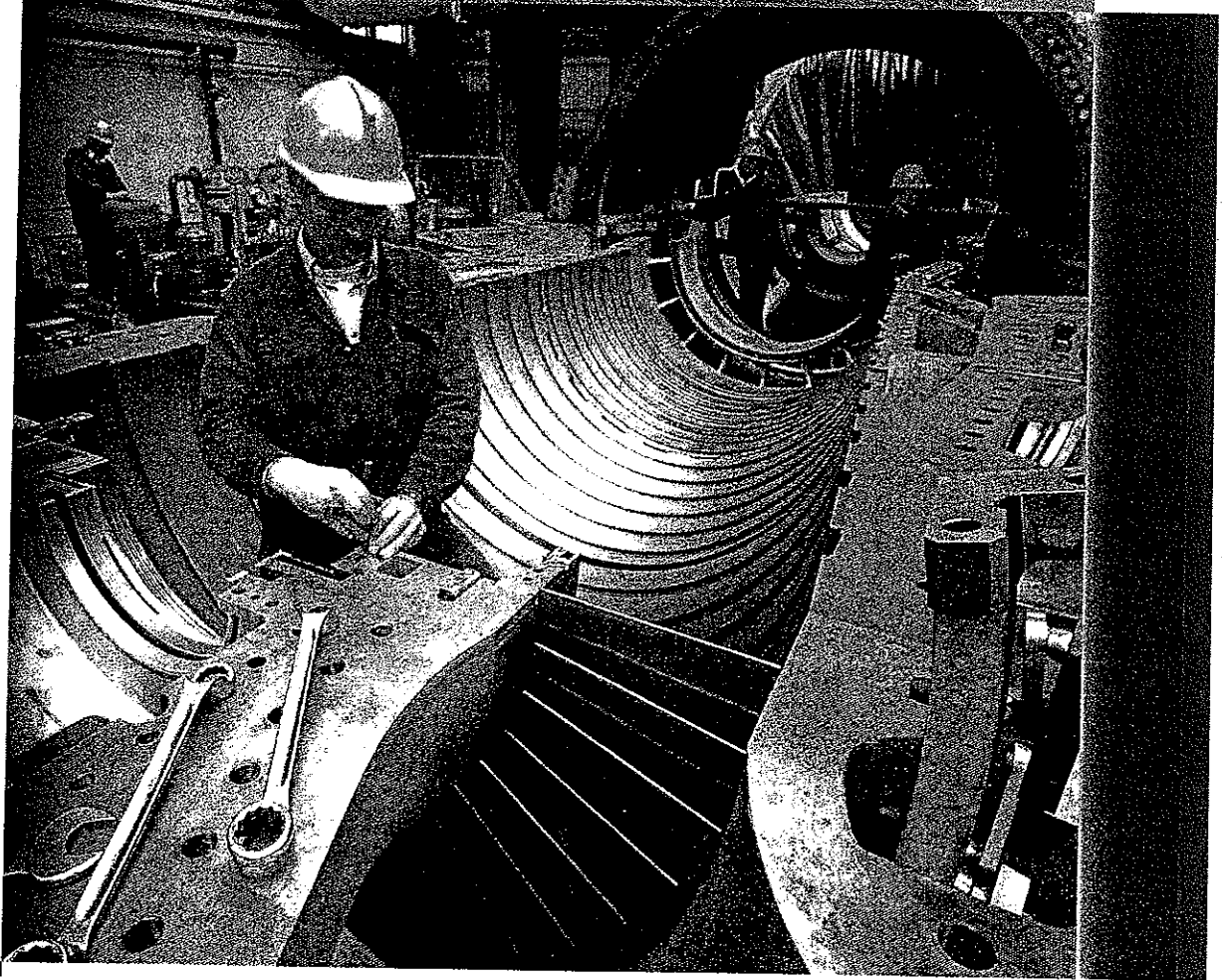


# *Global Research & Development Incentives Group*

November 1, 2012



# Welcome to PwC's Global R&D Incentives Group

The important role innovative companies play in their national economies has led to the enactment of tax incentives and grant programmes to encourage additional research investments by businesses. To stimulate innovation, many jurisdictions around the globe provide research incentives in the form of tax credits, "super" deductions, or even cash grants. In addition, some jurisdictions provide relief in the form of reduced tax for income associated with technology-based intellectual property. Understanding these tax incentives—along with the impact of transfer pricing, "green" initiatives, intellectual property protection and location, grants, and capital investments to maximize the return on investments in research—is critical for business decision-makers.

## Leverage our experience

The PwC Global R&D Incentives Group, part of the PwC Global International Tax Services Network, has assisted hundreds of clients around the world in structuring their R&D programmes, improving their return on investment in research and their effective tax rate. We also work with governments to design and improve tax regimes, fostering innovation, which ultimately can stimulate economic growth.

Our team consists of tax, financial, engineering, and science professionals who understand the technical challenges confronting companies in different industries and countries. Since the types of research incentives vary from country to country, businesses need advisers who have experience with the various incentives at all stages of the innovation value chain. Our established network of professionals across the world deliver analysis that can help mitigate risk, manage your tax burden, identify and develop critical, strategic initiatives, and support the implementation through documentation of the key aspects of various relief and corporate tax incentives.

