**Dutch government policy and R&D**

Many governments have used taxation, or rather its relaxation, as a means to stimu­late innovation. There are various mechanisms but for these to be effective, espe­cially for SMEs, a key factor is that they should be easy for companies to operate. In Holland, where companies must deduct income tax and social security payments directly, this has been achieved by allowing organizations to pay lower tax amounts on behalf of their R&D staff. It has proved popular with SMEs - who receive 60 per cent of the budget allocated to the scheme - and a total of approximately 15,000 organizations benefited in 1999. Research conducted on behalf of the Dutch govern­ment has shown that both R&D expenditures and the number of R&D employees have increased.