



# innovation financing newsletter

A P U B L I C A T I O N B Y A L M A C O N S U L T I N G G R O U P

## ■ Foreword

In recent years, tax incentives have become one of the main instruments used by governments to stimulate R&D in companies.

Within the OECD member states, the number of tax incentives rose from 12 in 1995 to 26 in 2011, with huge differences between them.

However, the diversity of incentives in terms of funding intensity and eligibility criteria tends to give rise to inequalities between countries. Consequently, the European funding landscape is increasingly complex and sometimes prone to discrimination at entry point, especially for foreign organisations and multinationals involved in R&D partnerships.

In our 7<sup>th</sup> issue of the *Innovation Financing Barometer*, testimonies from the leaders of several large groups all point to the same conclusion.

Just one in five companies conducting R&D activities in Europe confirms using the R&D Tax Credit in at least two countries.

More than one in four does not have the skills or sufficient information to activate the R&D Tax Credit in several countries.

Yet the vast majority of these leaders recognise that these tax incentives influence their international innovation development policy.

Although European fiscal convergence in terms of R&D does not seem to be on the agenda, it seems essential to us, given the impact of innovation on growth, to identify and communicate best practices likely to improve the efficiency of tax incentives in Europe.

This is what this issue of the *Innovation Financing Newsletter* aims to do.

We hope you will enjoy reading it.

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Recent years have seen a change in trends for public R&D tax incentive policies.

The fact that the proportion of R&D expenditure financed by government funding has dropped 4 points in 10 years illustrates this. We explain why.



## Financing R&D at international level: increasingly popular tax incentives

### → R&D tax credit: a straightforward and efficient funding scheme

In 2011, 26 OECD member states were offering R&D tax incentives, compared to just 12 in 1995.

These R&D tax credit schemes have become increasingly generous over the years and today are extremely popular. The fact that they do not discriminate in terms of region, areas of research and technology or industrial sector make them easy to use.

The concept of funding to be allocated being exhausted does not seem to exist, which is reassuring for the companies who apply for it. This, together with simplified administrative management is a major factor in the increasing popularity of the R&D Tax Credit (R&DTC).

Within Europe, Germany, Finland, Iceland and Sweden do not operate such schemes.

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# 1

**Financing R&D  
at international level:  
increasingly popular tax  
incentives**

# 3

**Optimising tax benefits  
by exploiting the possibilities  
offered by the various R&DTCs  
at international level**

# 6

**Thanks to the R&DTC,  
conducting research in France  
is becoming competitive**

But it would be in their best interest to implement them if they are to meet their objectives in terms of technological policy to increase R&D activities in SMEs and promote cooperation between the public and private sectors.

In Germany, 93% of German companies are in favour of the introduction of an R&DTC<sup>1</sup>. The German version of the R&DTC – often mentioned during Angela Merkel’s election campaign – did not materialise in 2011 due to budgetary constraints implemented in the country, but this does not mean the project has been abandoned.

By addressing a market failure, the R&DTC makes it possible to encourage private sector companies to invest more in R&D. The scheme is also efficient in terms of international competitiveness as it helps avoid relocation of R&D operations and makes countries more attractive for foreign direct investment.

In light of this, an increasing number of emerging countries like Brazil, China, India, Singapore and South Africa are creating attractive competitive fiscal environments for R&D investments. China operates tax cuts that can be increased for certain new technologies and technologies investing in key areas like biotechnologies, ICT and other high-tech sectors.

**“By addressing a market failure, the R&DTC makes it possible to encourage the private sector to invest more in R&D.”**

#### → **The R&DTC: a scheme with uneven criteria across different countries**

Although innovation tax incentives have a common objective, they can differ significantly from country to country.

Methods of calculation can vary: for example tax credits in France, Spain or Portugal feature direct tax deductions, whereas the “super deductions” or “enhanced deductions” in the United Kingdom, the Czech

Republic and China make it possible to reduce the tax base by increasing the cost of R&D operations in the fiscal profit and loss account.

