

BUSINESS SCENARIOS RESEARCH & DEVELOPMENT

WE OFFER
CREATIVE SOLUTIONS
FOR A COMPLEX
WORLD, **DISCOVER**
FLANDERS



Flanders
State of the Art





“Huawei already had sites in Brussels and Ghent. With the recent addition of Leuven, we now have yet another prime location. Leuven is perfect for the European coordination of our R&D efforts.”

Hudson Liu, CEO
Huawei Belgium



Tax friendly system



Open and friendly environment



Support for R&D and innovation



Highly skilled & motivated talent



High quality of Life

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FLANDERS, THE NORTHERN REGION OF BELGIUM, HAS ALL THE ASSETS YOU NEED TO INNOVATE!

FLANDERS IS A KEY LOCATION FOR INNOVATION AND R&D WITHIN EUROPE.

01 Looking for a place to set up your R&D and innovation activities in Europe?

WHY SHOULD FLANDERS BE YOUR INVESTMENT REGION OF CHOICE?

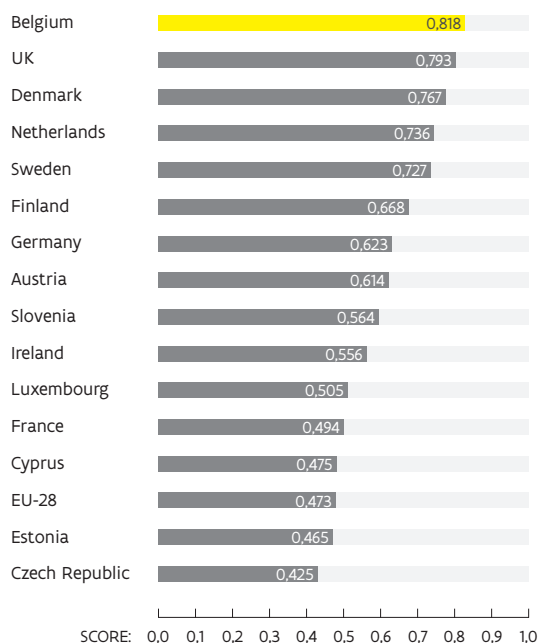
- 1 We have a culture of innovation and R&D known all over the world.
- 2 Our government strongly supports R&D and innovation.
- 3 Our tax friendly system, allowing companies to recover part of their R&D investment.

INNOVATION AND R&D OMNIPRESENT IN FLANDERS

Innovation is deeply embedded in Flanders. Flanders is a region of SME's. On the front of innovation capabilities of our SME's (in-house innovation, collaboration between innovating firms themselves and between SME's, research collaboration between the private and the public sector), Flanders is absolutely top notch within the EU-28 region



EU COMMISSION (DG ENTERPRISE), INNOVATION UNION SCOREBOARD, 2015



Also on a global level (all categories of companies) this capacity to innovate and the excellent university-industry collaboration is honoured with respectively a 13th and 6th position (WEF Global Competitiveness Report 2015-2016).

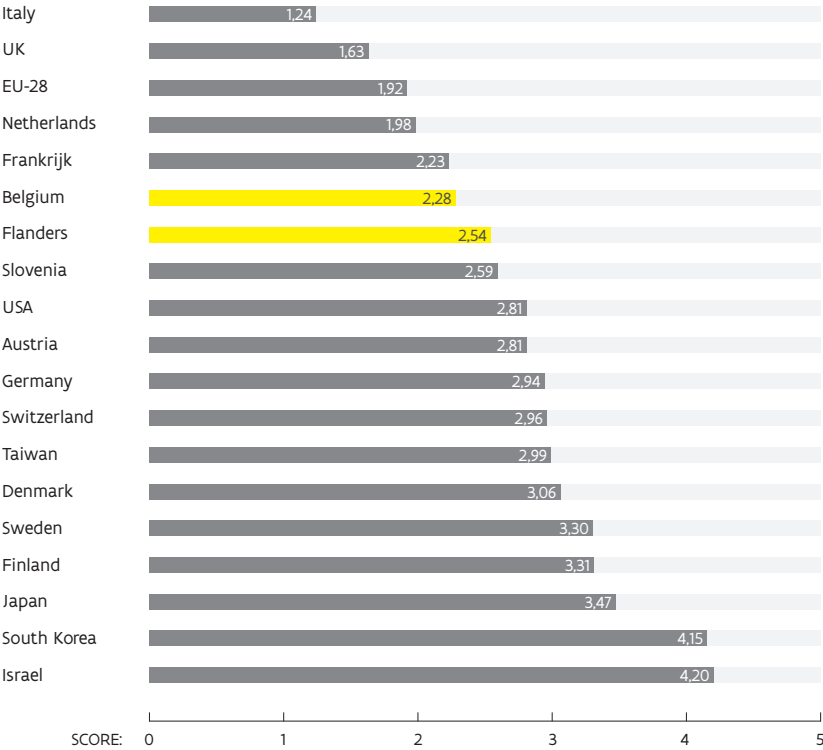
When it comes to the total R&D spending of a country or region as a percentage of GDP, Belgium and Flanders spent respectively 2,28% and 2,54% of its GDP on R&D investments in 2013. This brings us worldwide on a 13th position, behind Germany, but well before our four other neighbours (Eurostat, UNESCO and ECOOM, 2015). When we look at company spending alone, WEF Global Competitiveness Report 2015-2016 puts us even in 10th position worldwide!

TOP GRADES FOR FLANDERS

In addition, according to the already mentioned WEF Global Competitiveness Report 2015-2016, Belgium belongs to the absolute world top 5 when it comes to the quality of our scientific research institutions.

RANKING	AVAILABILITY OF LATEST TECHNOLOGY	CAPACITY FOR INNOVATION	COMPANY SPENDING ON R&D	UNIVERSITY-INDUSTRY COLLABORATION	QUALITY OF SCIENTIFIC RESEARCH INSTITUTIONS
Belgium	15	13	10	6	5
Netherlands	10	16	18	9	6
Germany	12	5	6	10	9
France	21	20	16	29	13
UK	5	10	17	4	2

TOTAL R&D SPENDING OF A COUNTRY OR REGION AS A PERCENTAGE OF GDP, SOURCE: EUROSTAT, UNESCO AND ECOOM, 2015



FLANDERS, A MAGNET FOR FOREIGN INVESTORS WITH R&D ACTIVITIES

The presence of an innovative industrial fabric, state-of-the-art research institutions and universities, highly skilled workforces, an educational system that is absolute world top, excellent R&D incentives and a dedicated governmental backing, both in vision and in funding: it's no wonder that more and more foreign investors find their way towards Flanders. According to our own statistics, the share of foreign direct investments in R&D activities has risen from 3.82% in 2006 to a stunning 22.03% in 2016!

