

***Global Research & Development
Incentives Group***

March 2011



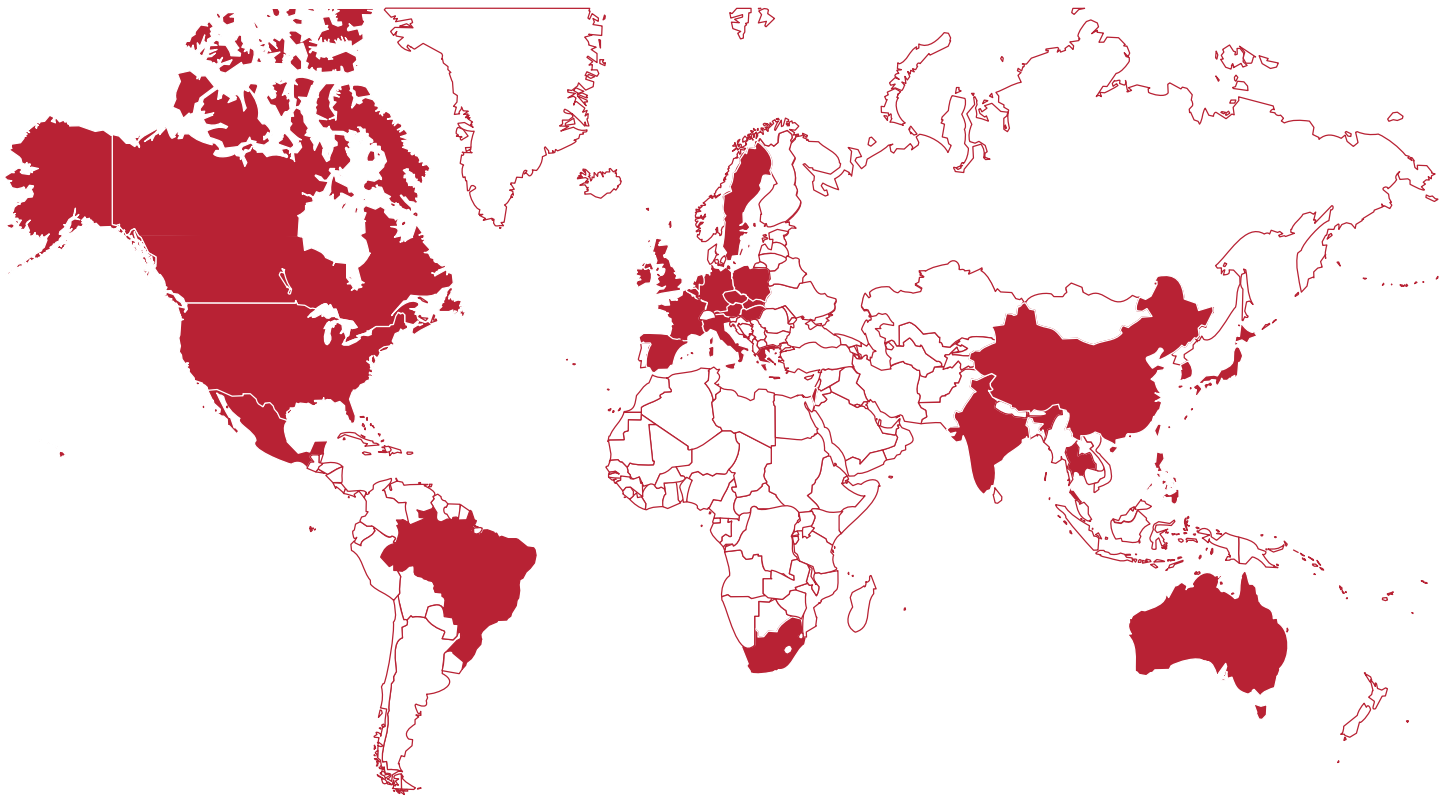
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The important role innovative companies play in their national economies has led to the enactment of grant programmes and tax incentives to encourage additional research investments by businesses. To encourage research and innovation, many jurisdictions around the globe provide research incentives in the form of tax credits, “super” deductions, or cash grants. In addition, some jurisdictions provide relief in the form of reduced tax for income associated with technology-based intellectual property. Understanding these tax incentives—along with the impact of transfer pricing, “green” initiatives, intellectual property protection, grants, and capital investments to maximise the return on investments in research—is critical for business decision-makers.

