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Dutch and Finnish responses to EU funding instruments in the aftermath of COVID-19. Is innovation in the spotlight of the Dutch fiscal crisis recovery?

Esperanza Buitrago, Marianne Malmgrén and René Offermanns[1]

The COVID-19 pandemic is an unprecedented phenomenon with wide-ranging effects in human lives and the global and local economy. Member countries of the European Union were heavily impacted with reduction of economic growth and increase of inflation as a result of persistent labour market disruptions, production and supply chain bottlenecks shipping and transport constraints, amongst others. In the Netherlands the number of bankruptcies during the COVID-19 lockdowns was little due to financial support from the government and the unemployment rate remained one of the lowest in Europe. However, in the aftermath of COVID-19 the economic situation has significantly changed. The number of bankruptcies is rising as a result of which it is expected a rise in unemployment and a loss of tax revenue of approx. EUR 6 billion. Therefore, viable enterprises and self-employed may request a repayment scheme for the existing tax debts from October 2022 to October 2027 (maybe enlarged to 2029). In addition, The Netherlands has to close a budget gap of EUR 15 billion, amongst others due to the required energy transition, expenses resulting from the Ukraine war and a Supreme Court decision which obliges the Netherlands to compensate money savers as their taxation was held unfair. As a response, the government treats to higher the corporate income tax and, to restrict the application of the 30% rule on knowledge migrants to expats who do not earn a salary exceeding EUR 216,000. In Finland the economic consequences e.g., displayed in the number of bankruptcies has not been a major one in 2021. In a yearly comparison the number of bankruptcies has been in 2021 a bit less than in 2019 but bigger than in 2020. The economic impact of COVID-19 has been biggest for transportation, accommodation, and catering services. In addition, artistic and recreational services had a severe hit. However, investments made by businesses increased in the second quarter of 2021.[2]

In the following lines we explore whether in the current state of affairs and with such regrettable situation, innovation is in the spotlight of the fiscal recovery. We look into the alternatives available for EU Member countries considering the main targets of funds made available by the EU through the so called SURE and RRF instruments and, the plans proposed by every country. We follow closely the importance granted to Innovation in such packages, considering its role in overcoming the pandemic but also the importance for economic sustainability of knowledge-based societies such as the European one. Our departure point is that innovation is not a goal per se in any of these instruments, at least not from an EU perspective. At the EU, Horizon Europe is the funding programme that awards grants for research and innovation. Countries however may include Research, Development and Innovation (R&D&I) in their own plans while applying to the instruments. We are interested in establishing whether innovation plays a role in the plans submitted for SURE and RRF, the way tax systems react to such EU funding and how the subsidies received by taxpayers are taxed, the connection of the plans expressed by countries to current tax measures or expected changes, with particular emphasis on innovation policy, comparing the Dutch, and Finnish approaches for that purpose.

[1] The paper forms part of a bigger research project conducted by the authors. Dr. Esperanza Buitrago is researcher at the Maastricht Centre for Taxation of Maastricht University. Dr. René Offermanns is principal researcher at the International Bureau of Fiscal Documentation in the Netherlands and Dr. Marianne Malmgrén is Founding Partner at Tax Services MSK Oy and Docent of International Tax Law at University of Eastern Finland.

[2] See Talouden tilannekuva (Economic overview) published on Dec. 17th, 2021 by Statistics Finland https://www.tilastokeskus.fi/ajk/koronavirus/koronavirus-ajankohtaista-tilastotietoa/miten-vaikutukset-nakyvat-tilastoissa/talouden-tilannekuva.

1. Covid 19, sustainability and funding alternatives

In the aftermath of the corona crisis, financial and tax policy became fundamental for the sustainability of the countries and of the European Union (EU). Facing one of the major crises ever before the conflict between Ukraine and Russia, the European Commission made available a number of instruments and measures to mitigate the Coronavirus pandemic such as the temporary Support to mitigate Unemployment Risks in an Emergency (SURE), the Recovery and Resilience Facility (RRF) and the State Aid Temporary Framework, amongst other. Whilst the first one supports short-time work schemes and similar measures, to help Member States (MS) protect jobs and thus employees and self-employed against the risk of unemployment and loss of income, the second one aims to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. The third measure enables MSs to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak.