## Industry scope

**PwC's global R&D team has experience in many industries, including:**

- |                         |                      |
|-------------------------|----------------------|
| • Aerospace             | • Mining             |
| • Agriculture           | • Oil & Gas          |
| • Automotive            | • Pharmaceuticals    |
| • Chemicals             | • Pulp & Paper       |
| • Clean Tech            | • Software           |
| • Energy                | • Technology         |
| • Entertainment & Media | • Telecommunications |
| • Life Sciences         | • Utilities          |
| • Manufacturing         |                      |

## Working together

Because it takes strong working relationships to deliver effective solutions, we apply an integrated approach. Our goal is to create a lasting relationship with you.

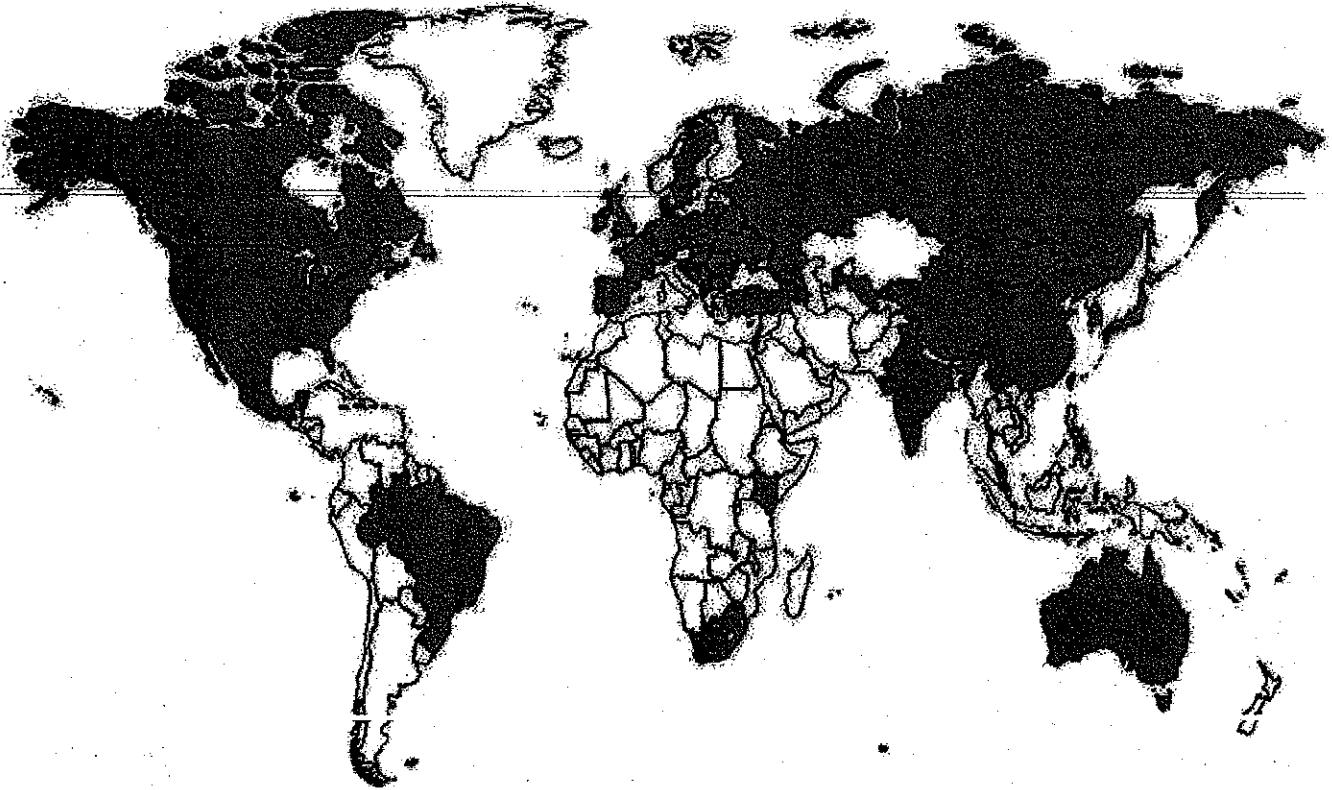


*Jim Shanahan,  
Global R&D Incentives  
Group Leader*



*Tony Clemens,  
Global International  
Tax Services Leader*

***We have the capabilities to understand the global picture***



## Business focus

Qualifying for, and quantifying these incentives presents companies with a challenge. PwC can support your R&D objectives both locally and globally with in-depth and well coordinated R&D teams. Our global network of R&D professionals, located in more than 30 countries, combines extensive experience in analysing the often ambiguous statutory language concerning research incentives with knowledge of the rules used by local taxing authorities. Our professionals include technical specialists with extensive industry experience that assist in identifying those research activities that qualify for incentives that might be otherwise overlooked.

**In the countries highlighted above, we assist our clients to:**

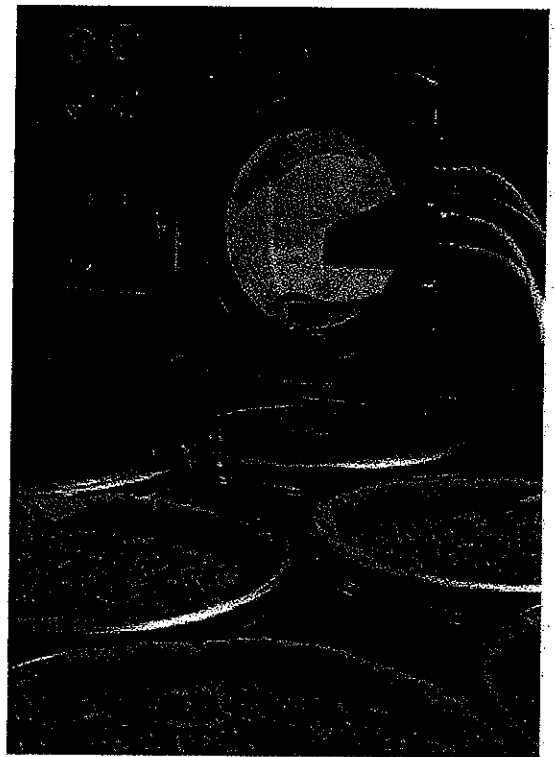
- Competitively plan in the global economy
- Consider new and/or alternative jurisdictions for innovation and growth
- Connect their global research
- Respond to economic and legislative changes
- Consider the impact of IP migration.

