

# Studying the impact of R&D tax incentives on SME-led innovation: New EU project

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Prof. [Pierre Mohnen](#) will lead UNU-MERIT's stake in WATSON -- a new 1 million euro innovation project.

WATSON is a research project funded by the European Commission under Horizon 2020, which aims to develop and demonstrate a framework methodology for studying the impact of R&D tax credits and incentives on SME-led innovation within Europe. The project with a duration of 18 months (January 2018 – June 2019) and a total budget of nearly 1 million euros brings together leading European research institutions and Innovative SMEs from the domains of Fintech, financial services and economics.

R&D tax credit schemes have been widely implemented as a measure of innovation funding; however, the "one-size-fits-all" nature of R&D tax incentive schemes does not account for the intrinsic differences in the research and results of different industries. This leaves certain sectors at a disadvantage in achieving funding, limiting the impact of R&D tax schemes. Most schemes have yet to be subjected to a detailed quantitative study, which impedes their comparability and limits their improvement potential in better targeting the specific needs of the wide array of R&D performing SMEs in the European market.

WATSON will further the knowledge of innovation funding by providing a foundation for detailed study of SME funding through the framework methodology, which will be integrated into the WATSON ICT innovation analytics platform for richer analysis. This tool will identify gaps in funding of European tax credit schemes, and help to better target and improve innovation funding measures. The results of WATSON will thus expand innovation support for SMEs through the provision of instruments better targeted to the funding needs of specific SME segments. WATSON aims to set the foundation for innovation benchmarking and help maximise the impact of innovation funding in Europe.

The consortium with six partner organisations is led by the SME Kapitalise Ltd (United Kingdom), and comprised of industrial partners: Exodus S.A. (Greece), Inventya Ventures (EU) Ltd (Ireland); and academic institutions: Imperial College London (United Kingdom), Maastricht University (Netherlands) and London School of Economics (United Kingdom).

Stakeholder engagement will be undertaken throughout the project through events such as workshops, training sessions and conferences, as well as a cross-sector stakeholder panel.

WATSON is keen to attract more stakeholders so if you would like to be involved in this innovative and exciting project, please contact the WATSON team via [stephen@kapitalise.co.uk](mailto:stephen@kapitalise.co.uk)

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## Company Contact:

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### United Nations University - MERIT

T. +31 43 388 44 00

E. [info@merit.unu.edu](mailto:info@merit.unu.edu)

W. <https://www.merit.unu.edu/>

### **Additional Contact(s):**

Howard Hudson, Head of Communications

[hudson@merit.unu.edu](mailto:hudson@merit.unu.edu)

+31 43 388 44 30

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