The PwC Global R&D Incentives Group has assisted hundreds of clients in improving their return on investment in research.

***We have the capabilities to understand
the global picture***



PwC's Global R&D Incentives Group has established teams around the world—in the countries highlighted above—assisting our clients to:

- Competitively plan in the global economy
- Consider new and/or alternative jurisdictions for innovation and growth
- Connect their global research
- Respond to economic and legislative changes
- Consider the impact of IP migration



Global R&D Incentives

Qualifying for, and quantifying these incentives presents companies with a challenge. PwC can support your R&D objectives both locally and globally with in-depth and well-coordinated R&D teams. Our global network of R&D professionals, located in more than 20 countries and led by our regional steering committee, combines extensive experience in analysing the often ambiguous statutory language concerning research incentives with knowledge of the rules used by local taxing authorities. Our professionals include technical specialists with extensive industry experience that assist in identifying those research activities that qualify for incentives that might be otherwise overlooked.

The PwC Global R&D Incentives Group blends tax, financial engineering and science professionals who understand the technical challenges confronting companies in different industries and countries. Since the types of research incentives vary from country to country, businesses need advisers who have experience with the various incentives and how they can reduce your tax payable and global effective tax rate. Our established network of professionals across all member firms delivers analysis that can help mitigate risk, manage your tax burden, identify and develop critical, strategic initiatives, and support the implementation through documentation of the key aspects of various relief and corporate tax incentives.

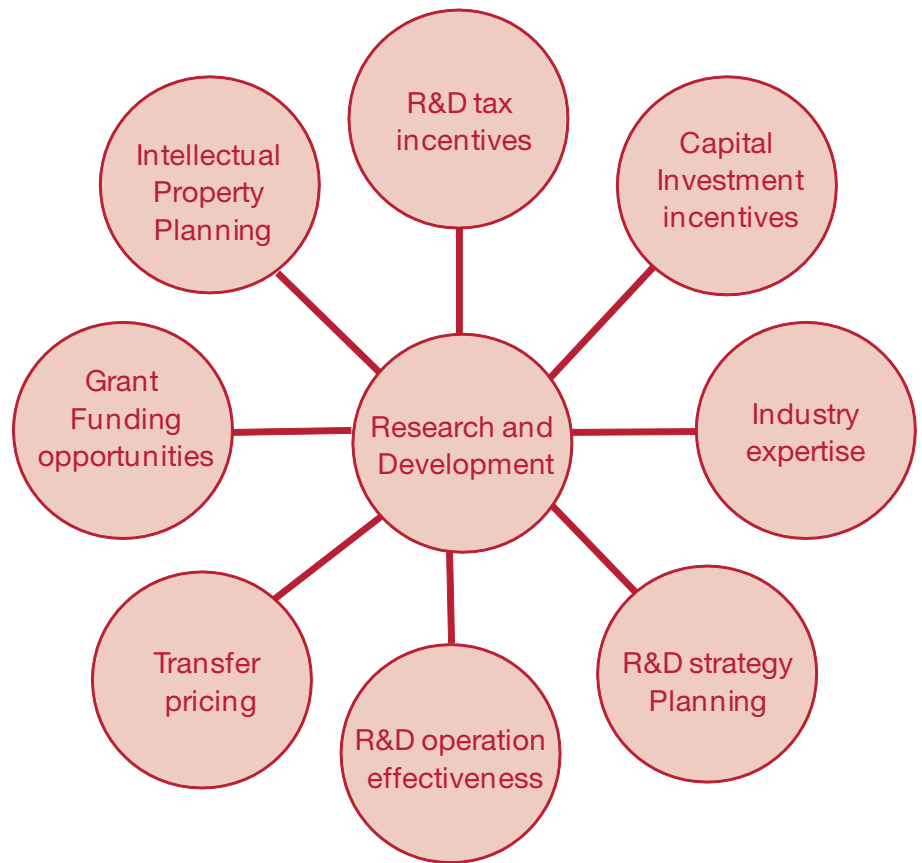
Our global network of experienced R&D professionals are trained in identifying and documenting research expenditures. Your global strategy may require alternative consideration of where you spend your R&D dollars based on ownership of intellectual property and jurisdictional relief. Our team, including our international tax specialists, can help large multinational companies take advantage of available incentives, consider the effect on transfer pricing, and review your company's global tax strategy for cross-border structuring.

