



The R&D Tax Incentive: Summary

The R&D Tax Incentive is a business assistance program administered by the Australian Government, to encourage and support businesses to undertake R&D activities that they may not otherwise be willing to attempt. It provides a tax offset of:

- **38.5%** - for entities with aggregated annual turnover of \$20 million or greater. If the resultant tax offset exceeds the entity's tax liability, the balance can be carried forward for use in future years.
- **43.5%** - for entities with aggregated annual turnover below \$20 million. If the tax offset exceeds the entity's tax liability, the balance is paid to the entity in cash.

An R&D Tax Offset is available for expenditure on activities that meet the tax definition of R&D activities. These are:

- **Core R&D activities:** one or more experiments to test a hypothesis. The purpose of the activity must be to create something globally new (new knowledge, including in the form of new or improved products, processes, materials, etc.) and it must not be possible for a competent professional in the field to determine the outcome of the experiment in advance. The experimental activities must follow a systematic progression of work.
- **Supporting R&D activities:** other activities with a direct, close and relatively immediate relationship to the experiment/s (e.g. preliminary reviews of technical literature).

Eligible expenditure can include salaries, payments to contractors and consultants, and consumables used directly on R&D activities. Depreciation on R&D equipment may also be included in an entity's R&D expenditure, as might some apportioned business overheads.

The following steps are involved in accessing the R&D Tax Incentive:

1. **From the start to the end of the financial year:** record the R&D activities that take place and keep contemporaneous documents that show the activities met the definition. You must also keep records of the costs incurred on the core and supporting R&D activities.
2. **At the end of the financial year:** self-assess whether the R&D activities met the tax definition of R&D activities.
3. **Within ten months after the end of the financial year:** register the R&D activities with AusIndustry and determine precisely what expenditure was incurred on the R&D activities. AusIndustry will then issue a Notice of Registration – note that this does not mean AusIndustry has assessed the activities as eligible.
4. **After receipt of the Notice of Registration:** prepare an R&D Tax Incentive Schedule, to include the R&D expenditure in the income tax return, then lodge the income tax return.

If a cash refund is due, it is normally paid four to six weeks after income tax return lodgement.

Further information is available from:

<https://www.business.gov.au/assistance/research-and-development-tax-incentive>

<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/>

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