Netherlands

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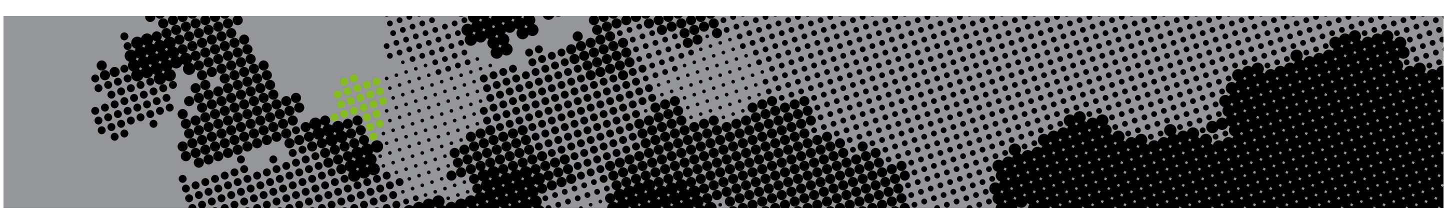
What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

- New programs related to energy and sustainability, such as accelerated climate investment and sustainable hydrogen production programs, have been or will be introduced.
- Various COVID-19 related grants and incentives have been introduced.
- The corporate income tax rate most likely will not be reduced but remain at 25% for 2021.
- The wage tax credit, which is based on a percentage of certain R&D costs, will (temporarily) increase to 40% in 2021 (up from 32% in 2020) on such R&D costs up to EUR 350,000.
- Companies that must carry out energy audits must submit an audit by 31 December 2020.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Promotion of Research and Development Act (WBSO)	Promotes corporate R&D through a wage tax credit.	The credit is taken against wage taxes and social insurance contributions. The credit amounts to 40% (50% for start-ups) on the first EUR 350,000 of certain R&D costs incurred per calendar year, and 16% on any excess.	Wages and other expenditure for relevant R&D activities.	The R&D activities must take place within the company, and the technological development must be new to the organization. The application must specify the technical problem that will be addressed and outline the solution and research to be conducted.
Innovation box	Offers a reduced tax rate on profits derived from innovation.	The reduced tax rate for profits derived from innovation is 7% (9% as from 2021), rather than the 25% standard corporate income tax rate.	Profits derived from self-developed intangible assets.	Qualifying profits must be generated from self-developed intangibles for which one or two conditions must have been fulfilled (depending on the size of the taxpayer): • The company has obtained an R&D certificate; or • An additional permit related to the work described in the certificate (e.g., patent, plant variety rights, software) has been obtained.



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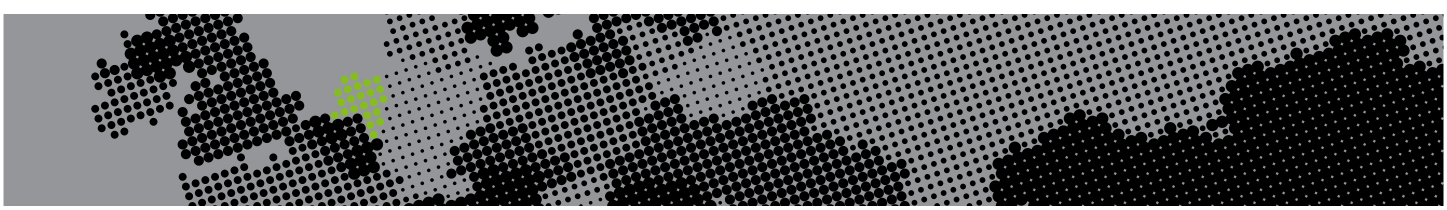
Featured government incentives (continued)

