



## ***R&D Tax Concession – Tax Offset***

### **Fact sheet**

#### **What is the R&D Tax Offset?**

The *Research and Development (R&D) Tax Concession* is an Australian Government initiative to increase the level of R&D being conducted by Australian companies.

The concession enables companies to deduct expenditure on R&D activities from their assessable income.

Expenditure which is eligible under the concession can be deducted at 125%, and in some cases at 175%

The Government has enhanced the *R&D Tax Concession* by providing small companies with an R&D Tax Offset (i.e. a refundable tax offset), equivalent to the value of the deduction available under the R&D Tax Concession provisions.

The Government recognises the importance of providing innovative small companies, particularly those in tax loss who cannot gain immediate benefit from the R&D Tax Concession, an opportunity to increase their cash flow when they most need it during their initial growth phase.

#### **Which companies are eligible for the R&D Tax Offset?**

An R&D Tax Offset equivalent to the value of the R&D Tax Concession is available to companies:

- With an annual turnover of less than \$5 million per income year.

- Whose aggregate, Australian owned R&D expenditure is over \$20,000 per income year
- Whose grouped expenditure on R&D undertaken is less than \$1 million for an income year between 2001-02 and 2008-09 and less than \$2 million for the 2009-10 income year.

#### **How and when do I apply?**

As part of the *Tax Laws Amendment Bill (2009 Measures no 4)*, the Government has lifted the Research and Development (R&D) expenditure cap for the R&D Tax Offset from \$1 million to \$2 million for the 2009-10 financial year. The cap is the maximum amount a firm can spend on R&D and be eligible for the Tax Offset.

Companies that are eligible to claim the Tax Offset in an income year can make the choice to do so at the time of lodging their return of income. Making this choice will mean that the company is no longer able to claim R&D deductions for that year.

Where these companies have also qualified for an additional 50% deduction under the Incremental R&D Tax Concession (175% Premium), this deduction is also able to be cashed out under the R&D Tax Offset.

The refund will be offset against any other Commonwealth tax liabilities owed by the company, including GST, FBT and withholding taxes.

*NB: For details of the grouping provisions applicable to both the R&D Tax Offset and the Incremental R&D Tax Concession, please contact the ATO or refer to the Guide to the R&D Tax Concession on the AusIndustry website ([www.ausindustry.gov.au](http://www.ausindustry.gov.au)).*

### **Further information**

For information relating to registration or the eligibility of activities, please call **AusIndustry** on **13 28 46**. Alternatively, email [RDTAXCON@innovation.gov.au](mailto:RDTAXCON@innovation.gov.au) or visit the website at [www.ausindustry.gov.au](http://www.ausindustry.gov.au). For further information on expenditure issues, please contact the **Australian Taxation Office** on **13 28 66**. Alternatively, email [innovationtax@ato.gov.au](mailto:innovationtax@ato.gov.au) or visit the website at <http://www.ato.gov.au/businesses/pathway.asp?pc=001/003/113>.

## Do I need to register separately to claim for the R&D Tax Offset?

No, companies need only to be registered with Innovation Australia for their R&D activities as normal, however companies must have this registration in place before making the choice for the R&D Tax Offset in their return of income.

## When did the R&D Tax Offset start and what can companies claim?

Eligible companies can choose the R&D Tax Offset for income years which commenced after 30 June 2001. For most companies the R&D tax offset first became available for eligible companies in respect of the income year ending 30 June 2002. However, if for instance an eligible company's financial year ends on 31 December, that company could first choose the R&D Tax Offset in respect of the income year ending 31 December 2002.

The level of tax offset available to eligible companies is 30 per cent of their deductions available under the *R&D Tax Concession*. This refundable offset is then offset against any other tax owing before it is refunded.

## Can companies who have tax exempt entities as shareholders access the R&D Tax Offset?

Yes, but only where tax exempt entity and their affiliates hold less than 25% of the voting power or rights to distribution from the company.