The negative effects of the pandemic on all EU MS do not necessarily imply a uniform reaction to the EU instruments above mentioned. It varies from country to country, conditioned to the economic, social, and political situation in each one and to the attractiveness of the EU sources offered with every package. Out of EU MSs 19 have applied to SURE and received disbursements ranging from 230 million to 27.438 billion. Whilst Italy and Spain have applied to SURE and received each 27.438 billion and 21.324 billion respectively, according to information publicly available, SURE is unattractive for Finland, since the country has been able to borrow on favourable terms from the markets without the need to bear the borrowing costs, fees and expenses incurred by the European Commission[3]. Finland has not had any plans to apply to SURE. The Netherlands has not claimed any SURE Funding either.[4] A reason may be that the Netherlands pays only a very small amount of interest on its borrowings.[5]

The situation with the RRF is different. South European countries have applied for substantial funding. For instance, Spain will be supported by €69.5 billion in grants[6]. Italy will be supported by €68.9 billion in grants and €122.6 billion in loans and such amounts will help to implement their plans, consisting of 112 investments and 102 reforms in Spain and 132 investments and 58 reforms in Italy. Finland received €271 million under the RRF as part of the unprecedented EU response to emerging stronger from the COVID-19 crisis, fostering the green and digital transitions, and strengthening resilience and cohesion in EU societies[7].

The Netherlands has not requested support from SURE but on 8 July 2022, finally, presented a plan to the European Commission for recovery and resilience targeting a RRF disbursement either as grants or loans[8]. The main reason for the late submission was the lack of a government during a good part of the pandemic, with a demissionary prime minister and a slow move to negotiate the package in the Parliament, where the Government does not have a majority. . Provisional ideas were published by the end of March 2022 and after a discussion in parliament a final plan was submitted on 8 July 2022.

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[3] https://valtioneuvosto.fi/en/-//10623/finland-not-applying-for-eu-sure-loan. Also, in documents drafted by the Finnish Government and discussed at the Finnish Parliament it is mentioned that Finland has specific employment legislation allowing to lay off employees temporarily in case of employer's economic distress. In addition, the possibilities to obtain unemployment payment during temporary lay off of employees has been eased up during COVID-19. See the Finnish Government Document related to SURE and sent to the Finnish Parliament E 27/2020 at https://www.eduskunta.fi/FI/vaski/Liiteasiakirja/Documents/EDK-2020-AK-295619.pdf.

[4] https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en#:~:text=The%20temporary%20Support%20to%20mitigate,coronavirus%20outbreak%20on%20their%20territory.

[5] https://fd.nl/financiele-markten/1430309/nederlandse-overheid-betaalt-weer-rente-op-populaire-staatsobligatie-lhe2caP0tOoa.

[6] https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/spains-recovery-and-resilience-plan_en.

[7] https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/finlands-recovery-and-resilience-plan_en.

[8] https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plan-netherlands_en

2. Tax regime applicable to the EU funds once received by taxpayers

SURE works as a back to back loan from the EU to the applying MS. To finance the SURE instrument, the Commission has been issuing social bonds. To finance Next Generation EU, the European Commission, on behalf of the EU, will borrow from the capital markets. To benefit from the support of the RRF Facility, Member States submit their recovery and resilience plans to the European Commission. Each plan sets out the reforms and investments to be implemented by end-2026 and the MS can receive financing up to a previously agreed allocation. Loans and grants are available in the RRF. The Finnish plan is known and the first disbursement was made in January 2022. The Netherlands presented its plan to the European Commission only by 8 July 2022 and is still awaiting approval by the European Commission.