Incentive	Description	Maximum percentage	Qualified Expenditure	Key exclusions or issues
Innovation loans	Loans for high-risk innovation projects.	A loan of 25% to 50% of project costs, which percentage depends on the size of the applicants in the partnership.	Project costs such as wages, investments in necessary equipment, patent costs, and third-party costs.	Only applicable for high-risk innovation projects, such as development of protein from insects, automatic asparagus cutting machine, or new drug development. The loan may be partially waived if the project has not met certain milestones; otherwise repayment must occur within 10 years from when such milestones are met.
Grants for top sectors	Cash grants related to research, pilot, and demonstration projects of top sectors.	Varies, up to 80% of R&D and investment costs.	R&D and investment costs, such as those for wages, land and buildings, third-party costs, and engineering costs.	Innovative component is required. For example, heat and cold storage, research on hydrogen production, and carbon capture, utilization, and storage.

Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
	Telecom, Media & Entertainment		Banking & Capital Markets
●	Technology		Insurance
	Consumer		Investment Management
●	Consumer Products	●	Real Estate
●	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
	Automotive	●	Health Care
●	Transportation, Hospitality & Services	●	Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities	●	Health & Social Care
	Mining & Metals	●	Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction		International Donor Organizations
		●	Transport



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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
WBSO (R&D wage tax credit)	Permanent incentive	No	Permanent incentive Not applicable	National: Advance and Arrears Local: Not applicable	All entities that pay wage tax could qualify, wage tax credit based on salary costs and R&D costs and expenses.	For 2020, 32% of qualifying costs up to EUR 350,000 (40% for start-up companies) and 16% of the remaining qualifying costs.	For 2020, 32% of qualifying costs up to EUR 350,000 (40% for start-up companies) and 16% of the remaining qualifying costs.
Innovation box	Permanent incentive	No	Permanent incentive Not applicable	National: Arrears Local: Not applicable	All entities that pay corporate income tax could qualify, benefit is determined based on innovative profits or R&D expenses.	7% (9% as from 2021) corporate tax rate instead of 25% (2020) for qualifying income; no cap.	7% (9% as from 2021) corporate tax rate instead of 25% (2020) for qualifying income; no cap.
R&D grants: national or EU	Permanent incentive Temporary incentive	No	Permanent incentive Not applicable	National: Advance EU: Advance	Cash grants available for certain industries.	Varies (between 15% and 100% funding, depending on the program).	Varies (between 15% and 100% funding, depending on the program).
R&D grants: State/Province	Permanent incentive Temporary incentive	No	Permanent incentive Not applicable	National: Advance Local: Advance	Cash grants available for certain industries; mostly focused on SMEs.	Varies (between 15% and 100% funding, depending on the program).	Varies (between 15% and 100% funding, depending on the program).
Investment							
Employment	Limited applicability	Permanent incentive	Permanent incentive Permanent incentive	National: Advance Local: Advance	Tax credit/ cash grants	Varies	Varies
Training	Permanent incentive	Permanent incentive	Permanent incentive Permanent incentive	National: Advance Local: Advance	Tax credit/ cash grants	Varies	Varies

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Investment (continued)							
Top Sector	🟢	🟢	🟢 🟢	National: Advance Local: Advance	Entities executing innovative, pilot, or demonstration projects. Cash grants based on project costs.	Varies from (limited) fixed amount per applicant to a percentage of project costs (with a maximum of EUR 15 million).	Varies from (limited) fixed amount per applicant to a percentage of project costs (with a maximum of EUR 15 million).
ERDF operational programs	🔴	🟢	🟢	Advance	Entities executing innovative projects. Cash grants based on project costs.	Varies, 35%-70% of project costs up to EUR 2.5 million.	Varies, 35%-70% of project costs up to EUR 2.5 million.
Interreg	🟢	🟢	🟢 🟢	National: Advance Local: Advance	Consortia executing innovative projects. Cash grants based on project costs	Varies, up to 85% of qualifying costs.	Varies, up to 85% of qualifying costs.
Environmental sustainability							
Stimulation of Sustainable Energy Transition (SDE++)	🟢	🔴	🟢 ⚪	National: Advance Local: Not applicable	All entities are eligible. Exploitation grant based on cost difference between sustainable and less sustainable investment.	Depending on technology and environmental gain.	Depending on technology and environmental gain.
Energy Investment Allowance (EIA)	🟢	🔴	🟢 ⚪	National: Advance and Arrears Local: Not applicable	Entities subject to corporate income tax. Amount is calculated based on 45% of qualifying expenditure to be deducted from taxable profits.	EUR 125 million of qualifying costs per fiscal year.	EUR 125 million of qualifying costs per fiscal year.
Environmental investment deductions	🟢	🔴	🟢 ⚪	National: Advance and Arrears Local: Not applicable	Entities subject to corporate income tax. Tax deduction and accelerated depreciation.	Approximately a 9%-13% net benefit for qualifying expenditure.	Approximately a 9%-13% net benefit for qualifying expenditure.
Energy tax exemptions	🟢	🔴	🟢 ⚪	National: Advance (but refunds available) Local: Not applicable	Any company that meets certain criteria may obtain an exemption from energy tax on gas and electricity used for specific purposes.	No maximum	No maximum