Our global network of experienced R&D professionals are trained in identifying and documenting research expenditures. Your global strategy may require alternative consideration of where you spend your R&D dollars based on ownership of intellectual property and jurisdictional relief. Our team, including our international tax specialists, can help large multinational companies take advantage of available incentives, consider the effect on transfer pricing, and review your company's global tax strategy for cross-border structuring.

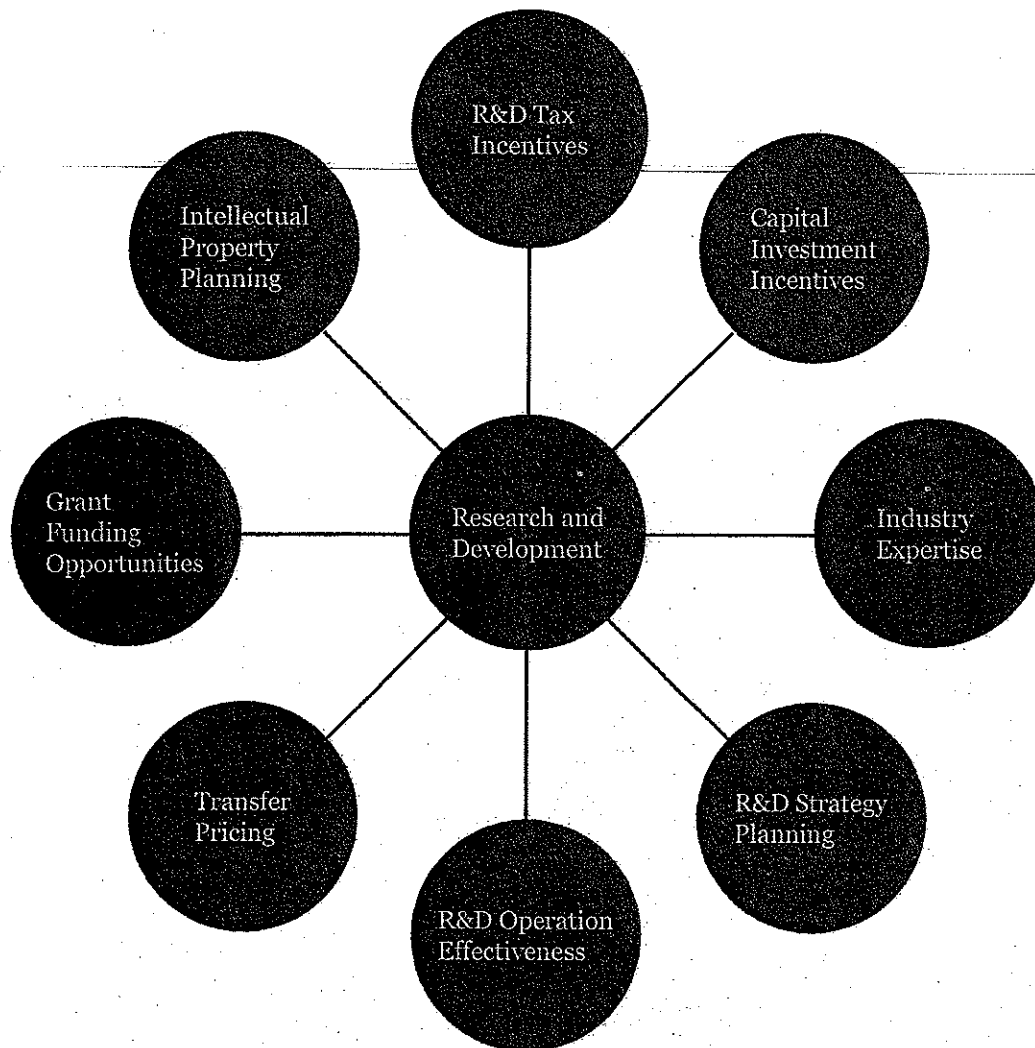
Our global tax planning approach can offer substantial value by focusing on your key tax objectives and developing a sound global tax strategy related to your global R&D activities. PwC's strategies, however, do not end with a review of what has already been done. We understand the value of collaborating with teams involved in all stages of the R&D process.

We team with your global and local staff to train individuals on the implementation of strategies to:

- Identify available research activities
- Analyse detailed accounting records to find costs available for jurisdictional relief
- Consider existing and potential alternative tax planning strategies based on the rules in differing jurisdictions, taking into account not only the incentives for research expenditures, but various implications such as withholding taxes, available grants for job creation, and corporate tax rate reductions for the license of intellectual property
- Gather, organise, and develop documentation to support and defend the eligible costs in the event of an enquiry by the tax authorities
- Develop procedures and technologies intended to improve the efficiency and effectiveness of identifying, documenting, calculating, and sustaining current and future incentives
- IP Migration



## ***The Big Picture – Research and Development***



Working with you, we will develop strategies to assist you in obtaining your goals of expansion and growth. We will jointly develop effective strategies for obtaining grants, incentives for innovation, and alternative energy/green initiatives. This analysis will address jurisdictional selection of where to locate R&D operations while taking into consideration other aspects such as transfer pricing, cross-border transactions, and expansion site selection.

