



R&D Tax Incentive & Funding Strategy

DKFZ | H3 Health Hub Lunch Webinar Series

Presented by Fundess GmbH by
Dr. Sonja Lacher—Scientific Consultant



19.03.2026

Our specific industry expertise

Biotechnology



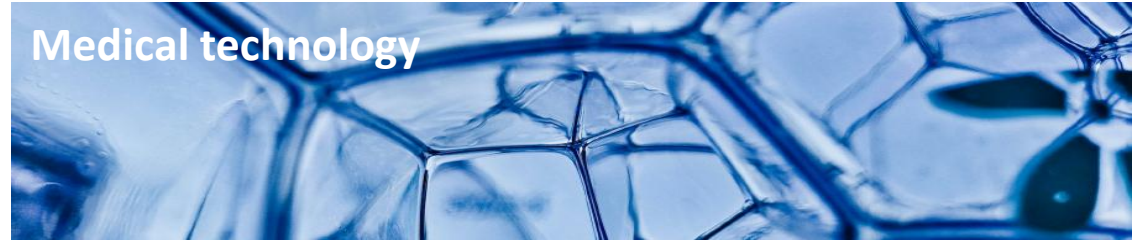
Health Care



Plant & mechanical engineering



Medical technology



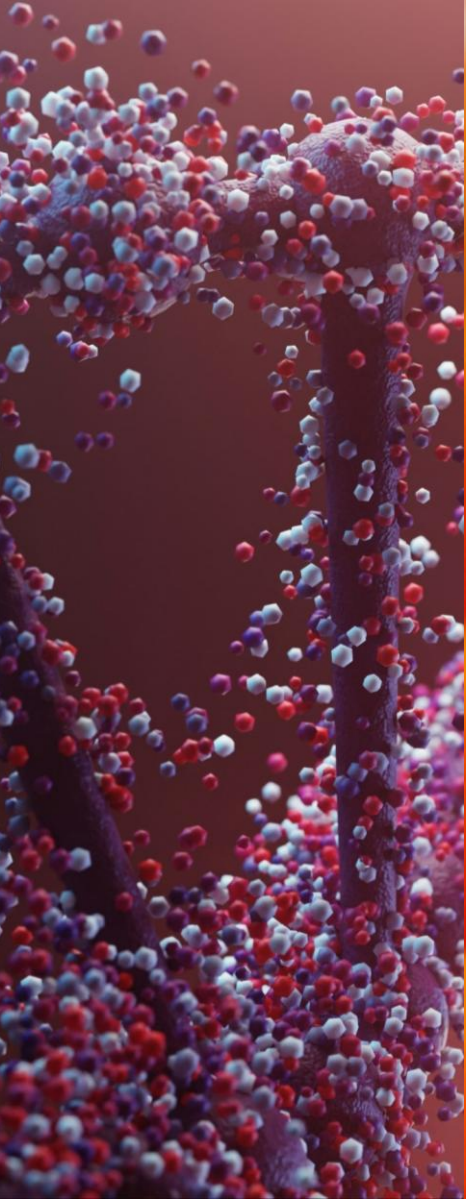
Beverages & food



IT / KI



Proven Funding Excellence in Life Sciences & DeepTech



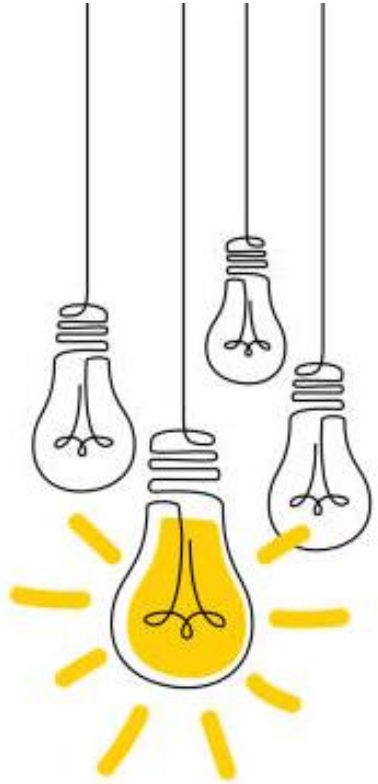
—> Proven Funding Excellence in Life Sciences & DeepTech

Fundess GmbH brings a **strong and highly credible track record in Life Science and DeepTech funding advisory**, supporting start-ups, SMEs, corporates, universities, and clinical partners across the full innovation lifecycle – from early discovery to clinical and market readiness.

—> Funding Performance at a Glance

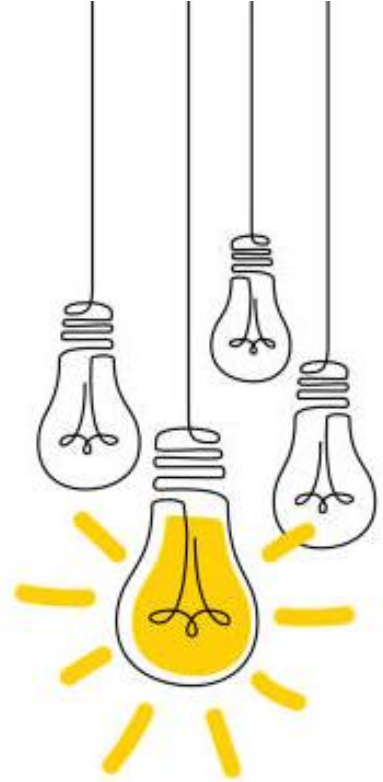
- €47 million in research grants successfully applied for
- €13 million in national funding (Germany)
- €12 million in EU funding (Horizon 2020 / Horizon Europe)
- €39 million already paid out via research and innovation grants
- EIC Accelerator:
 - 3 projects successfully funded
 - 5 additional projects awarded the Seal of Excellence

Agenda



1. Funding Landscape for Biotech: What Instruments Exist & When They Fit
 - Key national and EU programs
 - Matching instruments to company maturity & technology readiness levels (TRL)
2. Designing a Non Dilutive Funding Strategy
 - Using grants and tax incentives to de risk science
 - Sequencing programs for maximum leverage
3. TRL Driven Project Planning
 - What funders expect at TRL 1–8
 - How TRL progression influences funding eligibility
4. Investor Timing: When to Bring in Equity Capital
 - How grants improve valuation & negotiation power
 - When investors expect to see which milestones
5. Building a Combined Funding–Investment Roadmap
 - Integrating grants, public funding & private capital
 - Avoiding common pitfalls and aligning milestones for both funders and investors