Key: 🟢 = PERMANENT INCENTIVE (green striped) = TEMPORARY INCENTIVE (yellow striped) = NEGOTIABLE 🔴 = NO 🟡 = LIMITED APPLICABILITY ⚪ = NOT APPLICABLE

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Country background

The Netherlands' top corporate tax rate is 25% (16.5% for income up to EUR 200,000). Beginning in 2021, this rate will be reduced to 21.7% (15% for income up to EUR 200,000). However, this reduction is under debate and likely will not happen, resulting in the rate remaining the same for 2021.

Innovation Incentives

WBSO wage tax credit

The Promotion of Research and Development Act (WBSO) provides a tax credit against wage and other payroll taxes for resident companies (and sole proprietors) that conduct qualifying R&D activities. Qualifying R&D activities are systematic and organized projects carried out in the European Union (EU) to advance:

- Applied or scientific research; or
- The development of products, processes at a production facility, or software (or components thereof) that are technically new for the company.

The tax credit is based on a percentage of the wages paid to R&D personnel (along with certain other R&D expenditure including capital expenditure) as follows:

- For established companies, the credit is equivalent to 40% (32% in 2020) of the first EUR 350,000 on such wages and expenditure, and 16% on any excess; and
- For start-up companies (generally those with less than five years of payroll tax liability), the credit is equivalent to 50% (40% in 2020) of the first EUR 350,000 on such wages and expenditure, and 16% on any excess.

The following requirements must be met for a company to obtain the tax credit:

- The R&D project must be a technically new R&D undertaking for the company;
- The R&D activities must be carried out in the EU by employees of a company for whom Dutch wage tax liability arises;
- An application for the tax credit must be submitted to the Netherlands Enterprise Agency at least one day prior to the start of the R&D activities and must specify the technical problem that will be addressed along with outlining the solution and research to be conducted;
- The Netherlands Enterprise Agency must issue a favorable decision on the application; and
- R&D documentation must be maintained demonstrating (i) the nature and content of the R&D activities, (ii) the time spent per day performing R&D, and (iii) the progress of the R&D undertaken.

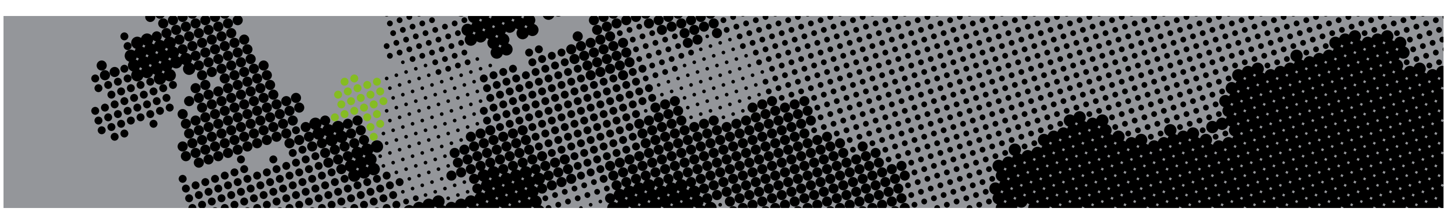
As from 2020, a company may apply for the tax credit four times per year (previously, only three applications per year were allowed). There are no restrictions regarding the location of any resulting intellectual property (IP).