Once the countries receive the amounts disbursed those are passed into the economic flow mainly via subsidies. Tenders and grants are also an option. The tax treatment of such funds received by taxpayers is not the competence of the EU but of its MS. In the Netherlands, subsidies could be tax-exempt unless the regulation to be released provides something else. Currently, subsidies are tax-exempt for corporate income tax purposes for associations and foundations. For public and private companies an exemption applies currently for certain activities such as health care and pension funds. If not tax-exempt subsidies are taxed at the rate of 25.8% (15% for SMEs). For innovation currently, a 9% rate applies under the innovation box.

In Finland, no specific exemption or regime applies to subsidies and therefore these are taxed in the hands of the taxpayer. However, in case the receiver of the subsidy is tax-exempt, e.g. a subsidy obtained by a non-profit organisation may be tax-exempt according to domestic legislation. In general, subsidies paid to businesses are taxable corporate income. If the benefit is used e.g., for acquiring machines and equipment the part-funded with a subsidy is not calculated to the depreciation base resulting in indirect taxation of the subsidy. In Finland, there has already been an increase emphasising the direct subsidies to the business sector in order to promote RDI activities. In reviewing the EU Recovery Package this is logical since the idea is to spend the EU funding by supporting e.g., businesses financially. The only way to distribute EU funds is direct subsidies or other direct funding and once in the hands of a corporate taxpayer, those are taxed at a rate of 20 per cent. Some tax measures have been suggested by the Parliamentary RDI Working Group and also in the General Government's Fiscal Plan for 2023-2026. These suggestions are presently on a high level, and it looks as if the aim is to continue with existing extra deductions related to R & D expenses. All in all, specific tax incentives related to business income taxation are quite limited as tradition and are related to the ideology of a broad tax base allowing for relatively low nominal corporate tax rates. This policy seems to remain also in the future.

3. SURE, Mitigation of unemployment risks, innovation, and taxation

SURE is a temporary instrument of "Support to mitigate Unemployment Risks in an Emergency". It is designed to provide temporary financial assistance for EU Member States facing substantial costs in combating the negative economic and social consequences of the COVID-19 pandemic. The financial support is given as loans which the EU grants to MS on favourable terms. The European Commission had disbursed about €91.8 billion to a number of MS in back-to-back loans for financial support, available for MS that need to mobilise significant financial means to fight the negative economic and social consequences of the coronavirus outbreak on their territory.

The Netherlands faced a slight increase of the unemployment rate during the pandemic[9], as well as a decline of the Dutch business confidence10. This was particularly the case in 2020 and part of 2021 when many businesses were forced to close doors due to the lockdowns, and some went bankrupt.[11] Whilst the economy is catching up with levels prior to the pandemic, new budgetary constraints emerged as a consequence of the obligations to compensate amounts, amongst others, due to a Court decision on the taxation of investment income, already booked revenue from an EU Minimum Tax which at the end was not adopted, inflation compensation and an increase of old-age pensions. In order to solve the budgetary gap, the current ideas are to increase the Corporate Income Tax by applying the top rate of 25.8% already from EUR 200,000, while currently, a 15% rate applies for profits up to EUR 395,000 as well as the Income Tax for substantial shareholdings and, to restrict the 30%

[9] https://www.cbs.nl/en-gb/dossier/coronavirus-crisis-cbs-figures/covid-19-impact-on-labour-and-income.

[10] https://www.cbs.nl/en-gb/news/2022/07/business-confidence-down-at-the-beginning-of-2022.

[11] https://covid-19.iza.org/crisis-monitor/netherlands/ and https://newsroom.iza.org/en/archive/opinion/coping-with-the-covid-19-labor-market-crisis-views-from-the-netherlands/

rule currently granted to knowledge migrants to expats not earning a salary exceeding EUR 216,000. The Netherlands for many years had a 25% CIT rate and a lower rate for SMEs. Due to financial problems the rate from 2022 was increased to 25.8%. The main R&D measures of the Netherlands besides the patent box are an R&D deduction and a reduction of the amount of wage tax to be transferred to the tax administration. So far, there is no plan to change the patent box regime. However, the rate for the patent box has over the years increased from 5% to 9%.