Aim of the Session



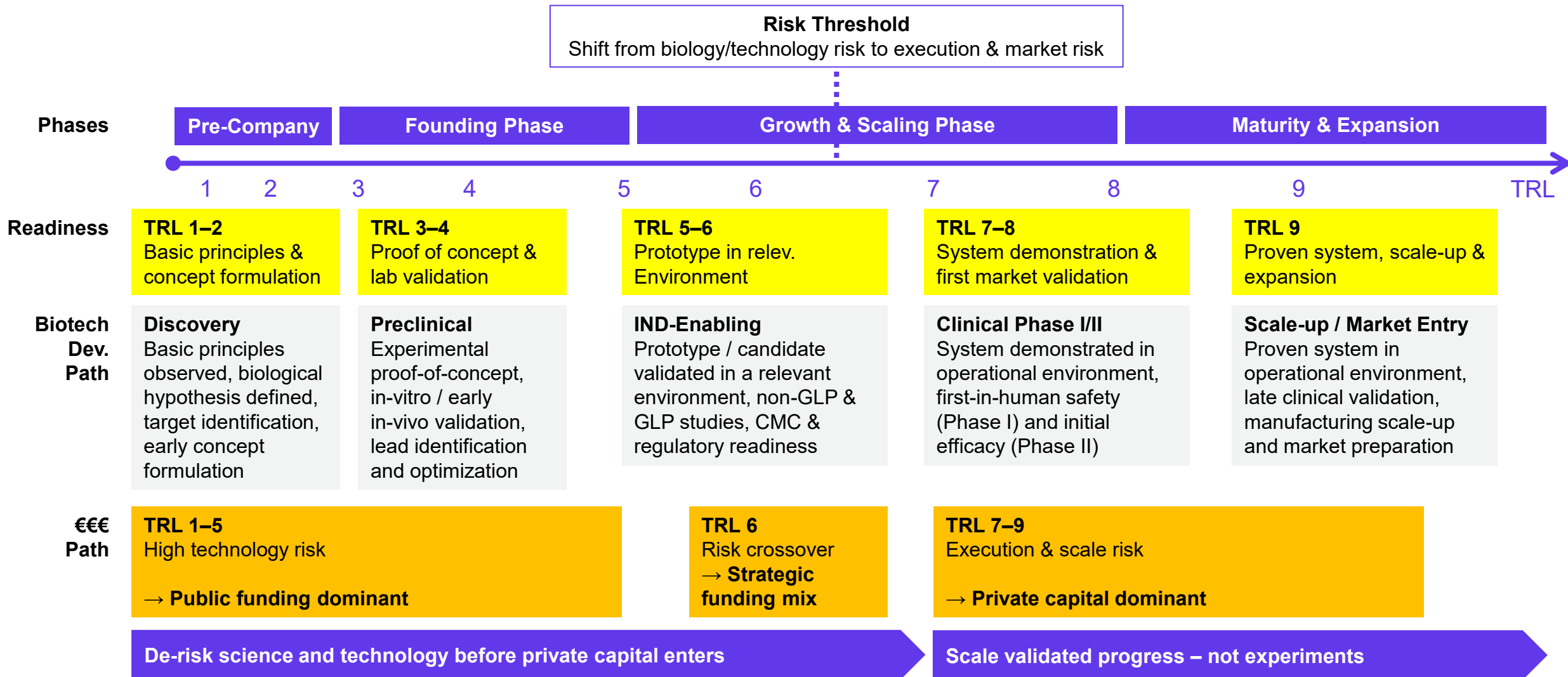
Participants will learn **that public funding and private financing must be strategically integrated to unlock their full impact.** Grants, equity, and other financing instruments should not be treated as isolated sources of capital, but as **interconnected building blocks of a coherent short-, mid-, and long-term funding strategy.**

A well-designed funding strategy enables start-ups to:

- **Extend their runway** and leverage available capital more effectively
- **De-risk technological and clinical milestones** before raising private capital
- **Increase competitiveness and success probability** in highly selective funding programs
- **Align funding timing with TRL progression,** business development, and growth objectives

Participants will understand that **strategic planning is decisive** not only to maximize the reach and impact of existing capital, but also to **continuously improve funding success rates in a highly competitive environment.**

The Biotech Funding Timeline



German Public Funding – Structure

Federal Level

- Federal Ministries (e.g. BMWK, BMBF, BMEL)
- Funding agencies such as KfW
- Key programs: Research Tax Credit, EXIST, IGF, GO-Bio
- Central information source: Federal Funding Database (Förderdatenbank des Bundes)

State Level

- 16 federal states with their own funding programs
- State development banks (e.g. LfA Bavaria, NRW.BANK)
- Biotech focus areas:
 - Translational research
 - Regional biotech clusters & Innovation infrastructure (labs, pilot facilities, scale-up)

Municipal Level

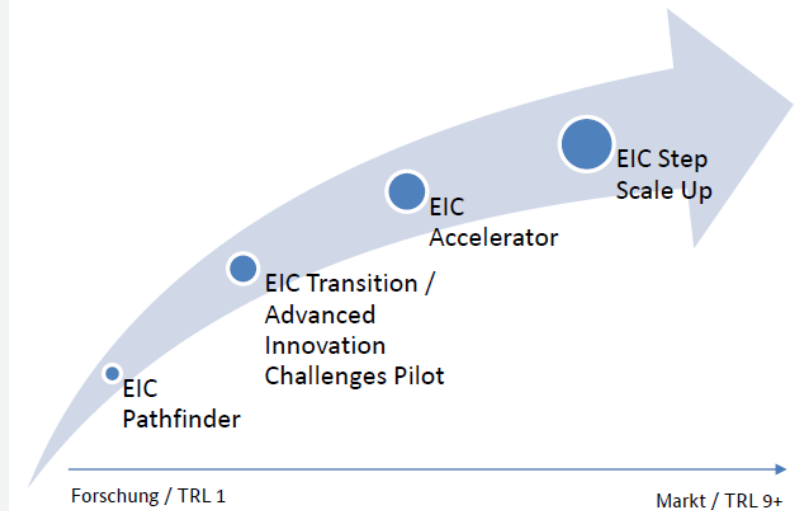
- Cities, districts, and municipalities
- Support for local biotech ecosystems, e.g.:
 - Innovation hubs and science parks
 - Start-up infrastructure and lab space
 - Local translational and spin-out initiatives
- In some cases, inter-municipal cooperation programs

Private and Intermediary Actors

- Foundations, associations, and chambers (e.g. Chambers of Commerce and Industry, Chambers of Crafts, EKFS | Translatorik)
- Cluster organizations and networks focused on innovation, technology, and industry development
- Complementary funding or advisory services, e.g. coaching, matchmaking, and project support