So while tax credits directly reduce final taxes, in the case of enhanced deductions, their amount will depend on corporate tax rates practiced in different countries.

**“Although innovation tax incentives have a common objective, they can differ significantly from country to country.”**

Some programmes prefer to reward incremental investments in R&D, while others base their level of funding on the volume of R&D expenditure for a given year.

Some schemes feature differentiated advantages according to the size of the company (SME or large company), as in the United Kingdom and Canada.

Other criteria used to differentiate include:

- method of calculation;
- ceiling;
- retroactivity;
- methods of allocation or refund;
- timetable for generating profit;
- types of activity eligible;
- types of expenditure eligible;
- long-term future of the scheme.

#### → **What are the trends?**

European countries were keen to catch up with regards the Lisbon strategy objectives (3% of European GDP invested in R&D, two thirds of which financed by the private sector), and the general trend was to make R&DTC more generous and easier to use. For example, in 2008, France replaced its combined system (volume + incremental) with a less complex scheme featuring a larger budget, based solely on the volume of expenditure. Belgium, Ireland, Portugal and the United Kingdom increased their tax credit rates or raised

R&D expenditure ceilings. In North America, Canada introduced new administrative rules to facilitate access to its SR&ED programme, in order to improve its coherence, its predictability and the quality of the control process.

Secondly, to help companies deal with the financial downturn, certain countries made their tax incentives more generous – either on a temporary or permanent basis. The following are among the most significant improvements:

- over 30% in the Netherlands, where deduction of R&D staff costs from employer and employee contributions increased from 14% to 18%;
- over 60% in Portugal, where the share in volume of the SIFIDE (Portuguese R&DTC) was raised from 20% to 32.5%;
- over 25% in Ireland, where the incremental R&DTC rose from 20% to 25%;
- over 15% in the Belgian scheme.

These increases lessened the impact of the crisis and helped companies maintain their R&D investment levels during this period.

In the same vein, it is also worth mentioning the cash refund of the R&DTC for loss-making companies, which was another means of providing support for vulnerable cash flows.

France made immediate refund systematic in 2009 and 2010. This was also the case in Canada and the United Kingdom for SMEs, and Ireland introduced refund of the R&DTC for all companies with unused tax credits or insufficient corporate tax liability, by thirds over three years.

These measures represent strong support for companies’ R&D investments, and in the current economic climate this support is crucial for companies’ growth and sustainability.

**“In response to the crisis, certain countries made their innovation tax incentives more generous.”**

→ **The rise in importance of fiscal treatment of intellectual property**

Over the last decades, increasing proportions of intellectual property (and the stream of income it generates) have been relocated in order to minimize tax costs. Certain countries adopted the *Patent Box* concept, a tax regime that significantly reduces the tax rate applied to companies' patent income.

For example, Belgium (deduction for patent income), the Netherlands (*Innovation Box*), Spain (*Patent Box*) and Luxembourg (LITL) have already put such tax deduction schemes in place. The United Kingdom is considering implementing a similar scheme in 2013.

**The different tax credit schemes in the world**

1 - Methods of calculating the R&DTC	Volume of R&D expenditure	Increment in R&D expenditure	Combined volume & incremental
	UK - Netherlands - Canada...	Ireland - USA...	France (until 2008) - Spain - Portugal...
2 - Methods of deducting the R&DTC	Direct deduction	Reduction of employer and employee contributions	Enhanced deduction of R&D spend = Decrease of Corporate Tax
	France - Spain - USA - Portugal...	Netherlands - Belgium...	UK - China - Turkey - Hungary - Austria...

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1 - 7<sup>th</sup> European innovation financing barometer, Alma Consulting Group, 2011.

Reducing overall tax rates and optimising development costs are two reasons why the various international innovation incentive mechanisms are so successful with international groups. This is the case within the European Union, notwithstanding efforts to harmonise regulations in this area.

