Court of Audit

Report to the federal Parliament:
CIT Tax Incentives for Research & Development (R&D)

The Belgian Court of Audit looked into the R&D tax credit, the patent income deduction (PID) and its successor, the innovation income deduction (IID). In addition to the tax control policy, the Court examined whether the three tax incentives are followed-up and evaluated and whether they have a positive impact on R&D intensity in Belgium.

Although more and more companies seek to benefit from such support measures, most of the gross amount is directed to a small number of large companies. The budgetary cost of the measures increases significantly each year. In 2018, it amounted to 1.2 billion euros, making it the major cost item in corporate income tax (CIT).

Tax inspectors must deal with complex regulations and do not have sufficient scientific background to assess the R&D character of the files submitted. This is a mission for the services in charge of science policy, which must be given additional resources. Besides, the Court recommends creating a specific R&D unit within the Federal Finance Department to gather all expertise within one pool and so increase the efficiency of risk analysis and ensuing controls.

A study by the Federal Planning Office showed that the larger the company, the less effective the tax credit and the PID. The efficiency also suffers when the same company combines several measures. The Court suggests exploring the possibility to limit the total amount of aid or to apply a lower deduction percentage on the CIT tax incentives in order to increase their efficiency while reducing their budgetary cost. Moreover, direct and indirect R&D support measures should be better harmonised between levels of government.

The Court makes several recommendations to improve the risk analysis, control and effectiveness of R&D support measures.