



R&D Tax Incentive

Relax. We've got this.

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

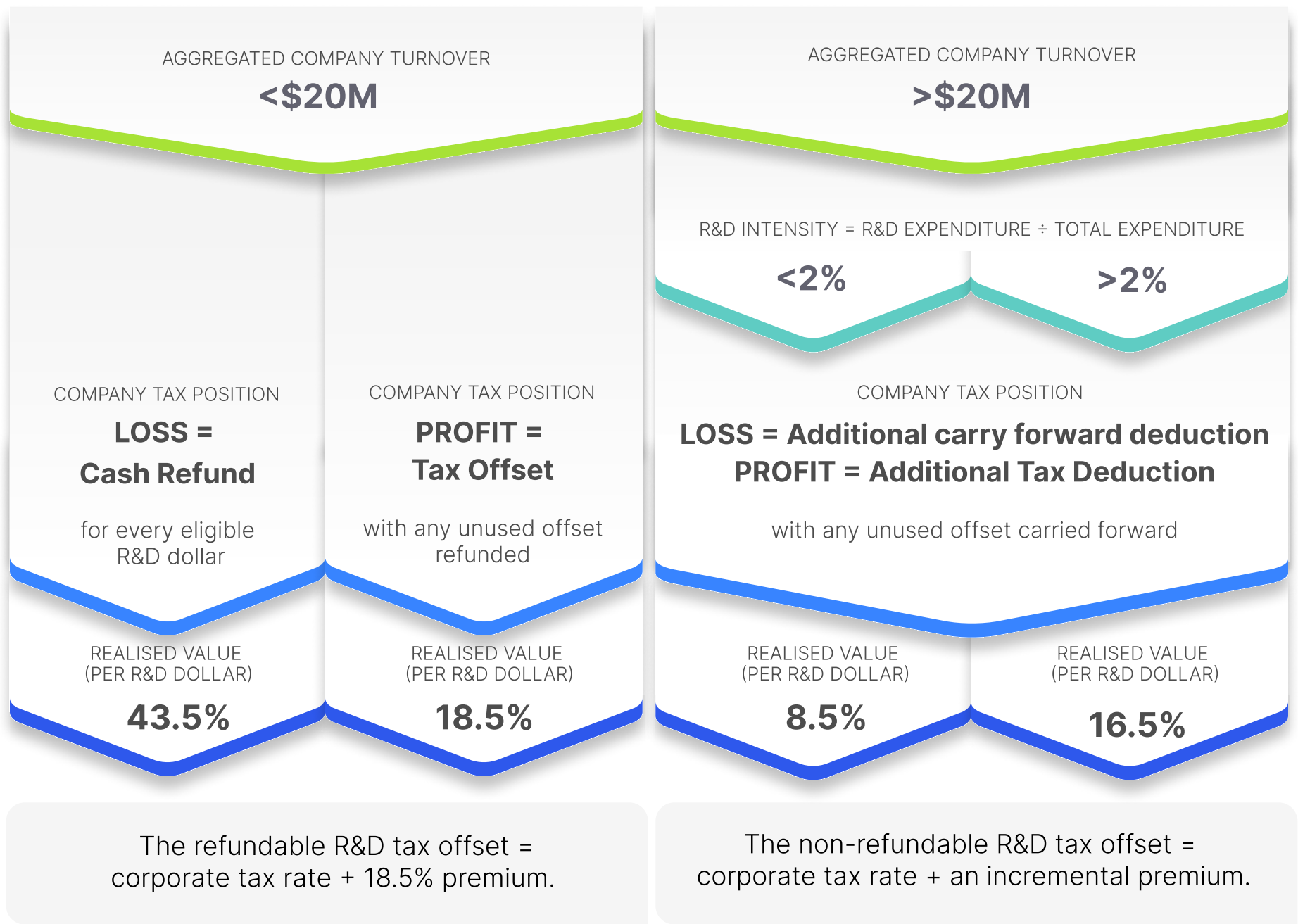
The R&D Tax Incentive program is the Australian Government’s principal measure to enhance and increase the amount of research and development undertaken by Australian businesses.

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?

Your circumstance may vary. Please consider this a guide only.



Example

Small business in loss* <\$20M aggregated company turnover:

Corporate Tax Rate
25%

+

Premium Rate
18.5%

=

Refundable Tax Offset
43.5%

Spend on R&D Activities
\$200K

=

Tax Offset Refund**
\$87K

* Loss of \$200k.

**less any outstanding ATO liabilities.

APPLICATION PROCESS

Step 01 Prepare and complete R&D registration

3-6 weeks

Step 02 Lodge with AusIndustry

Step 03 AusIndustry process claim

40-80 business days*

Step 04 Receive rego number

Step 05 Prepare ATO Schedule

Step 06 Submit company tax return to the ATO with rego number

Step 07 ATO Process Tax Return

45 days

Step 08 Receive R&D Tax Incentive benefit

match and verify details

* AusIndustry Processing times:

- 40 business days for first time registrants.
- 20 business days for registrants applying within 6 months after the end of the income period.
- 80 business days for registrations submitted from 6 to 10 months after the end of the income period.

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?

The R&DTI is jointly administered by the Department of Industry, Science and Resources (the department), on behalf of Industry, Innovation and Science Australia (IISA), and the Australian Taxation Office (ATO). The division within the department is AusIndustry, who 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.

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



"The approach of the team at GrantReady is unique, it's 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

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. You must submit your application for an Overseas Finding before the end of the income year in which you conduct, or plan to conduct, the activity.

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.

