

R&D TAX INCENTIVE



Relax. We've got this.



WHAT IS THE RESEARCH & DEVELOPMENT (R&D) TAX INCENTIVE?

The R&D Tax Incentive program is the Australian Government’s principal measure to enhance and increase the amount of research and development undertaken by Australian businesses.

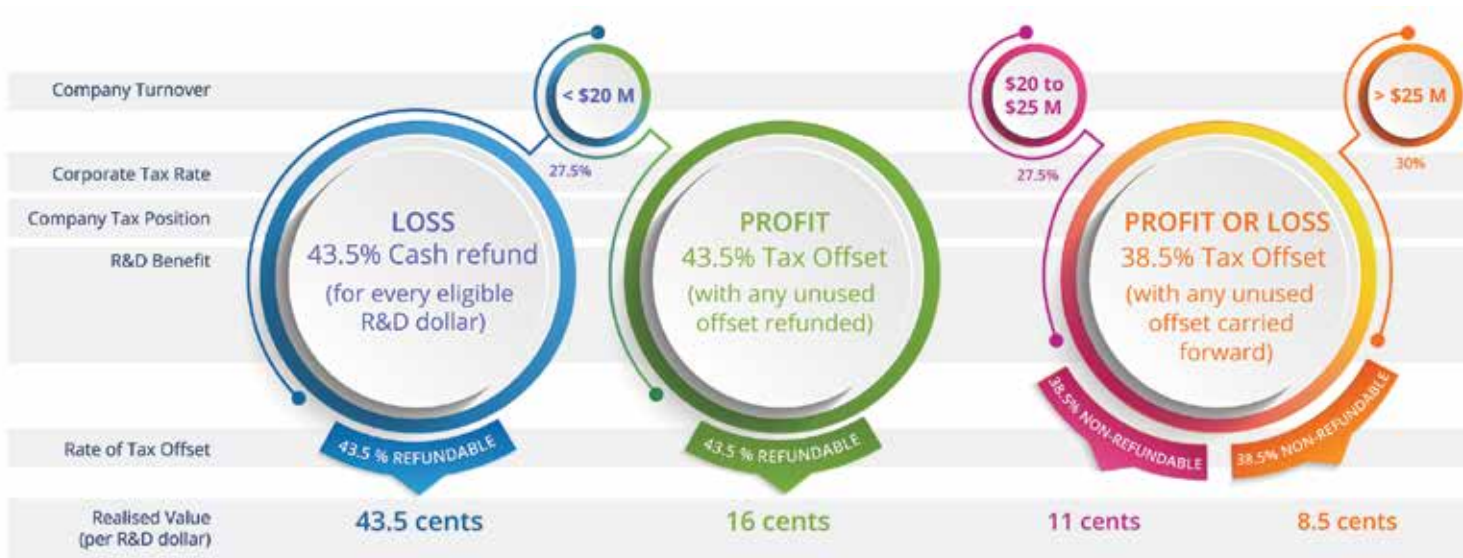
The R&D Tax Incentive provides eligible entities with a tax offset for expenditure on eligible R&D activities and for the decline in value of depreciating assets used for eligible R&D activities.

The objectives of the R&D Tax Incentive program are to provide a tax offset to make eligible companies more competitive and improve productivity across the Australian economy by:

- Encouraging industry to conduct R&D that may not otherwise have been conducted.
- Providing business with more predictable, less complex support.
- Improving the incentive for smaller firms to engage in R&D.

WHAT DOES IT OFFER?