Innovation box

The Netherlands offers a beneficial regime—the innovation box—designed to encourage investment in the development of innovative technology. The innovation box offers a 7% (9% as from 2021) effective corporate tax rate (rather than the standard 25% rate) on income attributable to qualifying innovations, with no limit on the amount that may be allocated to the innovation box.

Changes were made to the innovation box as from 1 January 2017 to bring the regime in line with the recommendations in action 5 of the OECD BEPS project including:

- Large companies must have annual global group revenue exceeding EUR 250 million or global group revenue from intangible assets exceeding EUR 37.5 million in each of the preceding five years. Companies not meeting these thresholds are considered small and medium-sized enterprises (SMEs).
- Both large companies and SMEs must obtain an R&D certificate (under WBSO provisions) for the development of the relevant intangible asset.



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- For large companies, only income from patents, utility models, software (as developed through R&D activities qualifying under the WBSO), plant breeders' rights, biological pesticide certifications, or pharmaceutical certifications (or exclusive licenses related to the aforementioned) qualify for the innovation box. SMEs may include unprotected IP in the innovation box (i.e., no patent or other designation in relation to the IP is needed).
- Companies that outsource more than 23% of R&D activities to related companies (except for permanent establishments) will be subject to a lower benefit. Qualifying expenditure for the innovation box includes all direct costs relating to development of the intangible asset. However, the expenditure must be incurred by the company itself or by an unrelated party if the R&D is outsourced. As such, if the outsourced expenditure to related companies exceeds 23%, a lower benefit will apply.

For the innovation box, a qualifying intangible must be developed at the risk, and for the benefit, of a resident company. As noted above, ownership of (or an exclusive license to) the qualifying IP asset is an important consideration as to whether the risks and benefits are those of the company.

Innovation loans

Innovation loans provide financial support for high-risk, innovation projects (e.g., new drug development, robots, smart charging stations) that have costs of EUR 150,000 or more. The loan amounts range from 25% to 50% of the total project costs, with the maximum amount of credit being EUR 10 million per project. The percentage is based on the size of the company (45% for a small company, 35% for a medium-sized company, and 25% for a large company). The percentage can increase to 50% in the case of a partnership (40% when a large company is one of the partners). The loan, including interest, must be repaid within 10 years from when the project meets certain milestones identified in the application. If the project does not meet such milestones, the loan may be (partially) waived.

Top sector

The top sector policy is aimed at economic sectors that are of primary importance to the international competitive position of the country, such as knowledge-intensive and export-oriented sectors, including agriculture and food, chemicals, creative industries, energy, high technology systems, life sciences and health, logistics, horticulture and feedstock, and water.

Funding support (in the form of cash grants) varies per sector and on the calls for proposals (with a maximum of EUR 15 million per grant). The grant opportunities offered by the top sector program vary from (collaborative) innovation grants to knowledge development or investment grants. Most of the grant programs focus on SMEs, except for the energy sector, which offers incentives to both SMEs and large companies.