European Innovation Council

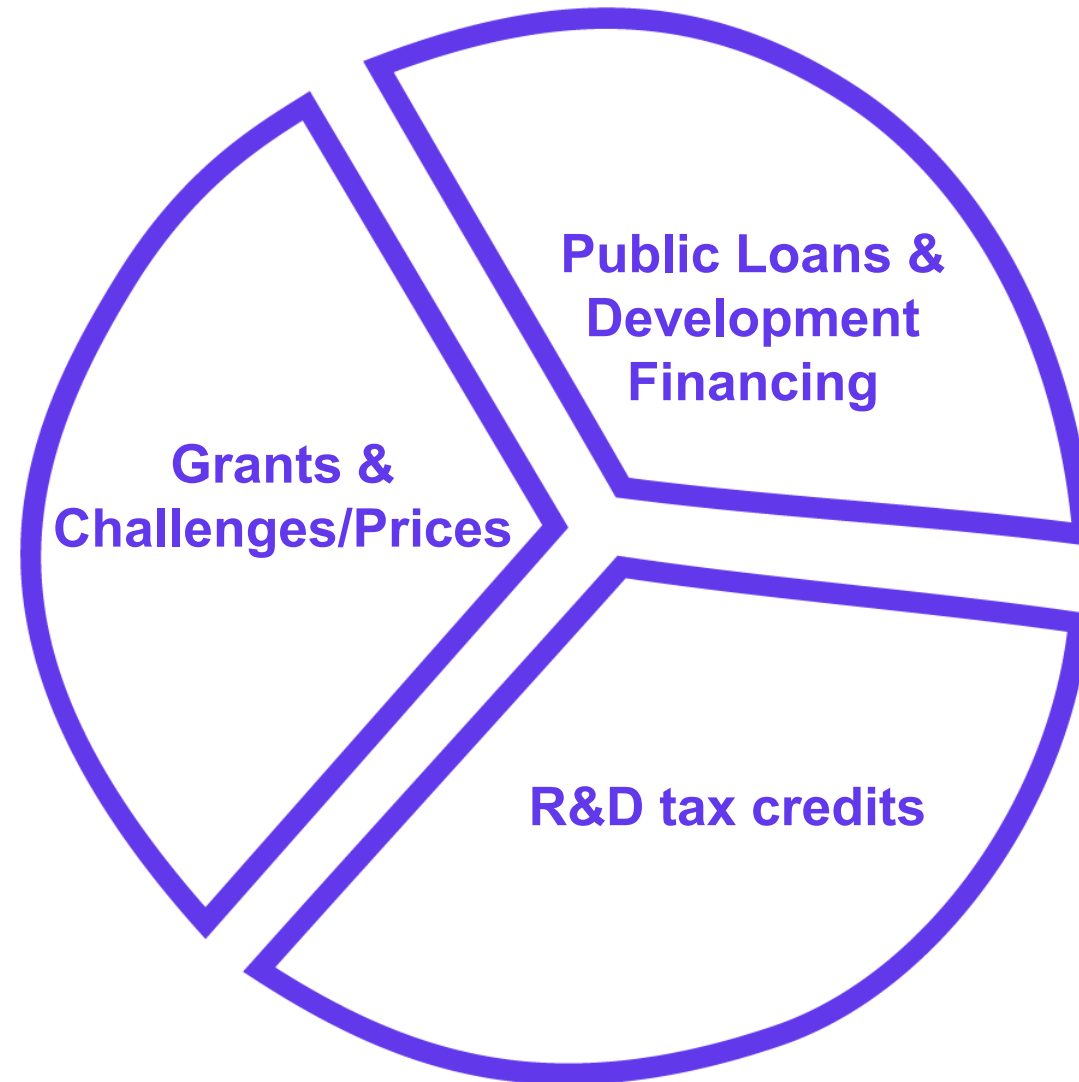
- **Pathfinder**
Breakthrough research from lab to prototype
- **Transition**
Market-readiness grants for preparing to enter the market
- **Accelerator**
Scale-Up Grants & Investments for scaling up business
- **STEP Scale Up**



European
Innovation
Council

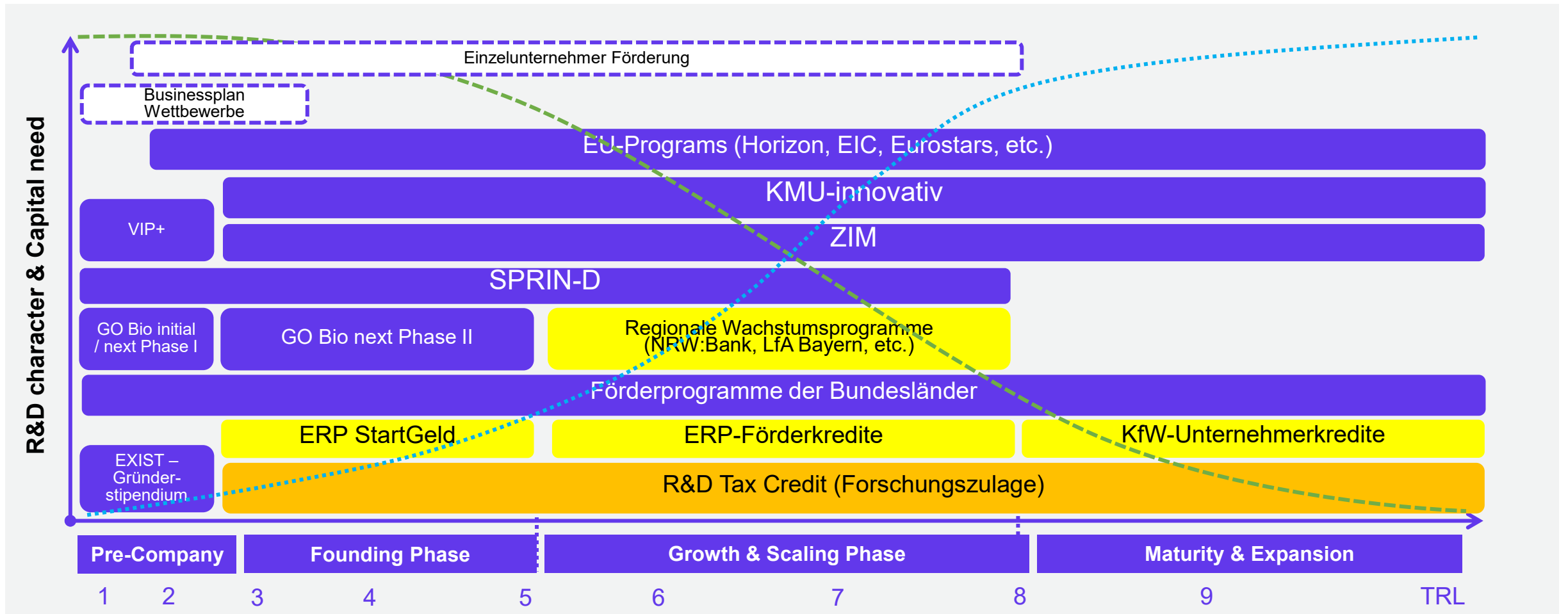


(non-dilutive) Funding instruments for one coherent, TRL-driven funding strategy



Bootstrapping

Funding Spectrum – R&D Activities by Company Stage



--- R&D character

..... Capital need

Framework – Frascati Manual

The Measurement of Scientific, Technological
and Innovation Activities



Frascati Manual 2015

GUIDELINES FOR COLLECTING AND REPORTING
DATA ON RESEARCH AND EXPERIMENTAL
DEVELOPMENT



- Internationally recognized & authoritative standard work on the methodology for collecting R&D statistics
- Essential tool for statisticians and science and innovation policy decision-makers worldwide
- Recognized guideline that defines R&D projects and assigns them to different activity areas:
 - Industrial research
 - Basic research
 - Experimental development