ELIGIBILITY TO CLAIM THE INCENTIVE CONT..

Test 3 Applicant Eligibility

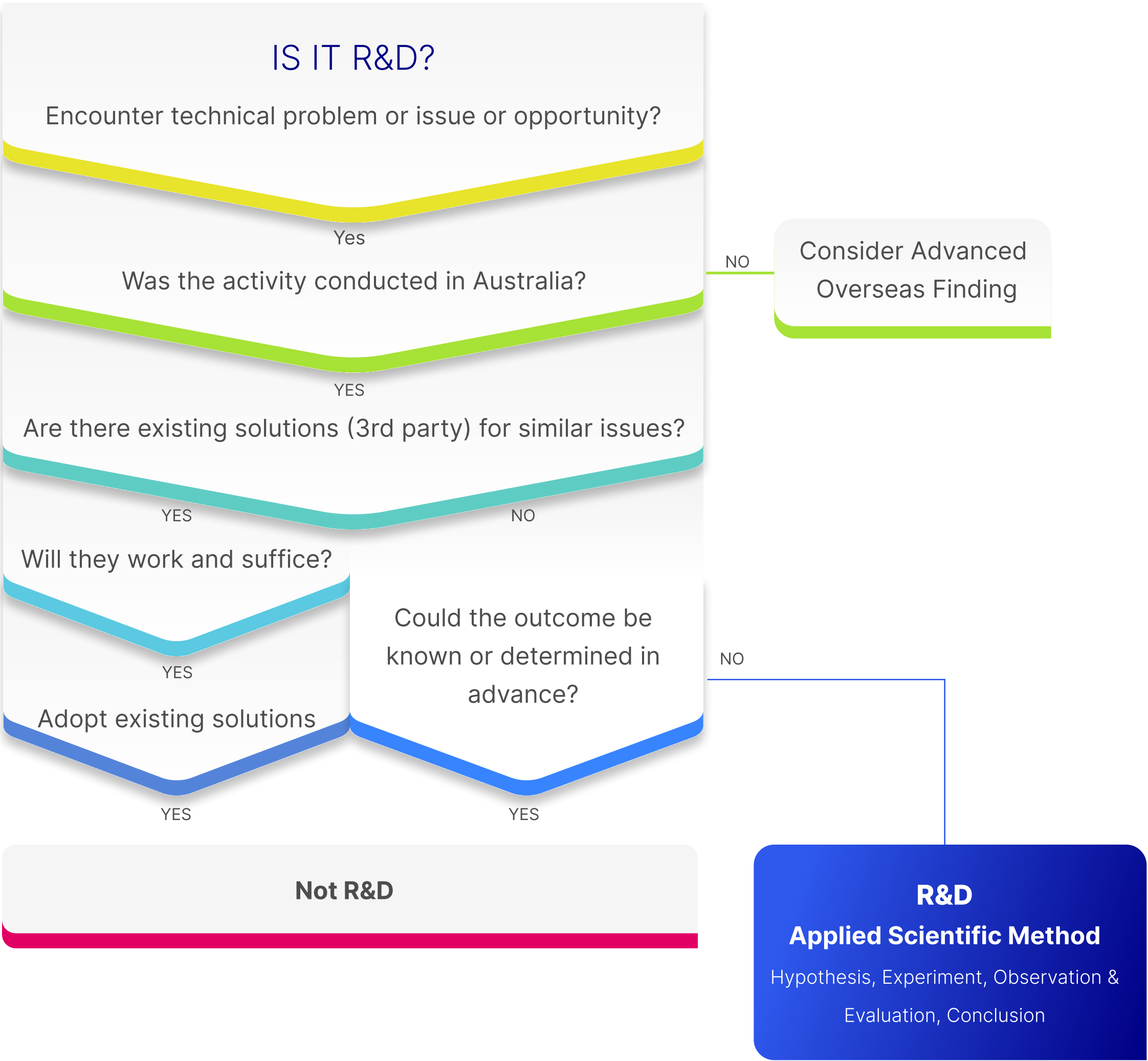
Test 3. Expenditure Eligibility (Submitted to the ATO)

The R&D Tax Incentive expenditure threshold is \$150 million. However, for any R&D expenditure above \$150 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:

01 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.

02 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.

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



"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



"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 Tempny, 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.



ADRIAN SPENCER | Co-Founder & Director

Co-Founder and Director of GrantReady, with over 24 years experience in the grants space. Adrian has pioneered grants strategies and better access to funding, secured over \$800 million in grants and funding and is an advisor to government on grant making.



HEATHER SPENCER | Co-Founder

GrantReady Co-Founder and Executive with 17 years experience in the grants sector, with experience in financial services, marketing and Software as a Service.



DANIEL MARKOV | Director

Daniel Markov is a Director of GrantReady and is an experienced finance and accounting executive with CEO and CFO experience across multiple finance advisory firms.



LINA LAMONT | CEO

Lina is an R&D tax incentives and EMDG specialist with over 18 years of experience working alongside businesses to maximise their grants.



DR. REUBEN WU | R&D Tax Specialist

R&D Specialist, background in chemical engineering. Experience in capturing and processing R&D expenditure and R&D technical writing and plan preparation.



CRAIG HUNTER | Client Development

Craig has 20 years' experience assisting businesses with R&D Tax planning. He has held executive roles including CEO and R&D Director for AI technology startups and scaleups. Craig champions innovation and regional economic development initiatives to state government.



REBECCA WOLMAN | Marketing Manager

Marketing manager with 20 years of experience across banking, health and retail.



Rest assured, we are registered, and approved to help you.



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