## The Big Picture – Tax Incentive Highlights

Country	R&D Credit	R&D Super Deduction	Patent or Innovation Box
Australia	✓		
Austria	✓		
Belgium	✓		✓
Brazil		✓	
Canada	✓		
China		✓	✓
Czech Republic		✓	
Denmark		✓	
France	✓		✓
Hungary		✓	✓
India		✓	
Ireland	✓		
Italy	✓		
Japan	✓		
Korea	✓		
Luxembourg			✓
Mexico	✓*		
Netherlands	✓	✓	✓
Poland		✓	
Portugal	✓		
Romania		✓	
Russia		✓	
Singapore		✓	
South Africa		✓	
Spain	✓		✓
Switzerland			✓
Turkey	✓	✓	✓**
United Kingdom	✓***	✓	✓****
United States	✓		

\*Mexican Government has disallowed the R&D credit but replaced it with several funds for these types of activities.

\*\* In Turkey, patent box regime is only valid for the IP from R&D activities carried out in technology development zones

\*\*\* The UK government has recently conducted a consultation on the introduction of an R&D credit scheme. The intention is to implement this for accounting periods beginning on or after 1 April 2013.

\*\*\*\* The UK government has now finalized legislation to enact a 10% patent box regime effective April 2013.

## Patent Boxes

Over the last decade, six European Union (EU) countries have adopted "patent box" regimes that sharply reduce the corporate tax rate on qualifying intellectual property (IP) income to a nominal rate of 5-15 percent (effective tax rates typically are lower). In addition to the regimes currently in effect in Belgium, France, Hungary, Luxembourg, Netherlands, and Spain, the UK government has finalized legislation to enact a 10% patent box regime effective April 2013.

### What is a "Patent Box"

Tax incentives can be provided at the front-end of the innovation cycle, in the years when R&D expenditures are incurred, and/or at the back-end, in the years when income is generated from exploiting IP. Front-end tax incentives include "super" deductions and tax credits for qualifying R&D expenses, such as the U.S. research tax credit and the recently introduced Dutch R&D deduction. By contrast, patent box regimes are back-end incentives that provide a reduced corporate income tax rate for certain income arising from the exploitation of IP generally through a 50-80 percent deduction or exemption of qualified IP income.

The types of IP that qualify for preferential tax treatment vary. In addition to patents, some countries (Hungary, Luxembourg, and Spain) include designs, copyrights, and models. The Dutch "innovation box" regime includes some forms of unpatented intangibles that are the result of approved R&D activities.



## Comparison of Patent Box Regimes (November 2012)

Tax Factors	Belgium	France	Hungary	Luxembourg
Effective tax rate	6.8%	11.5%	5% (2011)	7.0%
Qualifying IP	Patents and supplementary patent certificates	Patents, extended patent certificates, patentable inventions, and industrial fabrication processes	Patents, know-how, trademarks, business names, business secrets, and copyrights	Patents, trademarks, designs, domain names, models, and software copyrights
Qualifying income	Patent income less cost of acquired IP	Royalties net of cost of managing qualified IP	Royalties	Royalties
Acquired IP?	Yes, if IP is further developed	Yes, subject to specific conditions	Yes	Yes, from non-directly associated companies
Cap on benefits	Deduction limited to 100% of net tax income	No	Deduction limited to 50% of net tax income	No
Includes embedded royalties?	Yes	No	No	Yes
Includes gain on sale of qualified IP?	No	Yes		Yes
Can R&D be performed abroad?	Yes, if qualifying R&D center	Yes	Yes	Yes
Credit for tax withheld on qualified royalty?	Yes		Yes	
Year enacted	2007	2001, 2005, 2010	2003	2008
Applicable to existing IP?	IP created or first used after January 1, 2007	Yes	Yes	IP developed or acquired after December 31, 2007



## Comparison of Patent Box Regimes (November 2012)

Tax Factors	Netherlands	Spain	Turkey	UK
Effective tax rate	5.0%	5.0%	20%	10%
Qualifying IP	Patented IP or IP from approved R&D projects	Patents, secret formulas, processes, plans, models, designs, and know-how	License, patent, adaptation, development, revision, deployment and plug-in derived from the software or products developed as a result of the R&D activities in technology development zones*	Patents, supplementary protection certificates, regulatory data protection, and plant variety rights
Qualifying income	Not income from qualified IP	Gross patent income	Not income from qualified IP	Not income from qualified IP
Acquired IP?	Yes, if IP is further self-developed	No	No	Yes, if further developed and actively managed
Cap on benefit?	No	Yes, six times the gross qualified income limit	No	No
Includes embedded royalties?	Yes	No	No	Yes
Includes gain on sale of qualified IP?	Yes	No	Yes	No
Can R&D be performed abroad?	Yes for patented IP; strict conditions for IP from approved R&D projects	Yes, but must be self-developed by the licensor	No	Yes
Eligible for tax withholding on qualified royalty?	Yes, subject to limitations	Yes, subject to limitations	No	No
Year enacted	2007, 2010	2008	2001	2013
Applicable to existing IP?	Patents (IP developed or redeveloped from 2007) or IP from approved R&D projects from 2013	Yes	Yes, IP income only arising from R&D activities carried out in technology parks	Yes

\* Technology Development Zones (TDZs) are areas designed to support R&D activities and attract investments in high technology fields, integrating academic, economic, and social structures at or near the campus of certain universities; advanced technology institutes; an R&D centers or institutes; or a Technopark involved in these same areas of work.

