

## < Case Study >

Financials	Y1	Y2	Y3
Revenue	10,000	11,000	11,000
Other expenses	7,000	7,000	6,000
R&D expenses	1,000	1,500	1,500
<i>Growth rate</i>	<i>0%</i>	<i>50%</i>	<i>0%</i>
<i>Average growth rate(AGR)</i>	<i>0%</i>	<i>50%</i>	<i>20%</i>
<i>R&amp;D/Revenue ratio</i>	<i>10%</i>	<i>14%</i>	<i>14%</i>
Profit before tax	2,000	2,500	3,500
Income tax			
Federal income tax (23%)	460	575	805
R&D tax credit [1]	-85	-201	-204
Regional income tax (10% of federal income tax)	46	58	81
R&D tax credit	-9	-20	-20
...			
Tax Credit			
Indicator: <i>Average growth rate(AGR)</i>	<i>0%</i>	<i>50%</i>	<i>20%</i>
Tax credit rate(TCR)	8.5%	14.0%	13.5%
Tax credit	85	210	203
Cap (25% of federal income tax)	115	144	201
Tax credit	85	144	201
Additional Tax Credit (either A or B)			
A: Cap Extension			
Index: <i>Average growth rate(AGR)</i>	<i>0%</i>	<i>50%</i>	<i>20%</i>
Additional cap rate(10%)	0%	10%	10%
Reviced Cap	115	201	282
Additional tax credit	0	58	2
B: High Level R&D			
Indicator: <i>R&amp;D/Revenue ratio</i>	<i>10%</i>	<i>14%</i>	<i>14%</i>
High level portion	0	450	400
Additional tax credit rate	0.0%	0.7%	0.7%
Additional tax credit	0	3	3
Cap (10% of federal income tax)	46	58	81
Additional tax credit	0	3	3
Additional tax credit	0	58	3
Total tax credit [1]	85	201	204

The company were offered R&D tax credit for SEMs by regional tax authority, which is 10% of federal tax credit. In addition, the company took more additional credit for the second year using Cap Extension programs for SMEs.