

FOSTER RESEARCH CENTERS TO ATTRACT CUTTING-EDGE ADVANCEMENTS

- **Streamline processes and reduce administrative burdens for large R&D centers.**
- **Bolster strategic tax incentives to attract, retain, and nurture cutting-edge research.**
- **Address procedural bottlenecks and administrative challenges in R&D tax incentives.**
- **Safeguard R&D tax incentives against international tax initiatives affecting multinationals.**
- **Align tax authorities' interpretation with the intended spirit of R&D tax incentives.**

Empowering large research centers in Belgium is crucial to retain cutting-edge research. Such dedicated policy fosters economic growth, and solidifies Belgium's position as an innovation hub on the international stage. Large research centers are the drivers of cutting-edge innovation and technology. They provide anchoring for large (including American) innovative companies and serve as hotbeds for innovation and technological advancement for several reasons. They provide a dedicated space for experts and professionals to collaborate, share ideas, and conduct in-depth research. These centers, usually as part of multinational groups, have access to funding attracts highly compensated and skilled personnel and that supports the exploration of cutting-edge technologies and solutions, enabling the development of new products, processes, and methodologies. Moreover, the open environment within these centers encourages interdisciplinary collaboration, which often leads to novel approaches and breakthroughs that drive innovation across various fields. Additionally, the resources, facilities, and access to state-of-the-art equipment in research centers play a crucial role in enabling experimentation, testing, and validation of new ideas, propelling the pace of technological innovation. In other words, R&D centers contribute substantially (i) to maintaining Belgium's innovation leadership and its position as an innovation hub on the international stage, as well as (ii) to the economic growth in terms of employment and the creation of jobs.

- **Streamline processes and reduce administrative burdens for large R&D centers.** AmCham Belgium advocates for streamlined processes and reduced administrative burdens for these large R&D centers and supports the bolstering of strategic tax incentives playing a crucial role in not only attracting but also retaining and nurturing a conducive environment for cutting-edge research in Belgian base research centers.
- **Address procedural bottlenecks and administrative challenges in R&D tax incentives.** We have pinpointed critical issues like procedural bottlenecks, different definitions or administrative interpretation of R&D centers for various tax incentives, double or triple information requests for information that has already been made available for other incentives or subsidies, the recurrently required involvement from other government bodies, as Belspo, etc.
- **Bolster strategic tax incentives to attract, retain, and nurture cutting-edge research.** A crucial aspect of our stance is ensuring budgetary neutrality in amending R&D incentives. Belgium's R&D tax incentives indeed stand as a linchpin for propelling innovation and economic development. Companies with R&D centers are particularly prone to the effects of international tax initiatives aimed at large multinationals (such as the minimum tax under Pillar Two of the OECD's BEPS). Where such initiatives would trigger taxation as a consequence of R&D tax incentives and de facto take away the effect of these incentives, AmCham Belgium encourages government to take action to safeguard these incentives to secure the attraction of R&D centers and their positive effects on the economic growth.

It is quintessential to realize the importance of these R&D tax incentives for the innovative companies and thus for our Belgian economy. In the 2023 edition of the 'European Innovation Scoreboard', an instrument used by the European Commission to provide a comparative assessment of the innovation performance of EU Member States, Belgium has climbed up from 'strong innovator' to an 'Innovation leader'. AmCham Belgium recognizes that Belgium has already made a serious effort in establishing attractive tax measures, but contends that it should, amongst others, further focus on fine-tuning its existing R&D tax incentives and simplifying their administrative compliance aspects with a view to attracting new R&D and innovation activities and to retaining current ones.

- **Safeguard R&D tax incentives against international tax initiatives affecting multinationals.** In a changing global tax landscape, preserving the effectiveness of the current R&D tax incentives is paramount. In order to maintain this innovation leadership, Belgium should bolster its existing tax incentives, such as: the innovation income deduction, the R&D (or ‘technology’) investment deduction and corresponding tax credit, the partial exemption of wage withholding tax on research salaries and the in-patriate tax regime (inter alia for researchers). Equally vital are the employment tax incentives, including withholding tax exemptions for researchers. Their significance cannot be overstated. We call for the consolidation and, where possible, expansion of these measures. Anticipating the introduction of a global minimum tax, exploring opportunities for enhancement, such as tax structures akin to those in neighboring countries like France's R&D tax credit, becomes increasingly important.
- **Align tax authorities' interpretation with the intended spirit of R&D tax incentives.** The Chamber strongly encourages the federal government to have the tax authorities interpret the statute in line with its intention (i.e., not in a way to deny the exemption where, in substance, the conditions for the relevant tax incentives have been met), to recognize the decisions of its own bodies (e.g., Belspo) and, where necessary, adapt legislation where it deems the law inappropriately redacted to tackle abuse of the R&D tax incentives. The legitimate use of the tax incentives should thus not be disproportionately penalized on formalistic grounds. Companies starting innovation or R&D investments must have certainty about the budgets they have earmarked for their R&D and innovation activities. However, the recent actions by the tax authorities in regard to certain tax incentives (e.g. the partial wage withholding tax exemption) instead create uncertainty about their eligibility. AmCham Belgium is not only concerned about the unexpected financial consequences of these actions, but also about the medium and long-term effect they will have on the (un)attractiveness and reputation of Belgium for U.S. (and other) direct investment in the Belgian economy. This affects the R&D and innovation sector, which is a key attraction point for our country, something to be proud of and which is considered to be a top priority for the future.