→ **Optimising tax benefits by exploiting the possibilities offered by the various R&DTCs at international level**

→ **External research expenditure eligible for the French R&DTC**

The operating rules of the French Research & Development Tax Credit (R&DTC) provide a strong incentive for international groups to locate their research centres in France. The systems implemented can only be envisaged however if they are based on real legal structures and economic requirements, otherwise they would face the penalty now commonly applied by the Tax Court judge to artificial arrangements.

The R&DTC authorises companies incurring eligible research and development

costs to benefit from a tax credit chargeable against their corporate tax liabilities equal to 30% (40% for the first year of application of the regime and 35% for the second year) of the amounts concerned during one year, subject to a limit of 100 million (5% for the fraction above this threshold).

Current regulations allow companies, for limited amounts, to take expenditure incurred for research operations contracted to private accredited companies into account when calculating their R&DTC. The companies may be French or located within the European Economic Area.

When the beneficiary of such research takes into account the expenditure incurred by the invoice he receives for it into his R&DTC, the accredited service provider must deduct the amounts paid by the beneficiary for his work from the basis of calculation for his own R&DTC. This will avoid the same operations qualifying for the tax credit twice. Conversely, the tax authorities confirm that the research expenditure incurred by a non-accredited company acting as a research organisation may be taken into account for the calculation of its own R&DTC, including in the event where this expenditure is the

subject of re-invoicing, even to foreign companies.

These rules open up interesting possibilities, especially in groups, where eligible services are provided to structures located in countries that also choose to favour taxation of industrial property products.

**“A French subsidiary has the right to include expenditure incurred within the group in its own R&DTC base.”**

Subcontracting of research costs by French companies to foreign service providers can also, in certain cases, make it possible to qualify the same research expenditure several times, thus significantly reducing development costs.

→ **Combination with foreign regimes that favour patent income**

Benelux is particularly up to speed in this area:

- Belgian regulation grants a special deduction to income from patents used since 1<sup>st</sup> January 2007. This applies to patents developed in-house by companies and patents acquired from a third party, on condition that they were further improved within the company. The tax rate for this income is reduced to 6.8%.
- Luxembourg also introduced similar schemes. Since 2008, royalties received by Luxembourg companies as remuneration for the use of or the right to use, as well as gains from, copyright of computer software or patents (especially) are 80% exempt of the positive net amount. The effective tax rate is reduced to 5.9%.
- The Netherlands also have a similar regime, called *Innovation Box*, whereby royalties and income from patents or other assimilated industrial property rights benefit from 80% tax relief, in other words an effective tax rate of 5%.

Without going into unnecessary detail, it should be stressed that all of these regimes

have specific conditions implemented to restrict their scope, especially in the case of property rights acquired or operated with affiliated companies.

We can immediately see the advantage of using these schemes in conjunction with the French R&DTC for groups of companies located in one of the above countries and France.

Thus a group of companies conducting industrial activities in France and Benelux, requiring maintenance and development of important patents, could envisage assigning responsibility of these functions to a French subsidiary acting on behalf of a sister company located in one or other of the States in question.

As this company is not itself entitled to the French R&DTC, the French subsidiary providing the service is in principle entitled to include the expenditure incurred in this respect when calculating its own tax credit (provided the overall conditions for implementation of the R&DTC are complied with).

The company having ordered the research work would be entitled to use its results in the form of patent licensing (or similar rights), the income from which would qualify for a favourable effective tax rate, whereas the companies debiting the royalties would deduct the relevant costs from their own tax bases.

→ **Combination with foreign R&DTC regimes**

Other countries have implemented deduction or credit regimes for research and development activities that are similar to the French regime.

Regulation in the United Kingdom, for example, allows local companies participating in eligible scientific and technical research operations to benefit from supplementary tax deductions for research expenditure. The add-on factor is differentiated according to the size of the company: 175% for small and medium enterprises and 130% for those who do not belong to this category. The grossed-up amount of this factor then reduces the tax base for income tax payable by the company in question.

Eligible expenditure, which is listed exhaustively, includes costs of research operations subcontracted to third parties.