We team with your global and local staff to train individuals on the implementation of strategies to:

- Identify available research activities
- Analyse detailed accounting records to find costs available for jurisdictional relief
- Consider existing and potential alternative tax planning strategies based on the rules in differing jurisdictions, taking into account not only the incentives for research expenditures, but various implications such as withholding taxes, available grants for job creation, and corporate tax rate reductions for the license of intellectual property
- Gather, organise, and develop documentation to support and defend the eligible costs in the event of an enquiry by the tax authorities
- Develop procedures and technologies intended to improve the efficiency and effectiveness of identifying, documenting, calculating, and sustaining current and future incentives

Our global tax planning approach can offer substantial value by focusing on your key tax objectives and developing a sound global tax strategy related to your global research and development activities. PwC's strategies, however, do not end with a review of what has already been done. The next page provides a picture of what PwC's Global Research Initiatives group can address.

PwC Global R&D Incentives Group



Working with you, we will develop strategies to assist you in obtaining your goals of expansion and growth. We will jointly develop effective strategies for obtaining grants, incentives for innovation, and alternative energy/green initiatives. This analysis will address jurisdictional selection of where to locate R&D operations while taking into consideration other aspects such as transfer pricing, cross-border transactions, and expansion site selection.

Global R&D credits and incentives by country (March 2011)

The information on this chart, pages 6-11, is for general information purposes only and should not be used as a substitute for consultation with professional advisors

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
Australia	(1) 125% “super deduction” and (2) 175% “super deduction”	(1) Deduction on volume and (2) Deduction on incremental spending	Up to 10% if R&D cannot be performed in Australia	IP is commonly owned by the company incorporated in Australia claiming the R&D Tax Concession however, some situations may arise where IP is held outside Australia subject to ‘on own behalf’ rules
Belgium	<ul style="list-style-type: none"> One-time R&D investment deduction of 13.5% (*) of the acquisition value of qualifying R&D investments Spread R&D investment deduction of 20.5% (*) of the depreciation on qualifying R&D investments The above incentives can be claimed in the form of an R&D tax credit which corresponds to the R&D investment deduction, multiplied by the standard corporate tax rate of 33.99% (*) Rate for assessment years 2011 and 2012	Based on volume of investment in qualifying R&D assets (including capitalised R&D expenses)	Yes, part of the R&D can be contracted out to parties located outside Belgium	The law does not explicitly require that the IP which results from the R&D activities should remain in Belgium. The impact on R&D tax incentives should be analysed on a case-by-case basis
Brazil	160% to 200% “super deduction”	Volume based	Yes. However, only expenses incurred with Brazilian entities and individuals are subject to the “super deduction”	Yes
Canada	20% non-refundable credit. CCPC’s – 35% refundable credit on first \$3M, 20% thereafter	Credit on volume	Yes, however only to the extent of 10% of salaries of Canadian residents performing the R&D	Yes

Global R&D credits and incentives by country (March 2011)

