EU Corporate Tax Base Proposals
A great opportunity to boost R&D in the electronics sector

“Investing in R&D is absolutely vital for the competitiveness of the electronics industry. The benefits go far beyond the individual company as it boosts innovation, growth and job creation. These investments are needed now more than ever.”

- John W. Mitchell, IPC President and CEO

IPC — Association Connecting Electronics Industries® welcomes provisions to promote research and development (R&D) investment in the new proposals for a Common Corporate Tax Base (CCTB) and for a Common Consolidated Corporate Tax Base (CCCTB) in the European Union. Given the decline in R&D spending over the past years, IPC calls on Member States to seize this opportunity to boost innovation, growth and jobs in Europe.

R&D is critical in advancing technology, growing a business, and diversifying a product line. Important to a strong electronics industry, R&D enables businesses to develop new processes and products. The electronics industry is particularly dynamic in the EU, where it ranks among the highest in terms of industrial R&D investment and also files the highest number of patents1.

Despite these achievements, the electronics industry, and the private sector more broadly, have not fully recovered from the 2008 economic crisis, which in many regions resulted in tighter R&D budgets and consequently less innovation, fewer patent applications, lower levels of exports of high-tech products and sales of innovative products. According to the EU Innovation Union Scoreboard 2015, small- and medium-sized enterprises (SMEs) are impacted the most. Given the importance of R&D investment for the EU economy, this trend must rapidly be reversed.

Small, young and innovative companies to reap the greatest benefits

SMEs represent 99 percent of all businesses in the EU; and therefore, are absolutely vital for jobs and economic growth. Despite many EU funding programmes aimed at supporting European R&D-intensive SMEs, the share of SMEs introducing product or process innovations into the market is constantly declining2. We therefore welcome the fact that SMEs have the choice to opt in the CCTB and benefit from the tax deductions it offers for R&D spending, or to use existing national schemes, if these are more beneficial to them. At the same time, this right of choosing the most favourable regime should be extended to all companies.

We also applaud the Commission’s proposal for a so-called super-deduction of up to 200 percent of their R&D spending for start-up companies younger than five years with less than 50 employees, while noting that it should remain possible to opt for more favourable national deductions. Lastly, IPC views the Consolidation as an essential part of the two-phase approach to making the whole project more attractive for business.

We call on the Member States to see, beyond the potential short-term revenue loss, the long-term benefits that these tax deductions would bring to build a more innovative and future-proof industry in Europe and therefore, to support the Commission’s proposal.

About IPC: As a global trade association, IPC has more than 4,000 member companies, of which the majority are small- and medium-sized enterprises (SMEs). IPC represents all facets of the industry including design, printed board manufacturing, and electronics assembly and test. As a member-driven organization and leading source for industry standards, training, market research and public policy advocacy, IPC supports programs to meet the needs of an estimated $2 trillion global electronics industry.

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1 The 2016 EU Industrial R&D Investment Scoreboard
2 EU Innovation Union Scoreboard 2015