02 A warm welcome to Flanders!

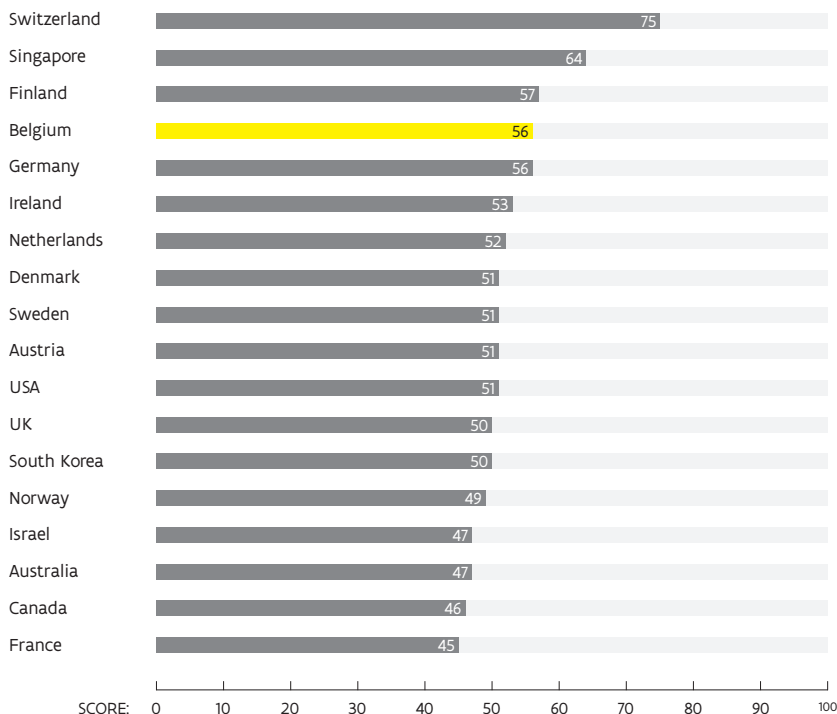


FLANDERS IS ONE OF THE MOST INNOVATIVE REGIONS IN EUROPE...

According to the 2014 Regional Innovation Scoreboard, compiled by the European Commission, Flanders is one of the continent's most innovative regions. In this third study, the European Commission compared the regional innovation assets in the EU-28 countries, as well as in Norway and Switzerland.

... AND ONE OF THE WORLD'S MOST INNOVATIVE ECONOMIES...

According to the ZEW Global Innovator Index 2015, Belgium ranks fourth in the list of the most innovative countries worldwide (figure below)



WORLD LEADER IN BIOTECHNOLOGY

In a recent article, the professional journal *New Scientist* – supported by the findings of analysts at the World Economic Forum – qualified Flanders' (Belgium's) achievements in the area of biotechnology as “nothing short of impressive”.

New Scientist stresses the fact that Belgium – and Flanders as a region – has the most biotech companies in the world (300), in relation to the number of inhabitants. 75% of Belgian companies in the sector are active in healthcare, while the remainder focus on industrial or agricultural research.

Furthermore, the managing director of VIB, Flanders' world-class center for life sciences expertise – commented:

“Flanders (Belgium) offers substantial advantages for scientists, such as a ‘unique, dynamic and international environment with a lot of opportunities to network and build a career.’ “

Johan Cardoen, Managing Director of VIB

INTERRELATION BETWEEN GROWTH AND CAPACITY OF REGIONAL ECONOMIES TO INNOVATE

Regions and cities are the primary spatial units where knowledge is transferred, innovation systems are built and competition to attract investments and talents takes place.

Regions are an appropriate level for stimulating innovation: many regional

governments have important competences and budgets in the field of innovation. Their geographical proximity facilitates the acquisition, accumulation and use of knowledge. Each region's performance not only depends on that of enterprises and research institutes but also on interactions between different stakeholders, enterprises and organizations, whose knowledge and know-how build up over time.

03 Support for R&D and innovation

FULL BACK UP

Innovation and the triple helix model is highly supported by the government, at both federal and regional levels. Flanders aims to establish continuity in R&D and innovation investments; this implies a marked preference for integrating R&D with the economic policy. A regional cluster policy in which innovation and the marketing of products and technology have a central place, has been linked to a long term perspective (Vision 2050) and leans closely towards the broader European context: that of European R&D programs and incentives, like COSME, Horizon2020, the European Structure and Investment funds, the cluster programs of EUREKA, INTERREG projects and the Vanguard Initiative.



Not only has Flanders very good opportunities for our future in some key enabling technologies, we also do excel in some smart specializations, on which Flanders actively focuses on:

- Sustainable chemicals
- Specialized make solutions (smart textiles, urban mining, 3DP applications, mechatronics, port engineering, etc....)
- Personalized healthcare
- Added value logistics
- Food and health, but also specialized agro-food
- Different niches in construction, environment & energy
- ICT niches in hardware as well as software

The Centre for Research & Development Monitoring (ECOOM) has developed a consistent system of R&D and Innovation (RD&I) indicators for the Flemish government.

There are a lot of opportunities for research talent. Attention has been given to communication on and popularization of scientific and technological education.

SUBSTANTIAL FUNDING AVAILABLE

Flanders provides a wide range of R&D incentives in the form of fellowships, grants, subsidies, etc. Flanders Innovation & Entrepreneurship (VLAIO) - formerly Flanders Enterprise (AO) and Institute for the promotion of Innovation by Science and Technology in Flanders (IWT) - is the one counter stop which provides substantial grants to fund your innovative R&D projects up to 80%. Its advisers and experts provide the necessary support so you can develop your competitive edge.

Funded projects include mainly:

- Feasibility studies, pre-studies for checking of an idea, starter study (funding rate of 50%; ceiling fixed at EUR 50,000);

- SME innovation project: project aiming at concrete realization of the innovation (commercialization) with a certain degree of risk. New for the company + concrete impact on industry (funding rate of 45% for SE's and 35% for ME's; ceiling fixed at EUR 250,000);
- R&D program of > € 100,000: R&D projects for new innovative products (funding rate of 25% for development activities, and of 50% for industrial research activities with possible uplifts of 10% for SMEs or internationally; ceiling fixed at EUR 3,000,000);
- Sprint project: a limited development project to gain new knowledge - technological or not - in view of an important innovation (i.e. a new or improved product, process, service, concept with huge impact on the company's future performance): funding rate of 25%; +10% when cooperating with SME or internationally, ceiling fixed at EUR 250,000);
- The 'Baekeland-mandates' program provides funding for pre-doctoral researchers during four years. The pre-doctoral researchers are expected to cooperate with private companies in a specific sector (funding rate of 60% for SME's and 50% for LE's; ceiling maximum EUR 40,000/year).

