



Australian Government
Department of Industry,
Innovation and Science

Business

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R&D Tax Incentive

- *What is in it for advanced manufacturing?*

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Dr Greg Thomas
Assistant State Manager
AusIndustry - Business Services



R&D Tax Incentive

Programme Overview

- A broad-based, market-driven, self assessment program.
- An entitlement program – not a grant.
- Controlled by legislation*.
- Aimed at encouraging more businesses to carry out R&D.
- Generous support, especially for small and medium-sized firms.
- Jointly administered by AusIndustry and ATO.

* Industry Research and Development Act 1986 (Cth)

Division 355 – Income Tax Assessment Act 1997 (Cth)

R&D Tax Incentive

Benefits

Turnover of less than \$20m turnover

- 45% refundable tax offset.

Turnover of equal or greater than \$20m turnover

- 40% non-refundable tax offset.

Effective as of 1 July 2014, a \$100m threshold applies to R&D expenditure

Programme Demographics 2013-14 (National)

R&D Tax Incentive – who's accessing the programme

- From a business perspective:
 - More than 13,600 companies* registered for 2013-14 income year.
 - Registrations up 14.6% year-on-year; number of companies up 17.7%.
 - Around 3,300 (24.3 %) new customers - up 10% up year-on-year.
 - Over 850 Advance/Overseas finding applications received to date.
 - Over 190 registered Research Service Providers (RSPs).
 - Total government support ~\$2.97 billion in 2013-14 (Science, Research and Innovation Budget Tables, Sep 2014).

source: Department of Industry and Science (income year 2013-14, as at 31 December 2014)

* for the R&D Tax Incentive, this includes R&D-performing subsidiaries of groups that are consolidated for tax purposes

Programme Demographics 2013-14 (WA)

R&D Tax Incentive – who's accessing the programme

- Western Australia's participation:
 - More than 1,800 companies* registered for 2013-14 income year.
 - Number of companies up 13.5% year-on-year.
 - Around 430 (23.9%) new customers.
 - More than 60 Advance/Overseas finding applications received to date.

source: Department of Industry and Science (income year 2013-14, as at 31 December 2014)

* for the R&D Tax Incentive, this includes R&D-performing subsidiaries of groups that are consolidated for tax purposes

