

Tax Break Enables French ISV to Develop Second Vertical Solution



France-based ISV Gesway applied for a tax reduction aimed at SMEs with a proven commitment to research and development. After the company's first application was unsuccessful, it approached the European Union Grants Advisor (EUGA) for help. EUGA directed Gesway to SOGEDEV—a local agency that specialises in assisting companies with these applications—and the independent software vendor was able to receive a sizeable tax reduction.

Independent software vendor (ISV) Gesway was the first company in France to develop a vertical solution using Microsoft® Dynamics™ NAV. In 2004, the business software developer released a product called Navibat for the building and civil engineering industry. Gesway spent 2,500 days on its development, recruiting six new employees in the process. Following the success of Navibat, the company wanted to increase its business solutions portfolio, but was concerned about the costs incurred in the development phase.

When Gesway discovered the French government offers tax incentives for small and medium-sized enterprises (SMEs), the company decided to apply for the *Crédit Impôt Recherche (CIR)*—a tax break designed to persuade SMEs to concentrate on research and development.

French government officials, however, met the initial Gesway application in 2004 with scepticism. Etienne Pruvost, CEO, Gesway, says: “When Gesway first applied, we were told we only developed a specific solution and that this wasn't research and development.” Consequently, the company's first application was rejected.

To benefit from the CIR, applicants must submit a tax declaration and a technical report detailing their annual research expenditure. Although the technical report is a fundamental part of the inspection, it is often overlooked by applicants. In 2006, Gesway enlisted the European Union Grants Advisor (EUGA) to help prepare its documents.

Pruvost says: “We approached EUGA France to find a consultant who would help improve our application, and they put us in touch with a local specialist who advised us on presenting an effective case for receiving the reduction.”

A team of SOGEDEV consultants specialising in the obtainment of financial support for research and development projects helped Gesway prepare its technical report. This time, the company's application was successful, and it received a significant tax break. Gesway directed the money it saved back into research, allowing it to develop a second vertical solution—NaviOne (www.navione.eu), an enterprise resource-planning tool available in France, Belgium, Switzerland, and Spain.

Gesway has also begun developing mobile solutions for the building industry. “It is fair to say, without the tax break we received as a result of developing Navibat, we would have found it much more difficult to develop NaviOne,” says Pruvost.

Gesway is the first ISV in France to benefit from the EUGA programme. Yanne Courcoux, Technical Consultant for EUGA France, says: “If you are an SME with a research and development project, we would encourage you to apply for this very helpful grant. The consultants at EUGA France are very familiar with the tax-break application process and offer unmatched business know-how and advice.”

EUGA Fast Facts

Microsoft® believes that technology can play a key role in economic and social growth. It is working in partnership with technology companies, banks, consulting agencies, and other organisations to help more SMEs obtain government funding through its European Union Grants Advisor (EUGA) programme. Through this programme, SMEs and local and regional governments increase their awareness and understanding of EU funds as well as take advantage of a facilitated application process should they wish to apply for funds that they are eligible for.

Lisbon Agenda – Fast Facts

In March 2000, the European Council (EC) set a goal for the European Union (EU) to prepare its transition to a knowledge-based economy and society. This initiative known as the Lisbon Agenda, promotes better policies for the information society, and research and development, and encourages structural reform for competitiveness and innovation. The EU recognises that a powerful way to achieve this is to fund IT awareness and training schemes, research and development, and support new business start-up.