

What are the benefits of the research tax credit? A review of the situation in Austria

Boehringer Ingelheim and Robert Bosch AG confirm the positive effect

Vienna, 18 November 2019 – Research-driven companies in Germany should be promoted in the future with tax advantages equalling more than EUR 1 billion. Accordingly, Germany joins most OECD and EU member state which already deploy such a promotional instrument. The 14 percent research tax credit used by Germany's neighbouring country of Austria has become an indispensable business location factor and has a demonstrable effect on the business location decisions of numerous research-based companies.

A study conducted by the economist Christian Keuschnigg* concluded that about three-quarters of all companies carrying out research in Austria, including many Germany firms, take advantage of the research tax credit. According to the study, the research tax credit leads to investments in the required infrastructure, motivates firms to assume a greater technological risk and accelerate project implementation. Particularly in the case of internationally active and research-intensive companies, the research tax credit positively impacts efforts to safeguard the viability of operations. Austria has a major competitive edge thanks to the research tax credit. "Since it was raised by two percent at the beginning of 2018, we have perceived a significant increase in the R&D activities of foreign companies in Austria", says Renè Siegl, Managing Director of the national investment promotion company ABA – Invest in Austria. German companies such as Boehringer Ingelheim and Bosch AG, which have located important research centres in Austria for decades, also confirm the positive effect of the research tax credit.

Boehringer Ingelheim (BI) established the Regional Center Vienna (RCV) in Austria. RCV, the company's centre for cancer research, serves the purpose of producing biopharmaceuticals as well as conducting R&D. *"Boehringer Ingelheim (BI) is investing more than EUR 700 million by 2021 in a biopharmaceutical production plant in Austria. Once again, the Group is showing its widespread confidence in Vienna as a business location. An attractive location is characterised in particular by good R&D financing, in which case the 14 percent research tax credit in Austria is decisive as a unique selling proposition. The research tax credit has been continually raised in Austria, a fact which also influenced the investment decisions of our Group"*, states **Philipp von Lattorff, CEO of Boehringer Ingelheim RCV**.

Bosch invested more than EUR 125 million or nine percent of its revenue in research and development in the year 2018. Bosch operates international competence centres for mobility technologies in Vienna, Linz and Hallein. Moreover, the developers in Vienna make valuable contributions within the Bosch Group towards creating innovative solutions in the field of

* Evaluation of the research tax credit pursuant to § 108c Austrian Income Tax Act, <https://irihs.ihs.ac.at/id/eprint/4240/>

connected mobility, for example automated driverless parking. **Klaus Peter Fouquet, Sole Managing Director Robert Bosch AG**, comments on the Austrian research tax credit: *“The funding landscape is important because it enhances the attractiveness of the business location. The increase of the research tax credit to 14 percent as of 1 January 2018 was a positive signal in favour of Austria as a business and innovation location. As a result, we have good chances to acquire new projects or expand existing ones within the international research and development organisation of Bosch. However, the research tax credit is only successful when combined with other factors. We especially value the well-trained and available employees as well as the good education offered at the higher technical colleges and universities of technology in Austria.”*

About the research tax credit in Austria

The research tax credit has amounted to 14 percent since the beginning of 2018. Applications for the research tax credit can be submitted by every company investing in research, innovation and development, regardless of the company's size, sector or corporate structure. A company is also entitled to claim the research tax credit if it generates no profits or only a small profit. The payment takes place as a cash payment - quickly and relatively unbureaucratically.

A company's in-house research as well as contract research are eligible within the context of the research tax credit. Moreover, the experimental development of models, products and processes beyond the current state-of-the-art technology is also taken into account. Frequently, companies fail to include all research and development costs for purposes of the research tax credit. These costs can be claimed regardless of the project's success. Loan costs arising before the beginning of the project can also be included as well as salaries and wages, capital investments in fixed assets and real estate as well as expenditures relevant to research such as purchased services, financing and overhead costs.

Editorial note:

ABA - Invest in Austria is the national investment promotion company and would like to call your attention to interesting developments in Austria as a research and business location. ABA provides professional consulting services to interested companies free of charge, supporting them in selecting a business location, with labour and tax issues, identifying cooperation partners and dealing with public authorities. It also informs and advises firms about research conditions and funding opportunities in Austria. www.investinaustria.at

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