Framework – criteria for identification

Five criteria for identifying eligible R&D projects

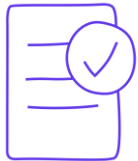
innovative

creative

uncertain¹

systematic

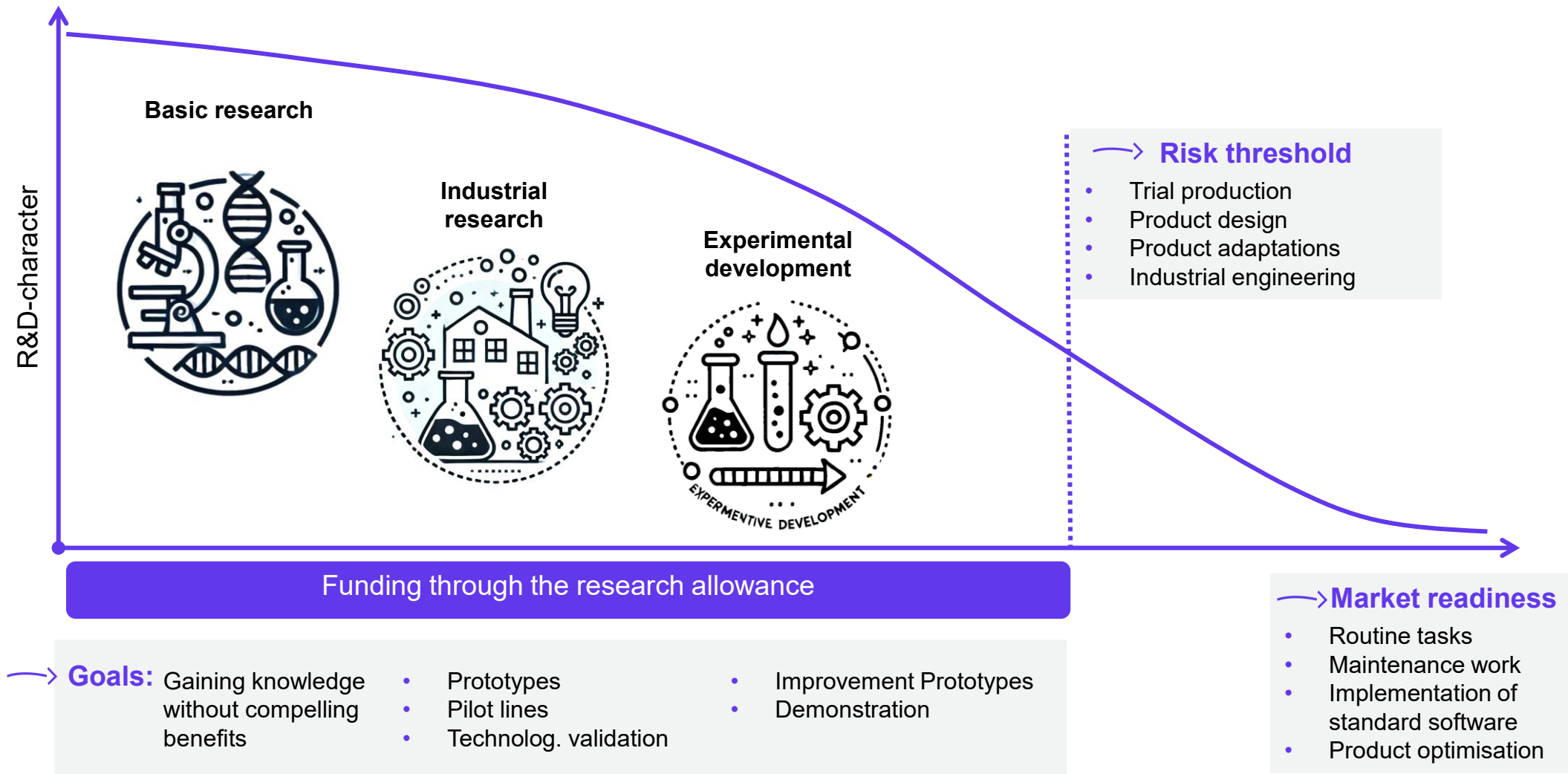
transferable



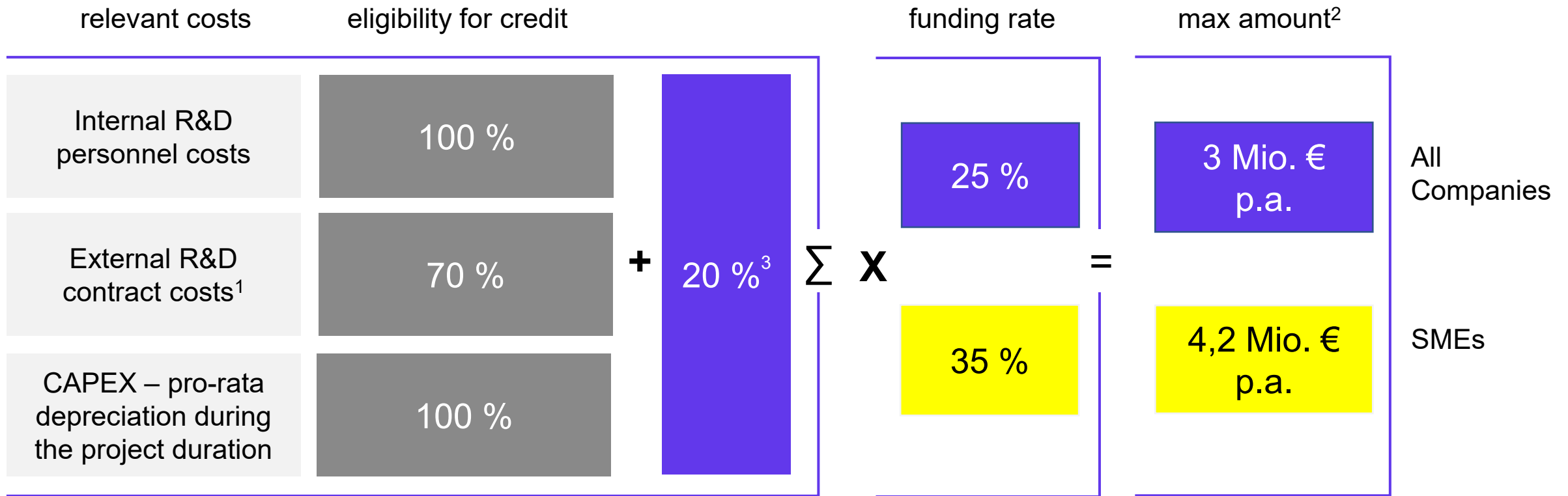
Eligibility for funding is granted with the cumulative fulfillment of the 5 criteria

1 scientific or technological risks

Funding spectrum – R&D activities



Economic benefit of the German R&D tax credit (for projects from 2026)



¹ External R&D contract costs only within the EEA / only 60% eligible until 28.03.2024