R&D Tax Incentive

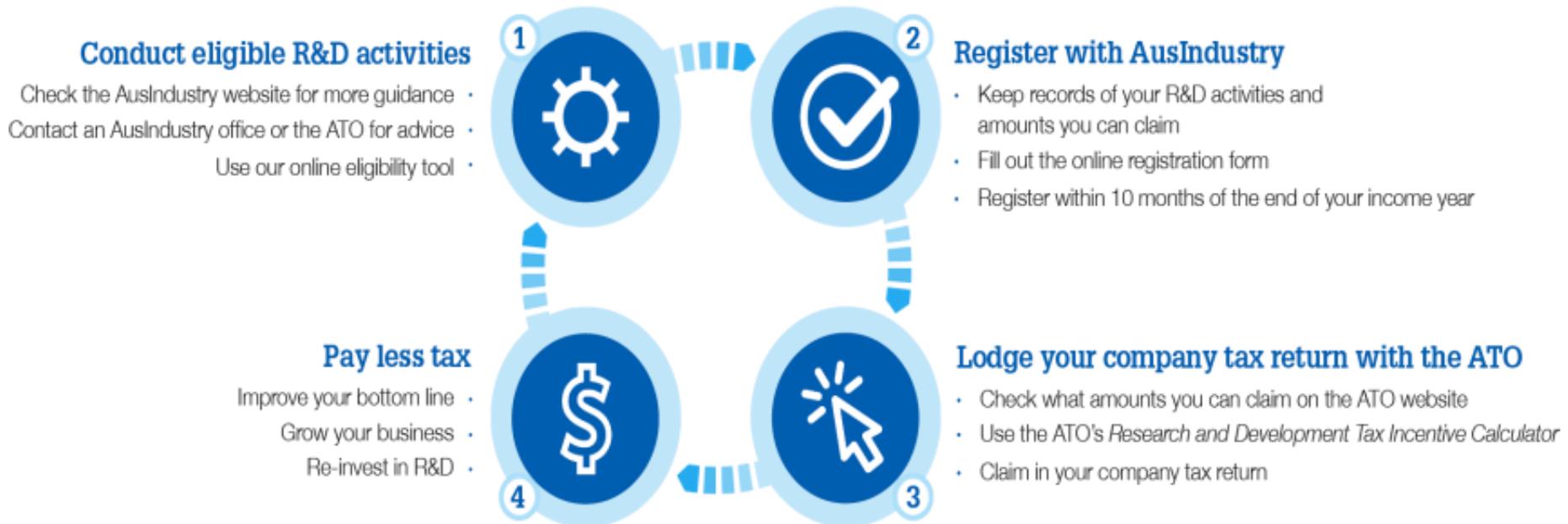
Eligibility Criteria

1. Eligible entity.
2. Undertake eligible R&D activities.
3. Minimum \$20,000 expenditure p.a.
4. Good planning and record keeping.

R&D Tax Incentive

How does the R&D Tax Incentive work?

Figure 1: Participation in the R&D Tax Incentive “at a glance”.



R&D Tax Incentive

Specific issues Advanced Manufacturing Companies will need to consider

- All design and construction will involve some known engineering challenges that uses existing knowledge to solve a problem.
- Company will need to explain why it was not able to rely on existing knowledge and was required to undertake an experiment to generate new knowledge.
- Registration must be at R&D activity level and not at a project level.

R&D Tax Incentive

Specific issues Advanced Manufacturing Companies will need to Consider

Research carried out under contract

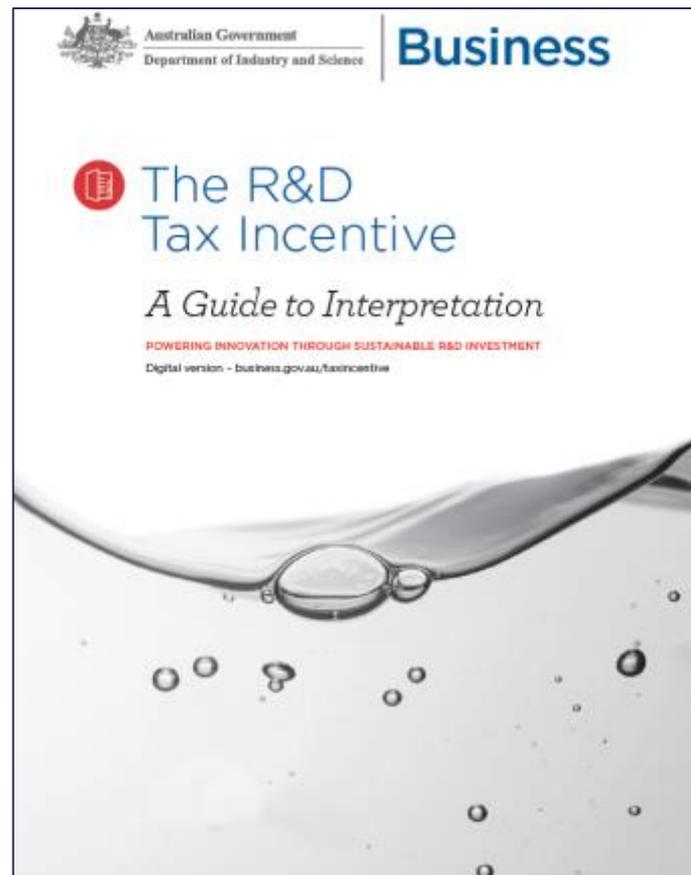
- Applicant must hold the purpose of generating new knowledge.
- Purpose of generating new knowledge must be significant or substantial.
- Applicant must bear the financial risk of the R&D activities it conducts.

Refer to *JLSP versus Innovation Australia [2016] AATA 23*.
22 January 2016.

R&D Tax Incentive

AusIndustry Guidance Products - A Guide to Interpretation

- AusIndustry has recently released a new Guide to Interpretation.
- The Guide sets out how key elements of the definition of 'R&D activities' are interpreted.
- It is designed to assist companies of all sizes, across all sectors, to understand and assess whether their work is eligible for the R&D Tax Incentive.



Programme Administration

Questions on:
Registration & eligibility of R&D activities



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- 13 28 46
- rdtaxincentive@industry.gov.au
- www.business.gov.au

Questions on:
Eligible entities & amounts you can claim



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Australian Taxation Office

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