

The Advisory Firm

R&D Tax Concession is available for businesses that are undertaking the risks associated with new product and service development. The Advisory Firm can lead partners on the path to developing effective R&D programs.

R&D Tax Concession

The R&D Tax Concession is the principal Government initiative to enhance and increase the amount of R&D being conducted in Australia. It is broad-based, not industry specific, and market-driven with each company controlling the direction and thrust of their R&D. The Tax Concession enables Australian companies to deduct up to 125% of eligible expenditure incurred on R&D activities from assessable income when lodging their tax returns. A 175% Incremental (Premium) Tax Concession and R&D Tax Offset is also available in certain circumstances.

Companies may claim the expenses associated with activities that meet the definition of R&D. In summary, for the purposes of the concession, R&D activities must be:

Systematic, investigative and experimental activities (referred to as core activities) which: involve innovation (ie contain an appreciable element of novelty) or high levels of technical risk (ie the technical outcome cannot be known or determined in advance on the basis of current knowledge or experience and the uncertainty can only be removed by applying scientific methods); and are carried on for the purpose of acquiring new knowledge (whether or not that knowledge will have a specific practical application) or creating new or improved materials, products, devices, processes or services; or other activities (referred to as supporting activities) which are directly related to undertaking the above core activities.

However, before claiming the concession, companies must satisfy themselves that:

- They are registered for that year of income by the IR&D Board;
- R&D expenditure exceeds a threshold of \$20,000 unless the work is contracted to a Registered Research Agency;
- They have undertaken the R&D on their own behalf.

ELIGIBILITY CHECKLIST

- Are you a company incorporated in Australia?
- Do the R&D activities you undertake concern:
 - a technical problem that can not be resolved on the basis of publicly available information;
 - an original idea;
 - experimentation in the form of testing or trials to resolve the technical uncertainty?
- Will your company bear the financial and technical risk associated with the R&D?
- Does your company have control over the R&D; and effectively own the results?
- Will the results of the R&D activities be exploited on normal commercial terms AND to the benefit of the Australian economy?
- If the principal aim of the project was to develop a new software product, is the resultant software product intended for 'multiple sale'?
- Has your company incurred eligible expenditure on R&D activities of \$20,000 or more, OR have you contracted R&D activities to an approved Registered
- Research Agency?