\*\* The UK government has now finalized legislation to enact a 10% patent box regime effective April 2013.

# Global R&D credits and incentives by country

(November 1, 2012)

The information on this chart, pages 8-15, includes select credits and incentives, and is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>Australia</b>	<ol style="list-style-type: none"> <li>45% refundable R&amp;D tax offset for grouped turnover of less than \$20 million; or</li> <li>40% non-refundable R&amp;D tax offset for grouped turnover more than \$20 million.</li> </ol>	Based on volume	Available if overseas expenditure is less than the amount of expenditure on 'core' Australian R&D and: <ol style="list-style-type: none"> <li>the overseas R&amp;D cannot be performed in Australia and</li> <li>the overseas activity has significant scientific linkage to at least one of the Australian core R&amp;D activities</li> </ol>	IP may be held outside Australia however it must be held within the same Multinational Group as the Australian entity
<b>Belgium</b>	<ul style="list-style-type: none"> <li>One-time R&amp;D investment deduction of 15.5% (*) of the acquisition value of qualifying R&amp;D investments</li> <li>Spread R&amp;D investment deduction of 22.5% (*) of the depreciation on qualifying R&amp;D Investments</li> <li>The above incentives can be claimed in the form of an R&amp;D tax credit which corresponds to the R&amp;D investment deduction, multiplied by the standard corporate tax rate of 33.99%</li> </ul> <p>(*) Rate for assessment year 2013</p>	Based on volume of investment in qualifying R&D assets (including capitalised R&D expenses)	Yes, part of the R&D can be contracted out to parties located outside Belgium	The law does not explicitly require that the IP which results from the R&D activities should remain in Belgium. The impact on R&D tax incentives should be analysed on a case-by-case basis
<b>Brazil</b>	160% to 200% "super deduction"	Volume based	Yes. However, only expenses incurred with Brazilian entities and individuals are subject to the "super deduction"	Yes
<b>Canada</b>	20% non-refundable credit for Non - Canadian Controlled Private Corporations (CCPC's) or Publicly Traded Companies. Reduced to 15% effective January 1, 2014. CCPC's - 35% refundable credit on first \$3 million, 20% thereafter. Provincial R&D credits, ranging from 4.5% to 37.5%, certain of which are refundable	Credit on volume	Yes, however only to the extent of 10% of salaries of Canadian residents performing the R&D	Yes

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
Australia	Yes - if grouped turnover <\$20 million	Non-refundable R&D tax credit can be carried forward and used in future years	Discreet grant funding available and other business incentives
Belgium	Yes, if the incentive is claimed in the form of an R&D tax credit, the remaining balance of unused R&D tax credits after five tax years is paid to the company. If the incentive is claimed as R&D investment deduction, no such refund is available	Unused R&D investment deduction/R&D tax credit is carried forward	<ul style="list-style-type: none"> <li>• 15.5% (*) investment deduction on acquisition value of qualifying patents</li> <li>• Special expat tax status for foreign researchers temporarily assigned to Belgium</li> <li>• Regional R&amp;D grants available, which are exempt from corporate income tax</li> <li>• Notional interest deduction for equity funded R&amp;D activities</li> </ul> (*) Rate for assessment year 2013
Brazil	No	No	<ul style="list-style-type: none"> <li>• 50% reduction on the IPI (Federal VAT) levied on acquired R&amp;D machinery and equipment (domestic or imported)</li> <li>• Accelerated depreciation for new R&amp;D machinery and equipment acquired (Income Taxes purposes)</li> <li>• Accelerated amortisation for the acquisition cost of intangibles related to R&amp;D activities (Income Taxes purposes)</li> <li>• Zero withholding tax rate on the remittances for registration and maintenance of trademarks and patents abroad</li> </ul>
Canada	Only for certain Canadian controlled private corporations	Excess credits may be carried forward 20 years (and back 3 years)	Provincial R&D credits, ranging from 4.5% to 37.5%, certain of which are refundable. 65% uplift on eligible salary based expenditures: uplift reduced to 60% effective January 1, 2013, and reduced to 55% effective January 1, 2014.

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>People's Republic of China</b>	<ul style="list-style-type: none"> <li>150% "super deduction"</li> <li>15% reduced Corporate Income Tax ("CIT") rate for High and New Technology Enterprise ("HNTE") (Standard CIT rate is 25%)</li> <li>Business tax exemption and 15% reduced CIT rate for Technology Advance Service Enterprise ("TASE")</li> <li>CIT exemption/reduction on technology transfer income</li> <li>Duty free importation of certain R&amp;D equipment</li> </ul>	Deduction on volume	Yes	<ul style="list-style-type: none"> <li>Super deduction: IP should be owned by the Chinese entity or at least the Chinese entity is the "economic owner" of the IP if it is not the legal owner.</li> <li>HNTE: Chinese entity should own core IP rights or a global exclusive license to use the IP for at least 5 years</li> <li>TASE: No IP ownership Requirements</li> </ul>
<b>Czech Republic</b>	200% "super deduction"	Deduction on volume	Yes, provided it is performed by the party claiming the deduction and not a third party	Yes
<b>France</b>	<ul style="list-style-type: none"> <li>30% credit (or 40%/35% credit in certain situations) up to €100m eligible expenses</li> <li>5% credit in excess of €100m eligible expenses</li> </ul>	Credit on volume	Yes, if performed in EC countries, Norway and Iceland, subject to conditions	Yes
<b>Hungary</b>	200% "super deduction"	Deduction on volume	Yes	Yes