Country	Refundable option	Carryforward	Grants/other	"Patent box" regime rate
Australia	Only for small companies	Deductions may be carried forward indefinitely in the form of tax losses subject to the normal tax loss rules	Discreet grant funding available and other business incentive	N/A
Belgium	Yes, if the incentive is claimed in the form of an R&D tax credit, the remaining balance of unused R&D tax credits after five tax years is paid to the company. If the incentive is claimed as R&D investment deduction, no such refund is available	Unused R&D investment deduction/R&D tax credit is carried forward	<ul style="list-style-type: none"> • 13.5% (*) investment deduction on acquisition value of qualifying patents • Special expat tax status for foreign researchers temporarily assigned to Belgium • Regional R&D grants available, which are exempt from corporate income tax • Notional interest deduction for equity funded R&D activities (*) Rate for assessment years 2011 and 2012	0% to max 6.8%
Brazil	No	No	<ul style="list-style-type: none"> • 50% reduction on the IPI (Federal VAT) levied on acquired R&D machinery and equipment (domestic or imported) • Accelerated depreciation for new R&D machinery and equipment acquired (Income Taxes purposes) • Accelerated amortisation for the acquisition cost of intangibles related to R&D activities (Income Taxes purposes) • Zero withholding tax rate on the remittances for registration and maintenance of trademarks and patents abroad 	N/A
Canada	Only for certain Canadian controlled private corporations	Excess credits may be carried forward 20 years (and back 3 years)	Provincial R&D credits, ranging from 4.5% to 37.5% certain of which are refundable	N/A

Global R&D credits and incentives by country (March 2011)

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
People's Republic of China	<ul style="list-style-type: none"> • 150% "super deduction" • 15% reduced Corporate Income Tax ("CIT") rate for High and New Technology Enterprise ("HNTE") (Standard CIT rate is 25%) • Business tax exemption and 15% reduced CIT rate for Technology Advance Service Enterprise ("TASE") • CIT exemption/reduction on technology transfer income • Duty free importation of certain R&D equipment 	Deduction on volume	Yes	<ul style="list-style-type: none"> • Super deduction: IP should be owned by the Chinese entity or at least the Chinese entity is the "economic owner" of the IP if it is not the legal owner. • HNTE: Chinese entity should own core IP rights or a global exclusive license to use the IP for at least 5 years • TASE: No IP ownership requirements
Czech Republic	200% "super deduction"	Deduction on volume	Yes, provided it is performed by the party claiming the deduction and not a third party	Yes
France	(1) 30% credit or (2) 40%/35% credit, in certain situations	Credit on volume	Yes, if performed in EC countries, Norway and Iceland	Yes
Hungary	200% "super deduction"	Deduction on volume	Yes	Yes

Global R&D credits and incentives by country (March 2011)

Country	Refundable option	Carryforward	Grants / other	"Patent box" regime rate
People's Republic of China	No	Excess credits may be carried forward 5 years	R&D centers may import self-used equipment, related technologies, accessories, and spare parts exempt from import duties	0%-12.5%
Czech Republic	No	Non-utilised allowance may be carried forward 3 years	Investment incentives available for setting up/ expansion of: (i) production facilities, (ii) technological centres (the R&D allowance cannot be used for projects that are supported by another form of public support)	N/A
France	Yes	Excess credits may be carried forward 3 years Any unused tax credit is refundable at the end of this three year period. As an exception, excess credits are immediately refundable to certain qualifying companies.	Declining balance method of depreciation for tangible assets used in R&D activities	15%
Hungary	No	No	10-year tax allowance for certain investments made for research projects with UF 100 million (approximately EUR 370,000)	Current: 10%-19% 2013: 10%

Global R&D credits and incentives by country (March 2011)

