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Tax Incentives for R&D and Innovation: Insights from OECD countries / Ar-Ge ve İnovasyonda Vergi Teşvikleri: OECD Ülkeleri Yaklaşımları

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Abstract

Governments foster business research and development (R&D) with direct support and fiscal incentives, such as R&D tax incentives. R&D tax incentives aim to encourage firms to perform R&D by reducing its costs. Compared with direct subsidies,. Government tax incentives for R&D include R&D tax credits, R&D allowances, reductions in R&D workers' wage taxes and social security contributions, as well as accelerated depreciation of capital used for R&D. The mix of direct financing and tax incentives for business R&D varies considerably across OECD countries. An increasing number of OECD governments are offering special fiscal incentives to business to increase spending on research and development (R&D), largely because R&D and innovation are considered key to productivity and growth performance. The main contribution of this study is the evaluation of tax incentives for R&D and innovation in OECD countries. The paper also compares the design features and generosity of R&D tax incentives across OECD countries.

Keywords Tax Incentives; Public R&D Support; Innovation; R&D

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