ATTRACT INNOVATIVE HEALTHCARE SOLUTIONS

Investing in health and well-being is tantamount to investing in the welfare of the society. Therefore, AmCham Belgium advocates for prioritizing health promotion, patient education, empowerment, and preventive care, including vaccinations. To optimize digital health opportunities, investing in digital literacy for both patients and healthcare professionals is crucial. This approach can reduce the need for treatments and hospitalizations, yielding long-term cost savings and improving the population's health, positively impacting Belgium's economy. Achieving this requires an innovative reimbursement model incentivizing preventive care and value-based outcomes, necessitating a financial system change in the healthcare sector for enhanced efficiency and effectiveness, ensuring resources are allocated effectively. Belgium should attract companies seeking to introduce pioneering healthcare solutions, establishing itself as their preferred destination.

- **Ensure a constructive dialogue and collaboration.** Health is at the heart of everyone in Belgium and the country must strive for a resilient and sustainable system. Constructive dialogue and collaboration will further drive Belgium's renowned position as a health valley. Indeed, the biopharmaceutical footprint is a driver for health outcomes and a pillar in the economy. Belgium is a leader in patent applications, maintaining a strong second place in number of biopharmaceutical patent applications per capita with 422 patent applications in 2022, increasing three-fold in a five-year period. In clinical trials per capita continues to hold the second place in 2022, with 474 approved trials.¹ Nevertheless, the system faces mounting pressures and opportunities, from digitalization, new innovative treatment options, the importance of patient centric care, to the scarcity and (human) capacity of the sector, budgetary constraints and fragmentation in policies or governance.² AmCham Belgium is expertly placed to support ongoing important healthcare reforms by the Belgian authorities, aligning with the importance of improving accessibility, sustainability, efficiency and quality of the healthcare system. The development and adoption of innovative healthcare solutions will require the long-term vision and system promoters.

¹ Pharma.be Pharma Figures EU <https://pharma.be/nl/media/nieuws/de-belgische-biofarmaceutische-sector-onbetwiste-europese-leider>

² Despite an increase in practicing doctors and nurses, shortages in the system continue. More than 80% of hospitals reported having to limit number of beds due to the shortage of staff. Zorgnet-icuro 2022. <https://www.zorgneticuro.be/nieuws/personeelstekort-dwingt-vlaamse-ziekenhuizen-en-woonzorgcentra-om-zorgaanbod-af-te-bouwen>

Effective public-private collaborations and dialogue will lead to a stable, predictable, and transparent business climate and transformative approaches to healthcare. The Chamber calls on all stakeholders to continue dialogue and collaboration to establishing a resilient and sustainable Belgian healthcare, placing patients at the centre.