Please note that VLAIO offers also excellent grant incentives for investments that are not strictly R&D but that focus on:

- Strategic transformation projects with strong components of innovation (broad sense), internationalization and sustainability; and
- Ecological investments related to environmental technologies, energy technologies and renewable energy

For more information please contact Flanders Investment & Trade at: invest@fitagency.be



Right on track

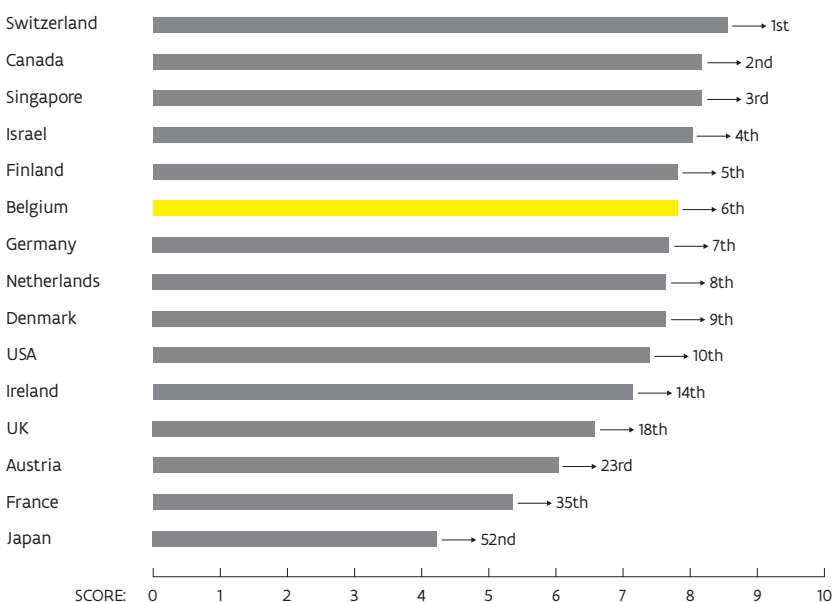
Founded in Switzerland by top scientist Rudi Pauwels, Biocartis is one of the leading biotech companies in Flanders. In 2011 the company's main activities moved to Mechelen in Flanders, supported by, amongst others, Flanders-based investment company Maatschappij Vlaanderen (PMV). One of the reasons why CEO Rudi Pauwels chose Flanders was for its support of biotech initiatives. With many years of international experience to draw from, he acknowledges the biotech investments in Flanders are a good way to prepare the region for present and future success.

Nowadays Biocartis already employs approximately 300 people and is headquartered in Mechelen, Belgium. Just as many European investors, Biocartis welcomed the biotech investment opportunities Flanders had to offer, including the support that the government provides the industry. Flanders is and has therefore been often considered as the ideal base for several other successful biotech companies, such as Galapagos, ThromboGenics, Ablynx, Tigenix and CropDesign.

Further information can be found at: www.biocartis.com



2015 University education meets the needs of a competitive economy (Index from 0 to 10) (IMD)



Unparalleled R&D incentives in Europe

According to the recently issued Highlights on International Tax (2013) by US-based professional services firm Deloitte, Belgium – and Flanders as a region – offers the best R&D related incentives in Europe.

Thanks to these fiscal measures, companies in Belgium can recover up to 80% of the withholding tax on professional income for their researchers, provided certain conditions are met. Employment costs are cut significantly as a result. This gives companies in the region a major advantage over their competitors in neighbouring countries in attracting talent. In the conclusion of its report, Deloitte stated that none of the other countries investigated had such an advantageous, structurally in-built system.

04 9 available tax incentives

The federal tax benefits for R&D are not limited to the R&D activities themselves; there are also tax incentives that relate to the commercialization of the R&D output.



- 1 R&D payroll tax incentive
- 2 R&D tax credit/investment deduction
- 3 Special tax status for foreign executives
- 4 Innovation premium
- 5 Tax exemption for regional grants
- 6 Innovation Income Deduction
- 7 Fiscal/Scientific ruling
- 8 Notional Interest Deduction
- 9 Dividend withholding tax exemption

🕒 R&D payroll tax incentive

In general, tax laws state that companies employing researchers have to withhold advanced tax payments from the remuneration paid to their researchers through the payroll. The amount withheld is then transferred to the tax authorities.

This R&D payroll tax incentives exempts 80% of the taxes withheld through the payroll from being paid to the tax authorities, resulting in an immediate cash saving and therefore allowing companies to use the savings to the best of their interest.

BENEFITS FOR THE COMPANY

- There are additional financial possibilities for the employer, as the benefit will go to the employer. It does not impact the payroll and related net payment of the individual concerned.
- It is a 'cash-in-hand' benefit: direct

availability of the financial resources.

- Private companies have discretionary power to use the savings achieved in the most suitable way to further their growth.

CONDITIONS TO BE MET

- The R&D payroll tax incentive can only be applied to researchers. The definition of researchers varies depending on the status of the entity with a more flexible approach for universities, scientific institutions and young innovative companies.
- The individual must have a Master/ Doctorate (PhD) degree in Science (excluding human sciences).
- The individual must perform R&D activities (see definition).

The saving for a FTE can reach up to 25% of the remuneration cost.

Definition R&D

Frascati manual - OECD

5 criteria to be met:

- **NOVEL**
To be aimed at new findings
- **CREATIVE**
To be based on original, not obvious, concepts and hypotheses
- **UNCERTAIN**
To be uncertain about the final outcome
- **SYSTEMATIC**
To be planned and budgeted
- **TRANSFERABLE AND/OR REPRODUCIBLE**
To lead to results that could be possibly reproduced

R&D tax credit/investment deduction

A company investing in R&D in Belgium will be allowed to benefit from a considerable deduction or a tax credit provided the investment is used for its R&D activity.

BENEFITS FOR THE COMPANY

- The one-shot investment deduction/tax credit is calculated as 13.5% (for tax year 2016) of the acquisition value of the qualifying asset and is also applicable for acquired patents.
- The spread investment deduction/tax credit is calculated as 20.5% (for tax year 2016) of the annual depreciation applied to the qualifying asset.

Both tax incentives (tax credit or investment deduction) are governed by the same conditions in terms of qualifying investment, reporting obligations, etc.

