on costs that are subsidized or related to activities that were contracted to them, although they may be able to make a claim under the less generous Large Company relief (which means the SME would be unable to monetize losses into cash refunds). Large companies can claim the relief on costs associated with work that is contracted for them as long as it was contracted by another large company or any person not subject to UK tax.
- SMEs cannot claim for contributions made to independent research, while large companies can do so.
- Overhead expenditure qualifies as long as it falls within specific categories of expenditure.
- Eligibility of intangibles includes software used directly in carrying out R&D and no deduction for licenses and IP rights

A 100% immediate capital allowance (expensing) is provided for capital expenditure on R&D (including expenditure on machinery and buildings) qualifying for Research and Development Allowances (RDA). The treatment depends on whether the R&D is performed for a company's own account, or for another company (e.g. under a R&D service contract).

United States: Information on eligibility of expenditure refers to the Federal research and experimentation tax credit.

- Eligible expenditure includes 65 percent of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research (75 percent for amounts paid to certain research consortia and 100 percent for amounts paid to certain small businesses, institutions of higher education and Federal laboratories).
- Supplies qualify for the credit if they are used in the conduct of qualified research. Title 26 U.S. Code Section 41(b)(2)(C) defines a supply as any tangible property other than land or improvements to it and depreciable assets like buildings and equipment. Since overhead costs, leasing expenses, and licensing fees are not tangible property, they cannot be regarded as supplies for the purpose of claiming the credit. Supplies are used in the conduct of qualified research if an employee of the taxpayer uses them to provide qualified services. So, a supply qualifies for the credit if it can be regarded as non-depreciable tangible property acquired by a company that is used in the performance of qualified services.