



Building a better working world

Research and development deduction - a new directive

14th May 2020

The Ministry of Finance published a new Methodological Directive No. [MF-17](#) on applying a research and development (“R&D”) deduction pursuant to § 34 of the Income Taxes Act (“ITA”).

The final wording of the directive, which responds to the recent amendment of § 34 of the ITA effective from 1 April 2019, essentially corresponds to the original proposal (see our previous information [here](#)). The current Directive D - 288 remains valid for R&D deductions applied according to § 34 of ITA effective until 31 March 2019.

Below are a few areas that the new directive addresses:

- ▶ it takes effect on the day of its publication in the Financial Bulletin, i.e. 5 May 2020;
- ▶ when defining the term R&D, it refers to Article 2 of Commission Regulation (EU) No. 651/2014 (as opposed to the current wording of Directive D - 288 stemming from § 2 of the Act on the Support of Research, Experimental Development and Innovation);
- ▶ it sets out in more detail the practical steps needed in connection with the new rules (for example, submitting a notification of application of the deduction to the tax administrator in advance);
- ▶ it deals with the validity of notification made by a dissolving or divided company or the admissibility of the approval of project documentation done by the successor company;
- ▶ it clarifies on an example that if the taxpayer declares a sufficiently high tax base during the period of creation of the entitlement to the deduction and does not (voluntarily) apply the deduction or does not apply it in the total possible amount, this unapplied deduction or part thereof cannot be carried forward.

If the area of deduction for R&D support is relevant to you or you are considering its application, please contact the authors or your usual tax advisor.



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