

# R&D Aid in Slovakia



**One of Slovakia's targets for 2020 (under Europe 2020) is to increase R&D expenditure from 0.63% of GDP in 2010, to 1% by 2020. One of the tools needed to achieve this ambitious goal is to stimulate investment in the R&D sector. This article provides you with a short overview of some of the options.**

R&D expenditure in Slovakia is relatively low in comparison with the wider EU, and will remain below the EU average for the near future. For comparison, the EU is aiming for a total R&D expenditure equal to 3% of the EU GDP in 2020.

Many multinational enterprises have established production facilities in Slovakia; however, investment into research and development facilities remains relatively low. In order to attract R&D investment, Slovakia has introduced several incentive programs which we will briefly discuss here.

## The Slovak Investment Aid Act

Under the Slovak Investment Aid Act, investments made in new technology centers, or in their expansion, may qualify for regional aid in cases where the investment equals EUR 500,000, of which at least 50% should be covered by own equity and at least 60% of the employees must have a university education.

Note that the conditions will be amended as of May 1, 2013. Recently, an amendment to the Investment Aid Act was approved by the Slovak Parliament, with one of the changes being that technology centers must hire/employ at least 70% university educated staff. Furthermore, under the amendment, only R&D centers where development and innovation of high-tech processes, technologies and

manufacturing take place will qualify. Centers which focus on routine or periodic changes made to products no longer qualify.

Interestingly, intensities in State aid are governed by a decree which was recently amended, and will generally lead to lower aid amounts being awarded.

## Incentives for research and development

Another option is to apply for grants/incentives through Act no. 185/2009 on Stimuli for Research and Development from 2009. This Act is based on the EU Community framework for state aid for research, development and innovation. Under this Act a company which invests in fundamental research, industrial research and/or experimental development may qualify for R&D aid.

Note that companies can only apply after the Slovak authorities (Ministry of Education) publish a specific call. The call provides further details on conditions and is only applicable for a limited period of time. For example, last year the Ministry of Education published one call which was only applicable for a two week period.

## EU structural funds

EU structural funds (funded by the EU as opposed to the two abovementioned options) form an alternative in cases where companies cannot qualify for one of the state sponsored

options. The Ministry of Economy regularly publishes calls on the basis of which companies can qualify for the introduction of innovative technologies. The last call was published on February 22, 2013. This call is only applicable to companies in the SME sector, with the total amount of aid not exceeding 200,000 euros.

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It is advisable to understand the conditions under which such arrangements are available in case your company seeks to further invest in innovative technology. One advantage is that the abovementioned aid is provided in the form of cash grants.

## 7th Framework Program/ Horizon 2020

These funds are provided directly by the EU. The 7th Framework Program was introduced in 2007 and will expire in December 2013. However, the EU will introduce

an even more ambitious program to boost R&D in the EU through Horizon 2020, a program which will take effect next year.

The 7th Framework Program has a budget of over 50 billion euro (2007-2013) and is specifically targeted at supporting research and development.

Applications for these funds can only be made after calls for proposals are opened. These calls cover specific research areas and are published in the Official Journal of the EU. The call must be open, i.e. the application for such a call must be submitted within a limited period of time. Over the years, the EU has published many calls, with each including its own specific conditions/features.

The successor to the 7th Framework Program is Horizon 2020, which will come into force in 2014. The budget of Horizon 2020 will be increased to 80 billion euros for the period 2014-2020.

## Further issues

The options above should provide you some guidance, and be taken into account in case your organization is considering investing in R&D. Note that each option has specific rules regarding the start of the investment project and/or public procurement rules. It is advisable to have some understanding of these rules before taking any decision to pursue funding aid.



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