Whilst related to employment and labour policy, the 30% rule forms part of measures to incentivize innovation in the Netherlands. The special 30%-expat regime applies to expats hired more than 150 km from the border with sufficient knowledge and a required taxable salary. A similar rule may apply in the case of temporary secondment of high skilled employees to a foreign country if they maintain a residence in the Netherlands. The 30% expat regime originates from development after the Second World War. Initially, Americans assisting in the Marshall plan enjoyed a 40% salary exemption with a maximum of NLG 40,000. In 1985, this rule became a general exemption for all expats and the deduction was 35%, which in 2001 was reduced to the current 30%-reduction. Such rate is an exception to the top income 49.5% tax rate applicable to individuals with income over EUR 69,398. The 30% rule follows the idea of attracting knowledge experts from different countries, allowing the NL to foster its economy and expand R&D. The experience shows that the regime is beneficial since many high-skilled expats have been attracted over the years and institutions are able to render services and expand worldwide thanks to the knowledge migrants force.

Together with the 30% rule, the Patent Box is another incentive related to innovation that became important from the perspective of employability. The Netherlands is a trading nation which is largely dependent on export. Therefore, Dutch governments always attached great value to fostering R&D activities. Consequently, the Netherlands already for many years had special tax incentives for R&D, such as a patent box, a facility that a significant part of wage tax does not have to be transferred to the tax administration for R&D activities, an R&D deduction for individual entrepreneurs and a favourable regime to attract high-skilled expats. The highly criticised Dutch patent box has now an impact on employment considering the requirement of sufficient nexus after BEPS. The Dutch patent box applies to income from-self developed qualifying intangible assets. Only technical innovations created under an approved R&D project that qualifies for a WBSO certificate of the Ministry of Economic Affairs (i.e. R&D statement) have access to the innovation box regime. In addition, for small taxpayers with a net group turnover of EUR 250 million over 5 years or gross profits from innovative assets of more than EUR 37.5 million over 5 years, the innovation box only applies if the taxpayer has a qualifying "entry ticket", i.e. a patent, utility model, breeder's right/rights, orphan drug and supplementary protection certificate, software or other assets that are not common and/or a novelty item. For larger taxpayers (i.e. with a net group turnover of more than EUR 250 million over 5 years or gross profits from innovative assets of more than EUR 37.5 million over 5 years) additional entry conditions apply. Since the activities must take place in The Netherlands, employment is also of the essence of the current patent box regime.

So far, the Dutch patent box regime is not affected or anyhow impacted by the EU temporary instruments. Income under the patent box is taxed at 9%. The Netherlands' position is that patent boxes should be excluded from the minimum tax. The other schemes include one where a significant part of wage tax does not have to be transferred to the tax administration for R&D activities but instead may be invested for those activities and an R&D deduction for individual entrepreneurs. Also, investment deductions apply, for measures to save energy or further the environmental investment. As the CIT rate is 25.8% and deductions are maximised, the 15% ETR should remain.

Tax measures related to employability in Finland are limited and mainly concentrated on general deductions available for salary income. There are no specific R&D tax incentives related to employee taxation. An expatriate Regime is a general incentive for qualifying non-resident employees who will become resident taxpayers when starting to work in Finland. However, in very limited cases it especially applies to researchers working for a common benefit. The Regime is limited to "high-earners" but may as such be applicable also to R&D personnel. In general, bearing in mind the Pillar II proposal drafted in OECD it might be worthwhile to review whether tax incentives could be addressed to employees or be based on the amount of salary paid. This could be logical since the workforce is essential for RDI.

The Finnish Expatriate Regime has a flat 32 percent tax rate if the requirements of the legislation are met. The regime is applicable e.g., if the employer is Finnish, a PE of a foreign employer in Finland or the payment is made e.g., by a local accounting firm on behalf of the foreign employer. Finland has no Patent Box Regime. There are some additional or extra depreciation related to R & D expenditure etc.[12] These may in the future cause the application of

minimum tax regulation if the tax rate determined in the Directive Proposal[13] would not be met assuming no carve-outs are to be included in the Directive.