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
<b>People's Republic of China</b>	No	Excess credits may be carried forward 5 years	<ul style="list-style-type: none"> <li>R&amp;D centers may import self-used equipment, related technologies, accessories, and spare parts exempt from import duties</li> <li>Also provides indirect tax incentives for R&amp;D, namely: <ul style="list-style-type: none"> <li>- Business Tax exemption for qualified offshore outsourcing services in 21 cities.</li> <li>- VAT zero-rate / exemption for export of R&amp;D services under the new Business Tax to VAT Pilot Program.</li> </ul> </li> </ul>
<b>Czech Republic</b>	No	Non-utilised allowance may be carried forward 3 years	Investment incentives available for setting up/expansion of: (i) production facilities, (ii) technological centres (the R&D allowance cannot be used for projects that are supported by another form of public support)
<b>France</b>	Yes	Excess credits may be carried forward 3 years Any unused tax credit is refundable at the end of this three year period. As an exception, excess credits are immediately refundable to certain qualifying companies.	Declining balance method of depreciation for tangible assets used in R&D activities
<b>Hungary</b>	No	No	<p>10-year tax allowance for certain investments made for research projects with UF 100 million (approximately EUR 370,000)</p> <p>Direct own R&amp;D costs can also be deducted from the base of the Hungarian local business tax (tax rate is maximum 2% of the net sales revenue, decreased by the material costs, direct own R&amp;D costs, costs of goods sold, costs of intermediated services and costs of subcontractors) and innovation contribution (tax rate is 0.3% of the base of the local business tax).</p> <p>The Hungarian government established the Hungarian Intellectual Property Office ("HIPO"). This organization is authorised to issue binding rulings in order to identify whether future R&amp;D project of Hungarian companies qualifies as R&amp;D projects. The HIPO acts as an advisor in assistance with the Tax Authority regarding retrospective R&amp;D project as well.</p>

# Global R&D credits and incentives by country

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>India</b>	<ul style="list-style-type: none"> <li>200% "super deduction" - Weighted deduction for capital and revenue expenditure (other than cost of land or building) for approved "in-house" R&amp;D expenditure for units recognised by the Department of Scientific and Industrial Research (DSIR)</li> <li>* no deduction available for expenditure incurred after 31 March 2017</li> <li>100% deduction - Revenue and capital expenditure (other than cost of land) on scientific research activity</li> </ul>	Subject to the satisfaction of certain specific conditions, the weighted deduction can be claimed based on amount of R&D spend in a given year	This position has not been tested so far by the India tax authorities	Yes, subject to ownership remaining with the Indian Company who has undertaken such R&D. Further, foreign patent filing expenditure is not allowed as a weighted deduction.
<b>Ireland</b>	25% credit	<ol style="list-style-type: none"> <li>First €100,00 on volume basis</li> <li>Credit on incremental spending and</li> <li>Credit, effectively on volume basis, for new taxpayers</li> </ol>	Yes, if <ol style="list-style-type: none"> <li>Performed in the European Economic Area and</li> <li>No tax deduction is available in the other country</li> </ol>	Yes
<b>Japan</b>	<ol style="list-style-type: none"> <li>Maximum credit of 20% of total tax liability.</li> <li>Additional and temporal 10% credit.</li> </ol>	<ol style="list-style-type: none"> <li>Credit on volume</li> <li>Temporal credit on incremental spending until the fiscal year beginning before 1 April 2014</li> </ol>	Yes	No
<b>Korea</b>	<ol style="list-style-type: none"> <li>Tax credit to the extent of either (i) 3% to 6% (25% for Small &amp; Medium Enterprises; SMEs) of the current R&amp;D expenses or (ii) 40% (50% for SMEs) of the incremental portion of the current R&amp;D expenses over the average of the previous four years.</li> <li>The tax credit has been extended to include R&amp;D in relation to core technologies as authorised by government ministries as well as pre designated strategic growth industries at the credit rate of 20% (30% for SMEs) of the current expenditures.</li> </ol>	Credit on either incremental or volume	Yes	Yes, subject to ownership remaining with the Korean company

\* In the case of Electronics Corporation of India Ltd. it was held by the Tribunal (appellate authority) that the quantum of weighted deduction certified by DSIR is not amenable to questioning by the tax/appellate authorities. The said deduction cannot be tampered by the tax/appellate authorities.

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
India	No	No carry forward is permissible although a tax loss generated out of such tax allowance is permissible.	<ul style="list-style-type: none"> <li>125% deduction - Any sum paid to specified / approved research institutions and companies recognised by the prescribed authority for this purpose.</li> <li>175% deduction - Any sum paid to specified/approved research association which has the object of undertaking scientific research or to a specified/approved university/ college/ other institution to be used for scientific research</li> <li>200% deduction - Any sum paid to National Laboratory / Indian institute of Technology (IIT)/ University/ specified person with a specific direction to use it for scientific research undertaken under the programme approved by the head of National Laboratory/ IIT/University</li> <li>Additionally, certain indirect tax benefits in the nature of concessional customs duty rate, excise duty and service tax (a tax akin to VAT on services) exemptions are available on certain goods and services, subject to fulfillment of prescribed conditions</li> </ul>
Ireland	Yes	Excess credits may be refunded or carried forward indefinitely	<p>Various government grant incentives for establishing or expanding R&amp;D activities in Ireland, e.g., capital, employment, training, feasibility, pilot projects, etc.</p> <p>For accounting periods commencing from 1 January 2012, companies who are in receipt of an R&amp;D tax credit will now in certain instances have the option to reward key employees.</p>
Japan	No	Certain excess credits may be carried forward 1 year	<p>Government bodies provide various grants for R&amp;D activities.</p> <p>Special Measures for the Promotion of R&amp;D by Certified Multinational Enterprises.</p>
Korea	No	Excess credits can be carried forward 5 years.	<ol style="list-style-type: none"> <li>1. Reserve for development of technology and manpower shall be deductible up to 3% of annual sales, which shall be reversed as income after 3 years.</li> <li>2. Investment tax credit on facilities for the purpose of R&amp;D and job training up to 10% of such investment</li> </ol>

