R&D Tax Incentives: Greece, 2019

Design features
Greece offered an incremental R&D tax allowance from 2004 to 2012, replaced by a volume-based scheme in 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, 2019

<table>
<thead>
<tr>
<th>R&amp;D tax allowance</th>
<th>Type of instrument</th>
<th>Eligible expenditures†</th>
<th>Headline rates (%)</th>
<th>Refund</th>
<th>Carry-over (years)</th>
<th>Thresholds &amp; ceilings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume-based</td>
<td>Current, capital depreciation, intangibles</td>
<td>30</td>
<td>No</td>
<td>5 (carry-forward)</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

† Greece also provides an income-based tax incentive (patent box) for outcomes of R&D activities. These are beyond the scope of this note.

Recent developments and trends
Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2019, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Greece is estimated at 0.10 (0.08), smaller than the OECD median of 0.19 (0.17). The tax subsidy rate for large enterprises is equal to 0.10 (0.06) in the profit (loss)-making scenario, below the OECD median of 0.14 (0.10).

The generosity of R&D tax incentives has increased in Greece in more recent years, across 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, whose magnitude 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. The changes in the implied subsidy rates observed in 2016 and in 2019 are attributable to changes in the CIT rate.

Figure 1. Implied tax subsidy rates on R&D expenditures: Greece, 2000-19


Note: IMPLIED marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated (see methodology and country-specific notes) 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.

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Public support for business R&D: the policy mix

Greece is one of the OECD countries with the lowest level of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.022% of GDP in 2016.

**Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)**

As a percentage of GDP


- Between 2011 and 2016 (relevant data for 2006 to 2011 are currently not available), government support for BERD as a percentage of GDP remained stable in Greece, while the OECD median increased by 0.015 pp.
- From 2011 to 2016, business R&D intensity in **Greece** increased from 0.23% to 0.42%.
- In **Greece**, R&D tax incentives accounted for 36% of total government support for in 2016.

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

Over the 2011-16 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.

**Figure 3. Direct government funding of business R&D and tax incentives for R&D, Greece, 2000-16**

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


- The cost of tax support increased (in 2010 prices) from EUR 5 million in 2011 to EUR 14 million in 2016, 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 0.008% of GDP in 2016.
- Direct funding of BERD rose from 0.02% of GDP in 2011 to 0.03% in 2015, dropping to 0.014% in 2016.
- The share of R&D tax incentives in total government support increased over these years, from 11% in 2011 to 36% in 2016.


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