However, the tax credit has two important features that could make it a more attractive incentive than the investment deduction:

- The tax credit is refundable after five years, which is particularly beneficial to companies in a non-tax paying position because it offers a 'cash-in-hand' benefit.
- In IFRS and US GAAP, there are valid supporting arguments in favor of booking the tax credit as a decrease of costs or increase in earnings, as opposed to a reduction in the tax due.

CONDITIONS TO BE MET

- The investment must be new.
- The investment should be recorded as a fixed asset (tangible/intangible) on the company's Belgian GAAP balance

sheet and should be depreciated over a minimum period of three years.

- The investment is exclusively used for professional purposes in Belgium.
- The assets should be kept and used for the R&D activities during their entire depreciation period.
- The assets should not be disposed by the company to a third party except if the latter would also benefit from the R&D investment tax deduction/credit.
- There should be an R&D center.

The saving will be between 4% (in case of a one-shot deduction/tax credit) and 7% (when spreading the deduction/tax credit).

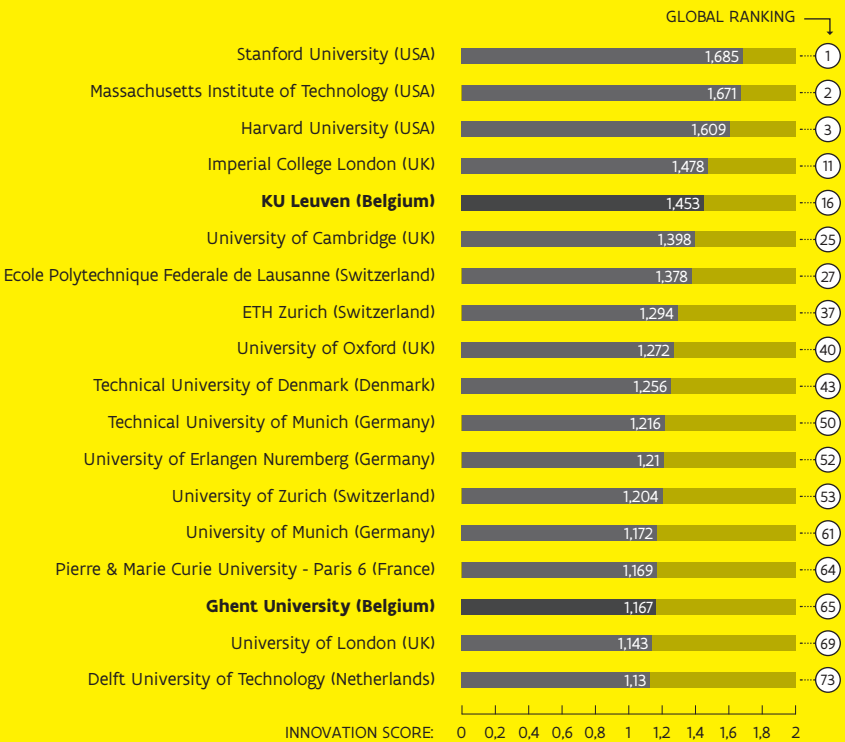


The IMD World Competitiveness Yearbook 2015, ranks Belgium on 6th place worldwide for its university education.

Research in Belgium (Flanders) at world top level

Academic research in Belgium – and Flanders as a region – ranks among the best in the world in terms of quality.

According to Reuters’ Most Innovative Universities Ranking 2015, the academic research of the KU Leuven ranks among the best in the world in terms of innovations. On European soil only the Imperial College London scores better.



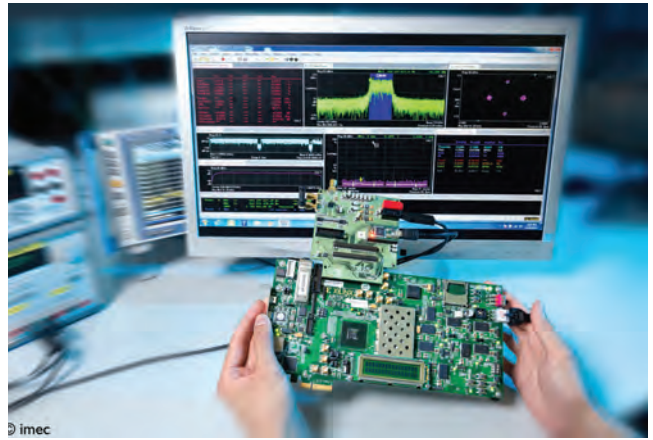
“The goal is to realize double-digit growth in Europe. How? By putting more brands in the market and opening new shops. Recently, we opened the first of at least 150 new European shops in Antwerp (Flanders)...Not only is Oudenaarde one of our largest production sites, it’s also our center for product development. Here, new models and technologies are conceived. An important asset in this is our close collaboration with Flanders’ universities and the presence of partner companies in the region.”

Ramesh Tainwala, CEO
Samsonite

Global luggage manufacturer and retailer Samsonite is moving its design center from Italy to the European headquarters in Oudenaarde (Flanders). In addition, the R&D department at the site will be enhanced as well.

(Source: FIT 11/06/2015, de Tijd)





🕒 Special tax status for foreign executives

“With 2,000 researchers and over 70 nationalities, imec is a real research melting pot. The industrial resident researchers, about 400 of them, are mainly employees of companies with headquarters in the EU, the US, Japan or South Korea. The 200-odd PhD students come from all over the world.”

Ludo Deferm (Executive Vice-President Business Development at imec)

Belgium offers an attractive tax status for executives and researchers who are hired abroad to work temporarily in Belgium. This tax status can help reduce the cost of attracting and hiring foreign specialized personnel. Even though linked to the employment of researchers, this status benefits employers.

BENEFITS FOR THE COMPANY

- The employee will be considered as a tax non-resident and will therefore be taxed on Belgian working days only (implying, in all likelihood, no taxation in any other country).
- A lump sum cost deduction (based on housing, cost of living and tax

equalization payments) is available up to EUR 29,750 for researchers and EUR 11,250 for other foreign executives.

- Certain costs can be reimbursed tax free, such as moving costs and school fees.

CONDITIONS TO BE MET

- Foreign individual who has never filed a Belgian resident personal income tax return.
- Employed within an international group
- Temporary working in Belgium
- Individual must have special skills, knowledge or expertise

🕒 Innovation premium

This premium can be granted for an innovation that is developed by an employee and which creates added value for the normal activities of the company.

BENEFITS FOR THE COMPANY

- The premium is exempt from social security and income tax.
- The premium is tax deductible for the company.

