



## YIC Status: Proposing a Europe-Wide Tax Status for Innovative Companies

### New EU Rules Allow Member States to Stimulate Innovation with Generous Tax Incentives

#### EU rules on State Aid support YIC & the efforts of Member States to provide Funds to young biotech companies

The European Commission's new state aid rules recognize Young Innovative Companies (YIC) status as an eligibility criterion for state aid. This will enable Member States to provide extra public funds like tax and other financial incentives to their young innovative biotechnology companies without running into trouble with EU competition rules. The new EU rules enable governments to give extra incentives to companies that are less than 6 years old and spend 15% or more of their revenues on R & D. As of 1 January 2007, the EU rules, which are not sector specific, have opened the path to benefit research, development and innovation across Europe.

The primary objective of this new framework is to:

- To increase R&D&I spending to 3% of European gross domestic product by 2010
- Help Member States invest more in R&D and Innovation and increase the share of aid for R&D&I as a percentage of total State aid budgets; and
- Use better economics to help Member States target State aid on the right projects, so that distortions of competition and trade are minimised and public spending efficiency maximised.

The new rules on Research, Development and Innovation contain a flexible package of measures which can be used by Member States to tailor their support to R&D&I according to their national preferences, needs and specificities. On the basis of economic analysis a series of measures are offered to Member States to grant aid, to help them direct more aid to R&D&I than currently the case and to better target their funds to measures that are on balance beneficial to the common interest.

New measures on support for innovation are introduced. They include:

- aid for young innovative enterprises
- aid for projects covering fundamental and industrial research and experimental development
- aid for technical feasibility studies
- aid for industrial property rights costs for SMEs
- aid for process and organisational innovation in services
- aid for advisory services and innovation support services
- aid for the loan of highly qualified personnel;
- aid for innovation clusters.

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Extract (below) excerpted from the EU Commission's Community Framework for State Aid for Research & Development & Innovation. The entire document can be found on the web at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:323:0001:0026:EN:PDF>

#### 5.4. Aid for young innovative enterprises

Aid to young innovative enterprises shall be compatible with the common market within the meaning of Article 87(3)(c) of the EC Treaty if the following conditions are fulfilled (36):

(a) the beneficiary is a small enterprise that has been of existence for less than 6 years at the time when the aid is granted and

(b) the beneficiary is an innovative enterprise, on the basis that:

(i) the Member State can demonstrate, by means of an evaluation carried out by an external expert, notably on the basis of a business plan, that the beneficiary will in the foreseeable future develop products, services or processes which are technologically new or substantially improved compared to the state of the art in its industry in the Community, and which carry a risk of technological or industrial failure, or

(ii) the R&D expenses of the beneficiary represent at least 15 % of its total operating expenses in at least one of the three years preceding the granting of the aid or in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

(c) the aid is not higher than EUR 1 million.

This aid may not exceed EUR 1,5 million in regions eligible for the derogation in Article 87(3)(a) of the EC Treaty, and EUR 1,25 million in regions eligible for the derogation in Article 87(3)(c) of the EC Treaty.

The beneficiary may receive the aid only once during the period in which it qualifies as a young innovative enterprise

This aid may be cumulated with other aid under this framework, with aid for research and development and innovation exempted by Regulation (EC) No 364/2004 or any successor regulation and with aid approved by the Commission under the risk capital guidelines.

The beneficiary may receive State aid other than R&D&I aid and risk capital aid only 3 years after the granting of the young innovative enterprise aid.

Over the last two years, and with the support of the European Commission FP6 Programme, a consortium of Biotech industry associations has developed a common plan for the realisation of the Young Innovative Company Status (YIC) for biotech companies in four Nordic/Baltic countries. For more information about YIC please visit the YIC Project Website: [www.yicstatus.com](http://www.yicstatus.com) or contact Vally Fidelman, Emerging Enterprises Council Manager, [v.fidelman@europabio.org](mailto:v.fidelman@europabio.org).

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