

What is the R&D Tax Incentive and what does it do for businesses?

The Research & Development (R&D) Taxation Incentive is designed to increase businesses' investment in innovation and encourage Australian industry to undertake research and development activities. It helps reduce company tax substantially and, in certain circumstances, can provide a sizable tax refund.

At Brentnalls SA, we consider the R&D Tax Incentive to be a specialised but valuable and generous incentive for our clients to consider. We can help you identify and access the R&D tax incentive (as well as other incentives), provide support and assist with implementation.

How much of a tax reduction is offered?

If your company has incurred R&D expenditure of at least \$20,000 in the financial year, you may be eligible.

From 1 July 2016, the R&D tax offset businesses with an aggregated turnover of less than \$20 million has been reduced to 43.5% (previously 45%).

For company's with turnover of more than \$20 million, the tax offset has been reduced to 38.5% and is non-refundable (previously 40%).

As well as claiming direct expenses incurred in a project, R&D expenditure claims commonly include staff wages and on-costs involved in the R&D Project, and other office expenses.

Consider the Eligibility Criteria

R&D is principally about generating new knowledge through experimentation and using this knowledge to develop new or improved products, systems or processes.

When considering eligibility for R&D the following criteria needs to be considered:

- Does the project involve developing a new product, an improved product, a new process or improved process?
- Are your activities generating new knowledge?
- Do your activities involve testing an idea or theory by carrying out tests or experiments and evaluating the results?

If the answer is yes to these questions it may be worth discussing your eligibility further.

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The R&D Tax Incentive is claimed in the Company Income Tax Return, but also requires annual registration with Ausindustry within 10 months of the financial year (i.e. by 30 April for most businesses').

If you're developing a new or improved product or process, you may be eligible for the R&D Tax Incentive.



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Disclaimer

The information provided in this brochure does not constitute advice. The information is of a general nature only and does not take into account your individual objectives, financial situation or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. We recommend that you contact Brentnalls SA before making any decision to discuss your particular requirements or circumstances.

Proposed Changes to the R&D Tax Incentive

In May 2018, the Government announced they would amend the R&D Tax Incentive provisions, to encourage additional investment in R&D whilst also ensuring the integrity of the system for the Government.

The proposed changes, yet to be legislated, will include:

- For companies with an aggregated turnover below \$20 million, the refundable R&D tax offset:
 - Tie the offset rate to be a premium of 13.5% above the relevant company tax rate.
 - Introduce a \$4 million per annum cap on the annual cash refund payment, with the balance converted to a non-refundable tax offset that may be carried forward.
 - Clinical trials will be exempt from the \$4 million cap.
- Increase the R&D expenditure threshold from \$100 million to \$150 million per annum so that large R&D spend companies have an incentive to increase R&D in Australia.

These changes are due to take effect from 1 July 2018.

Why Brentnalls SA?

Brentnalls SA provides R&D Tax Incentive services to a range of industry sectors including mining, manufacturing, technology, engineering, consumer products, telecommunications and construction. We are experienced in assessing, compiling and defending R&D claims.

There are also other Government grants and concessional loan schemes available to innovative businesses and exporters.

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