CONDITIONS TO BE MET

- The premium may not exceed one month's gross salary per employee per calendar year.
- No more than 10% of the employees benefit from this premium.
- Innovation project reporting obligation to authorities for approval.

🕒 Tax exemption of regional grants

If a company receives R&D grants from Flanders, these grants will not be considered as taxable income.

One of the world's most educated nations

According to the OECD's 2015 'Education at a Glance' report, Belgium, and Flanders as a region, ranks amongst the most educated countries in the world. The OECD revealed that no less than 44% of Belgium's 25 to 34 year-olds completed higher education. 82% of this age group finished secondary education.

Also countless other international sources praise our lead in education. The table of WEF Global Competitiveness Report 2015-2016 below shows that Belgium is absolutely top 5 worldwide in all categories referring to governments' educational efforts, even outsmarting our direct neighbours!

GLOBAL RANKING	PRIMARY EDUCATION	EDUCATIONAL SYSTEM	MATH AND SCIENCES	MANAGEMENT SCHOOLS	AVAILABILITY SPECIALIZED TRAINING SERVICES
Belgium	2	5	3	2	3
Netherlands	6	8	7	8	2
Germany	19	10	16	25	5
France	28	30	19	11	18
UK	27	21	46	3	7

Innovation Income Deduction (IID)

Based on the new legislation on innovation income deduction (which is applicable as from July 1, 2016) companies getting income through certain types of IP rights can receive an exemption of 85% of the net revenue that can be attributed to this IP protected technology.

The IP rights concerned are:

- Patents
- Supplementary Protection certificates
- Plant variety rights
- Orphan drug rights
- Computer programs protected by copyright – upgrade software included
- Data or market exclusivity obtained from public authorities.

The following income streams may qualify for the application of the IID:

- Revenues from licenses
- IP income embedded in sales product

or services

- IP income embedded in production processes
- Compensation for damages of IP right infringements
- Capital gains (if certain conditions are met)

BENEFITS FOR THE COMPANY

The 85% exemption will lead to a maximum effective tax rate of 5,1% on the revenue related to the IP rights. The qualifying income for the 85% exemption consist of the revenue that is directly related to the IP rights. From this amount, all the direct costs that have been made in order to develop the IP right need to be deducted (including historical development costs).

The exemption will be applicable on all income generated as from the date of

filing (obtaining in case of copyrighted software) of the IP protection. The unused exemption (e.g. in case the company is not in a tax paying position) can be carried forward to the following years.

CONDITIONS TO BE MET

The company needs to have obtained an IP right as indicated above. During the period between filing of the IP right and obtaining the IP right, a preliminary exemption is already applicable. The company needs to be able to prove the total development cost for the IP right (including the costs made in the previous years) as this needs to be deducted from the eligible revenue. The application of the IID will also be limited on a pro rata basis in case a substantial part of the development costs have been made by a related party.



Fiscal/Scientific ruling

Fiscal ruling, officially called ‘preliminary decisions in tax matters’, is a judicial treatment that explains, to prospective investors, which laws are applicable in their future projects. A ruling commission gives answers to your preliminary questions on transactions or investments, more specifically on the fiscal aspect of

those investments. Subsequently, the commission will formulate a decision on the correct application of tax regulations, which is valid for a five-year period.

On top of that, companies can also ask for a formal advice which of their activities can be considered as R&D activities

based on the R&D definition. This advice can be obtained from the Federal Science Department (Belspo). The advice is binding towards the tax authorities and can thus provide legal certainty to companies with respect to the scope of the eligible R&D activities.



Notional Interest Deduction (NID)

Companies in Belgium receive a deemed interest deduction for invested equity. The basis for calculating the NID is the equity based on Belgian GAAP from which some adjustments (e.g. investment in shares) can be deducted.

The rate for the notional interest deduction currently amounts to 0,237% (or 0.737% for SMEs). The exact rate of the notional interest deduction is determined on the basis of the OLO interest.

notional
interest
deduction

=

notional
interest rate
x
adjusted
equity

9 AVAILABLE TAX INCENTIVES

Example

Source: Federal Public Service Finance

The balance sheet of the Belgian entity shows that the share capital has been used for group financing. The profit before taxes is 1,000.

Before the introduction of the NID, the corporate tax would have been 340 € (or 33.99%). Thanks to the NID, the effective corporate tax rate to be paid is 259 € (or 25.9%) only.

	Assets Group financing 100,000 €	Liabilities Share capital 100,000 €
P & L ACCOUNT	BEFORE NID	WITH NID
Profit before tax	1,000 €	1,000 €
NID (0,237%)	/	-237 €
Taxable basis	1,000 €	763 €
Corporate tax (33.99%)	340 €	259 €
Effective tax rate	33.99%	25,9%

Dividend withholding tax exemption

In principle, dividends distributed by a Belgian company are subject to a Belgian domestic withholding tax of 25% (a reduced rate of 15% is possible provided certain conditions are met).

Based on the implementation of the EU Parent-Subsidiary Directive of 23 July 1990 in Belgian tax law, in principle a withholding tax exemption applies to dividends distributed by a Belgian tax-resident company if the recipient company:

- Is established in Belgium or another EU Member State;
- Has a direct holding of at least 10% in the capital of the Belgian distributing company;

- Maintains this holding for an uninterrupted period of at least one year or commits to holding it for a minimum period of one year;
- The companies are incorporated in the appropriate legal form (in a cross-border context).

Belgium abolished dividend withholding tax for dividends paid to corporate shareholders in Treaty Countries. The exemption is available provided the beneficiary of the dividends meets the following conditions:

- It is a corporation that is resident in a Treaty Country;
- It holds a participation of at least 10% in the Belgian company during an uninterrupted period of 12 months;

- It is normally subject to tax in its country of residence;
- It has a legal form that is similar to the legal forms enumerated in the EU Parent-Subsidiary Directive;
- Belgium and the country in which the recipient company is established have concluded a double tax treaty that provides for a sufficient exchange of information.