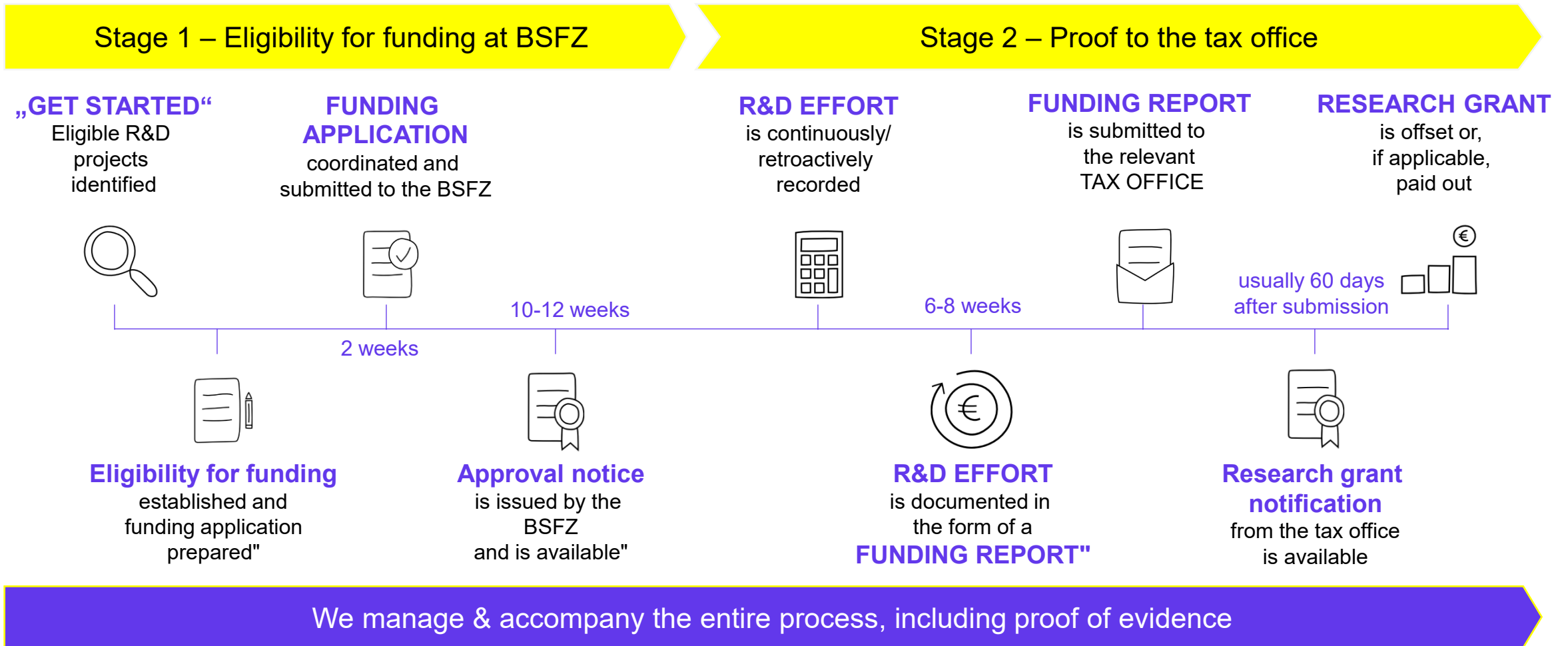
² Funding amount limited to a maximum of €1 million per year and consortium until 28.03.2024

³ Applies to all companies if the project starts after 31.12.2025

Effect: Increase in the effective assessment basis without additional documentation effort

← Up to 4 years retroactively

Process model



R&D tax credit: Germany's most stable funding instrument

1

The research allowance is tax-free.

It does not have to be taxed as business income, even if older official sources have previously stated otherwise. In current tax practice, the subsidy remains entirely with the company.

2

The research allowance is independent of the federal budget.

Approval of the research allowance does not depend on the current federal budget. The basic decision after stage 1 is legally binding, even if the national budget is tight during the year. The research allowance is guaranteed by law and can therefore be reliably planned.

3

The research allowance is financed from stable, uncapped tax revenue.

The research allowance is financed directly from income and corporation tax revenue. It is not subject to any limited funding pot and is not subject to quotas. This means that there is no risk of it being 'exhausted' as is the case with traditional funding programmes.

4

The research allowance creates legal certainty and supports investment decisions.

With the certificate from the certification body (stage 1), the company receives a legally binding preliminary decision confirming the eligibility of the project. It thus acts as a 'building permit' for R&D projects and offers a high degree of planning and investment security.

Effective funding rate Research allowance vs. grants

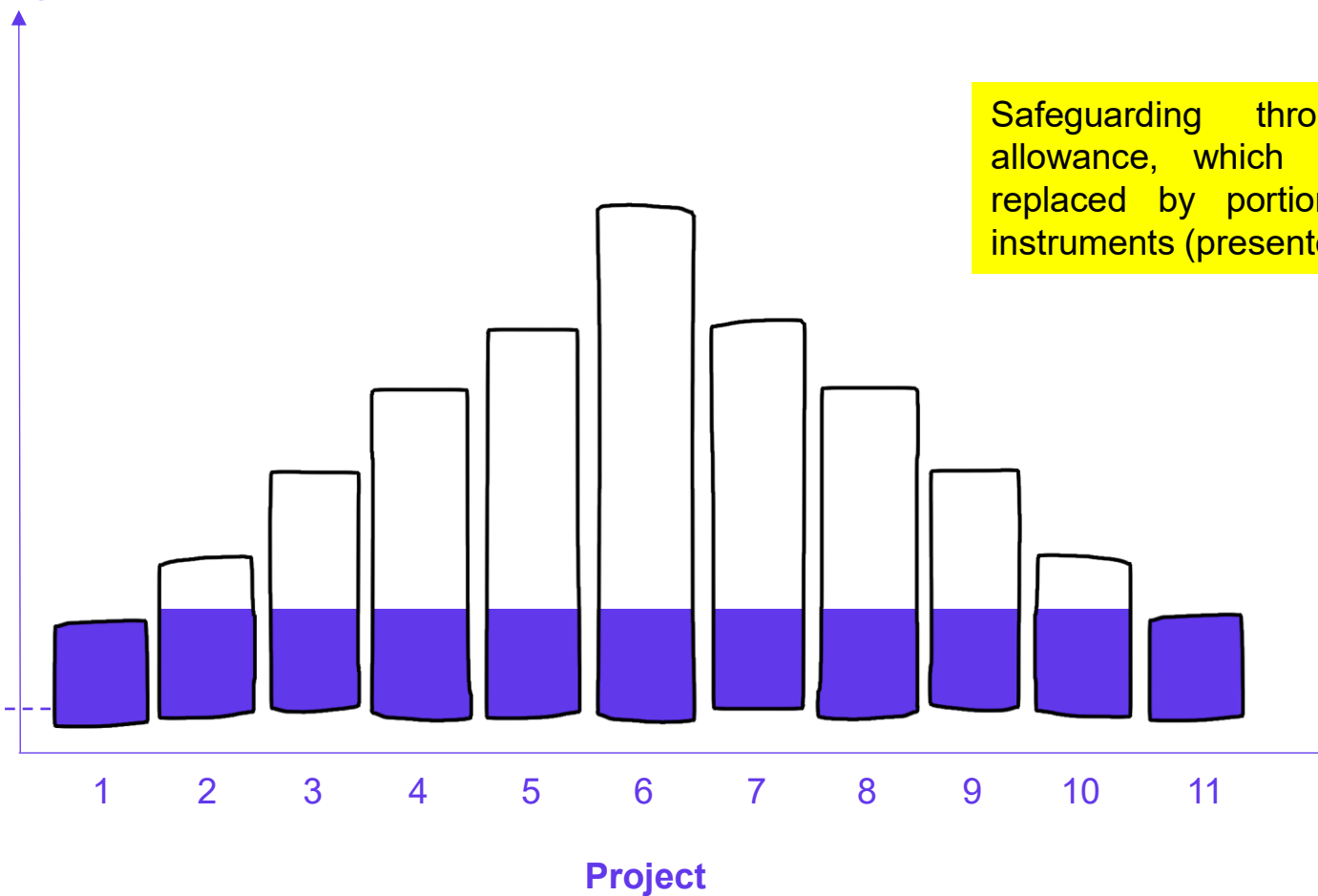
Szenario	Nominal subsidy rate	Effective funding rate	Erklärung
R&D tax credit (Non-SME)	25 %	25 %	Tax free, 100 % effective
R&D tax credit (SME)	35 %	35 %	Tax free, 100 % effective
Grant 50 %	50 %	~35 %	Subsidies are subject to income tax (ZIM, etc.) → after taxes (≈ 25–30% corporation tax + trade tax), the net effect decreases ¹
Grant 60 %	60 %	42–48 %	Effect reduced by corporate taxes

¹ Even if no taxes are currently payable, grants reduce the company's tax loss carryforwards.