4. The Recovery and Resilience Facility (RRF)

The RRF aims to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. It is structured in 6 pillars: a) green transition; b) digital transformation; c) economic cohesion, productivity and competitiveness; d) social and territorial cohesion; e) health, economic, social and institutional resilience; f) policies for the next generation. Whilst The Netherlands has only submitted a recovery and resilience plan by 8 July 2022 and is still awaiting approval by the European Commission, Finland already received €271 million.

As already indicated, the Netherlands was the last EU MS that submitted an application for support from the European recovery fund because a new government had to be formed first. The country-specific recommendations of the EU countries to the Netherlands are leading in this regard. These include recommendations on improving labour and housing markets, stepping up investment in the climate and digital transition, and reforms on aggressive tax plans and money laundering.

In its coalition agreement: "looking after each other, looking into the future" of December 2021, the government indicated that it wants to use the funding for realising the most important goals of the coalition agreement. The most important aspects are: realising the goals of the Paris climate agreement, a National Program for Rural Areas worth 25 billion euros to make agriculture more sustainable, acceleration of housing construction, enhancing the investment climate of the Netherlands, a structural investment of EUR 170 million annually in the creating sector, making the Netherlands the digital hub of Europe and investments in health care research, e.g. mental health care..

The goals mentioned above, are reflected in the recovery and resilience plan, which was submitted to the European Commission on 8 July 2022. The plan consists of 6 priorities. The first one concerns the furthering of the green transition. To realize this goal various tax measures are proposed, including a reform of the energy tax, with higher rates for gas consumption and a reduction of the rate on electricity, an increase of the existing CO2-levy for the industry to further CO2 reductions, an increase of the current flight tax of EUR 7,947 per passenger and a conversion of the car taxation into pay-per-km of road use system. Non-tax measures in this area, amongst others, concern the introduction of a new energy law, the increase of wind energy at sea, the development of a green hydrogen power system, the conversion of the inland navigation into electric ships (Project Zes) and a transition for the aviation.

A second priority concerns the fastening of the digital transition by promoting innovative technologies and digital know-how, making the mobility ready for the future by furthering safe, smart and sustainable mobility and improving the government IT. This project, amongst others, includes a Quantum Delta NL project to strengthen the Dutch quantum eco system, artificial intelligence projects (AiNed en Applied AI Learning Communities) to increase its potential for the Dutch economy and society, the improving of the digital infrastructure for logistics, pioneering IT (GrIT) and a reform of the digital criminal justice chain.

A third attention point deals with the improving of the housing market and making the building environment more sustainable, for example by introducing an investment subsidy for durable energy and investment saving (ISDE) and building more houses. A fourth priority concerns the strengthening of the labour market, a good pension for everybody and a future-oriented education. Important aspects are a decrease of the tax-deduction for self-employed, a disability insurance for self-employed, combatting fake self-employment relationships, and a reform of the pension system. Innovation will be furthered by stimulating further education (Nederland leert door), regional mobility teams (RMTs), digitalisation of education through laptops, tablets, and internet routers for online and hybrid education and the introduction of a national education lab. The fifth priority covers measures to increase the public health care sector and to make the Netherlands ready for future pandemics. The sixth and last focus will be on combating aggressive

[12] The extra depreciation has been 150 % of the qualifying subcontracting costs as of income year 2022 and the present legislation is applicable to the end of income year 2027. The Finnish Government outlined in Spring 2022 that a new tax incentive based on extra deduction will be introduced as of income year 2023. See also below section 4 on this topic.

[13] Proposal for a COUNCIL DIRECTIVE on ensuring a global minimum level of taxation for multinational groups in the Union (COM(2021) 823 final).

tax-planning and money-laundering by combating abuse of tax treaties, mismatches in the arm's length pricing for transactions and abuse of interest deduction and loss compensation possibilities.

