Executive summary
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National governments have done much to encourage innovation, often through a web of tax incentives for research. Yet, by and large, much remains to be done to ensure that these ideas are translated into new businesses, new products, additional jobs and so, in time, to ensure a faster rate of economic growth in Europe.

“Biotechnology in Europe: The Tax, Finance and Regulatory Framework and Global Policy Comparison” is a joint report by EY and EuropaBio. In it, we examine what the continent has to offer investors, entrepreneurs and researchers alike. We look at everything from what to take into account when importing materials for clinical trials to the best way to exploit intellectual property within Europe’s various jurisdictions. We also profile key global locations on the increasingly important topic of R&D incentives.

At a time when big biotech companies are looking for inspiration, governments need to encourage small and medium-sized enterprises (SMEs) to take steps which may help them one day to become large firms in their own right. There is more to creating a successful industry, says the report, than putting in place the right standard of regulation. What is needed is a climate of innovation and entrepreneurship, coupled with the bricks and mortar with which to build industries around it, not to mention the correct implementation of regulation.

Initiatives such as Horizon 2020, a programme for research and innovation funding, implemented by the European Commission with a budget of nearly €80b and the Bioeconomy Strategy and Action Plan for Europe will both contribute towards bridging the gap between good people with good ideas and the investment and opportunity to make them a reality.

However, the recently published 2014 EU Innovation scoreboard underlines that Europe risks becoming the world’s research hub while innovative products and processes and the jobs and growth that go with their development, will be found elsewhere.

In an analysis of individual countries across Europe, we set out which agencies to contact for information when considering where to establish centres of research or manufacturing. We examine the tax concessions on offer in each country and the financial burdens for SMEs and which benefits are likely to flow from a decision to establish a research facility or a start-up in a particular location.

Because jurisdictions influence how, when and why investors in biotechnology decide to enter or exit a business, we weigh up the advantages and disadvantages of individual countries. In addition, we examine the priorities facing small and medium-sized enterprises, those which create most of the new jobs in Europe.
Our global comparison highlights the increasingly important topic of R&D incentives. This growing importance was recognized in a recent OECD report which stated that: “R&D incentives have proliferated and become more important with 34 member countries providing tax incentives to support business R&D.” For the purpose of this report, we focus on those countries with a thriving Biotechnology sector and provide a detailed description of available benefits, the incentive application process, eligibility and IP jurisdictional requirements. Where available, patent and innovation boxes are also described.

Too often, say those in biotechnology and allied industries, regulators dictate the rules governing the process towards new products or processes while losing sight of the end result. Europe may have a well-deserved reputation for innovation and the skills required to research and develop new ideas. Yet the journey from innovation to manufactured products is often laboured, long and at times entirely unpredictable.

Regulators can make it hard for businesses to assess a likely rate of return from a new product. New firms can also find it difficult to maintain the momentum needed to bring a product to market and so to begin to generate returns if the road to product approval is not predictable. And only if they see a possible return, of course, will investors risk their capital in the first place.

There is currently a three-speed Europe for the biotechnology industry, with each of the three applications – healthcare, industrial and agricultural – all operating under different and more or less predictable and workable regulatory and approval processes.

In today’s markets, entrepreneurs may be better advised to devote their time and energies to creating a suite of products, not just a single one. In this way, says the report, firms may increase their chances of securing backing from an investor while improving the prospects of creating a product which reaches the market. History would suggest, too, that the earlier such a decision is made, the better it may be for the company as well as the investor.
About EuropaBio:

EuropaBio is the European Association of BioIndustries. Our members are involved in research, development, testing, manufacturing and commercialisation of biotech products and processes in human and animal healthcare, diagnostics, bioinformatics, chemicals, crop protection, agriculture, food and environmental products and services. EuropaBio also counts a number of National Biotech Associations in its membership who in turn represent more than 1800 biotech SMEs.

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