- **Simplify complex and multi-levelled governance structures to focus on holistic approaches that prioritize high quality outcomes for patients.** To achieve an integrated care continuum and an efficient healthcare system, Belgium should ensure a holistic, multi-, and transdisciplinary collaboration across governance levels, whereby complex and multi-levelled governance structures should be simplified. Building on existing platforms, the country has opportunity to establish necessary consultation bodies to simplify the layered governance dynamics in healthcare to ensure patient centricity and value-based outcomes. Simplifying systems and governance levels will elevate integrated care pathways for patients in Belgium. AmCham applauds the important discussions held on integrated care through the Inter-Federal plan on Integrated Care and investments in the establishment of new measures in the Belgian healthcare system.³ While recognizing the existence of particular objectives, including importance of strengthening prevention policies, integrated care pathways will drive patient centricity and help combat the socioeconomic inequality of health. Nevertheless, the implementation of a holistic approach will require bold political choices and the elimination of possible waste in the system, reinvesting the gains in healthcare innovation.
- **Leverage digital technologies and solutions to drive healthcare innovation.** By doing so, further healthcare innovation in Belgium can be driven and the overall (digital) health literacy can be improved. A recent study demonstrated that 29% of the Belgian population have low levels of health literacy, illustrating importance of adapting technological solutions and discussions to the needs of the patient in Belgium.⁴ Health literacy plays an essential role in successful access to healthcare and use of healthcare services, adequate self-care and overall health and well-being. Investing and securing innovation in digital solutions, such as tele-monitoring, can drive improved health-related quality of life.⁵ A 2018 analysis on Digital-Health-Index, incorporating different dimensions of digital health, illustrated Belgium's opportunity for improvement, ranking 13th out of 17 OECD countries studied.⁶ Indeed, the recent e-health 2022-2024 action plan delineates important policies contributing to accelerating digitization in Belgium healthcare digitization.⁷ Belgium can strengthen and define a long-term vision in healthcare through ensuring is prioritized and further remove administrative burden and reduce costs while increasing effectiveness in caregiver and solutions. Providing innovative solutions to healthcare data and the use and analysis of real-world evidence can push improved healthcare outcomes for patients in Belgium. This includes investing in accurate data collection and involve expertise from the field to the development of evidence-based healthcare solutions.

³ Het interfederaal plan Geïntegreerde zorg. <https://www.riziv.fgov.be/nl/professionals/info-voor-allen/het-interfederaal-plan-geintegreerde-zorg>

⁴ Hermans et al. Mental health, compliance with measures and health prospects during the COVID-19 epidemic: the role of health literacy. *al. BMC Public Health* (2021) 21:1365 <https://doi.org/10.1186/s12889-021-11437-w>

⁵ Lippi L, Turco A, Folli A, D'Abrosca F, Curci C, Mezian K, de Sire A, Invernizzi M. Technological advances and digital solutions to improve quality of life in older adults with chronic obstructive pulmonary disease: a systematic review. *Aging Clin Exp Res.* 2023 May;35(5):953-968. doi: 10.1007/s40520-023-02381-3. Epub 2023 Mar 23. PMID: 36952118; PMCID: PMC10034255.

⁷ Protocole d'accord de la Conférence Interministérielle Santé Publique portant sur le plan d'actions e-Santé 2022-2024

→ Establish a strong protection for IP rights

SAFEGUARD INTELLECTUAL PROPERTY RIGHTS TO DRIVE INNOVATION

In addition to empowering large research centers and exploring opportunities to enhance R&D tax incentives, upholding intellectual property rights is paramount for preserving Belgium's- and Europe's- innovation appeal. Companies across diverse sectors invest heavily in R&D, seeking assurance that their IP will be safeguarded. This assurance fuels their drive to invest in cutting-edge technologies, bolstering their market presence. Strong respect for IP rights plays a pivotal role in attracting foreign direct investment. Companies prioritize regions with robust IP protections, mitigating risks and maximizing investment returns.

- Next to empowering large research centers and improving R&D tax incentives, protecting intellectual property rights is critical to maintain Belgium's and Europe's attractiveness as an innovation hub. Many different types of companies invest strongly in R&D and want to be reassured that their IP will be safeguarded.
- For AmCham Belgium, this is an important topic as it is crucial that patients keep having access to medicines and that innovation is stimulated in areas where no treatments currently exist. However, this might not be the case in the future due to the concrete measures of the pharmaceutical incentive framework. The current revision of the pharmaceutical package would likely undermine the development of innovative therapies and undermine European, and Belgian, competitiveness in life sciences. Rather than lowering the baseline of incentives while introducing uncertain and vague conditions to extend these, strong intellectual property rights to drive innovation should be central. As important innovation and healthcare hub, Belgium should raise its voice at international level. AmCham Belgium believes that it is important to stimulate innovation rather than to damage it. One might not forget that developing innovative treatments is a lengthy and risky procedure. Next to that, it is a procedure that has very low chances of success.
- Today, this problem might seem to be isolated to the healthcare sector, but nothing is less true. Companies in different sectors invest heavily in research and development to drive innovation. The confidence that their intellectual property would be respected and protected motivates these companies to keep on investing in new technologies, products and solutions. Investors are more likely to introduce high-end products or services when obtaining the right certainties. Let's not forget that the respect of IP rights is a major factor for attracting foreign direct investment. Companies are looking to expand their operations and seek countries and regions with strong IP rights so to reduce risks.