The subcontractor does not necessarily have to be located in the United Kingdom. This possibility is only available to small and

medium companies, which means subsidiaries of large groups are excluded, except in special circumstances. Where there are ties of dependence between the company ordering and the service provider, the expenditure to be taken into account is subject to specific rules on spending limits.

Conversely, research expenditure incurred by small and medium companies does not qualify for the scheme if the companies are working as service providers for a third party. This is only possible for large companies that act as service providers to similar companies.

Combining this regime with the French R&DTC regime can lead to interesting situations.

So it could be in the best interest of a group of companies operating in France and the United Kingdom, whose structure remains below the thresholds beyond which its

**“The same applies to subcontracting expenditure, which could be supported by the French subsidiary and therefore be eligible for the R&DTC.”**

English subsidiaries would be excluded from the small and medium enterprise category (it may be the case that these thresholds are assessed for the group as a whole) to have its subsidiaries subcontract certain research expenditure eligible in both countries to French companies: in this case any such expenditure would in principle be considered in the tax base when calculating the R&DTC of the French service provider and would also be taken into account to determine the amount of the grossed-up deduction applicable in the United Kingdom.

Conversely, the English centre of a large group having obtained authorisation from the French authorities should be able to

... .. [article continued on p.6](#)

# Topical questions on the R&DTC at international level

Antoine Gabizon, lawyer with UGGC & Associés, answers our questions on the use of the R&DTC internationally.

## 1 – Among the specific features of the French scheme is the fact that it is managed by two distinct bodies (the tax authorities and the Ministry for Third Level Education and Research). Is France the only country where this is the case?

When we analyse the various tax incentive regimes implemented by industrialised countries for developing research, we see that there are no set rules in this area.

If we take the example of the European Union, we can observe that the French system is not alone in this. In Spain, eligibility of projects qualifying for tax incentives depends on the Ministry of Scientific Research and Innovation. Similarly, in the Netherlands, companies applying for the local R&DTC are monitored by the NL Agency, which depends on the Ministry of Finance and Innovation and has a department devoted to this sector.

Conversely, in the United Kingdom and Ireland, these missions are managed by the tax authorities, who have specialised teams.

## 2 – Apart from subcontracting, what are the conditions in which provision of staff between countries is possible?

The French authorities allow expenditure on research staff working directly and exclusively on eligible operations to be taken into account when calculating the R&DTC.

The amounts to be taken into account must correspond to the precise amount of costs incurred by the employer: salaries and social contributions of staff concerned, excluding indirect costs.

Although it is allowed, implementation of this toleration for a foreign service provider can prove delicate.

The first difficulty is that, in principle, the foreign company providing staff will normally add the cost of their remuneration to other related expenses and with a profit margin. This situation does not

seem compatible with the restrictions imposed by the French authorities' position or with the fact that French labour law prohibits profit-making activities whose sole object is the loan of labour that is not part of a temporary work contract.

We should also be wary of overly-aggressive solutions in which these schemes appear to provide a manner in which to avoid the rules in force in terms of subcontracting of research work, which requires that the service provider operate out of a member state of the European Economic Area and that he be accredited by the French Ministry of Research.

And finally, even if these obstacles could be removed, the relevant supporting documents should be at hand to demonstrate the reality and the nature of the amounts taken into account when calculating the R&DTC.

## 3 – Can a support team working in France solely for a sister company operating abroad, which owns the research results and the industrial property and which is not the project leader, legitimately apply for the R&DTC in France?

This is a solution that can be envisaged when the beneficiary of the R&DTC is not subordinate to the possession, by the French company incurring the research expenditure, of the intellectual property rights resulting from it and that this expenditure can be re-invoiced to third parties.

In a 2008 doctrine, the tax authorities clearly confirmed that research expenditure incurred by companies not accredited as research organisations can continue to be taken into account when calculating the R&DTC, including in cases where it is re-invoiced. In addition, the fact that companies benefiting from research operations are foreign does not affect the analysis when eligibility of research expenditure for the tax credit depends on where the activity took place and not on where the results are used.