Deferred tax effect: During the loss-making phase, a grant reduces tax loss carryforwards, meaning that fewer losses are available for tax-free offsetting in later profitable years. Once the start-up becomes profitable, this results in higher tax payments—so part of the funding is effectively repaid through taxes at a later stage.

Sustainable Funding Strategy: After Company Formation

Funding Rate

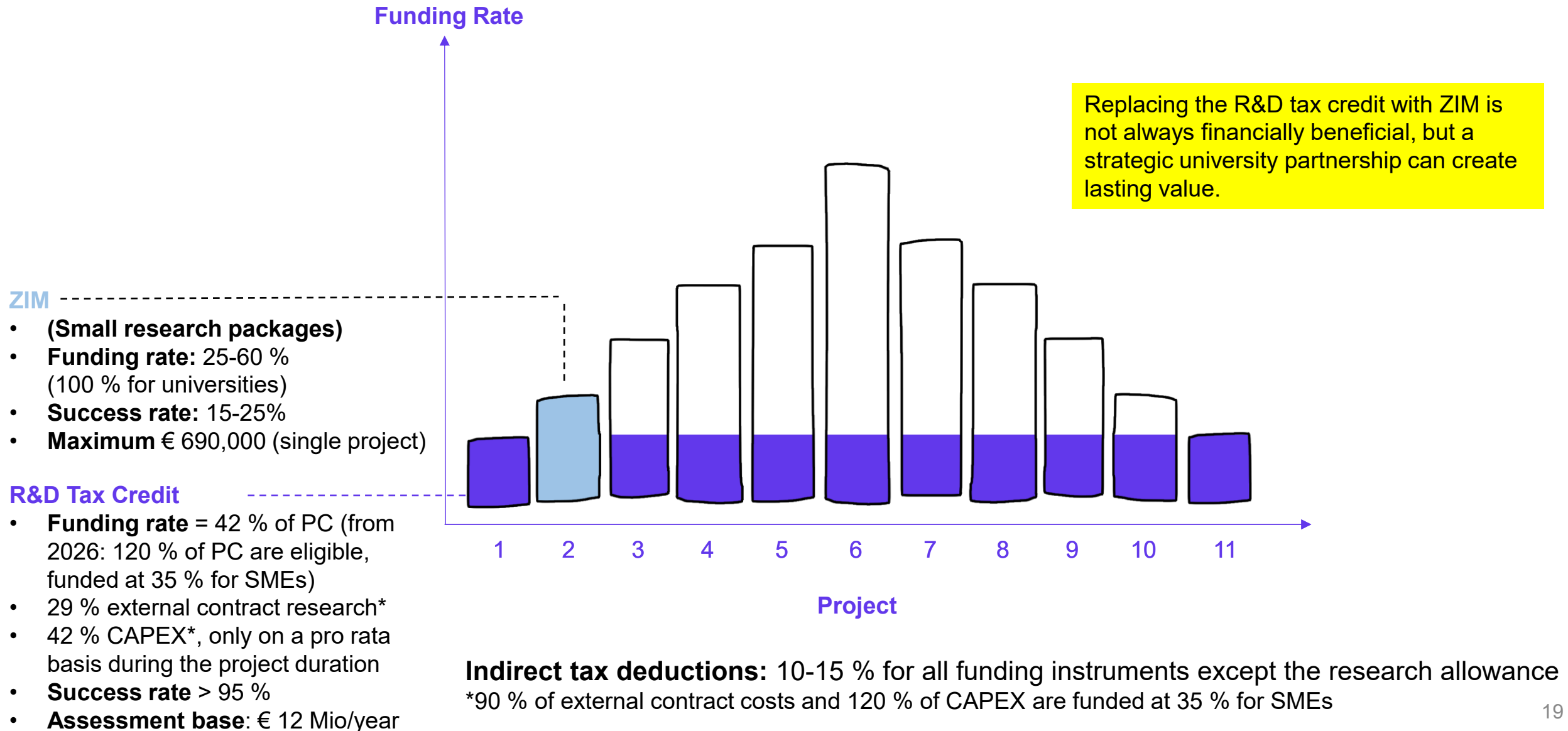


R&D Tax Credit

- **Funding rate:** 42 % of PC (from 2026: 120 % of PC are eligible, funded at 35 % for SMEs)
- 29 % external contract research*
- 42 % CAPEX*, only on a pro rata basis during the project duration
- **Success rate** > 95 %
- **Assessment base:** € 12 Mio/year

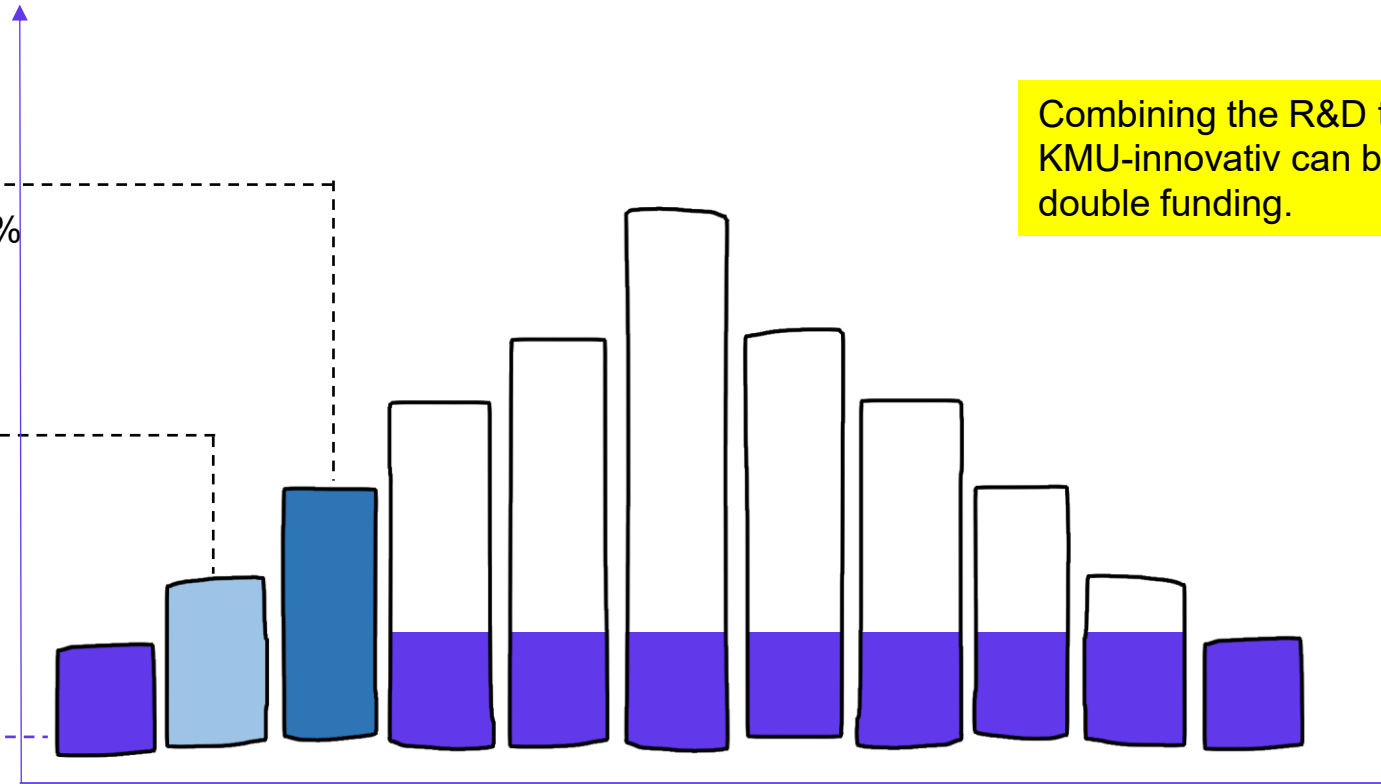
Indirect tax deductions: 10-15 % for all funding instruments except the research allowance
*90 % of external contract costs and 120 % of CAPEX are funded at 35 % for SMEs