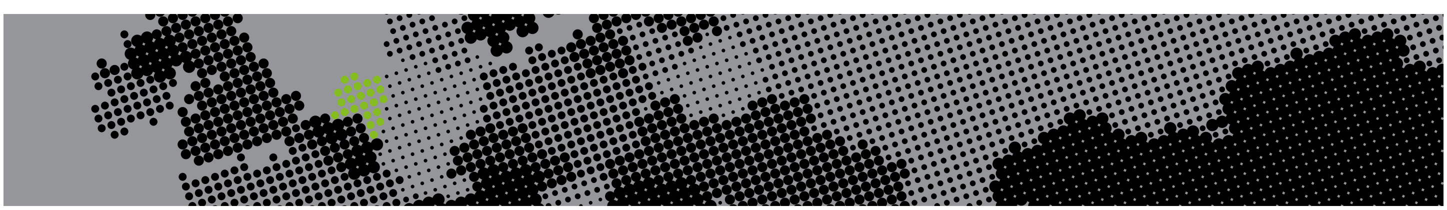
Investment Incentives

ERDF operational programs

The European Regional Development Fund (ERDF) enables European countries to independently create grants and incentive programs focused on regional development. The operational programs of the ERDF stimulate collaborative innovation and the transition to a carbon-free economy. The total budget available to the Netherlands for operational programs during the period 2014 to 2020 is EUR 500 million, and the amount of the grant depends on the specific call for proposals. A new program will be introduced for the 2021–2027 period.

Interreg program

The EU Interreg program supports interregional cooperation within the EU for grant opportunities. Grant opportunities must align with four policy themes: research and innovation, competitiveness of SMEs, low-carbon economy, and environmental and resource efficiency. The program funds up to 85% of project costs, depending on the type of action within the Interreg program.



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The program is structured around three categories of cooperation: cross-border (Interreg A), transnational (Interreg B), and interregional (Interreg C). For the Netherlands, this led to four specific programs for projects executed in collaboration with neighboring countries such as Belgium, Germany, France, and the UK.

Sustainable employability

The government provides several grants and incentives related to sustainable employability (i.e., long-term employment). For example, a company may receive funding of up to EUR 2,300 per person for providing internships or on-the-job training (a new program will be introduced for the 2021 -2027 period).

Environmental Sustainability Incentives

Stimulation of Sustainable Energy Transition

The Stimulation of Sustainable Energy Transition (SDE++, expanded from the former SDE+ to include CO2 reduction) stimulates renewable energy production and CO2 reduction by compensating for the difference between the cost of "grey" energy (such as fossil fuels and other less environmentally friendly technologies) and sustainable alternatives. Types of renewable energy that are eligible for compensation are electricity, gas, heat, or energy produced from biomass, geothermic, water, wind, and the sun. Examples of CO2-reducing technologies are carbon capture and storage, e-boilers, residual heat, and electrolysis.

The SDE++ provides phased grants for a period of 12 or 15 years. The application period opens once or twice per year.

Energy Investment Allowance

The Energy Investment Allowance (EIA) supports company investments in energy-saving business assets and sustainable energy. Through the EIA, 45% of qualifying capital expenditure may be deducted from taxable profit (the percentage is adjusted annually based on government review and available budget). The incentive will result in a net tax benefit of about 11% on average for 2020 (10% for 2021). To use the deduction, the company's investment must meet the technical requirements on the Energy List for 2020.

Environmental investment deductions

The government offers tax measures to encourage companies to make environmentally friendly investments in the Netherlands. An additional deduction (of 13.5%, 27%, or 36%) is allowed for investments in business assets on the Environmental List for 2020. Investments in environmentally friendly equipment are allowed an immediate depreciation of 75% of such investment, with regular depreciation thereafter.

Energy tax exemptions

In the Netherlands, the delivery of gas and electricity through a connection is subject to energy tax and a renewable energy storage (ODE) surcharge pursuant to the Environmental Tax Act. These taxes and surcharges are expected to increase in the future due to recent developments in proposed tax legislation, as well as climate goals set by the government. However, certain companies may apply for an exemption from the energy tax and ODE surcharge. For example, gas used in mineralogical processes (such as the production of glass or bricks) may be exempt from energy tax under certain circumstances. Also, companies active in the metallurgical sector may apply for an exemption of the energy tax on electricity and gas if they have qualifying processes. If these exemptions have not been used yet, a company may request a refund retroactively for up to five years.

Other energy-related exemptions or refunds may be available for property taxes, building permit fees, water taxes, and (in the future) CO2 taxes.