## 4 – With regards valorisation of patents, within groups, mother companies outside France frequently re-invoice expenses relating to taking out and maintaining patents to a French subsidiary. Does this subsidiary then have the right to valorise these expenses as part of its R&DTC?

Expenses relating to taking out and maintaining patents are accepted in the calculation of the R&DTC. The tax authorities accept inclusion of these expenses, especially fees paid to consultants and agents who are responsible, in France or another member state of the European Economic Area, for filing and tracking patents and for the payment of annual maintenance taxes. In territorial terms, it should be noted that contrary to the position expressed regarding expenditure on technological surveillance and patent defence litigation, the authorities apparently no longer accept expenses relating to taking out and maintaining patents outside of the EEA.

Given the absence of specific restrictions, when this type of expenditure is invoiced by a mother company to its French subsidiary, it must be taken into account on provision, according to the overall principal, that it is accepted as a deduction from income subject to corporate tax.

Apart from property of rights concerned, this implies ensuring that these expenses are actually balanced for the subsidiary and that their amount is identical to that which would have been withheld between third party companies. On the other hand, the authorities refuse to accept re-invoicing of expenses pertaining to filing and maintaining patents belonging to a mother company when they are made available to a French subsidiary as part of know-how or licensing contracts, as this type of expenditure is, on principle, excluded from the basis of calculation of the R&DTC.

subcontract research work for the French subsidiaries. The corresponding expenditure could be taken into account as part of the deduction regime applicable in the United Kingdom and for calculation of the French R&DTC (subject to overall eligibility conditions and spending limits applicable in this area).

➔ **Best practises to be observed**

Although the possibilities described above seem attractive, they cannot be implemented without taking a certain number of important precautions.

- Firstly, as these are specific and complex tax regimes, it is essential to check in each case that all conditions of application pertaining to them in both of the countries concerned are complied with and that no rule aiming to restrict their scope can be applied.

- Secondly, it must be clear that these solutions can only be envisaged if they are part of an indisputable economic reality.

It is therefore imperative to always keep in mind that freely setting up subsidiaries in the European Union cannot justify choosing a country for tax reasons unless the structure established is actually economically located in the selected member state.

In French law, foreign structures can be called into question by the authorities under article 209 B of the General Tax Code and under article L 64 of the tax procedure handbook on the abuse of rights.

But for structures set up in Europe, application of these measures can only be refused if there is no proof of an actual local structure effectively conducting an economic activity. Artificial arrangements are totally prohibited.

- Finally, it should be ensured that remuneration claimed between the various companies concerned always complies with transfer price regulations. In practise, this implies that prices be in line with those practised between third-party companies.

In this regard, companies belonging to groups can be required to provide specific documentation capable of justifying their pricing methods. The importance of this documentation depends on the size of the groups concerned and varies from country to country.

**Antoine Gabizon**  
Avocat UGCG & Associés

The ANRT (National Association for Research and Technology in France) carried out innovative work with its members to provide further proof of France's competitiveness thanks to the R&DTC. The strong competition to attract research in the 19 countries in the sample demonstrates the importance of maintaining schemes in the long term.

# ➔ Thanks to the *Crédit d'Impôt Recherche*, conducting research in France is becoming competitive

➔ **France: a country for research on a worldwide scale**

Ten ANRT member multinationals<sup>1</sup> that undertake a significant share of their research in France accepted to calculate, then communicate to ANRT, the comparative cost prices of their researchers (taking into account direct and tax aid) in the various countries where they invest in research. Together, these ten groups globally invest over 12 billion euro in research every year, of which a significant proportion is in France.

Transnational companies have every reason to consider France as a country that welcomes their research investments. Before deciding to entrust a research project to one of their teams, they validate the quality of the research and the proximity of growth

markets. Then, for in-house propositions of comparable quality, the cost of researchers and the research itself sway the decision in favour of one or other of the company's Research and Development sites.

