

# TAX CREDITS FOR RESEARCH & DEVELOPMENT

- DEVELOPED A NEW INNOVATION?
- IMPROVED AN EXISTING PRODUCT?
- CARRIED OUT A PILOT PROJECT OR BUILT A PROTOTYPE?
- ENHANCED A PROCEDURE OR PROCESS?



## WOULD YOU LIKE THE TAX OFFICE TO REFUND 12% OF THE COSTS INCURRED?

### TAX CREDITS FOR RESEARCH IN AUSTRIA

Compared to other European countries, Austrian businesses enjoy generous tax incentives for research and development activities. According to the Federal Ministry of Finance, some EUR 500 million worth of Research and Development Allowance funding was paid out in 2014 alone – benefiting companies across a wide spectrum of industries.

### WHO IS ELIGIBLE?

The Research and Development Allowance is worth 12% of the actual costs of research and development activity, and is available to any innovative company that pays corporate profit tax in Austria. The level of funding is unconnected to the company's annual financial results, and takes the form of a tax-free credit. As such, it can still be claimed (also in cash) even if the company reports a loss.

The Austrian income tax law adopts a very broad definition of "research" that encompasses both entirely new initiatives (prototypes and pilots) as well as the development and improvement of existing products and procedures. Unsuccessful research and experimental development activities also qualify. Furthermore, "research" is restricted neither to Basic Research nor to specific industry sectors.

### WHAT IS FUNDED?

The scheme distinguishes between in-house research and research that is contracted out to an external provider.

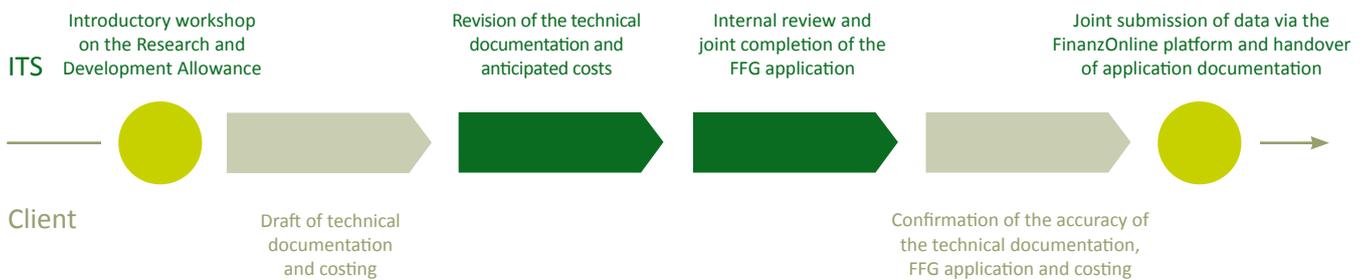
- In-house research refers to research carried out in Austria using a company's own research staff
- Where a piece of research and development work is contracted out to a third party such as another company or a university, the commissioning company can claim a Research and Development Allowance worth 12% of the value of the contract, up to a maximum allowance of EUR 100,000. In this case, the allowance is not strictly bound to research and development carried out within Austria, and contracts awarded to foreign companies may also be funded so long as the company performing the research is based in the EU or EEA. Research contracted out to another part of the commissioning company or to a member of the same group of companies as defined in article 9 of the Corporation Tax Act is not eligible for funding.

### IS IT WORTH APPLYING?

According to Statistics Austria, research activity across Austria accounts for just under 3% of the country's gross domestic product (GDP). Since GDP also encompasses the output of companies in sectors like tourism or retail – which do not traditionally invest heavily (or indeed at all) in research – this research activity is concentrated around manufacturers and technology companies. In our experience, companies like these can typically use some 3-5% of their turnover as the basis of the Research and Development Allowance. Where the company has its own research and development department, the figure is in most cases significantly higher.

## HOW DO I TAKE ADVANTAGE OF THE RESEARCH AND DEVELOPMENT ALLOWANCE?

The Austrian Research Promotion Agency (FFG) has acted as an assessor of funding applications since 2012.



The application to the tax office is generally submitted alongside the company's tax declaration for the preceding year, but must also be accompanied by an annual assessment from the FFG, an expert body granting direct subsidies for Research and Development. Here, the FFG determines whether the technical details of the proposed research satisfy the formal requirements set out in the Frascati Manual, the OECD's handbook standard practice for research statistics. The FFG report does not assess the correctness of the submitted calculation base for the Research and Development Allowance, which is instead assessed by the tax office. The tax office is not bound by the FFG's report, and may – subject to the satisfactory submission of additional, more detailed documentation – still agree to credit the Research and Development Allowance even if the result of the FFG report was negative by commissioning a project report or financial audit of the cost base of the Research and Development Allowance.

Companies may also opt to enhance the legal foundation of their application by commissioning a project report or financial audit.

## ALLOWANCE FOR CONTRACT RESEARCH

Research contracted out to an external organisation is eligible for funding where the cost of the research does not exceed EUR 1 million. The available funding is worth 12% of these costs. There is no requirement for an FFG report on contract research applications.

### OUR SERVICES:

- We are on hand to support you through the complete research funding process.
- We help you to identify projects eligible for funding.
- We work with you to produce all accompanying technical documentation.
- We help you maximize the funding you can potentially claim and help you prepare a detailed costing.
- We advise you on the best way to enhance the legal foundation of your application.
- We work with your tax advisor to oversee any external audits relating to the Research and Development Allowance, and advise our clients on relevant legal procedures.

**Some 70 Austrian companies have already turned to ITS Förderberatung GmbH for help with all aspects of tax credits for research, and we also work closely in this area with tax advisors across Austria.**