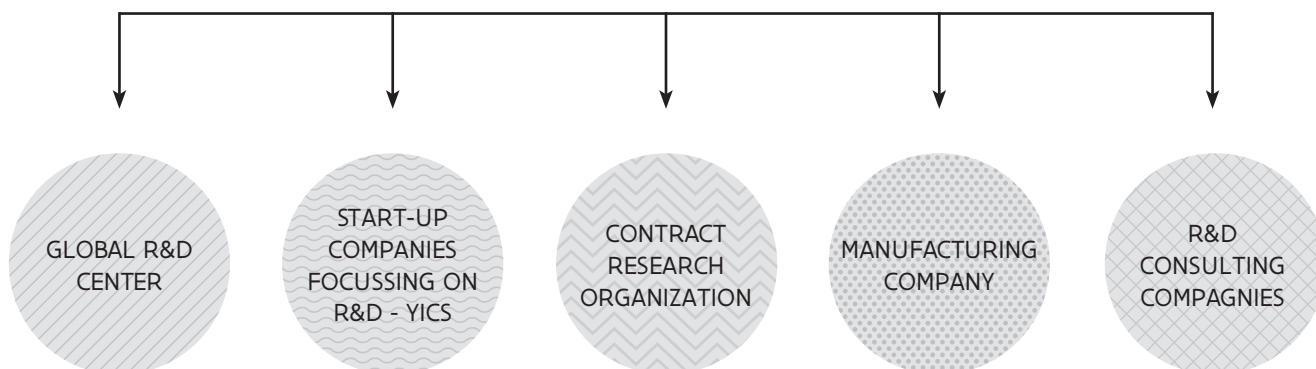
Currently, Belgium has tax treaties with more than 85 countries.

Minor formalities have to be observed.



05 Check if your company is eligible

R&D may be present in and outside the R&D center. Many activities outside an R&D center may qualify for tax incentives.



✓ Global R&D center

A global R&D center performs many R&D activities and will keep the IP related to the development of new processes, technologies, products, etc.

The activities can qualify as R&D and as the IP will be kept in this company (and the patents requested will be under the company's name), PID will also be available.

APPLICABLE TAX INCENTIVES

All tax incentives are available for a global R&D Center.

Worldwide Cargill modernizes R&D center in Flanders

International food ingredients producer and distributor Cargill is modernizing its European R&D center in Vilvoorde in Flanders. In the course of 2012-2013, the company will invest a total of EUR 8 million in the project.

Cargill has stated its intention to strengthen its focus on food safety by updating its process pilot and adapting them to the ever-higher standards in this sector.

Ever since 2002, the Vilvoorde facility has been the innovation epicenter for Cargill in Europe, the Middle-East and Africa. About 150 scientists and technologists are working at the center. Apart from Vilvoorde, Cargill also has facilities in Antwerp, Ghent, Herent, Izegem and Mechelen in Flanders.



“Janssen in Belgium is one of the largest European sites with over 5,000 employees. The Campus is focusing on the development of innovative medicines for over 50 years and is a worldwide Center of Excellence investing in first-class research and development, production and market access expertise. With a thriving innovation ecosystem covering the complete lifecycle of drug development, Janssen in Belgium is a unique Campus. Every day our people are dedicated to the discovery and development of a new generation of healthcare solutions for the fight against Alzheimer’s, mood disorders, hepatitis, HIV and different types of cancer. One of the many great initiatives I am thrilled about is the new company incubation model, JLINX, located at the Janssen Campus in Belgium. It’s an exciting initiative that opens up a world of possibilities.”

Stef Heylen,
Managing Director, Janssen Pharmaceutica NV

✓ Start-up companies focussing on R&D – YICS

YICs (Young Innovative Companies) are small companies that are intensively engaged in innovation activities. According to the Belgian legislation, a YIC cannot exceed more than one of the following criteria:

- a year average of 50 employees;
- a turnover of EUR 7,300,000 (excl. VAT);
- total assets of EUR 3,650,000; except if the workforce year average is more than 100.

IN ADDITION, A YIC HAS TO FULFILL THE FOLLOWING REQUIREMENTS:

- is in existence for less than 10 years, prior to January 1st of the reference year;
- may not be founded in the context of a merger, restructuring, or expansion of a previous activity, or a take-over of such activity;
- is earmarking at least 15% of total costs of the preceding taxable period for R&D.

YICs generally encompass all firms in an early life-cycle phase.

APPLICABLE TAX INCENTIVES

All tax incentives are available to YICs. Since many YICs conduct R&D activities without breaking even in the first years, they definitely benefit from the numerous incentives available in Flanders that have an impact on their cash flow/accounting position, rather than mere tax deductions (withholding tax exemption - also for researchers without a master's degree, tax credit, expatriate status, innovation premium, grants exemption).

High tech start-ups boom in Flanders

More and more young entrepreneurs are establishing their own technology company in Flanders.

In addition to that, young entrepreneurs get a lot of support from the government, while trade associations like Voka encourage them with initiatives to help them get started.

Furthermore, especially in the biotech sector VC funding is readily available.

There is a vibrant entrepreneurial spirit amongst youngsters in Flanders," says Pascal Cools, General Manager of Flanders DC – the regional organization for entrepreneurial creativity.

Prof. Koen Debackere, General Manager at KU Leuven University, agrees: "We currently see a prevailing dynamic of innovation and technology in the region. The fact that universities and research centers attach more importance to entrepreneurship plays a vital role in this trend."

After eight years spent living abroad, I was pleasantly surprised by the developments in Flanders. As I was considering several locations for the expansion of Biocartis, I found that Flanders had grown into a leading region in Europe with regard to biotechnology and pharmaceuticals. Furthermore, the government of Flanders offers invaluable guidance. I was impressed also by the communication and coordination between all relevant parties. A mere two days after I had announced my intention to find a new location, Flanders Investment & Trade set up the first meeting. They also put together a taskforce composed of representatives of different agencies and tax experts. This was definitely the right move, since I decided to come back to Flanders three months later."

Rudi Pauwels (founder and Executive Chairman of Biocartis)

✓ Contract research organization

A CRO (Contract Research Organization) is an organization that provides support to other companies in the form of R&D services outsourced on a contract basis. CROs are especially common in pharmaceutical and biotechnology industries. They may provide services such as biopharmaceutical development, biologic assay development, preclinical research, clinical research and clinical trials management, which are all potentially eligible R&D activities. A CRO will typically not be the owner of the IP related to the R&D activities it is conducting.

APPLICABLE TAX INCENTIVES

All the tax incentives are available to CROs.

However, IID will not benefit CROs as they usually don't apply for IP rights; this would be done by the contracting company. There is still a small chance that CROs may apply IID in case they have access to certain IP rights (e.g. as co-owner or licensee) or in case they have their own IP rights on developed technologies that are used internally in the production/delivery process.

DID YOU KNOW

Flanders has an impressive track record when it comes to discovery research and innovation across a wide range of disciplines and a variety of sectors. The region houses four Strategic Research Centers that collaborate with the academic and business worlds and each have their own specific focus. When siting your company in Flanders you can benefit greatly by collaborating with these centers. They are the birthplaces of cutting-edge technologies and of the processes that shape tomorrow's society:

- imec (www.imec-int.com)
Imec is the world-leading R&D and innovation hub in nanoelectronics and digital technologies.
- VIB (www.vib.be)
VIB is a world-class center for life sciences expertise.
- VITO (www.vito.be)
VITO excels in technological research and consulting for product innovation and improved levels of business.
- Flanders Make (www.flandersmake.be)
Flanders Make excels in strategic research for the manufacturing industry.

