

# Innovation Box

allocation of revenues and costs

Frits van Riel

Tax economist

T +31 85 2100535  
E [info@innovationbox.nl](mailto:info@innovationbox.nl)

INNOVATIONBOX by GOEDZ



# Revenues & Costs

In this presentation a further clarification is provided for the issue of the allocation of costs and revenues to the Innovation box

Innovation box	
Development costs	Revenues

# Development costs

Two methods for the determination of development costs

## 1. Direct

- Direct allocation of costs to the project
- Mark up for indirect costs

## 2. Indirect

- Categorization of costs (wages, sales, management, etc) and allocate these based on an allocation key
- Allocation key based on time administration of the project and total wage costs

# Revenue/profits

Two methods for the allocation of revenues/profits to the Innovation box

1. Percentage of margin

2. Specific allocation (“peeling” method)

# Percentage of margin

## Example

- Development of innovative LED lighting (with WBSO declaration)
  - Sale price €500
  - Cost price €300
  - Margin €200
- The various activities are rewarded out of the profit margin, like:
  - Entrepreneurship
  - Sales & Marketing
  - R&D (Research & Development)

# Percentage of margin

## Explanation

- Margin method: a practical solution to allocate a fixed percentage of the margin to the Innovation box
  - Margin allocation 25%
  - Margin €200
  - Allocation €50 (25% \* €200)
  - Sales 2.000 pieces
  - Allocation to the Innovation box €100.000 (€50\*2.000)
- **The determination of the margin percentage is dependent on the associated risk and it is recommended to get upfront agreement with the tax authorities on it.**

# Specific allocation

## “Peeling” method

- Method based on Transfer Pricing. The profit is allocated to the different functions within the company.
  - Routine functions (production, administration, etc) rewarded on cost plus
  - Core functions (Entrepreneurship, Sales & Marketing, etc) rewarded with a percentage of profits
  - Remaining part allocated to R&D
  - Relative part of R&D (intangible asset compared to total revenues) allocated to the Innovation box

# Specific allocation

Example/explanation	
• Profit	€1.000.000
• Routine function production cost plus 10%	
• Production costs €1.500.000	€150.000
• Core functions (remaining profit €850.000)	
• Entrepreneurship 40%	€340.000
• Sales & Marketing 20%	€170.000
• Remaining allocable to R&D 40%	€340.000
• Intangible asset compared to total revenue 30%	
• Allocation to Innovation box	€102.000

# Specific allocation

A ruling with the Tax Authorities is recommended to agree on the following:

1. Cost plus percentage of the routine function
2. Percentage of the core function
3. Percentage Intangible asset compared to total revenue

Should you have any questions relating to the Innovation box please feel free to contact

Frits van Riel

Tel: +31 85 2100535

[fritsvanriel@innovationbox.nl](mailto:fritsvanriel@innovationbox.nl)

T +31 85 2100535  
E [info@innovationbox.nl](mailto:info@innovationbox.nl)

**INNOVATIONBOX** by GOEDZ