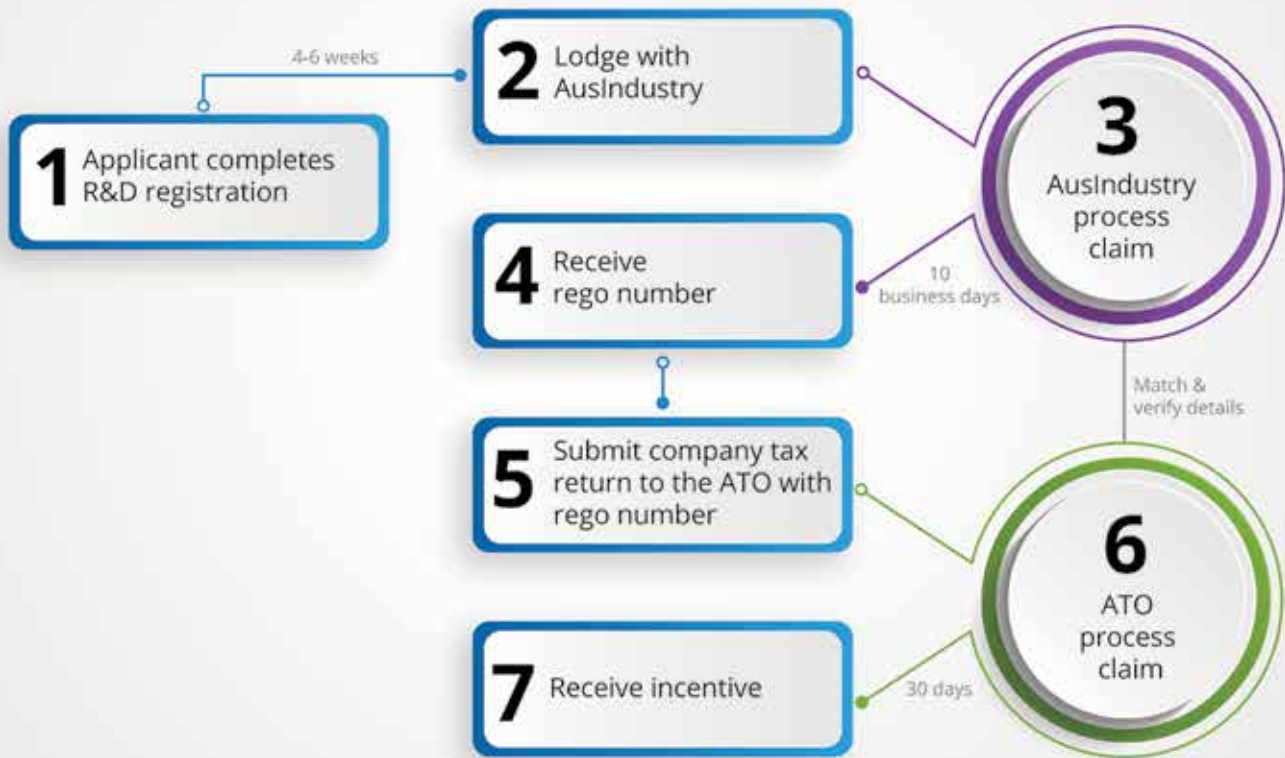
There are two components of the program, with eligibility based on company turnover. Use the chart below to identify the benefit relevant for you.



“The approach of the team at GrantReady is unique, its a pleasure dealing with such professional and engaged people that think strategically and operationally from the businesses perspective – and they deliver!”

Justin Howden, Swisse Wellness Group Pty Ltdj

APPLICATION PROCESS



We have a near perfect success rate with the R&D Tax Program. This is unique in industry and our competitors are highly envious of our track record, our streamlined process and our team.

HOW TO APPLY

Registration is required for each year of income in which R&D expenditure is incurred. Registration must be lodged no later than 10 months after the end of a company's financial year.

Companies are required to register annually with Innovation Australia before being able to claim a tax incentive.

WHO RUNS THE PROGRAM?

AusIndustry, a division of the Department of Industry, Innovation and Science and the Australian Taxation Office (ATO) share the responsibility for the administration of the R&D Tax Incentive. AusIndustry manages the registration of R&D activities to ensure that the activities claimed comply with the R&D legislation. The ATO manages the eligibility of the R&D expenditure claimed in the company tax return.

ELIGIBILITY TO CLAIM THE INCENTIVE

To be eligible, entities must meet each of the following tests:

Test 1. Applicant Eligibility

An applicant must be:

- A company incorporated in Australia.
- A corporation that is an Australian resident for tax purposes.
- A foreign corporation that carries on R&D activities through a permanent establishment in Australia.
- A corporation acting as trustee of a public trading trust.

Ineligible applicants include those that are:

- Tax exempt entities or majority owned or controlled by a tax exempt entity.
- A partnership, a sole trader or a trust other than a public trading trust.

Your R&D must be undertaken on your own behalf, meaning you must:

- Bear technical and financial risk;
- Be able to influence or control the conduct and direction of the R&D; and
- Either own or have effective ownership of the R&D results, including the right to exploit the results.

Activities must be undertaken within Australia. Where the relevant conditions are met, overseas activities may be deemed eligible, however, a separate submission must be made to AusIndustry, which must approve these activities prior to them occurring overseas.

The R&D Tax Incentive allows for foreign corporations undertaking R&D in Australia regardless of where the resulting intellectual property is held, provided the above conditions are satisfied.

Test 2. Activity Eligibility (Submitted to AusIndustry)

Under the R&D Tax Incentive, a distinction has to be made between core and supporting R&D activities with the additional requirement that core and supporting R&D activities be reported separately.

Definition of core activities

Core R&D activities are experimental activities:

- Whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that:
 - Is based on principles of established science; and
 - Proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions; and
- That are conducted for the purpose of acquiring new knowledge (including knowledge or information concerning the creation of new or improved materials, products, devices, processes or services).

Further to this general principle, some activities are specifically excluded from qualifying as core R&D activities.