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>Mexico</b>	No	No	80% of the R&D activities must be performed in Mexico.	The IP resulting must be registered with the Mexican IP Authorities, even if it could be registered abroad.
<b>The Netherlands</b>	<ul style="list-style-type: none"> <li>• "Super deduction" of 154% for qualifying R&amp;D investments and expenses (other than wage costs)</li> <li>• R&amp;D credit for qualifying wage cost: 38% of the first Eur 200k and 14% on the excess amount (known as WBSO).</li> <li>• Corporate tax deduction for IP development costs at once.</li> </ul>	Volume based	In part, for the Innovation Box. For the WBSO the activities should take place inside the EU territory	Yes for WBSO
<b>Portugal</b>	<b>SIFIDE</b> Tax Credit = $0,325D_n + 0,5[D_n - (D_{n-1} + D_{n-2})/2]$ Where D stands for the amount of R&D expenses incurred each year, net of non-reimbursable financial Government contributions.	Combination of volume and incremental based	Yes, but R&D expenses need to be in the local company's books to qualify	Yes
<b>Romania</b>	20% additional deduction of the eligible expenses from research and development activities that lead to results which can be capitalised by the tax payer to its own use	Deduction on volume	No	No



## Global R&D credits and incentives by country

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
Mexico	No	No	The Mexican Government provides annual funds for the development of the projects.
The Netherlands	No	No	Several grants are available for R&D, mostly through a sectoral approach (e.g., ICT, Life Science, Chemistry) and provide up to 50% cash grants for eligible cost
Portugal	No	6 years	There's a financial grant program available (cumulative with R&D tax credits)
Romania	No	Yes, as part of tax losses . Tax losses may be carried forward for 7 years	<p>Support is provided for the development of the research capacities in enterprises. The procurement of instruments, equipment, computers, software, etc necessary for R&amp;D activity is financed.</p> <p>Personal income tax exemption applies for qualified IT personnel involved in software development activities.</p> <p>A new Government Decision is in force, providing a state aid scheme for the period 2012-2013. This scheme is aimed at supporting R&amp;D investments and hence employment in the R&amp;D sector.</p> <p>The maximum aid is 50% of eligible costs = salary costs (gross wages plus mandatory social security contributions) for the new jobs created through the investment.</p> <p>These costs are calculated over a period of 2 consecutive years. However, the maximum amount of aid which may be granted is limited to €28.125 million.</p> <p>The main requirement for the eligible companies is to maintain the created jobs for a period of at least 5 years from the moment of receiving the first state aid payment.</p>

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>Russia</b>	<ul style="list-style-type: none"> <li>Expenses related to R&amp;D activities in certain areas included into Government-approved list are eligible for tax deduction with a coefficient of 1.5;</li> <li>Investment tax credit /deferral on profits tax, regional and local tax payments (with interest accrued and due upon repayment of tax) is available for companies performing R&amp;D activities;</li> <li>Accelerated depreciation rate for certain assets;</li> <li>Possibility to set up a deductible provision for future R&amp;D expenses;</li> <li>Possibility of immediate tax write-off for computer hardware for certain companies;</li> <li>Preferential rates on social contributions for IT companies;</li> </ul>	Volume-based	Yes	No (except for social contributions incentives)
<b>Singapore</b>	<ul style="list-style-type: none"> <li>130% to 150% super deduction</li> <li>200% super deduction requiring Minister approval</li> </ul> <p>Productivity and Innovation Credit - "PIC" (YA11 to YA15): Deductions/Allowances of 400% (instead of 150%) on up to \$400,000 of total qualifying expenditure per year across six qualifying activities, including R&amp;D.</p>	<ul style="list-style-type: none"> <li>Deduction on volume excluding amounts claimed under PIC</li> <li>Deduction on volume excluding amounts claimed under PIC</li> </ul> <p>Volume, up to \$400,000</p>	<p>No</p> <p>No</p> <p>Yes, under PIC program from YA11 to YA15, up to \$400,000 p.a. may be incurred on overseas R&amp;D</p>	<p>No</p> <p>No unless the taxpayer is an R&amp;D organisation itself and has obtained specific approval</p>
<b>Slovak Republic</b>	<ol style="list-style-type: none"> <li>Cash subsidies for R&amp;D projects from the state budget</li> <li>Income tax relief – at the amount incurred on R&amp;D within the project for which incentives were approved</li> </ol>	Incremental	Yes, law does not exclude such possibility. However the practice has been that until now only Slovak entities with R&D performed in Slovakia applied for the aid.	Yes Subject to ownership of core IP rights remaining with the Slovak entity, which was undertaking R&D activities.
<b>South Africa</b>	<p>Super charged deduction of 150%;</p> <ul style="list-style-type: none"> <li>100% of qualifying R&amp;D expenditure is claimed automatically</li> <li>Further 50% of qualifying R&amp;D expenditure is claimed upon pre-approval by the Department of Science and Technology (DST)</li> </ul>	Volume based	No	IP can be held outside the country

