

15 May 2019**HRK General Assembly:****Universities not to be disadvantaged by planned tax incentives for research**

The plans of the Federal Ministry of Finance to provide tax incentives for research and development for small- and medium-sized enterprises (SMEs) in particular have serious shortcomings. These enterprises often have very limited research capacities and are therefore heavily dependent on collaborations with universities. However, the awarding of research contracts to universities has not been given due consideration in the current draft. This was referred to yesterday in Rostock by the General Assembly of the German Rectors' Conference (HRK).

"According to the draft legislation, only expenses for the pay of employees of the entitled enterprise will be eligible for financial assistance," said HRK President Professor Dr Peter-André Alt. "If companies award a contract to a university, they cannot claim any costs as tax deductions as the sponsor. As the contractor, universities also do not stand to benefit; they always need to make an offer at full cost on the basis of the European Framework for State aid. They cannot therefore pass on any tax savings in the form of lower prices to companies."

There is no additional incentive for SMEs lacking substantial R&D staff to increase investments in research and development. To leverage the potential of tax incentives for more innovation, the HRK recommends making the sponsor who awards research contracts eligible for tax incentives. This will create real incentives for companies to strengthen their ability to innovate by collaborating with universities.

The introduction of tax incentives for research and development should contribute towards achieving the federal government's objective of increasing the share of expenditure on research and development to at least 3.5 per cent of the gross domestic product by 2025, together with federal states and business. The HRK emphatically welcomes this objective.