➔ **France more competitive, Asia less distinctive**

- **In Europe**, when it comes to the cost of researchers, and thanks to R&D Tax Credit, France compares favourably with Spain and the United Kingdom. It now offers better conditions than Germany and northern European countries (around 20% additional cost in this zone. *(cf. Diagram 1)*).

- **North America** is losing its attraction, mainly due to unfavourable exchange rates

in 2010, the year the information was gathered.

- **Asia**, except for Japan, offers more favourable conditions than Europe, still bolstered by the proximity of expanding markets. Yet overall, Asia is not totally disconnected from the rest of the world: the price of researchers in Asia is slowly aligning with European rates.

Comparisons show that Singapore is on average only 4% less expensive than France, whereas China continues to enjoy a 35% advantage. These conditions are therefore balancing out, and France is increasingly considered as an option when launching a new project or deciding on a new location. *(cf. chart)*.

→ **Providing a reliable, comprehensive barometer**

An appropriate tax incentive scheme should endow a country with conditions whereby the public resources used produce the anticipated effect – no more, no less. In the absence of reliable information from the field, policymakers cannot know the impact of policies undertaken elsewhere and must strive to get it right. Studies on this issue tend to quantify theoretical impacts at macro-economic level. Despite their intrinsic qualities, these studies do not have the capacity to describe the actual cumulative effect on companies' accounts of public policies, direct aid and tax incentives taken together.

Only the accounts of major companies depict the real state of affairs, allowing for all benefits and expenses. Transnational companies' accounting and tax systems are necessarily solid and coherent; thanks to cost control and business intelligence, they can be used to generate data for making decisions. Information is therefore highly sensitive: it reflects both company strategy

and government strategies through subsidy schemes specific to sectors, locations, and intellectual property registrations.

→ **Methodical approach favouring internal consistency**

By taking as a reference the average cost of a researcher in France before all subsidies and research tax credits (baseline index = 100), ANRT aggregated accounting data specific to each group to produce a graph showing the observed price of researchers per country. While accepting differences in accounting systems between groups, information was standardised by amalgamating the accounting entries used by each of them. Although not homogenous on the whole, the information is consistent for each group. As a result, international differences are highly representative.

Diagram 1 aggregates the information transmitted and gives a reliable reflection of the actual experience of participating industrialists.

→ **Today, France is an attractive choice for research investment by major groups**

**Researcher prices around the world: cost gaps in relation to France**

Averages after = After R&DTC and subsidies

Country	Averages after	% gaps compared to France
United States	116	+80%
Canada	98	+52%
Japan	96	+49%
Australia	95	+47%
Sweden	93	+44%
Finland	89	+38%
Germany	88	+37%
Netherlands	86	+33%
Belgium	82	+28%
Italy	80	+24%
Brazil	75	+16%
Austria	72	+12%
United Kingdom	72	+11%
Spain	65	+1%
France	64	0%
Singapore	62	-
China	42	-
India	36	-
Morocco	33	-

Source: © ANRT- Club Innovation et compétitivité.

→ **The French scheme well positioned**

Thanks to R&DTC, France is the most competitive country in Europe. R&DTC, coupled with European and national subsidies, reduces the price of researchers (but not necessarily of the research) by 36% for these major groups. Any negative change would have the effect of making the other 18 countries in the list more attractive.