Sustainable Funding Strategy: After Company Formation



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Funding Rate



Combining the R&D tax credit with KMU-innovativ can be beneficial; no double funding.

KMU innovativ

- **Funding rate:** IR 50-70 %, ED 25-45 %
- **Basic research** 100 %
- **Success rate:** 15-25%
- **Up to €1 Mio** in funding possible

ZIM

- (Small research packages)
- **Funding rate** = 25-60 % (100 % for universities)
- **Success rate** = 15-25 %
- **Maximum € 690,000** (single project)

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- **Success rate:** 7.9 %
- **Max. funding** € 2.5 Mio

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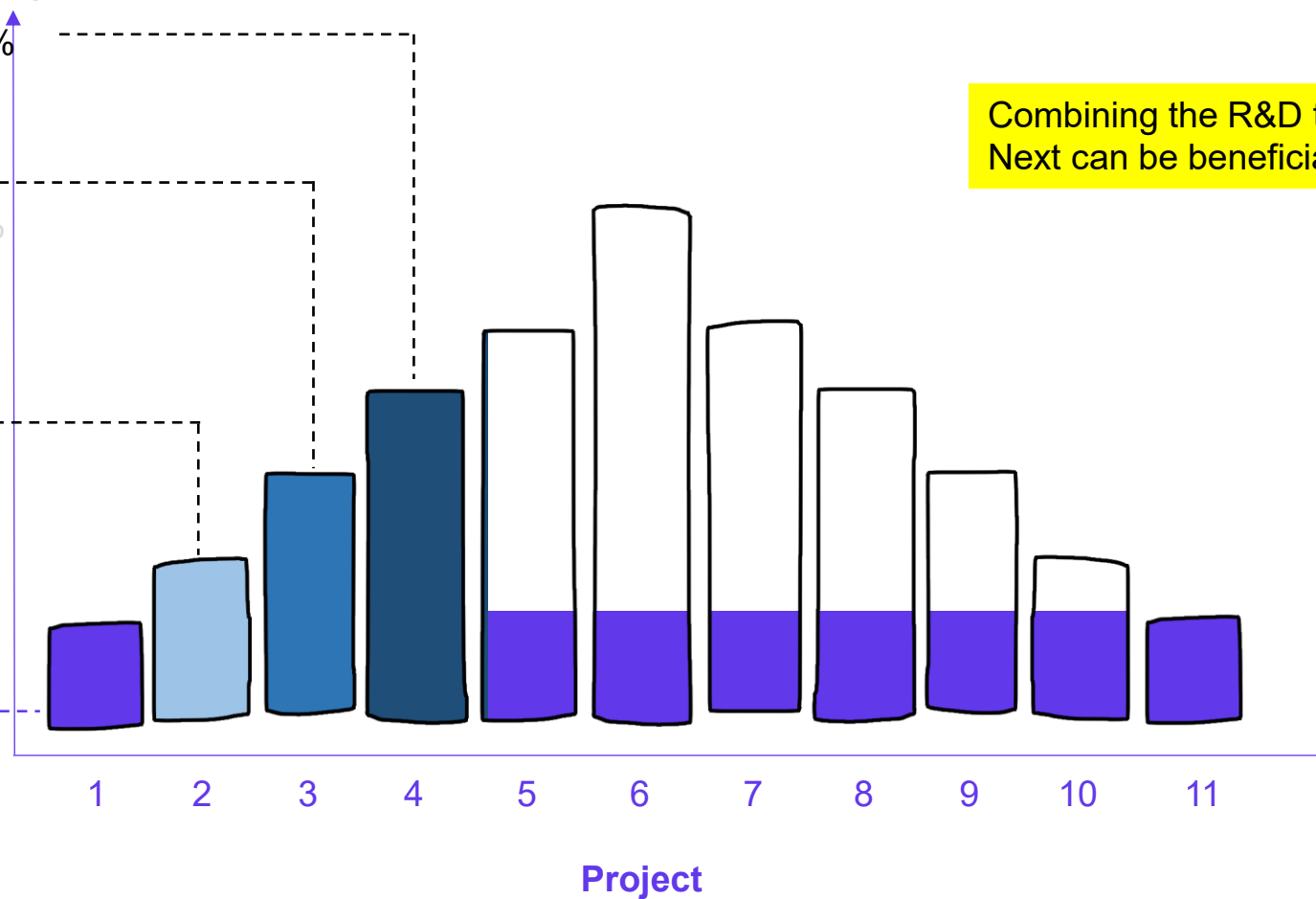
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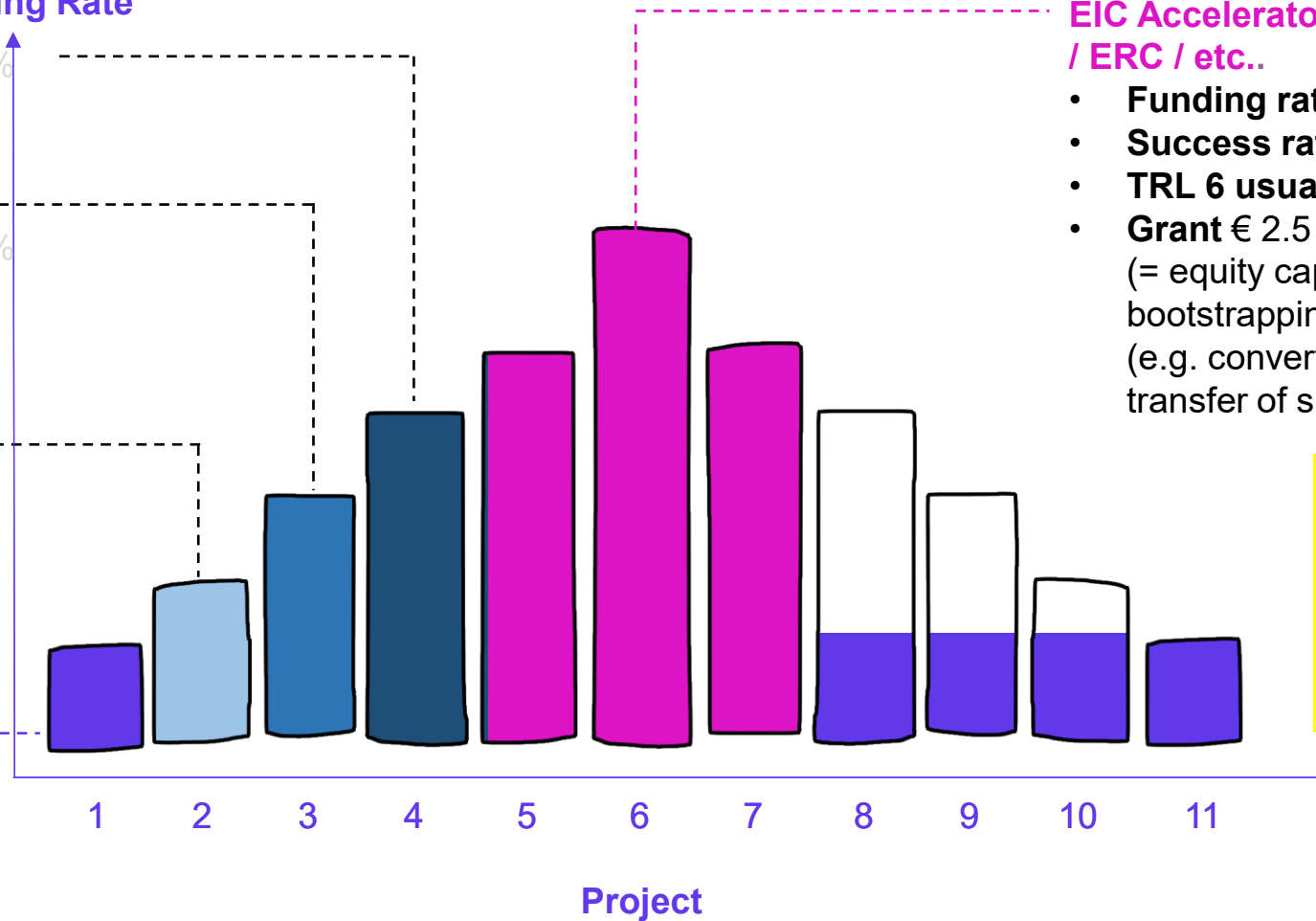
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Funding Rate



