

# Global R&D Credits and Incentives

***Our organization's approach is very effective because it ties your facts – your costs and activities – directly to the law. This makes it more likely that your R&D benefits will be identified and supported on exams***

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## Global Opportunities

More than 30 countries offer tax credits and incentives to encourage companies to locate and perform research and development (R&D) within their jurisdictions. They do this in order to increase R&D investment, and thus enhance their economies. Governments believe that when there is a large investment in science and technology, there is a corresponding increase in business, production, and important, job creation. In many cases the credits and incentives offered are very generous.

The benefits and incentives of the various R&D regimes range widely. Some countries are more generous than other providing benefits for all expenditure (volume-based) while other mainly provide benefits on amounts in excess of a comparative time period (incremental based). Capital expenditure and overhead costs are only included in a few countries. Internationally, certain countries allow R&D to be performed outside their jurisdiction, yet other require the work to be performed within their borders.

## Common Ground = Qualified Activity

A major consideration when analyzing global R&D credits and incentives is that in most of the programs, activities that qualify are much more wide-ranging than the notion of traditional R&D. In other words, lab coats and Nobel prizes are not required.

There is similarity in many countries in what activities qualify, therefore implementing a global strategy is not as difficult as it would seem. Generally speaking, qualified activities are those that are focused on:

- Identifying technological problems or opportunities;
- Exploring potential savings; and
- Implementing and testing those possible benefits

Multinational corporations with science and technology development activity in various jurisdictions can employ similar techniques globally to identify qualified activity.

## Where they Differ = Opportunities

Although the identification of qualified activities is similar from one jurisdiction to another, the benefits available and claiming processes differ. The differences are important as they create tax planning opportunities. Companies should consider several questions when planning their global R&D strategy:

*(Continued on reverse)*

*Is the benefit volume-based or incremental?*

Volume based credits reward companies for all expenditures on qualified activities. Incremental benefits reward companies for expenditures greater than those of a comparative time period.

*What costs qualify?*

Some programs offer benefits on costs such as overhead, capital expenditures and materials. Others only offer benefits on wages or contractors.

*Are the benefits refundable? Is there a carry forward/carry back?*

In some cases, companies are not taxable. Tax credits may not be beneficial to them in these cases. Refundable incentives are useful regardless of tax position. Carry forwards and carry backs allow companies to make use of tax credits in years when they are taxable.

*Can a foreign party fund the work?*

Some programs allow foreign-funded expenditures to be included while others exclude such funding. These differences provide companies with various planning opportunities including double – and potentially triple – dips, cash flow strategies, facility locating and planning and staffing strategy.

**Global Center of Excellence**

To enable companies to maximize the potential benefits, and implement appropriate strategies for R&D tax planning, BDO has established a coordinated global network of R&D credit and incentive professionals to provide seamless service for multinational corporations. This network is managed by the Global Center of Excellence (COE).

This global team is made up of specialists who have claimed over \$1B in credits and have sustained more than 95% of that amount on examination by various tax authorities.

The COE has two major objectives:

- Optimize and sustain benefits for past, current and future years.
- Minimize the cost of doing so for our clients.

**Our Approach**

Based on the principle underlying R&D benefits – providing incentives for experimentation to develop new or improved products, processes or software – our approach has helped companies achieve these objectives more fully, whether they’ve never claimed R&D benefits or have been claiming them for years. In general, we:

- Develop an understanding of how your company develops or improves its products or processes;
- Determine which of the states of that process comprise qualified activities; and
- Identify and document your qualified activities, projects and costs in terms your development process.

SUMMARY OF MAJOR PROGRAMS		
Country	Incentive: Rate (Volume-based/Incremental)	Outside <sup>1</sup>
Australia	Refund: 45% (V) / Credit: 40% (V)	Yes
Austria	Refund: 8% (V) / Deduction: 125% (V) / Deduction: 135% (I)	49%
Canada	Credit: 20% (V) / Refund: 35% (V) / Deduction: 100% (V)	No
China	Deduction: 150% (V)	No
France	Credit: 50%/40%/30% (V)	No
India	Deduction: 125% (V) / Deduction: 150% (V)	No
Japan	Credit: 10% (V) / Credit: 15% (I)	Yes
Korea	Credit: 15% (V) / Credit: 50% (I)	No
Mexico	Credit: 30% (I)	No
Netherlands	Credit: 42% (V) / Credit: 14% (V)	No
Singapore	Deduction: 200% (V)	Yes
Spain	Credit: 30% (V) / Credit: 50% (I) / Deduction: 20% (V)	25%
Taiwan	Credit: 30%(V) / Credit: 50%(I)	No
UK	Refund: 24%(V) / Deduction: 135%(V) / Deduction: 175%(V)	Yes
USA	Credit: 20%/14%(I)	No

<sup>1</sup> Can work be performed outside the jurisdiction? How much?

**Does My Company Qualify?**

You do not have to work in a lab or for a high-tech company to qualify. We have helped companies in almost every industry claim and support R&D benefits.

- Aerospace
- Automobile
- Biotech
- Chemical
- Hardware/ Software
- Consumer products
- Distribution
- Energy/Oil & Gas
- Engineering Services
- Financial Services
- Food
- Furniture
- Government Contracting
- Life Sciences
- Manufacturing
- Medical
- Pharmaceuticals
- Retail
- Services
- Telecommunications
- Transportation
- Utilities

More specifically, if you attempt to develop or improve any of the following in any of these areas, you may have an R&D incentive or credit:

- Products
- Processes, e.g., manufacturing processes
- Computer sciences/software
- Formulae (e.g. chemical formulae in food manufacturing)
- Techniques
- Inventions

*For more information, please contact Bill Adams at 888.287.0335 or [wjadams@urishpopeck.com](mailto:wjadams@urishpopeck.com)*