Downloaded from Blogs on 19.11.2026 05:55h

By PwC Deutschland | 02. Dezember 2019

Bundesrat approves the Act on the Tax Promotion of Research and Development (Research Subsidy Act).

On 29 November 2019, the Bundesrat approved the Act on the Tax Promotion of Research and Development (Research Subsidy Act). The statute will come into force on 1 January 2020 initially for a 6-month period.

Downloaded from Blogs on 19.11.2026 05:55h

The government draft of the law on tax incentives for research and development was published by the Federal Cabinet on 22 May 2019. **See our blog post**

The law was passed by the Bundestag on 7 November 2019. Several changes had been made to the government draft, primarily to ensure that the law does not contravene European State Aid rules (Commission Regulation (EU) No 651/2014 of 17 June 2014).

The object of the law is to introduce a new tax incentive scheme for research and development (R&D), in particular the promotion of basic research, applied research and experimental development. The subsidy will be calculated in relation to personnel expenses and will apply to all taxable enterprises regardless of their size or the type of their activity (i.e. whatever the economic sector).

The main provisions of the Act are summarised below.

Separate subsidiary statute

The subsidy is regulated in a secondary statute separate from the Income Tax and Corporation Tax Acts. This should give rise to greater clarity and clear demarcation from other tax regulations thus providing claimants with a simpler process. The separate statute sets out all necessary conditions and regulates the scope and amount of the subsidy and the methods for examining the subsidy. Its stand-alone form is intended to be clear and comprehensive.

Eligible persons

Eligible for the subsidy are taxpayers within the meaning of the Income Tax Act and the Corporation Tax Acts as well as partnerships, provided they are not tax-exempt.

Eligible R&D projects

The funding is limited to R&D activities that fall into at least one of the categories of basic research, applied research and experimental development. Cooperation pojects with other taxable research enterprises or other institutions, such as universities, for the dissemination of research and knowledge,will also be eligible. In contrast to the government bill, contracted research work has now also been included.

Eligible expenditure and assessment base

Eligible expenses form the basis of the assessment base.

Eligible expenses comprise the wages/salaries paid to employees which are subject to salary withholding tax in accordance with Section 38 (1) Income Tax Act and which the employee receives directly from the employer, as well as the employer's expenses for securing the employee's future. This figure is multiplied by the factor 1.2.

Sole proprietors and partners of a partnership who research themselves may treat € 40 per hour of work per proven working hour as eligible expenditure subject to a maximum of 40 hours of work per week.

Downloaded from Blogs on 19.11.2026 05:55h

A maximum assessment base of € 2 million for each eligible person applies; affiliated companies (within the meaning of Section 15 Stock Corporation Act) are treated as a single eligible person. For cooperation projects, the assessment base applies per eligible person participating in the project, provided the participating companies are not affiliated companies.

For contracted research projects, the eligible expenses are calculated on the basis of 60 percent of the remuneration paid by the eligible person to the contractor.

Amount of research subsidy

The research subsidy amounts to 25 percent of the assessment base. The maximum research subsidy per financial year for all R&D projects is thus € 500,000.

The total amount of state aid granted for a single research and development project, including the research subsidies for each enterprise and research and development project, may not exceed € 15 million.

The application for the research subsidy must be submitted electronically after the end of the financial year in which the eligible expenditure was made. The application must be accompanied by the certificate for the research and development projects listed in the application.

Determination and payment of the research subsidy

The research subsidy will be determined in a research subsidy assessment notice. The assessed research subsidy will be fully set off against the tax determined in the next income or corporation tax assessment.

Entry into force

After its publication in the Federal Law Gazette, the statute will come into force on 1 January 2020 initially for a 6-month period only in order to comply with EU State Aid regulations. The application period will be extended upon approval of the European Commission.

Source

Bundestag Finance Committee, Recommendation for a resolution on the bill for tax incentives for research and development, BT-Drs. 19/14875 (the law was passed by the Bundestag in the version proposed by the Finance Committee).

Schlagwörter

R&D promotion, Research & Development (R & D), research & development subsidy