Country	Tax incentive/relief	Volume based	May the R&D be performed outside the country?	May the resulting IP reside outside the country?
India	<ul style="list-style-type: none"> • 200% “super deduction” - Weighted deduction for capital and revenue expenditure (other than cost of land or building) for approved “in-house” R&D expenditure for units recognised by the Department of Scientific and Industrial Research (DSIR) • 100% deduction - Revenue and capital expenditure (other than cost of land) on scientific research activity • 15 year phased income-tax holiday to units operating in SEZs and earning profits 	Subject to the satisfaction of certain specific conditions, the weighted deduction can be claimed based on volume of R&D spending in a given year	No	Yes, subject to ownership remaining with the Indian Company who has undertaken such R&D
Ireland	25% credit	(1) Credit on incremental spending and (2) Credit, effectively on volume basis, for new taxpayers	Yes, if (1) performed in the European Economic Area and (2) no tax deduction is available in the other country	Yes
Japan	30% of the corporate tax rate for the period 1 April 2009 to 31 March 2011; 20% on or after 1 April, 2011.	(1) Credit on volume or (2) Credit on incremental spending	Yes	No
Spain	(1) 25% credit plus (2) 42% credit plus (3) 8% credit on certain asset acquisitions (4) 17% certain staff salaries (5) 8% credit on technological innovation; 12% for tax years that start from 3 March 2011	(1) Credit on volume plus (2) credit on incremental increase plus (3) credit on volume for technological innovations (industrial design and production process engineering) (4) Credit on volume for technological innovations	Yes, but must be related to activities carried out in Spain, any Member State of the EU or Ireland, Liechtenstein or Norway.	Yes
United Kingdom	“Super deduction” - 130% for large companies and 175% for small and medium Enterprises (SMEs)	Deduction on volume	Yes	Yes
United States	20% credit (regular method) 14% credit (alt. simplified credit)	Credit on incremental spending, with limitations Credit on incremental spending, without limitations	No No	Yes, provided the research is funded by the foreign related party

Global R&D credits and incentives by country (March 2011)

Country	Refundable option	Carryforward	Grants/other	"Patent box" regime rate
India	No	No carry forward is permissible although a tax loss generated out of such tax allowance should be permissible	<ul style="list-style-type: none"> R&D deduction is available for revenue and capital expenditure (except cost of land/building) 125% deduction - Any sum paid to specified research institutions and companies recognised by the prescribed authority for this purpose Additionally, certain indirect tax benefits in the nature of concessional customs duty rate and excise duty exemptions are available on certain goods, subject to fulfilment of prescribed conditions 	N/A
Ireland	Yes	Excess credits may be refunded or carried forward indefinitely	Various government grant incentives for establishing or expanding R&D activities in Ireland, e.g., capital, employment, training, feasibility, pilot projects, etc	N/A
Japan	No	Certain excess credits may be carried forward 1 year	Japanese regions provide a variety of tax incentives for companies that make investments in buildings or other facilities within specified zones	N/A
Spain	No	Excess credits may be carried forward 15 years	Autonomous regions provide additional business incentives; tangible and intangible fixed assets, excluding buildings, used for R&D activities may be freely depreciated	0% to max 15%
United Kingdom	SMEs only - losses surrendered for cash back	Extra deduction reduces taxable profits. If a loss results this can be carried forward indefinitely, offset current profits (including other UK group companies) and offset prior year profits	Expenditure on assets used for R&D attracts 100% tax depreciation; regional grants are available	Not currently. Proposals for 10% tax on IP generated revenue
United States	No	Excess credits may be carried back 1 year and forward 20	States provide R&D credit in addition to various business incentives	N/A

