

## THE INNOVATION BOX WITH 5% TAX RATE

As of January 1<sup>st</sup>, 2010 the Netherlands introduced the innovation box as a replacement of the former royalty box. The name change comes along with very attractive benefits for companies investing in innovative products and solutions. Together with wage tax and social security grants on R&D employment this proves a great opportunity for investing in innovative activities in the Netherlands.

The innovation box provides for the following beneficial regime:

### Effective rate of 5%

A deemed innovation box deduction of approximately 80% on profits from qualified intangible assets is given, resulting in an effective tax rate of 5%

### No maximum innovative profits

The former royalty box was maximized at profits up to EUR 400,000. The innovation box is not capped and remains applicable (unless the tax law would be changed). Capital gains on qualified intangible assets qualify as well!

### Ruling for R&D work OR public registered patent

The innovation box applies for profits from intangible assets coming forth from activities with a 'Dutch Research and Development Ruling' through which certain payroll tax and social security remittance reductions have been obtained. This R&D Ruling stimulates companies in starting innovative projects by reducing the costs of employment.

The R&D ruling is obtainable for all company sizes and can be broken down into the following categories:

- Development of products, processes or software
- Technical scientific research
- Analysis of technical feasibility of own R&D
- Technical research for improvement of own production processes or software

Patented intangibles, as required in the former royalty box, will also qualify for the innovation box.

### Development costs and losses on innovative assets

R&D costs are deductible at the regular 25.5% rate. Profits first will have to exceed the costs before the innovation box deduction can be effectuated.

Losses originating from innovation box assets are deductible at the regular 25.5% rate. Again the innovation box deduction can only be effectuated on profits exceeding the losses incurred.

### Taxperience

Please be informed that we have extensive experience with clients in various areas of expertise. Please feel free to call us anytime and we will think with you about opportunities the new and improved innovation box might have for your ideas and your company.

TAXPERIENCE N.V.  
Pettelaarpark 107  
5216 PR 's-Hertogenbosch  
The Netherlands

P.O. Box 52  
5240 AB Rosmalen  
The Netherlands

T +31 (0)73 648 89 90  
F +31 (0)73 644 19 69  
E [info@taxperience.nl](mailto:info@taxperience.nl)  
I [www.taxperience.com](http://www.taxperience.com)

CC 17180357  
VAT NL.8148.07.148.B01  
BANK 10.85.73.028