



FACTSHEET

R&D Tax Incentive: What does it offer?

Programme status: Open for applications

The R&D Tax Incentive provides generous, easy-to-access support that encourages businesses to invest in research and development.

What does it offer?

It provides generous benefits for eligible Research and Development activities (R&D activities) to around 13,000 companies each year.

For income years from 1 July 2016:

- a 43.5 per cent refundable tax offset to eligible entities with an aggregated turnover of less than \$20 million per annum (unless controlled by tax exempt entities).
- a 38.5 per cent non-refundable tax offset to all other eligible entities. Unused offsets may be able to be carried forward for use in future income years.

For income years starting before 1 July 2016:

- a 45 per cent refundable tax offset to eligible entities with an aggregated turnover of less than \$20 million per annum (unless controlled by tax exempt entities).
- a 40 per cent non-refundable tax offset to all other eligible entities. Unused offsets may be able to be carried forward for use in future income years.

A \$100 million threshold applies to the R&D expenditure for which companies can claim a tax offset under the R&D Tax Incentive. For any R&D expenditure amounts above \$100 million, companies are still able to claim a tax offset at the company tax rate.

Who can apply?

- A company incorporated under an Australian law.
- A company incorporated under a foreign law that is an Australian resident for tax purposes.
- A company incorporated under a foreign law that is a resident of a foreign country with a double tax agreement with Australia and who carries on business through a permanent establishment of the body corporate in Australia.

Who is not eligible to apply?

Trusts are generally not eligible for tax benefits under the R&D Tax Incentive. The one exception is a body corporate acting as trustee of a public trading trust.

What R&D activities are eligible?

The R&D Tax Incentive supports experimental R&D activities (referred to as core activities) and supporting activities where these are closely related to the experimental activities. The core activities must be conducted for the purpose of generating new knowledge (such as developing new or improved products, processes or services).

To be eligible, activities must meet the full set of requirements set out in sections 355-20, 355-25 and 355-30 in the *Income Tax Assessment Act 1997*.

Do overseas R&D activities qualify?

Generally only R&D activities conducted in Australia or the external Territories qualify for the R&D Tax Incentive.

However in certain circumstances, R&D activities conducted overseas may also qualify. To be eligible for this benefit, your business must apply to Innovation Australia for a finding about activities occurring overseas.

What is an Advance Finding?

Advance findings allow companies to seek a binding determination from Innovation Australia as to the eligibility of their R&D activities prior to registration. Advance findings give companies certainty.

What types of expenditure can I claim a tax offset for?

Subject to eligibility criteria and exclusions, a company can generally claim a tax offset for:

- Expenditure incurred on R&D activities.
- Decline in value of depreciating assets used in R&D activities.
- Balancing adjustments for depreciating assets used only in R&D activities.

These are referred to as 'notional deductions'.

Companies must have incurred notional deductions for an income year of at least \$20,000 to claim a tax offset. However, this threshold does not apply to expenditure incurred to a Research Service Provider (RSP), provided the RSP is not an associate.

How and when do I apply?

You must lodge applications for registration of R&D activities with AusIndustry within 10 months after the end of the company's Australian income year in which the activities were conducted.

You can register via the [Application for Annual Registration Form](#) on business.gov.au.

After registering with AusIndustry, applicants may claim the tax offset by completing the Australian Taxation Office's (ATO's) R&D Tax Incentive Schedule and the relevant labels in their income tax returns.

The [Application Form for an Advance or Overseas Finding](#) is available on business.gov.au.

Where can I find more information?

For more information on eligible notional deductions, adjustments and company eligibility, search R&D Tax Incentive at ato.gov.au.