

WHY INVEST IN HOLLAND?

R&D Incentives



Introduction

Netherlands Foreign Investment Agency (NFIA)

The NFIA (Netherlands Foreign Investment Agency) is an operational unit of the Dutch Ministry of Economic Affairs. The NFIA helps and advises foreign companies on the establishment, rolling out and/or expansion of their international activities in the Netherlands. The NFIA was established more than 35 years ago, and has since then supported thousands of companies from all over the world in the establishment or expansion of their international activities in the Netherlands. Besides its headquarters in The Hague, the NFIA has its own offices in the United Kingdom, Turkey, North America, Asia, the Middle East and Brazil. Additionally, the NFIA works together with Dutch embassies, consulates-general, and other organizations representing the Dutch government abroad, as well as with a broad network of domestic partners.

Please be sure to stay in touch with your NFIA representative in order to keep up to date with any changes in the information which may occur over time and to visit your regional NFIA website for the latest news on business and investment opportunities in the Netherlands (all NFIA website addresses can be found on www.nfia.nl).

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Incentive for Research and Development Costs in the Netherlands (WBSO)

Abbreviation:	WBSO
Name in full:	Wet vermindering afdracht loonbelasting en premie voor de volksverzekeringen - Speur & Ontwikkelingsactiviteiten
Duration:	1994 - no final date
Budget 2015:	EUR 794 million
Type of contribution:	Tax incentive

Description

The purpose of the incentive is to promote corporate R&D work through a tax deduction for R&D wage costs.

Contribution

The R&D allowance takes the form of deductions of wage tax and social-insurance contributions. As a rule, the R&D allowance amounts to 35% (for starters: 50%) of the first EUR 250,000 of the wage bill for R&D per calendar year, and 14% of the remaining R&D wage bill. The maximum allowance per calendar year is EUR 14 million for each company (or corporate entity). With effect as of 1 January 2013, in calculating the average R&D wage the amounts will no longer be rounded up to a multiple of EUR 5 but instead to an amount in whole EURO's

The above-mentioned amounts are valid for 2014 and 2015 only.

Self-employed entrepreneurs spending at least 500 hours on R&D within one calendar year, are eligible for an income tax deduction as well:

- Tax deduction for self-employed persons amounts to EUR 12,421
- For a self-employed techno starter, the tax reduction is EUR 18,578

Conditions

R&D work is defined as systematically organized activities, performed within the EU, related directly and exclusively to:

- technical scientific research
- the development of:
 - physical products
 - parts of physical products
 - physical production processes
 - parts of physical production processes
 - software
 - software components

The R&D work definition excludes:

- feasibility studies
- software upgrading; modifying software for different hardware or software platforms
- development of services
- routine activities
- market research
- organizational or administrative work
- policy and strategy studies
- adaptation or deployment of purchased goods
- quality control and assurance
- adaptation or implementation of existing technology
- pilot plants on production scale with commercial value

Who is the target group?

- Businesses with employees who perform R&D.
- Self-employed persons operating a company who are entitled to an income tax deduction for self-employment, provided they carry out research and development activities themselves for at least 500 hours per year.

As of 1 January 2015 clinical company projects contracted with non commercial organizations (like hospitals) don't qualify for WBSO anymore.

Information and application

The facility can be requested only via an application form available from Netherlands Enterprise Agency. Applications can be submitted three times a year. The activities for which an application is submitted must be carried out in the period to which the application relates.

Further information is available on the website of Netherlands Enterprise Agency: www.rvo.nl/wbso

R&D Deduction (RDA)

Abbreviation:	RDA
Name in full:	Research & Development Aftrek
Duration:	2012-no final date
Budget 2015:	EUR 238 million
Type of contribution:	Tax incentive

As of 1 January 2012, an R&D deduction ("RDA") can be applied by companies which derive income from qualifying R&D activities. The RDA is complementary to existing incentives to stimulate research & development activities. The RDA covers the missing part of the R&D expenditures, i.e. the remaining R&D expenses (not wage costs) and the R&D investments. The implementation of the RDA is in the hand of Netherlands Enterprise Agency, which determines the so-called R&D declaration. In the R&D declaration the amount of the R&D activities shall be included. A percentage of this amount is additionally deductible for tax purposes.

The RDA is applicable to costs and/or expenses in respect of R&D activities that are performed after 31 December 2011.

Netherlands Enterprise Agency determines the basis of the directly attributable R&D costs and fixed investments, and multiplies it by a certain percentage. The outcome is recorded in a so-called RDA declaration. For 2015 the rate is 60%. That means that 60% of the determined base can be set off against the taxable profit. The net benefit is thus the product of the amount available on the RDA declaration and the marginal rate of the corporate income tax (e.g. effective net benefit is 15% (25% of 60%)).