## Global R&D credits and incentives by country

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
Russia	No	No	Skolkovo Innovation Center and Rusnano grant programs, other non-governmental technology and innovation funds, regional incentives
Singapore	PIC: For YA11 to YA12, can cash out up to 30% of the first \$100,000 of expenditure on qualifying activities. For YA13 to YA15, can cash out 60% of first \$100,000 of expenditure on qualifying activities.	Yes	Yes, multiple grants available for multiple fields, including innovation, product development, and IP management
Slovak Republic	No	No	Other grants for R&D are accessible via EU funds.
South Africa	No	If the company is in a tax loss position the benefit may be carried forward until it is utilised	No

# Global R&D credits and incentives by country

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Spain	<ol style="list-style-type: none"> <li>1. 25% credit <b>plus</b></li> <li>2. 42% credit <b>plus</b></li> <li>3. 8% credit on certain asset acquisitions</li> <li>4. 17% certain staff salaries</li> <li>5. 12% credit on technological innovation.</li> </ol>	<ol style="list-style-type: none"> <li>1. credit on volume <b>plus</b></li> <li>2. credit on incremental increase <b>plus</b></li> <li>3. credit on volume for technological innovations (industrial design and production process engineering)</li> <li>4. credit on volume for technological Innovations</li> </ol>	Yes, but must be related to activities carried out in Spain, any Member State of the EU or Iceland, Liechtenstein or Norway.	Yes
Turkey	<p><b>R&amp;D Law No.5746:</b></p> <ul style="list-style-type: none"> <li>• 100% R&amp;D deduction over the eligible innovation and R&amp;D expenditures. The same expenditures can also be capitalised and expensed through amortisation over five years.</li> <li>• Companies with separate R&amp;D centres employing more than 500 R&amp;D personnel can -- in addition to the above deduction -- deduct half of any increase in R&amp;D expenditures over R&amp;D expenditures in the previous period.</li> <li>• 80% (90% for personnel with a PhD degree) of the salary income of eligible R&amp;D and support personnel is exempt from income tax.</li> <li>• Half of the employer portion of social security premiums for R&amp;D and support personnel are funded by the Ministry of Finance for five years.</li> <li>• Documents prepared in relation to R&amp;D activities are exempt from stamp duty.</li> </ul> <p><b>Technology Development Zones Law No.4691:</b></p> <ul style="list-style-type: none"> <li>• Profit derived from the software development activities or research and development activities in techno parks is exempt from corporate income tax until 31 December 2023.</li> <li>• The salaries of R&amp;D and support personnel working in technoparks are exempt from income tax.</li> <li>• Half of the employer portion of social security premiums for R&amp;D and support personnel are funded by a budget of the Ministry of Finance for five years.</li> <li>• Deliveries of software produced by the companies operating in the technoparks are exempt from 18% VAT.</li> </ul>	Incremental	No	Yes

## ***Global R&D credits and incentives by country***

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
<b>Spain</b>	No	Excess credits may be carried forward 15 years	Autonomous regions provide additional business incentives; tangible and intangible fixed assets, excluding buildings, used for R&D activities may be freely depreciated
<b>Turkey</b>	No	Any unutilized R&D deduction can be carried forward without any time limitation, indexed to the revaluation rate which is an approximation of inflation rate.	<ul style="list-style-type: none"> <li>• Grants funding by several governmental institutions for eligible R&amp;D projects.</li> <li>• Other grants for R&amp;D are accessible via EU funds.</li> <li>• Corporate income tax exemption.</li> <li>• R&amp;D deduction.</li> <li>• Income tax exemption.</li> <li>• Social security premium support.</li> <li>• Stamp tax exemption.</li> </ul>

## ***Global R&D credits and incentives by country***

(November 1, 2012)

Country	Tax incentive/relief	Incremental or volume based?	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
<b>United Kingdom</b>	<p>"Super deduction" of: 130% for large companies. Small and medium Enterprises(SMEs):</p> <ul style="list-style-type: none"> <li>• 175% pre 1 April 2011</li> <li>• 200% from 1 April 2011 to 31 March 2012</li> <li>• 225% from 1 April 2012</li> </ul>	Déduction on volume	Yes	Yes
<b>United States</b>	<p><b>Note:</b> The United States credit expired 12/31/11, however legislation for renewal and potential revisions is being considered, consistent with the 14 previous expirations. Legislation pending.</p>	<p>Credit on incremental spending, <b>with</b> limitations</p> <p>Credit on incremental spending, <b>without</b> Limitations</p>	<p>No</p> <p>No</p>	Yes, provided the research is funded by the foreign related party

## ***Global R&D credits and incentives by country***

(November 1, 2012)

Country	Refundable option	Carryforward	Grants/other
<b>United Kingdom</b>	SMEs only – losses surrendered for cash back. The UK Government has recently conducted a consultation on the introduction of an 'above the line' credit in respect of qualifying R&D expenditure under the large company regime. It is anticipated that such a regime would be implemented for accounting periods commencing after 1 April 2013.	Extra deduction reduces taxable profits. If a loss results this can be carried forward indefinitely, offset current profits (including other UK group companies) and offset prior year profits	Expenditure on assets used for R&D attracts 100% tax depreciation in the year of acquisition. Regional grants are available.
<b>United States</b>	No	Excess credits may be carried back 1 year and forward 20	States provide R&D credit in addition to various business incentives. In addition to the credit, R&D expenditures are deductible in determining taxable income.

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