PwC Global R&D Incentives Group

Country	Contact	E-mail	Telephone
Australia	Sandra Mason	sandra.mason@au.pwc.com	+ 61 (2) 8266 0470
	Tim Donald	tim.donald@au.pwc.com	+ 61 (2) 8266 5436
Belgium	Axel Smits	axel.smits@be.pwc.com	+ 32 (3) 2593120
	Thierry Vanwelkenhuyzen	thierry.vanwelkenhuyzen@be.pwc.com	+ 32 (2) 7107422
Brazil	Nelio Weiss	nelio.weiss@br.pwc.com	+55 (11) 3674 2000
Canada	Vik Sachdev	vik.sachdev@ca.pwc.com	+ 1 (416) 869 2424
China	Charles Lee (South China)	charles.lee@cn.pwc.com	+ 86 (755) 8261 8899
	Edward Shum (North China)	edward.shum@cn.pwc.com	+ 86 (10) 6533 2866
	Peter Ng (Central China)	peter.ng@cn.pwc.com	+ 86 (21) 2323 1828
Czech Republic	David Borkovec	david.borkovec@cz.pwc.com	+ 42 (02) 5115 2561
France	Jean-Luc Pierre	jean-luc.pierre@fr.landwellglobal.com	+ 33 (1) 56 57 83 92
	Richard Juan	richard.juan@fr.landwellglobal.com	+ 33 (1) 56 57 40 54
Germany	Stefan Kaufmann	stefan.kaufmann@de.pwc.com	+ 49 (69) 9585 6333
Greece	Marios Georgiou	marios.georgiou@gr.pwc.com	+ 30 (210) 6874 560
Hungary	Paul Grocott	paul.grocott@hu.pwc.com	+ 36 (1) 461 9260
	Robin McCone	robin.mccone@us.pwc.com	+ 1 (646) 471 7743
India	Rahul Garg	rahul.garg@in.pwc.com	+ 91 (11) 2321 0543
	Indraneel R Chaudhury	indraneel.r.chaudhury@in.pwc.com	+ 91 (80) 4079 6001
Ireland	Liam Diamond	liam.f.diamond@ie.pwc.com	+ 353 (1) 792 6579
	Stephen Merriman	stephen.merriman@ie.pwc.com	+ 353 (1) 792 6505
Israel	Doron Sadan	doron.sadan@il.pwc.com	+ 972 (3) 7954584
Japan	Jack Bird	jack.bird@jp.pwc.com	+ 81 (03) 5251 2577
	Ian McDade	ian.j.mcdade@jp.pwc.com	+ 81 (03) 5251 2190
	Eiichi Sato	sato.eiichi@jp.pwc.com	+ 81 (03) 5251 2407
Korea	Dong-Keon Lee	dong-keon.lee@kr.pwc.com	+ 82 (0) 2 709 0561
Mexico	Luis Lozano	luis.lozano@mx.pwc.com	+ 52 (0) 55 5263-6000 ext. 8648
Netherlands	Auke Lamers	auke.lamers@us.pwc.com	+ 1 (646) 471 0570
	Richard Hiemstra	richard.hiemstra@nl.pwc.com	+ 31 (20) 88 792 7618
Poland	Andrzej Jarosz	andrzej.jarosz@pl.pwc.com	+ 48 (61) 8505151
Portugal	Pedro Deus	pedro.deus@pt.pwc.com	+ (351) 225 433 131
Russia	David C. John	david.c.john@ru.pwc.com	+7 (495) 232 5588
Singapore	Elaine Ng	elaine.ng@sg.pwc.com	+ (65) 6236 3627
Slovak Republic	Christiana Serugova	christiana.serugova@sk.pwc.com	+ (421) 2 59 350 614
South Africa	Bennie Botha	bennie.botha@za.pwc.com	+ (27) 12 429 0292
Spain	José Elías Tomé Gómez	jelias.tome@es.pwc.com	+ (34) 915 684 292
Sweden	Magnus Pantzar	magnus.pantzar@se.pwc.com	+ 46 (8) 55533141
Switzerland	Stefan Schmid	stefan.schmid@ch.pwc.com	+ 41 (58) 792 4482
	Christian Marty	christian.marty@us.pwc.com	+ 1 (646) 471 5152
Taiwan	Shuo-Yen Lin	shuo-yen.lin@tw.pwc.com	+ 886 (2) 27296666 3679
Turkey	Kadir Bas	kadir.bas@tr.pwc.com	+ 90 (212) 326 6526
United Kingdom	Diarmuid MacDougall	diarmuid.j.macdougall@uk.pwc.com	+ (44) 1895 52 2112
	Rachel Moore	rachel.moore@uk.pwc.com	+ (44) 1223 55 2276
United States	Jim Shanahan*	jim.shanahan@us.pwc.com	+ 1 (202) 414 1684
	Tim Gogerty	timothy.c.gogerty@us.pwc.com	+ 1 (646) 471 6547

*Global R&D Incentives Group Leader.

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