

*Treadstone is pleased to direct you to the following information from the Australian Government.*

## R&D Tax Credit/Offset - 2009- 2010 Tax year

**The R&D Tax Credit/Offset** is a broad-based, market-driven package to replace the R&D Tax Concession with a tax credit system. This is how it works: you do the R&D, register your project and file for the rebate when you file your company tax to get up to 37.5 cents back on every dollar spent in eligible R&D (see changes below for next years changes).

You can apply and get a cash rebate even if you don't make a profit. The **R&D Tax Credit** is available to all companies with an annual turnover of less than \$5m who spend up to \$2m per year on R&D. Companies with great than \$5m are still eligible for the standard R&D Tax Concession of 125%.

### Recent Changes:

The recently proposed changes to the R&D Tax Concession rules did not get passed in parliament before 1 July 2010. At this point in time it is unsure when this bill will be passed.

The two core components of the package were:

- Increase from 37.5 cents to 45 cents of refundable tax credit (the equivalent to a 150 per cent concession) for eligible entities with an aggregated turnover of less than \$20 million per annum;
- a non-refundable 40 per cent R&D tax credit (the equivalent of a 133 per cent deduction) for all other eligible entities.

Accompanying this change of rates and delivery mechanism is a clearer and better targeted definition of eligible 'R&D activities' that will ensure that the incentive is available in circumstances consistent with the underlying rationale for government intervention and that it delivers value for money for taxpayers.

### Eligibility checklist

If you are able to answer YES to all the following questions, you are likely to be eligible to apply for and claim the R&D Tax Concession. If you answer NO to any of the questions, expenditure relating to the activities may NOT be eligible:

1. Are you a company incorporated in Australia, and not acting as a trustee for a trust (other than for a public trading trust)?
2. Have you prepared and maintained an R&D Plan in accordance with the Board's Guidelines?
3. Do the R&D activities you have undertaken involve the following:
  - a technical problem that could not be resolved on the basis of publicly available information
  - an original idea to solve the technical problem
  - systematic experimentation in the form of testing or trials to resolve the technical uncertainty?

4. Have you maintained up-to-date records that substantiate the carrying on of these activities?
5. If you have undertaken foreign-owned R&D, is a written agreement in place between your company and your grouped foreign affiliate regarding the undertaking of the R&D?
6. Will your company (or the relevant foreign company in the case of foreign-owned R&D) bear both the technical and financial risk associated with its R&D?
7. Does your company (or the relevant foreign company in the case of foreign-owned R&D) have control over its R&D project and effectively own the R&D results?
8. Will the R&D activities be to the benefit of the Australian economy and the results exploited on normal commercial terms?
9. If the systematic, investigative and experimental activities of the project are for the development of computer software, is the resultant software intended for multiple sale?
10. Has your company incurred eligible annual expenditure of **\$20,000 or more** on R&D activities; if not, has the company contracted (Australian-owned) R&D activities to a Registered Research Agency?
11. Is this application for registration being lodged within 10 months after the end of your company's income year?

**How to claim:**

Making a claim is a two-stage process. An application for registration must first be made with AusIndustry. This must be done by 30 April following the tax year you are claiming (i.e. within 10 months). On receipt of a registration number, the R&D Claim entry for your company tax return can then be lodged.

**More Information**

If you are interested professional assistance applying for this grant and would like to know how Treadstone can help you with your application please call us on (03) 9016 3575.