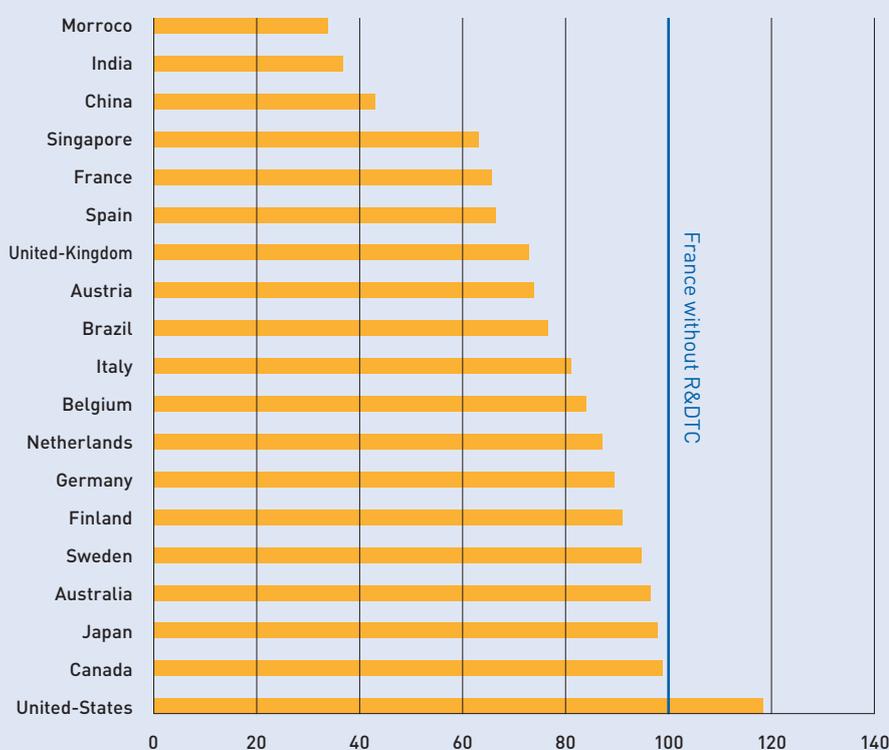
→ **France is the leading location for research by these major groups**

No multinational can avoid having a strong presence in the United States and China, both for supplies of knowledge and for developing innovations adapted to fit these local markets, the biggest in the world.

Given these conditions, the benefits of maintaining European sites are regularly reviewed. To date, and in particular thanks

**Diagram 1**

Researcher's average cost, after incentives (baseline index = 100: France before R&DTC and subsidies)



**Comment:** The vertical blue bar "France without R&D Tax Credit" represents France's position if R&DTC did not exist: French costs would be identical to those of Canada and close to those of the United States. In Europe, France would be the most expensive country.

Source: © ANRT- Club Innovation et compétitivité.

to R&DTC, France remains the main global research centre for these major groups, all of which were built up from a strong French base combined with other skills.

**Diagram 2** clearly shows that the biggest sites easily exceed a thousand researchers, especially in the larger countries, the United States and China. The RTC's attraction objective can be measured by the number and proportion of personnel in major international groups that, like the participants in our study, find in France the scientific, financial and skilled staff conditions that are the best placed amongst international competition. France thus combines these conditions and remains a global research centre for major companies, with all the expected spill-over effects in terms of foundations for scientific cooperation and drawing the best teachers and students.

➔ **A tool for quantifying the impact on major transnational companies of candidate modification of the R&DTC in France**

In the event of tax consolidation consisting of a R&DTC of 30% for the first 100 million and 5% thereafter, not all groups in our panel would be affected. However, as the French Inspectorate General for Finance (*Inspection Générale des Finances*) has already indicated, this measure would have a very strong impact (up to 70%) on those affected.

The effect of R&DTC would be largely cancelled out, but only for those who carry out the most research in France, making the proposition paradoxical! An estimation of only the groups concerned shows (cf. *Diagram 3*) that this would put France into direct competition with Germany, practically at the same level as Japan and the United States. The automatic effect would be that France's attractiveness would decrease sharply and scientific employment would become unsustainable!