EIC Accelerator / ERC / etc..

- Funding rate up to 100 %
- Success rate < 10 %
- TRL 6 usually required
- Grant € 2.5 Mio, Equity €1-10 Mio (= equity capital through, e.g., bootstrapping, VC/business angels (e.g. convertible loans → later transfer of shares reduces dilution))

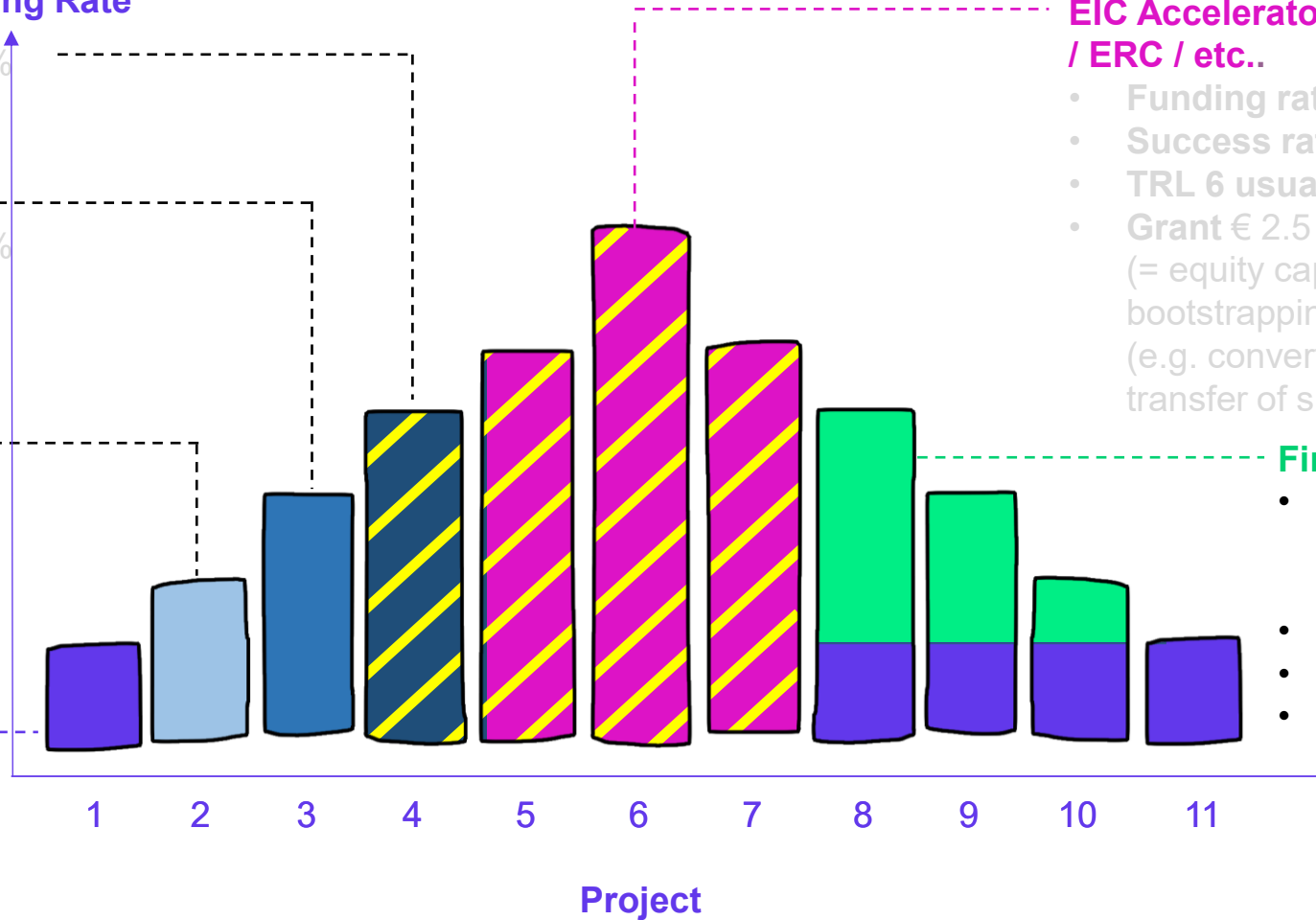
High-risk programs can partly replace the research allowance but require long lead times and experienced applicants.

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Financing

- **Debt-servicing capacity** based on a basic assessment notice
- (“Grundlagenbescheid”)
- **Legally binding**
- **Backed by the federal government**
 - Facilitates bank loans
 - Facilitates **equity**

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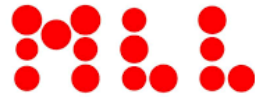
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Selected new clients





We sustain your
visions.