

ANNEX to EECA submission to consultation on State Aids & Innovation; November 21, 2005:

Tax & investment incentives comparison from: ESIA – 2005 *Competitiveness Report*, p. 47

Tax and investment incentives comparison

	Corporate Tax Rate	Tax Incentives	Other Taxes	Other Incentive Programmes
Germany	25%	n/a	Solidarity tax: 5.5% of corporate tax; Trade Tax, 18.37% (Dresden)	Tax-free investment grants available (until end of 2006)
Korea	25%	Full exemption on income tax for 5 yrs, 50% reduction for following 2 yrs	Property tax: 7% of building cost Land tax: .2 to 5% of land price Local education tax: 20% of the property plus land tax Rural development tax: 10 or 15% of land tax VAT: 10%	R&D tax credit – up to 15% of R&D expenses. Exemption on other taxes (see box to the left): full exemptions for 5 years, 50% reduction for the following 2 years Exemption of leasing costs available
Taiwan	25%	Full exemption on income tax for 5 years	Business tax (VAT): 5%; Land Value Tax	Investment tax credit of 13% can be used to offset up to 50% of income tax. Low-interest loans, R&D grants available for up to NT\$5 million
Japan	40.87%	Incentives offered by local governments: in Yokohama, large firms can pay half the regular income tax rate for 5 years.	VAT: 5%	Local governments offer incentives to firms investing in certain areas: in Yokohama, companies can receive rent and other subsidies amounting to 10% of the investment amount
China	15%	Full exemption on income tax for 5 years, 50% reduction for following 5 years	VAT: 17%	Incentives vary at the local level and may include free land or free or reduced rent for companies.
Malaysia	28%	Full exemption on income tax	Sales tax: 5-25%	Other incentives include: matching R&D grants,

		for 10 years		
				Matching training grants, Start-up grants, Land subsidies, R&D investment tax allowance Write-off for R&D expenses, partial grants for R&D projects
Singapore	20%	Income tax exemption on qualifying profits for up to 15 years	VAT: 4%	
USA (Texas)	35% (federal)	Companies can qualify for a reduction in sales and property tax for 10 years	Property Tax: 2.8%; Franchise Tax: 4.5%	Franchise Tax Credit of 5% available for qualified R&D expenditures. Firms that invest at least \$250 million are eligible for credits of \$7,500 per employee hired, up to 500 employees. Federal R&D tax credit available.

Sources: Invest Korea, Invest in Taiwan, Greater Austin (TX) Chamber of Commerce, Infineon China, Malaysian Industrial Development Authority, Singapore Economic Development Board, JETRO, City of Yokohama, European Commission, Invest in Germany