The exact basis and the applicable percentage are specified in a Decree, called the RDA Decree. Except for rules regarding the basis and the percentage, the RDA Decree also provide for rules concerning the application and the issuance of the RDA declaration, guidelines for keeping records, any penalty provisions and rules regarding objections and appeals. With respect to the RDA declaration, it is noted that the definition is the same as for the WBSO. The RDA declaration can be requested at the same moment as the WBSO declaration.

Further information is available on the website of Netherlands Enterprise Agency: www.rvo.nl/rda

Innovation Box

As of 1 January 2010, companies can benefit from an effective tax rate of only 5% for income from intangible assets created by the Dutch taxpayer (per that date the already existing Patent Box regime introduced in 2007 was reformed into the Innovation Box).

Patented intangible assets as well as intangible assets that have been created by the taxpayer and for which the R&D tax credit ("WBSO") was received may qualify for the innovation box. In practice this means that technological innovations qualify. The innovation box however does not apply to marketing intangibles such as trademarks and logos.

The lower tax rate of 5% is claimed in the corporate income tax return filed by the taxpayer. The low tax rate is actually an exemption of 80% of the profits that can be allocated to the innovation box. By applying the general Dutch corporate income tax rate of 25% this gives an effective rate of approximately 5%. Costs made with the development of the intangible assets and losses on the exploitation of the intangible assets can still be deducted against the general tax rate of 25%. The effective rate applies to profits exceeding the development costs and losses incurred.

There is no cap on the amount of profits that can be allocated to the innovation box, however, a taxpayer should be able to substantiate that the profit is related to the qualifying intangible assets. It is generally advised to agree upon the method used with the Dutch tax authorities in advance. The Dutch tax authorities are accustomed to do so upon request.

The innovation box does not apply to intangible assets in respect of which a patent was obtained if the asset was already in existence before 1 January 2007. Furthermore, the innovation box does not apply to intangible assets in respect of which an R&D statement was obtained if the asset was already in existence before 1 January 2008.

Situations whereby the, period between an application for a patent and the granting of the patent is unusually long are also covered. Subject to certain conditions, profits that are attributable to the relevant patented asset may, during the period from the year in which the patent was applied for up to the year preceding the year in which the patent was granted, also be brought within the scope of the innovation box.

As of 1 January 2013, a new (flat-rate) regime is introduced, which tries to simplify the procedure for the application of the innovation box.

The (flat-rate) regime implies that a taxpayer can apply for a flat-rate regime of which 25% of the profits are qualified as benefits from intangible assets and as such taxed in the innovation box. As such, no threshold should have to be taken into account. However, the amount which can be included in the innovation box is maximized on EUR 25,000. Therefore, this measure is attractive for so-called small and middle-sized companies ("SME"). The company may on an annual basis need to decide whether or not it will apply the (flat-rate) regime. This decision right is not unlimited. If a company wants to apply the (flat-rate) regime, it should meet the condition that the intangible asset which qualifies for the innovation box is developed in the representative year or in the two previous years. This implies that if a company has developed a qualifying intangible asset in 2013, and afterwards has not developed such an asset, can apply for the (flat-rate) regime in 2013 and/or in 2014 and 2015. In that case, it will not be possible to apply the (flat-rate) regime in 2016.

Top syndicates for Knowledge and Innovation (TKI)

Private sector and science work together in the nine priority sectors in so-called Top syndicates for Knowledge and Innovation (TKI). These TKIs will focus on research and finding ways to bring innovations to market.

Research into innovative products

In the TKIs scientists and entrepreneurs will work together on research for innovative products and services. This research will vary from laboratory work up to building prototypes. These products and services will have either economic or social benefits, for example by offering a solution for the road congestion problems or by lowering costs in healthcare.

More than € 500 million for TKIs

Based on the innovation contracts concluded earlier this year, the private sector is willing to contribute at least € 350 million per annum to the TKIs. Central government and knowledge institutes will also invest in the TKIs. Expectations are that there will be more than € 500 million available for the TKIs on an annual basis.

TKI allowance

In order to stimulate companies to participate in the TKIs, the government will introduce a TKI allowance in 2013. For every Euro a company invests in a TKI, the government contributes 25 cents. For the first € 20,000 a company invests, the TKI allowance is even 40%. The allowance does not go to the company, but to the TKI, to allow for investment in additional research and innovation that will benefit companies again as well.

SME counter in every top syndicate

Every TKI will have its own SME counter, as small and medium sized enterprises play important roles in innovations.

[More information \(in Dutch\)](#)

NFIA worldwide



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