



RESEARCH ALLOWANCE ACT

FZuIG

A NEW RESEARCH ALLOWANCE ACT

From 1 January 2020 onwards, companies and organizations located in Germany can receive a tax allowance of up to € 500.000,- per year for their research and development activities. This as a result of the German Research Allowance Act (FZulG for short) that was introduced in November 2019. The FZulG act aims to give new impetus to the German economy by lowering the costs for R&D and by making Germany more attractive as a business location for innovative companies. It also closes a gap with other EU countries, many of which already having similar incentives in place.

WHICH ORGANIZATIONS ARE ELIGIBLE?

Taxpayers with taxable income from business operations (incl. agriculture and forestry) and self-employment can apply for a financial Forschungszulagen allowance for their research and/or development projects. Although the Forschungszulagen act specifically targets small and medium sized companies, start-ups, large corporations and (private) research organizations qualify as well. The allowance is available for organisations of any size.

WHAT ACTIVITIES WILL QUALIFY FOR THIS ALLOWANCE?

Research and development projects are eligible if they belong to one or more of the following categories:

- basic research;
- industrial research, or;
- experimental development.

Due to the inclusion of this last category, a very large group of companies will qualify for the allowance. Only intended and planned project-related R&D activities will qualify.

WHAT COSTS ARE ELIGIBLE?

The following costs are eligible for a contribution:

- Labour costs for employees who are entrusted with research & development activities and who are working on “Forschungszulage-approved” projects, for the share of their working time spent on eligible activities. The eligible labour costs also include expenses incurred by the employer for safeguarding the future of the employee.
- Expenses for commissioned research and development projects. The eligible expenses amount to 60% of the remuneration paid to the contractor.

Labour costs resulting from a relationship between a company and a shareholder can qualify as well (subject to specific conditions).

Each year up to € 2.000.000,- in eligible costs per applicant can qualify for the Forschungszulage allowance. For beneficiaries who are affiliated with other companies (within the meaning of the German Stock Corporation Act) this limit applies to the affiliated companies as a whole.

Costs are eligible for R&D activities starting or contracted after 1 January 2020.

HOW MUCH FUNDING CAN I GET?

The tax allowance amounts to 25 percent of the eligible costs with a maximum allowance of € 500,000.- per applicant or group of affiliated companies per year. The entitlement to the allowance arises at the end of the financial year in which the eligible expenses have been made. It will be deducted directly from the tax burden. In case of losses or if the allowance exceeds the tax burden, the allowance will be paid in cash.

HOW DO I APPLY FOR A TAX ALLOWANCE?

The formal application process is made up of the following two steps:

1. Step 1: a Forschungszulage certificate application. The basis for the R&D allowance is a certificate that can be requested from one or more - yet to be announced - certification body/bodies. The certificate application should i.a. include a clear description of the content of the research and development project(s) and information on the project's timing, personnel and financial scope. The first certificate per year can be applied for free of charge. Further applications for certification may be subject to fees and expenses (in accordance with the Federal Fees Act).
2. Step 2: an tax allowance application to the tax authority. This application can be submitted within 3 months after the end of the financial year in which the eligible expenses have been made. The application should be filed electronically via the applicant's official interface with the tax office. The allowance application must be accompanied by the above mentioned certificate(s). Furthermore, the eligible expenses must be described with sufficient precision in the application to allow for a review.

As the certification body and application form(s) have yet to be announced, it is important to keep yourself informed on the FZulG legal developments to not miss your FZulG allowance for 2020.

HOW WE CAN HELP YOU REALISE AN OPTIMAL RESULT

The Forschungszulage scheme offers an attractive opportunity for every innovative company and organisation in Germany. Unfortunately many organisations lack the time, expertise and resources to keep track of legal Forschungszulage developments and to timely prepare and file an optimal, fully compliant R&D allowance application. That's where we can help!

As Europe's leading grants & tax incentives consultancy we have over 30 years of experience with R&D tax allowance schemes like the Forschungszulage. Via our partnership with a tax accountancy we offer a unique combination of technology oriented funding experts and certified tax consultants providing the right expertise in every step of the Forschungszulage process. We'd be happy to put our extensive R&D funding experience to work for you as well by offering you:

1. Pre-check and monitor

We'll assess your R&D activities on eligibility and keep you pro-actively informed on the tax allowance legislation and deadlines.

2. Forschungszulage certification application

We will take the entire preparation, writing and timely completion of your high quality Forschungszulage certification application off your hands.

3. Establish an efficient and compliant Forschungszulage administration

We'll inform and instruct your staff on the administrative requirements, and we will help you implement an efficient administrative process to correctly handle your awarded allowance.

4. Prepare your R&D tax application (external service)

A certified Steuerberater will prepare and write your fiscal allowance application at year's end and coordinate the correct and timely filing of the application.

We are happy to offer you the above services on a de-risked basis, with a fee that will only be due in case we file a successful R&D tax allowance application on your behalf.

Want to learn more? We'd be happy to have a no-obligation meeting with you. Feel free to contact us at tel: +49 173 57 37 858 or at Anne.Baumgaertel@pnoconsultants.com.

*Disclaimer: The information in this fact sheet has been compiled with the utmost care.
No rights can be derived from its contents. Copyright © PNO.*