

INNOVATION BOX

2023





WHAT IS THE INNOVATION BOX?

In addition to the WBSO (Salaries Tax and Social Insurance Contributions (Reduced Remittances) Act), the innovation box can further increase your company's financial benefit. If your company generates profits thanks to innovation activities, you can ask the tax authorities to apply the innovation box. You will then pay only 9% corporate tax on the part of the profit directly attributable to your innovation! With this tax incentive, the Dutch government aims to stimulate not only innovation, but also the resulting employment.

FOR WHOM IS THE INNOVATION BOX ?

The innovation box is a tax incentive included in the Corporate Income Tax Act. This means that all corporate taxpaying companies (usually a private company (BV), sometimes a public limited company (NV)) can qualify for this scheme.

YOUR CORPORATE TAX RATE REDUCED FROM 25.8% TO 9%

The benefits of the innovation box are considerable: the tax rate for profits arising from innovation is 9% instead of 25.8%! And this 'innovation profit' also has no cap ('ceiling'). However, the condition is that the production costs must first be recovered ('threshold'). The production costs of the developed innovation consist of, among others:

- direct development costs, such as costs for raw materials, test materials, moulds, and prototypes
- indirect costs, such as labour costs.



WHEN DOES YOUR COMPANY QUALIFY FOR THE INNOVATION BOX?

You can benefit from the innovation box if your company has:

- a so-called 'intangible asset' created from your innovation activities (this asset does not have to be activated on the balance sheet)
- the appropriate entry ticket(s) for the developed innovation.

An 'intangible asset', an innovative asset, exists when you have developed a new technique within the WBSO that is applied in a product or production process and therefore contributes to recurring turnover.

ENTRY TICKETS

For small enterprises, the WBSO is the only entry ticket. For large enterprises one of the following entry tickets is required in addition to the WBSO:

- a patent
- a plant breeders' right
- software
- a licence to market new medicines
- a registered utility model to protect the innovation
- a supplementary protection certificate (SPC).

SMALL OR LARGE COMPANY?

For the innovation box, a company is considered 'small' if the net turnover of the consolidated group for the current year and the four previous years is below 50 million EUR per year on average. Also, the benefits from the developed innovation, plus the costs of acquiring these benefits, must average less than 7.5 million EUR per year over those five years.

NOTE WHEN OUTSOURCING DEVELOPMENT ACTIVITIES

The benefit of the innovation box is reduced when a company outsources part of the development to an affiliated company that is not part of the fiscal unity.



HOW DOES PNO ENSURE A SUCCESSFUL INNOVATION BOX APPLICATION?

Within PNO Consultants, specialised tax lawyers and innovation and grant consultants work closely together to achieve maximum tax (grant) benefits for our clients. Our years of experience with innovation processes, combined with solid tax substantiation, have already led to many successful innovation box applications.

During the innovation box application process, we apply the following three steps:

- **Feasibility study:** with our knowledge and experience, we can assess whether it makes sense for your company to apply for the innovation box.
- **Calculation of the benefit and drafting of the request:** to properly substantiate the request to the tax authorities, together with you we make a comprehensive qualitative and quantitative analysis of your company and your innovations to determine the innovation profit. In doing so, we not only look at the figures, but more importantly at the innovation process and the impact of the innovations.
- **Settlement agreement:** we can make a multi-year agreement with the tax authorities for you on the conditions and scope of application of the innovation box.

UNIQUE APPROACH

Thanks to our unique approach, as a company you will gain maximum benefit. We take an integrated approach: we look at the opportunities that the innovation box and the WBSO offer you. As a result, you need not miss out on any benefits. We make it easy for you to access the innovation box by offering a feasibility study. Based on the results you can decide whether it makes sense to start an innovation box project. And if we actually opt for such a trajectory, we make sure that we map the situation of your company and your innovations clearly and describe them in the request, so that we go into the discussion with the tax authorities well prepared.

WHY PNO?

- In-house specialised tax team.
- Unique approach for careful consideration.
- Combined knowledge of both tax and your innovations / WBSO projects.
- Excellent track record.

WANT TO KNOW MORE?

Want to know more about the innovation box and how you can benefit from it? Get in touch. Call us on 088 - 838 13 81 or send a message to pno.servicedesk@pno.group.