✓ Manufacturing company

A manufacturing company takes care of the production of goods for use or sale using labor and machines, tools, chemical and biological processing, or formulation. The term is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale.

R&D activities can be carried out in a manufacturing company outside the normal manufacturing activities. The product development and production process can be further developed, for instance to introduce a new product to the manufacturing line, for equipment development, process development and/or continual improvement of

the production process. Such activities could be considered as R&D activities.

APPLICABLE TAX INCENTIVES

All tax incentives are available to manufacturing companies, including IID if they obtain IP rights.

✓ R&D consulting companies

Many companies are working for other corporations as a consultant on specific projects. The consulting company will work as a subcontractor on the project and will in no event be the owner of the developed technology, process, product, etc. The activities carried out by the R&D consulting company can qualify as R&D activities if the project is eligible as an R&D project.

APPLICABLE TAX INCENTIVES

All tax incentives are available to R&D consulting companies.

The investment deduction/tax credit will in most of the cases not be applicable since there will likely be no R&D center within the R&D consulting companies in which the R&D activities are carried out.

IID will not be applicable as they will not have the IP rights on the results (on the project carried out as subcontractors). Should they continue to conduct internal R&D activities (and obtain IP rights), all incentives will be available to them.

Daikin in Flanders

the ideal climate for innovative air conditioning

As a market leader in climate control solutions, Daikin Europe N.V. is always looking for new ways to innovate and improve its solutions portfolio. In order to meet rapidly changing customer demands and local market needs in the EMEA region, the company is setting up an extensive European Development Center (EDC) at its headquarters in Ostend in Flanders (Belgium). The facility is set to evolve into an important European R&D center, which proves the Japanese multinational's continued confidence in Flanders and its people.

Established in Flanders (Belgium) in 1972, Daikin Europe currently employs around 5,400 people, generating an annual turnover of ca. EUR 2 billion. The lead plant in Ostend is responsible for sales in the entire EMEA region and for production units in Belgium, Czech Republic, Germany and Turkey.

VOTE OF CONFIDENCE

As one of the company's four regional development centers – others are located in Japan, China and the US – an investment of around EUR 13 million has been earmarked for the first development stage.

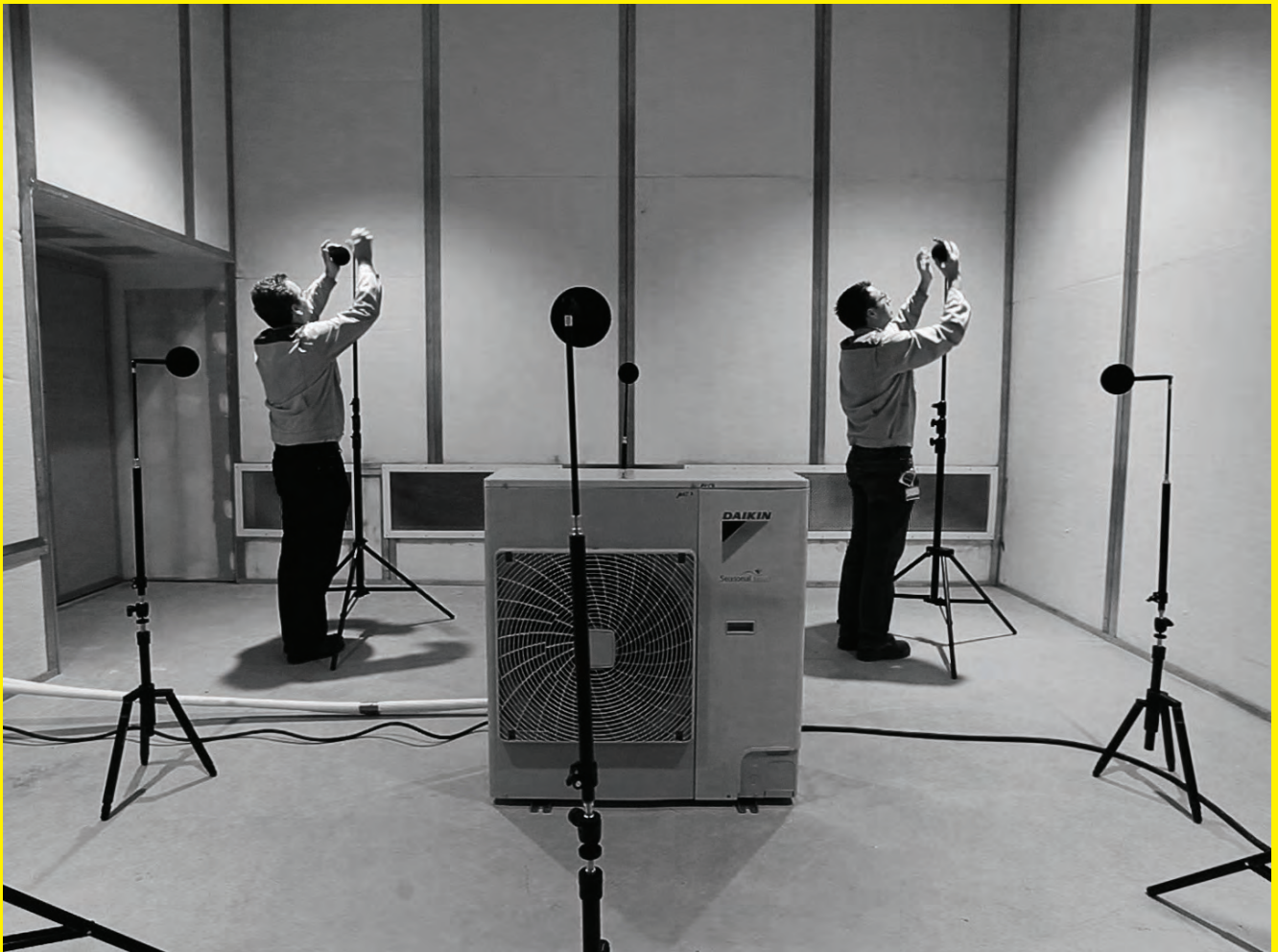
"The construction of this state-of-the-art EDC in the town of Ostend proves Daikin Industries' confidence in the capability, know-how and experience of its employees in Flanders," explains Frans Hoorelbeke, Chairman of Daikin Europe and board member of parent company Daikin Industries.