Definition of supporting R&D activities

Supporting R&D activities are activities directly related to core R&D activities. If supporting activities are undertaken for normal operational reasons, they only remain eligible where the dominant purpose for conducting them is to support core R&D activities.

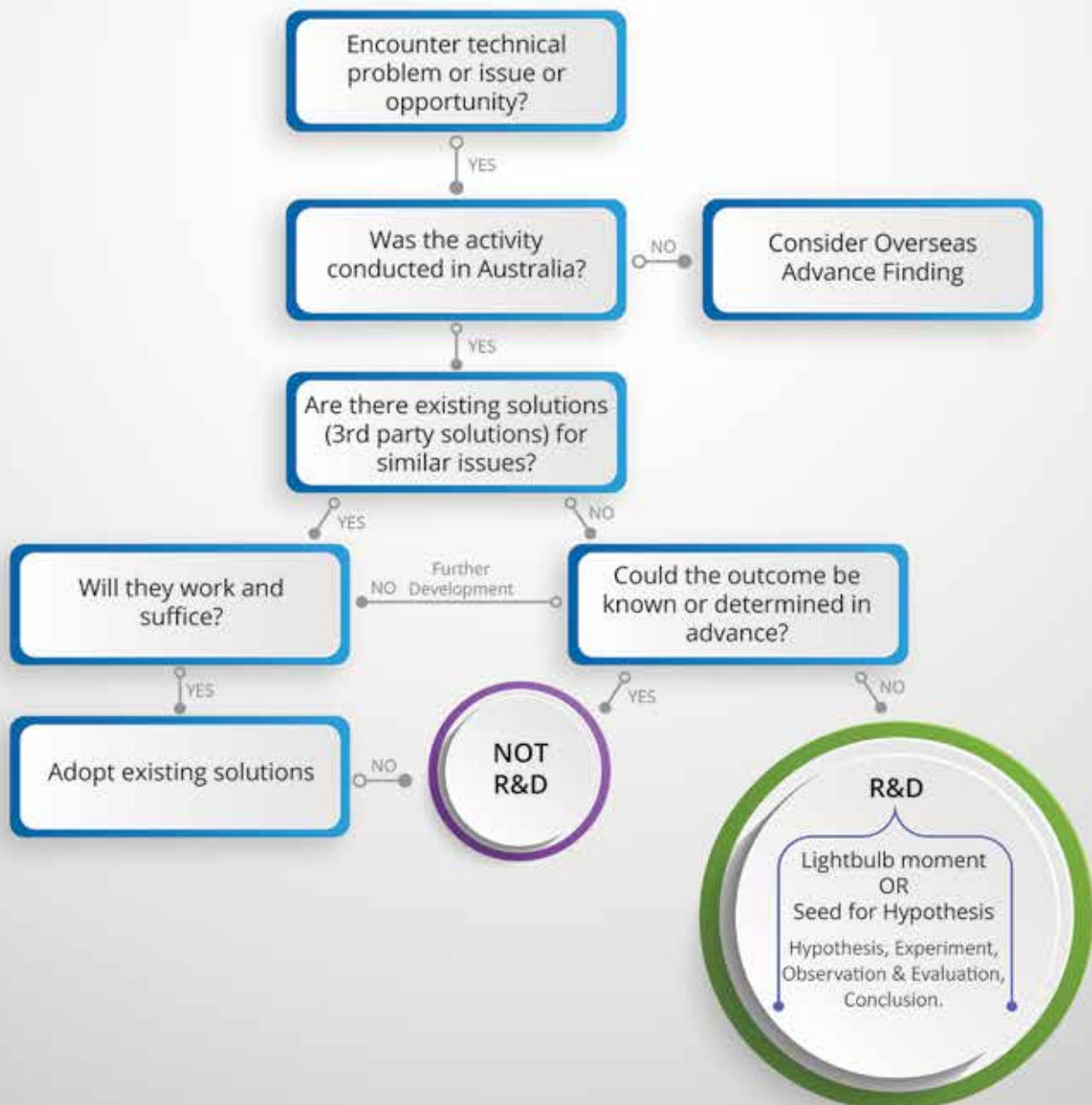
Test 3. Expenditure Eligibility (Submitted to the ATO)

The R&D Tax Incentive is not subject to an expenditure cap. However, for any R&D expenditure above \$100 million, companies will only be able to claim a tax offset at the company tax rate which basically means there are no additional R&D benefit. Most expenditure related to R&D activities are eligible, including salaries, overheads, contractor costs, feedstock, R&D plant depreciation amount and materials.

Applicants must meet the minimum expenditure threshold of \$20,000, although this threshold is waived if R&D is contracted to a registered research provider.

