

R&D Tax Incentives: Greece, 2020

Design of R&D tax relief provisions

Greece offered an incremental R&D tax allowance from 2004 to 2012, replaced by a volume-based R&D tax allowance scheme in 2013.

Table 1. Main design features of R&D tax incentives in Greece, 2020

	R&D tax allowance
Type of instrument	Volume-based
Eligible expenditures [†]	Current, capital depreciation, intangibles
Headline rates (%)	100
Refund	No
Carry-over (years)	5 (carry-forward)
Thresholds & ceilings	No

* Greece also provides an income-based tax incentive (patent box) for outcomes of R&D activities. These are beyond the scope of this note.

Note: For more details, see [OECD R&D Tax Incentive Compendium](#) and [Eligibility of current and capital expenditure for R&D tax relief](#)

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Key features:

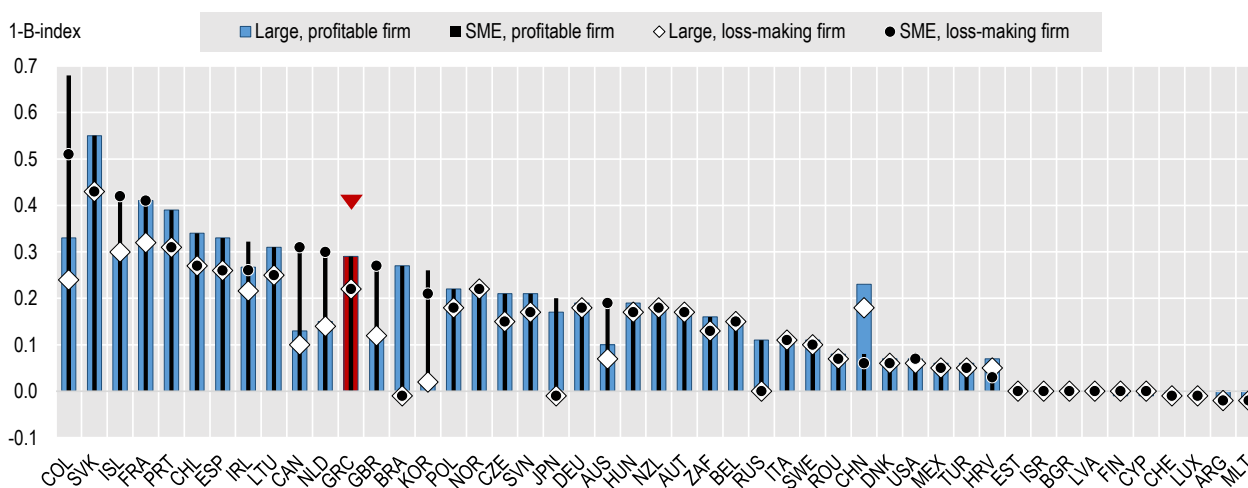
- The headline rate of relief is 100%.
- In the case of insufficient tax liability, unused credits can be carried-forward 5 years.
- No ceilings are placed on the amount of qualifying R&D expenditure or value of R&D tax relief.

Generosity of R&D tax support in 2020

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2020, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Greece is estimated at 0.29 (0.22), above the OECD median of 0.20 (0.18). The implied R&D tax subsidy rate for large enterprises is equal to 0.29 (0.22) in the profit (loss)-making scenario, well above the OECD median of 17 (0.15).

Figure 1. Implied tax subsidy rates on R&D expenditures: Greece, 2020

1-B-Index, by firm size and profit scenario



Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In 2020, changes in the availability and scope of R&D tax incentives represented the most frequent type of policy reform ([OECD, 2020](#)), along with adjustments to the headline R&D tax credit/allowance rates and adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts. In response to the COVID-19 pandemic, several countries increased the generosity of R&D tax relief or introduced modifications to the administration of R&D tax incentives to facilitate and accelerate R&D funding.

In 2020, **Greece** undertook **one change** in its R&D tax relief provisions:

- The rate of the volume-based R&D tax allowance has been increased from 30 to 100% with effect from September 1, 2020.

This policy change was not related to **the COVID-19 crisis**.

Trends in the generosity of R&D tax support

The generosity of R&D tax incentives has increased in **Greece** in more recent years, across the four scenarios considered. **Greece** offered an incremental R&D tax allowance of 50% over the 2004-12 period. A slight reduction in R&D tax subsidy rates is observable over these years. This decline is attributable to the step-wise reduction in the corporate income tax (CIT) rate between 2004 and 2011, whose magnitude directly affects the value of tax allowances.