Daikin Europe has already begun the construction of several new high-tech testing rooms. In one of these test chambers, for instance, engineers can simulate the climatic conditions

which may occur in one of the 27 EU countries. Daikin Europe is planning to bring together in the EDC a team of up to 200 specialists by the year 2015. This investment proves how much trust Daikin Japan puts into its European subsidiary, especially as regards heating products, and its intention to support the development of products in line with European demand.

WHY FLANDERS?

"We don't want to merely manufacture in Europe for Europe; we also want to develop products in Europe for Europe," explains Frans Hoorelbeke. That R&D originating from Japan should find its way to the rest of the world is not an easy process. This highlights the significance of Daikin Industries' decision to establish a new EDC in Flanders.



HIGHLY SKILLED, MULTILINGUAL WORKFORCE

"One of the main reasons for Daikin's continued trust in Flanders is the dedication and expertise of its highly skilled workforce," Hoorelbeke continued. "Employees in Flanders have high professional ethics, a strong sense of responsibility and are very productive overall. The superb education system has a lot to do with that, undoubtedly, and it also explains why people in Flanders are so fluent in languages."

INFRASTRUCTURE AND INCENTIVES

Because the Ostend site serves such a vast region, logistics infrastructure played a vital role as well. Hoorelbeke: "In Flanders, there is easy access to motorways, ports and airports. Other decisive factors were the availability of industrial sites at reasonable prices, and the fiscal incentives provided by the government." Examples of the latter are the tax measures for R&D investments, such as tax breaks on patents and fixed assets and exemptions of up to 80% from payroll withholding taxes for researchers.

QUALITY OF LIFE

Last but not least, Van Hoorelbeke praises the quality of life in Flanders: "Many Japanese expatriates at Daikin Europe particularly seem to appreciate the international environment and easy communication between people in the region. On top of that, they have a Japanese school at their disposal near Brussels."

06 Executive summary

06

Executive summary

Global R&D center

Young innovative company

Contract Research company

Manufacturing company

R&D Consulting

	TYPE	DESCRIPTION	↑	↑	↑	↑	↑
R&D	Partial withholding tax exemption for researchers	80% payroll tax exemption for eligible researchers	✓	✓	✓	✓	✓
	R&D Investment deduction or R&D Tax credit	A 13,5% one-shot (or 20,5% spread) additional investment deduction/tax credit for new investments in patents and fixed assets used in Flanders in order to promote R&D	✓	✓	✓	✓	
	Innovation premium	Premium to be granted for an innovation that is developed by an employee which creates added value for the normal activities of the company	✓	✓	✓	✓	✓
High Tech manufacturing	Investment deduction	Companies that invest in new assets used in Flanders for the production of high-technological products, will have the opportunity to make use of this type of increased investment deduction.				✓	
	Increased exemption from advance tax payment for night work or working in shifts	In case of the production of high-technological products the exemption from advance tax payment for night work or working in shifts increases to 25%				✓	
	Fiscal/Scientific Ruling	Upfront agreement with tax authorities or the Federal Science Departement on how the company can operate within a legal and stable tax environment	✓	✓	✓	✓	✓
Commercialization	Notional Interest deduction	Annual notional interest deduction from your taxable profits depending on the portion of your equity financing. The deduction amounts to your qualifying equity times 0,237% (or times 0.737% for SME's) for 2017, tax year 2018. The regime is applicable to all Belgian companies and to Belgian establishments of foreign companies.	✓	✓	✓	✓	✓
	Innovation income deduction	Deduction of 85% of the income from IP rights from the taxable basis. It is applicable to all IP rights obtained by the Belgian company.	✓	✓		✓	
	Dividend withholding tax exemption	0% tax on dividends distributed when the parent company is resident in a country with which Belgium has concluded a double tax treaty and when the beneficiary holds a participation of at least 10% in a Belgian subsidiary and this for an uninterrupted period of at least 12 months.	✓	✓	✓	✓	✓
Labour	Exemption from advance tax payment for different categories	Companies can enjoy an exemption from advance tax payment for employees that are working in shifts, at night (both 22.8 % of the total taxable wages) or in a continuous regime (25 % of the total taxable wages), or even for additional employment when investing in certain economic supported areas defined by the Flemish government (25% exemption on the salary withholding tax for a period of two years)				✓	
	Tax incentives for expatriates	Special tax treatment for foreign executives and researchers temporarily assigned to Belgium(non-resident tax status, business travel exclusion, tax free allowance)	✓	✓	✓	✓	✓
	Reductions on or exemption of Social Security Contributions	All employers in the private sector and employees who are fully subject to Belgian social security can benefit from a structural SSC reduction. In addition to this, employers are lifelong exempted of paying SSC for a first employee hired in the period 2016-2020, and benefit significant reductions on SSC for the next five employees hired or for certain categories of employees hired	✓	✓	✓	✓	✓

To help you realize your ambitions, Flanders Investment & Trade can rely on a vast network of private partners, universities, federal and regional agencies, federations, and clusters, who, each in their particular domain, can provide you with their expertise and professional support.

Part of the service of Flanders Investment & Trade is to bring you in contact with those organizations that match your plans, the scale of your project and your market approach. Ask your FIT investment officer for a list of partners who can help you turn your ambitions into a complete success.

In particular, we would like to thank Deloitte for their contribution to this brochure.

The Deloitte Global Investment & Innovation Incentive Services team helps economic players to increase the benefits related to their research and development efforts as well as their intellectual property revenues through analyzing the activities of companies from a scientific, IP and tax perspective. Deloitte combines the deep tax technical expertise with highly experienced scientists, engineers and IP professionals to help ensure all aspects of (tax or funding) incentive claims are fully understood and considered. In addition, we do not review R&D and IP in isolation, but consider them together with our clients in the context of their (global) operations from a financial, an R&D and an IP strategy perspective.

Find out more about how Deloitte can serve your business needs by visiting our website at www.deloitte.be or by contacting one of the persons below.

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FLANDERS INVESTMENT & TRADE

GUIDING YOU ALL THE WAY

Whether you are just starting up or looking to expand your logistics operations, Flanders Investment & Trade supports you all the way. That is our mission. We provide confidential information and support. Our experienced staff is happy to help you with your questions regarding multimodal infrastructure, site selection, legal aspects associated with setting up your business locally, investment subsidies, recruitment, and much more. We can also introduce you to the right decision-makers and to community life in Flanders.

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We have about 70 regional offices worldwide to assist you, free of charge, wherever you are. Contact us today. We will be delighted to help you.

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