



R&D Tax Incentive

November 2014



Tax agent
71879005



**Chartered
Accountants**

NUMBER ONE IN NUMBERS



Snapshot

Generous, easy to access support for business innovation.

- Reduces the cost and risk of undertaking research and development (R&D) activities.
- Helps companies undertaking eligible work to create new or improved products, processes and services.



Snapshot cont

Eligible companies can benefit from the R&D Tax Incentive and pay less tax by:



Conducting Eligible R&D Activities



Registering with AusIndustry



Lodging your company
tax return with the ATO



Tax agent
71879005



NUMBER ONE IN NUMBERS



What is the Benefit

Targeted, generous and easy to access.

1. Open to firms in all sectors
2. Companies may receive a;
 - 45% refundable tax offset if their aggregated turnover is *less* than \$20 million.
 - 40% non-refundable offset if their aggregated turnover is *more* than \$20 million.
3. A company must have notional R&D deductions of at least \$20,000 in order to claim a R&D Tax offset.



Example

Company X is an R&D entity entitled to notional deductions of **\$100,000** for R&D expenditure.

Company X's aggregated turnover for the income year is **\$1,000,000**.

Company X is entitled to the **45%** refundable R&D tax offset, which is would be \$45,000

If the company makes \$100,000 of profit the following calculation applies

Note that when completing your income tax return, the amounts that make up your R&D tax offset will be removed from your standard deductions.



Calculation

Profit \$100,000

Tax on this would be \$30,000

Add identified R&D expenditure \$100,000

New taxable profit \$200,000

Tax at current rate of 30% - \$60,000 to pay

Less offset of \$45,000

New tax to pay \$15,000

Benefit of the program \$15,000



Eligibility

The R&D Tax Incentive is open to companies from any industry in Australia.

- Generally a company that is liable to pay tax in Australia and is incorporated under Australian law is eligible.
- Under certain circumstances overseas companies operating in Australia can be eligible.
- Trusts are generally not eligible.



Activities

Your research and development work needs to be recognised as an eligible R&D activity.

Eligible R&D activities are broken into two categories:

1. Core R&D activities and
2. Supporting R&D activities



Core Activities

Attempts to do or make something that hasn't been done before and cannot be done without experimenting.

To prove it, the company must aim to;

1. Create new knowledge, by
2. Following a path from concept to conclusion, with
3. Measurable experimental outcomes to support the conclusion.



Excluded Core Activities

Some activities are explicitly excluded from being eligible core R&D activities.

These activities could still be eligible supporting R&D activities.

- Management studies
- Market research
- Prospecting, and
- Research into the arts



Supporting Activities

Supporting R&D activities include company activities that support Core R&D activities.

These activities need to have a;

1. Direct,
2. Close, and
3. Relatively immediate relationship to the core R&D activity.



Record Keeping

Record keeping is an important part of any R&D project and also an important part of good business practice.

- Keep records to demonstrate the work you register is eligible for support.
- Good planning.
- Good business systems and processes.



How Do I Register?

You can only register using AusIndustry's online smart form.

- Before you lodge your company income tax return to claim the Incentive.
- Within 10 months of the end of your company's income year.
- For every income year you want to claim the Incentive.



How Do I Claim?

The Australian Tax Office administers your R&D Tax claim.

1. Ensure you meet the eligibility criteria.
2. Ensure your tax agent is registered.
3. Calculate your annual turnover for the income year.
4. Calculate your refundable offset amount (45% or 40%).
5. Calculate the amount of your tax offset.
6. Lodge your claim for the income year.



Tax agent
71879005