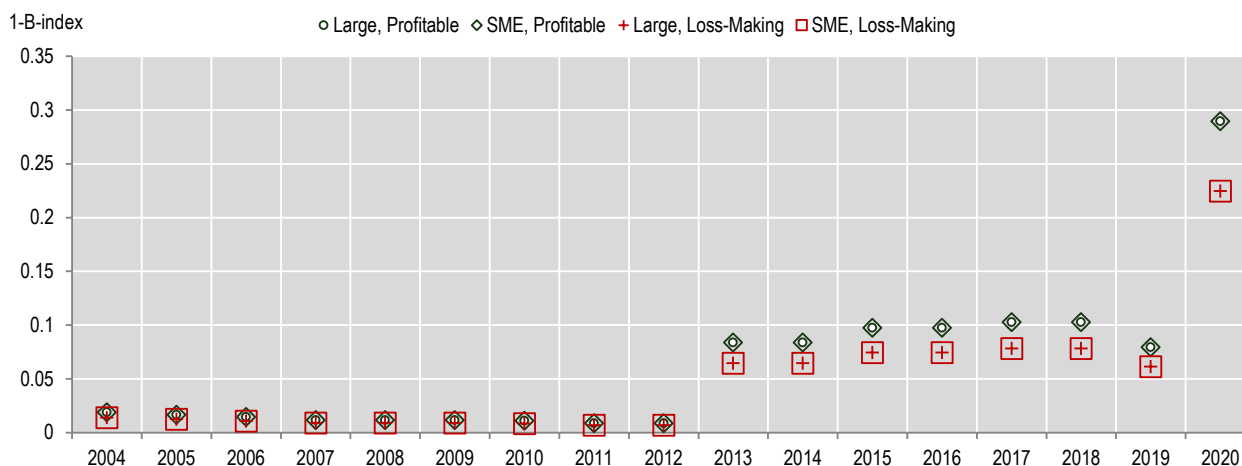
In 2013, **Greece** converted its incremental tax allowance into a volume-based scheme. This led to an increase in the implied R&D tax subsidy rate estimated for SMEs and large firms from 0.01 (0.01) in 2012 to 0.09 (0.07) in 2013 in the profit (loss-making) scenario.

The smaller-scale fluctuations in the implied subsidy rates observable in 2015 and in 2019 can be attributed to changes in the CIT rate in **Greece**: an increase in the CIT rate from 26% to 29% in 2015 and the decrease in the CIT rate from 29% to 28% in 2018.

Another reduction of the CIT rate from 28% to 24% followed in 2020, lowering the value of enhanced tax deductions. However, this reduction was more than offset by an increase in the R&D tax allowance rate from 30% to 100%, leading to a significant increase in the implied R&D tax subsidy rates for both SMEs and large firms from 0.08 (0.06) to 0.29 (0.22) in the profit (loss-making) scenario.

Figure 2. Implied tax subsidy rates on R&D expenditures: Greece, 2004-20

1-B-Index, by firm size and profit scenario



Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

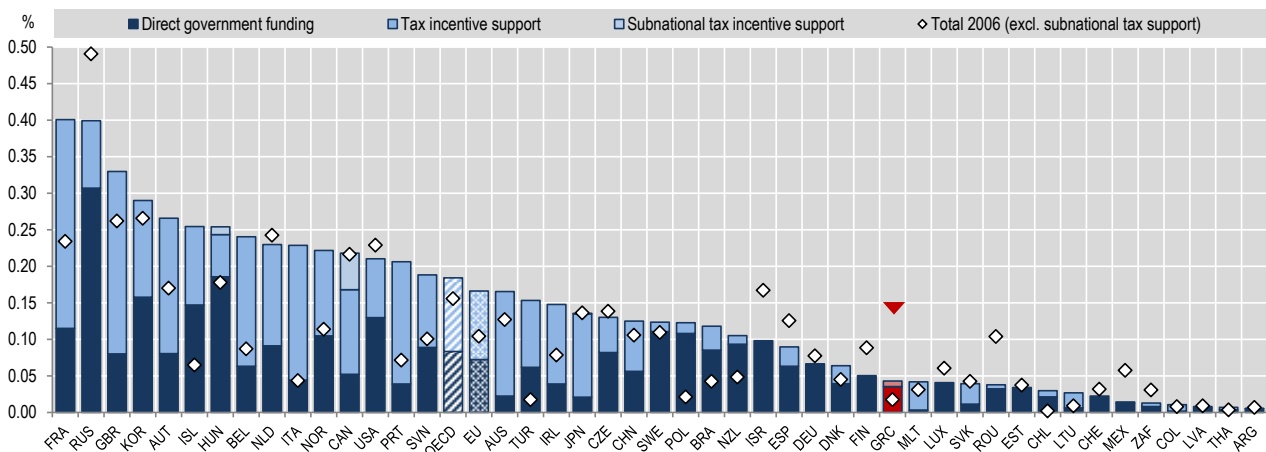
Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Policy support for business R&D: the policy mix

