

Research and Development Project Incentives

Research and Development (R&D) is considered to be among the most important areas for the development of the German economy. Industry and the public sector have committed to investing around 3.5 percent of GDP annually in R&D activities by 2030. This amounted to EUR 137.1 billion R&D spending in 2024.

Choosing the Right R&D Program

Research and development projects can count on numerous forms of financial public support. There are many programs allocating R&D grants, interest-reduced loans and special partnership programs. Financing is provided by the European Union (EU), the German government, and the individual German federal states. Research and development incentive programs in the form of grants generally provide money for R&D project personnel expenditure. Other costs for instruments and equipment may also be eligible if they can be clearly assigned to the relevant R&D project. The R&D program guidelines specify the eligible costs in detail.

EU R&D Incentives

The EU's Horizon Europe program offers financial support to research and innovation projects at the European level and will run until the end of 2027. Support is allocated in the form of grants covering up to 100 percent of eligible project expenditures. With a total budget of nearly EUR 100 billion, Horizon Europe is the world's largest research funding program. Support is provided to R&D projects working at the transnational level with different project partners. The EU usually issues a call for proposals announcing the research area, eligibility guidelines and the available budget.

German Federal Government R&D Grants

All research programs financed by the German federal government have been concentrated within the High-Tech Agenda Germany. The High-Tech Agenda Germany defines six key technologies as strategic priorities for future innovation and competitiveness. In 2026, the federal government published technology roadmaps detailing the implementation framework for these technology areas. Each area consists of a number of different R&D programs. Research and development project support is offered in the form of non-repayable grants. Grant rates can reach up to 50 percent of eligible project costs in the research category experimental development. Higher rates may be available for SMEs and projects carried out in cooperation. The federal government periodically calls for R&D project proposals followed by a competition of best project ideas.

There are also a number of national programs without a specific technological focus. Of these, the Central Innovation Program for SMEs (ZIM) is the most prominent. Application for incentives available under this program is possible at any time and without any prior calls for proposals. It makes provision for individual as well as for cooperation projects.

German Federal State Funding

In addition to federal R&D incentives, Germany's 16 federal states offer their own R&D funding programs tailored to regional innovation priorities and industry strengths. Many programs are technology-neutral, allowing companies from diverse sectors to benefit from funding. Depending on the program, projects can be undertaken individually or in collaboration with research and industry partners.

R&D Grant Programs



➡ For further information please contact our financing experts at: invest@gtai.de

Further R&D Project Subsidy Options

Research and development loans can be an alternative to R&D grants and entail several advantages: They are usually not attached to a specific technology field, application is possible at all times, and they can cover higher project costs. R&D loans are provided by different publicly owned development banks at the national and federal state level. Equity is offered by both the KfW Group and federal state-owned or public-private venture capital companies to technology-oriented companies.

R&D-Tax Credit: Research Allowance

Germany complements its project-based R&D grant programs with a nationwide R&D tax incentive. The Research Allowance is available across industries and technologies, offering companies planning and financing certainty for long-term R&D investments. Companies subject to taxation in Germany and engaged in R&D activities are eligible for a tax credit of up to EUR 3 million per year (up to EUR 4.2 million for SMEs); 25 percent of eligible costs (35 percent for SMEs). Eligible expenditures include project-related personnel costs and depreciation of assets used in the R&D process, with annual eligible costs capped at EUR 12 million. Following confirmation of project eligibility by the national certifying body, the incentive is administered through the tax system. If no tax liability exists, the benefit is paid out directly as a cash refund, ensuring that both established companies and growth-oriented innovators can benefit from the scheme.

How to Benefit from R&D Funding

To participate in R&D grant programs, companies must define an R&D project with clear objectives and a fixed timeline. Projects should be intended to develop a new product, process or service that substantially surpasses existing products, processes or technical services in terms of their functions, parameters or features. An application for R&D funding also has to set out a commercialization plan, detailing how research results will be transformed to generate additional turnover and/or employment in the region where the R&D project is located. The aid intensity level for a project depends on the size of the enterprise (small, medium-sized or large); whether the project is conducted in cooperation with other companies or research institutes; and the research category of the project.

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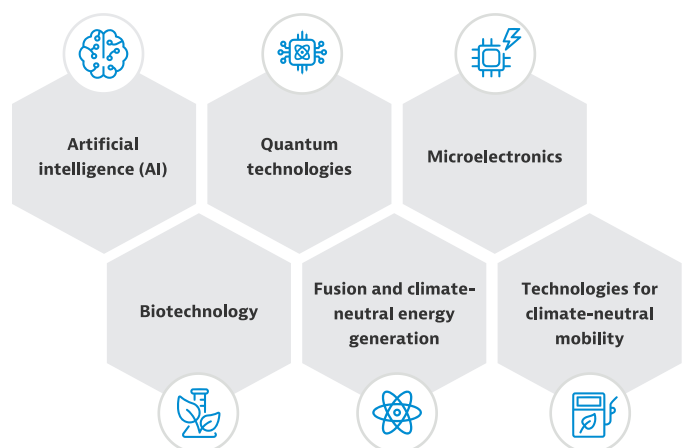
At a Glance

- EUR 137.1 billion annual R&D expenditure
- Strong research ecosystem
- Horizon Europe access
- Federal and state grants
- Nationwide R&D tax credit
- World-class industrial clusters

Three Research Categories

- **Fundamental Research**
Experimental or theoretical work aimed at gaining new knowledge
- **Industrial Research**
Research with a specific practical objective aimed at developing new products, processes, or services, or at improving existing ones
- **Experimental Development**
Research aimed at producing drafts, plans, and prototypes

Germany's High-Tech Agenda: Six Key Technologies



Source: Federal Ministry of Research, Technology and Space (BMFTR) 2025