

Research & Development Tax Incentive

Program Aim

The R&D Tax Incentive is a broad-based, market driven program accessible to all industry sectors. It provides a targeted tax offset to encourage more companies to engage in Research and Development.

Benefits

For FY2018/19 year, available tax offsets based on annual turnover are:

- Turnover of **less than \$20M** are eligible for a 43.5% refundable tax offset
- Turnover of **greater than \$20M** are eligible for a 38.5% non-refundable tax offset

Eligible Entities

The types of entities eligible for the R&D Tax Incentive are corporations (called 'R&D entities') that are:

- incorporated under an Australian law; or
- incorporated under foreign law but are Australian residents for income tax purposes; or
- incorporated under foreign law, and
- are residents of a country with which Australia has a double tax agreement, including a definition of 'permanent establishment'; and
- carry on business in Australia through a permanent establishment as defined in the double tax agreement.

Generally trusts are not R&D entities. The definition of R&D entities extends to body corporates in the capacity of trustees of public trading trusts, but not to trustees of any other sort of trusts.

Eligibility of R&D Activities

- The work must involve R&D which will deliver a new product, process or service, which based on research of publicly available solutions does not exist in the market place (worldwide).
- As the outcome of the work cannot be known in advance on the basis of current knowledge or experience, the applicant undertakes systematic R&D activities that involve experimentation.
- The applicant must control the IP being developed under the claim.
- The applicant can claim both the direct and some indirect costs incurred in undertaking the activities.