The program contains various possibilities to further innovation, such as the acceleration digital transformation. This priority includes a package of investments that promote advanced technologies, such as quantum technology and artificial intelligence. This priority is closely linked to the objectives under SDG 9 (Industry, Innovation and Infrastructure) by focusing on innovation and improving scientific research. The mobility sector will also be tackled thoroughly, with major investments which should result in increased energy efficiency, safety, and digitalisation in infrastructure. Finally, IT systems will be modernised, in parallel with a reform to improve transparency and openness in government. At the Ministry of Defence and the criminal justice systems, the IT infrastructure will be upgraded. This priority thus contributes to the EU flagships 'Recharge and refuel', which promotes clean mobility, and 'Modernise', which focuses on the digitalisation of the government. This digitisation should make government bodies more effective, transparent and strengthen access to information, in line with SDG 16 (peace, justice and strong institutions). Investments in the mobility sector also address the 2019 country-specific recommendation on bottlenecks in mobility in a way that also contributes to the green and digital transition.

After approval by the European Commission, the government will finetune its plans because the estimated implementation costs are slightly higher (EUR 5.2 Billion) then the amount of EUR 4.7 billion to which the Netherlands is entitled.

The Finnish Recovery and Resilience Plan was published on May 26, 2021. The plan includes approximately EUR 700 million in funding for RDI activities. The application for direct funding related to the Sustainable Growth Programme has already been opened. E.g., the Ministry of Economic Affairs and Employment opened already in summer 2021 some funding possibilities. The amount of planned funding available is presently for some of the funding areas as follows; energy infrastructure EUR 155 million, new energy technologies EUR 155 million, low-carbon hydrogen and carbon capture and utilisation EUR 150 million, direct electrification and decarbonisation of industrial processes EUR 60 million, support for public infrastructure for distribution and refuelling of electricity, biogas and renewable hydrogen in transport EUR 20 million, investments promoting the reuse and recycling of key materials and industrial side streams EUR 110 million, low-carbon built environment EUR 32 million, and RDI EUR 100 million.[14]

The main objective of the Parliamentary RDI Working Group was to explore ways to increase R&D financing in the long term and make a proposal on how to reach the objective in practice. In the final report, it was suggested that permanent and more extensive tax incentives are to be introduced. It looks as if the tax incentives would not be a major issue and that the aim may merely be to continue with the present extra deductions for R & D expenses.[15]

The Finnish General Government Fiscal Plan for 2023–2026 was published on April 5, 2022. The Plan includes Policies to safeguard Finland's future, sustainable growth, and security. Among the issues covered are also e.g., policies to promote RDI and to strengthen sustainable growth. In the plan, it was stated that in 2023, the central government's contribution to R&D activities will be increased by EUR 350 million compared with the previous spending limits. In addition, the Government has decided that an R&D tax incentive based on an extra deduction will be introduced as part of the R&D funding package from 2023 onwards. The annual economic impact would be approximately EUR 100 million on a static basis. Since the tax incentive is based on an extra deduction it is assumed to resemble the existing extra deduction for R & D expenditure. Presently the calculation bases of the extra deduction are the qualifying subcontracting costs. One possibility might be to include in the bases also e.g., salary expenses. However, the structure of the tax incentive will

[14] For further information related to the division of the funding see https://tem.fi/en/funding-available-to-companies-under-the-sustainable-growth-programme.

[15] For the final report see https://api.hankeikkuna.fi/asiakirjat/d736ba5a-420e-43f2-82a5-44bad3410bd8/cb36fa9c-8b90-4d32-9f71-d94434dd47b7/KIRJE_20211220140854.PDF.

[16] See https://valtioneuvosto.fi/en/-//10616/general-government-fiscal-plan-for-2023-2026-policies-to-safeguard-finland-s-future-sustainable-growth-and-security.

be confirmed once a legislative draft for the incentive is published. The aim is also to promote disengagement from foreign fossil energy and a boost to the green transition.[16] These aims seem to be further boosted by the energy crisis related to the Russian war in Ukraine.