R&D ACTIVITIES

To claim the R&D Tax Incentive, you must have a 'core' activity.



GOOD RECORD KEEPING AND BEST PRACTICE R&D PLANNING

Applicants intending to access the R&D Tax Incentive must keep adequate records to demonstrate to both AusIndustry and the ATO that:

R&D activities have been undertaken:

Company records must be sufficient to show that the claimed activities took place and that they met all aspects of the definition for either 'core R&D activities' or 'supporting R&D activities'.

To satisfy the R&D definition, there is a strong requirement for claimants to demonstrate experimental activities, explaining the use of scientific method in order to generate new knowledge and overcome uncertainty. The scientific method is:

1. Hypothesis
2. Experiment
3. Observation and evaluation
4. Conclusion

Thus, the company must retain records that support their view that there is a current knowledge gap at the time they conducted their activity, depending on the nature of the business and the R&D project. Examples include literature reviews, patent searches, scientific or technology reviews or trade journals.

Eligible expenditure has been incurred in relation to the above R&D activities:

Time sheets or summaries of individual employees' total hours charged to the project; and
Costing information including: salary and wages, superannuation, payroll tax, workers' compensation, contractor payments, travel expenses, cost of trials, R&D plant and equipment, other R&D expenditure and general administration overheads.

Applicant's R&D activities and expenditure meet all legislative requirements for eligibility under the program.

*It's an entitlement, so you don't
have to compete for funds.*



"Applying for government grants is a difficult process for small businesses. But with the assistance of GrantReady, Pacwel have been able to access the R&D Tax Incentive that have enabled us to further develop and perfect our products for the export markets and support Australia's manufacturing industry."

Gary Tempany, Pacwel Pty Ltd

WE CAN HELP

GrantReady is a well-established team with a long history of assisting companies access the R&D Tax Benefit. Our approach is to cut through the complexity and to take the pain out of the process so you can access your benefit.

Our clients want the maximum benefit, while remaining compliant with the legislation, so we provide strong support and substantiation for each claim.

If you use a consultant, make sure they are a Registered Tax Agent. It's a legal requirement since the R&D Tax Incentive is a tax based program. Rest assured, we are registered, and approved to help you.



Adrian Spencer R&D, GRANTS, SUBMISSIONS

CEO and Founder of GrantReady, with over 17 years' experience in the grants space, Adrian has pioneered grants strategies and better access to funding. Secured over \$500 million in grants and funding and an advisor to government on grant making. Previously: Ernst & Young



Matthew Fletcher R&D, GRANTS, SUBMISSIONS

General Manager and coordinator of government relations. Registered lobbyist with experience in Canberra as an advisor to a Federal Senator. Matthew is also President of Entrepreneur's Geelong. Previously: Federal Parliament; Federal and Local Government Public Sector experience.



Rachael Van Ketwich R&D TAX

R&D Specialist, with a background in engineering. Expert in all aspects of the Incentive, especially preparing R&D plans and capturing R&D expenditure, as well as defending claims. Previously: KPMG, Ernst&Young



Chloe Leow R&D TAX

R&D Specialist, with a background in Industry accounting. Expert in R&D Plan preparation and the expenditure calculation, as well as registration application forms and R&D ATO Tax Schedule. Previously: Industry accounting



Mandy Chok R&D TAX

R&D Specialist, background in finance and accounting. Experience in capturing and processing R&D expenditure and R&D technical writing and plan preparation. Previously: KPMG



Mandi Lee R&D TAX

R&D Specialist, science qualified and experience in the biomedical, chemistry and pharmaceutical industry with Masters in Banking and Finance. Technical writer dedicated to R&D claim preparation. Previously: Bio 21



Emma Damen R&D, GRANTS, SUBMISSIONS

R&D Specialist focusing on expenditure and registrations and well as supporting the team administratively.



“The R&D Tax Incentive continues to support company growth, especially when cash flow is paramount. Over the last few years we benefited by continuing to expand our knowledge base and intellectual property portfolio, which despite the risks, are critical for our future plans for success.”

James Nathanielsz, Propanc Pty Ltd

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Disclaimer

The material in this document aims to provide general guidance only. The intention of the guidance material is to provide useful information that will assist taxpayers seeking to claim the tax offsets available under the R&D Tax Incentive. However, it is by no means exhaustive or in the nature of definitive legal or financial advice. The guidance material cannot and does not purport to extend or supplement the operation of the legislation. Any examples provided in the guidance material are for illustrative purposes only and are not an exhaustive statement of the application of the legislation to any particular fact situation.

It is up to you to manage your financial and tax affairs, and to ensure the accuracy of any information that you provide concerning your claims. You should also be aware of any changes to the law that may affect your rights and responsibilities in claiming the R&D Tax Incentive for R&D activities.