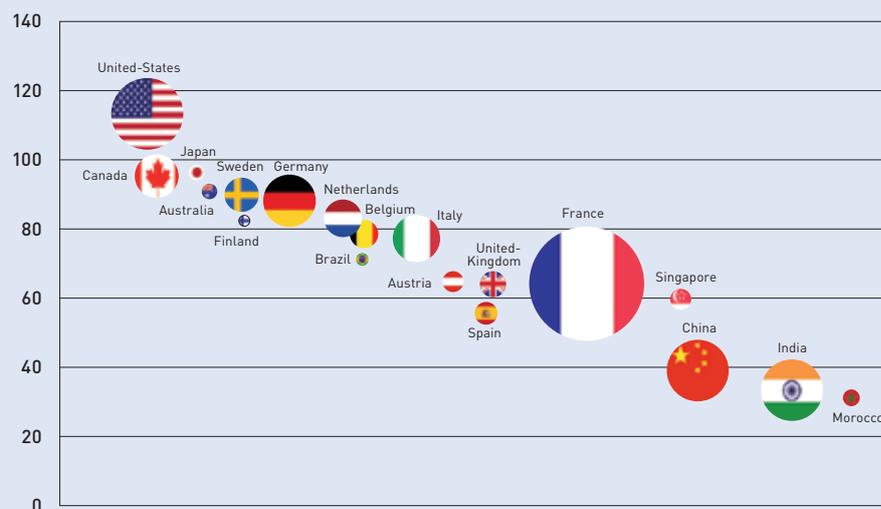
**Pierre Bitard and Alain Quevreux**  
*Club Innovation et compétitivité*  
 ANRT

1 - Airbus, Air Liquide, Alcatel-Lucent, ArcelorMittal, EADS, NXP, Saint-Gobain, Sanofi, STEricsson, STMicroelectronics, THALES.

2 - The measures taken were only applied to research centres with at least 20 researchers [FTE].

**Diagram 2**

Cost of researchers – baseline index: 100 = France without R&DTC (2010)

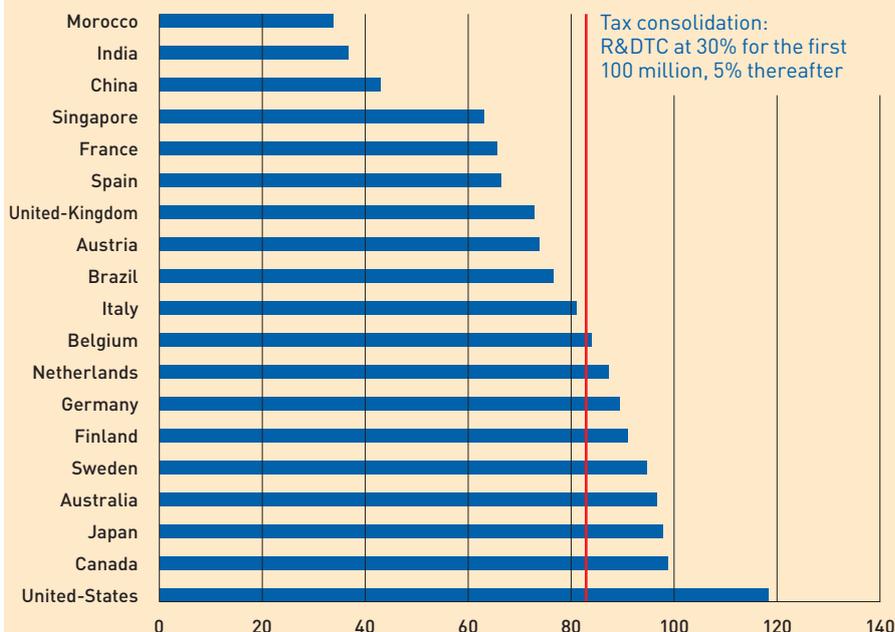


**Comment:** the size of the flag is proportional to the volume of staff concerned in the corresponding country<sup>2</sup>. The higher the flag on the chart, the higher the cost of R&D in that country. The size of each flag is proportional to the volume (FTE) of researchers in that country, for the 10 groups who participated.

Source: © ANRT- *Club Innovation et compétitivité*.

**Diagram 3**

Researcher's average cost, after incentives (baseline index = 100: France before R&DTC and subsidies)



Source: © ANRT- *Club Innovation et compétitivité*.