Conclusions

The emergency and negative impact of the COVID-19 in the economy made local fiscal measures insufficient. EU Funds are available for the recovery process but the reaction of member states differs not only in connection to the social and specific economic needs, but also in connection to the way countries deal with such funding. Innovation is in the spotlight but the approaches of the EU member countries differ not only in regard the specific innovation related targets but also on the way the funds are treated.

The EU packages offered by the EU to overcome the crisis have in common the EU targets and pillars. The funds are passed to the domestic economic flow via subsidies, tenders and calls. The Netherlands and Finland use subsidies. However, the fiscal and tax treatment of the subsidies is established by the Member States and not by the EU, displaying big differences. Whilst in Finland the subsidy received by the taxpayer is taxed, in the Netherlands is not. In addition, Finland has a past of relying on a broad tax base and a relatively low corporate tax rate of 20 per cent without room for deviations. This policy is mirrored in that Finland has no Patent Box regimes and the specific business income tax measures related to RDI have been basically limited to an extra deduction for R&D expenditure. The Netherlands for many years had a 25% CIT rate and a lower rate for SMEs, but some tax measures related to innovation such as the patent box and the 30% rule display variations. Due to financial problems the rate from 2022 was increased to 25.8%. Moreover, a 15% rate currently applies to a profit of EUR 395,000. Due to financial profits, it is envisaged to reduce this amount to EUR 200,000. Also the rate for the patent box has over the years increased from 5% to 9%. The top income tax rate is with 49.5% much higher, but that rate is only due from an income over EUR 69,398 which is higher than many other countries. The main R&D measures of the Netherlands besides the patent box are an R&D deduction and a reduction of the amount of wage tax to be transferred to the tax administration.

With a crisis that demands a lot from innovation to boost the economy, the funding of innovation activities follow main traditional ways open by the EU such as horizon programs and other calls. The funds made available with the stimulus package, SURE and RRF are in principle to overcome the COVID crisis, not to incentivize innovation as a direct objective. However, the national plans for the RRF may open funding possibilities for it in particular for business and the industry in specific fields. Such fiscal measures appear in a moment in which the implementation of the BEPS Actions in various fields have had an impact on the incentives related to innovation (for instance on the patent boxes), but also to other major fields, including digitalization, abuse of taxpayers, etc. The effect of Action 1 and in particular the minimum tax in each member country is to be seen.

Finland's Recovery and Resilience Plan was published on May 26, 2021. The Plan forms part of the Sustainable Growth Programme for Finland and it has four priorities i.e., green transition, digitalisation, employment and skills, and health and social services. According to the plan the funds will be distributed by allocating EUR 822 million to green transition, EUR 217 million to digital transformation, EUR 636 to employment and skills, and EUR 400 million to health and social services. The plan includes approximately EUR 700 million in funding for research, development, and innovation. Finland has begun the first reforms and investments of its Sustainable Growth Programme already in 2021, but most of the funding will be used in 2022–2023. The European Commission disbursed EUR 271 million to Finland in pre-financing under the Recovery and Resilience Facility (RRF) in January 2022.

The Netherlands only recently applied for the recovery and resilience funds due to the political situation created with a demissionary government during part of the pandemic, leading to a lack of a claim of the RRF. The plans, which await approval by the European Commission, contain various measures which could bring R&D, such as a switch to green electricity, digitalisation, the use of artificial intelligence, upgrades of the IT infrastructure to boost innovation and scientific research. A point of attention is also the mobility sector, with major investments to increase energy efficiency, safety, and digitalisation in infrastructure.

Under consideration is also a National Growth Fund for knowledge development, research, development and innovation,to further areas where there are the most opportunities for structural and sustainable economic growth. What the outcome will be, the future will show since the plans still have to be implemented. Hopefully, the Parliament and the Government make use of the funds available with a sound plan that discourages the adoption of unpopular measures such as the increase of the corporate income tax.