Greece is one of the OECD countries with the lowest level of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.043% of GDP in 2018.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2018 (nearest year)

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

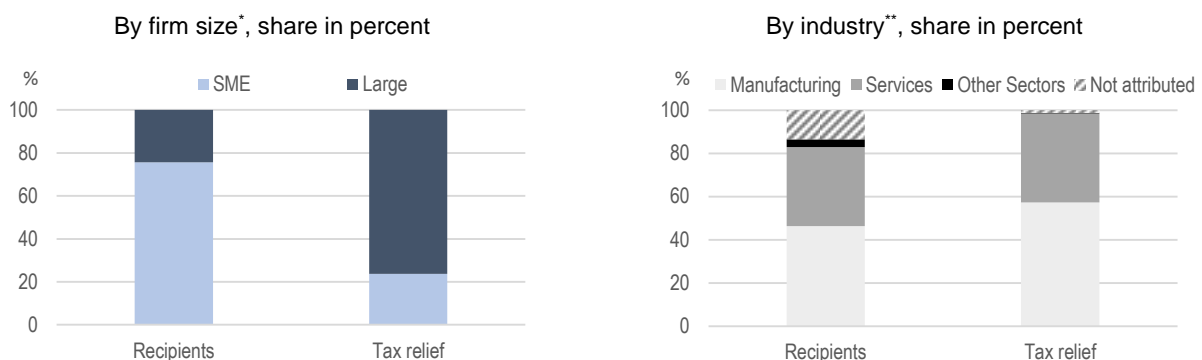
Key points:

- Between 2010 and 2018 (relevant data for 2006 to 2009 are currently not available), government support for BERD as a percentage of GDP increased by 0.03 percentage point (pp) in **Greece**, a change identical to the one observed at the OECD average (2006-18).
- From 2010 to 2018, business R&D intensity in **Greece** increased from 0.24% to 0.58%.
- In **Greece**, R&D tax incentives accounted for 18% of total government support in 2018.

Distribution of R&D tax relief recipients and government tax relief for R&D

The distribution of R&D tax relief recipients and government tax relief for R&D expenditures (GTARD) provide insights into what types of firms claim and benefit from tax relief.

Figure 4. Number of R&D tax relief recipients and value of government tax relief for R&D, 2018



Note: Figures refer to the R&D tax allowance.*SMEs are defined as firms with 1-249 employees. **Economic activity is classified based on NACE Rev 2 (10-33:manufacturing; 45-82: services; remaining classes: other sectors).

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

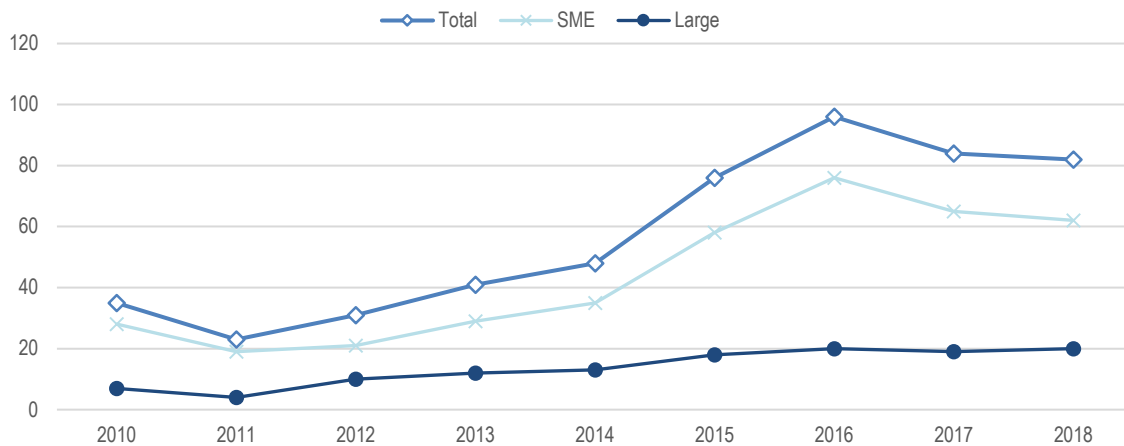
Key points:

