

# Outline of the R&D Tax Credit System

- With the aim of promoting R&D investment by private companies in Japan, the R&D Tax Credit System allows private companies to deduct a percentage of their R&D expenses from their corporate tax payments.

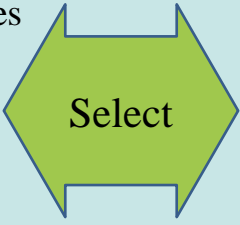
## Additional measures (temporary measures until FY2016)

### 【C. For increases in R&D expenses】

Applicable to cases in which R&D expenses increase from the average for the previous three years

**Tax credit =**  

$$\frac{\text{amount of R\&D expense increase}}{\times \text{credit rate (5\% to 30\%)}}$$



### 【D. For high R&D expense ratios】

Applicable to cases in which R&D expenses exceed 10% of sales

**Tax credit =**  

$$\frac{\text{amount by which R\&D expenses exceed 10\% of sales}}{\times \text{credit rate}}$$

+

## Major measures (permanent measures)

### 【A. For total R&D expenses】

Tax credit for the total amount of R&D expenses

**Tax credit =**  

$$\frac{\text{total amount of R\&D expenses}}{\times 8\% \text{ to } 10\%}$$
  
 For SMEs (corporations, etc. with a maximum stated capital of 100 million yen): 12% without exception

+

### 【B. For open innovation】

Tax credit for the total amount of expenses for joint or contract research with universities, national research institutes,

**Tax credit = total amount of special R&D expenses** × 20% or 30%

- For joint or contract research with universities and special research institutes, etc. ⇒ 30%
- For other cases (joint or contract research between companies, etc.) ⇒ 20%

## Tax credit ceilings (corporate tax)

Up to 40% of the corporation tax in total