- In **Greece**, SMEs accounted for 76% of R&D tax relief recipients in 2018, while the share of R&D tax support accounted for by SMEs amounted to around 24% in this year. 76% of R&D tax benefits were allocated to large firms, comprising 24% of the population of R&D tax relief recipients in 2018.
- In 2018, firms in manufacturing represented around 46% of R&D tax relief recipients in **Greece**, followed by firms in services with a share of 37%. The share of R&D tax benefits accounted for by the latter amounted to 41% in that year, while this share amounted to 54% in the case of firms in manufacturing.

Trends in the uptake of R&D tax incentives

Over the period 2010-2018 (the period for which relevant data are available), the number of R&D tax relief recipients increased in **Greece**, with around 80 recipients in 2018 following a peak of close to 100 recipients in 2016. Most of the increase observable for the 2010-18 period is attributable to SMEs. Throughout these years, the number of SMEs receiving R&D tax support more than doubled from 28 to 62, while the number of large firms receiving tax support increased nearly threefold but remained comparatively smaller in size, with around 20 recipients in 2018. Over the 2010-18 period, SMEs accounted for 70-80% and the majority of R&D tax relief recipients in **Greece**.

Figure 5. Number of R&D tax relief recipients, Greece, 2010-2018



Note: Figures refer to the R&D tax allowance.

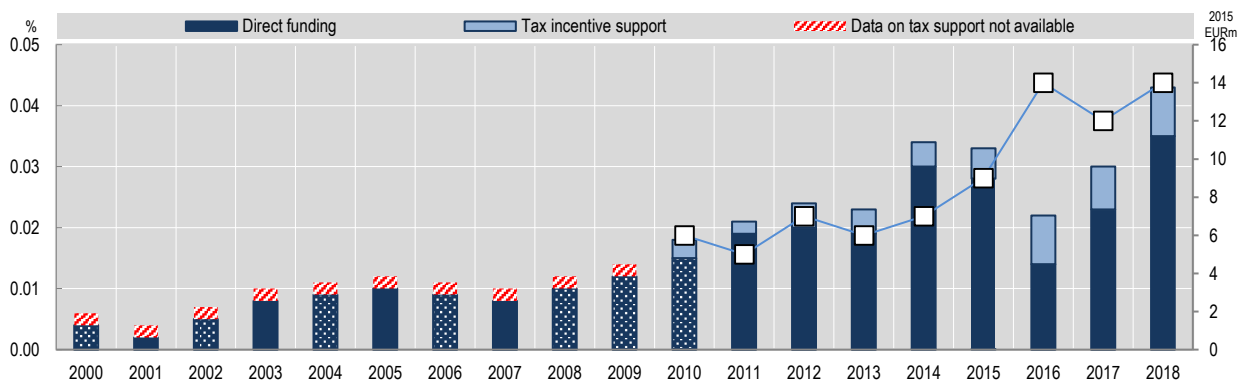
Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rntax>, March 2021.

Trends in government support for business R&D

Over the 2010-18 period (the period for which relevant data are available), the importance of tax incentives increased in **Greece** in absolute terms but remained fairly stable in relative terms.

Figure 6. Direct funding of business R&D and tax incentives for R&D, Greece, 2000-18

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rntax>, March 2021.

- The cost of government tax relief for R&D increased (in 2015 prices) from EUR 6 million in 2010 to EUR 14 million in 2018, with a downturn observable in 2013, the first year in which the new volume-based R&D tax allowance scheme came into operation.
- As percentage of GDP, tax support increased from 0.003% in 2010 to 0.008% of GDP in 2018.
- Direct funding of BERD rose from 0.015% of GDP in 2010 to 0.03% in 2015, dropping to 0.035% in 2018.
- The share of R&D tax incentives in total government support increased over these years, from 15% in 2010 to 18% in 2018.

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