

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

R&D Tax Credit - May 2009 Update

R&D Tax Credit is a broad-based, market-driven package to replace the R&D Tax Concession with a tax credit system. Under the old system you do the R&D, then register your project and file for the rebate to get 37.5 cents back on every dollar spent in eligible R&D. You get this cash even if you don't make a profit. The R&D Tax Rebate is available to all companies with an annual turnover of less than \$5m who spend up to \$1m per year on R&D.

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.

New changes:

On 12 May 2009 the Government announced the R&D Tax Credit to come into effect in the 2010-11 income year. Key points in relation to the package include:

- a 45 per cent refundable tax credit (the equivalent to a 150 per cent concession) will be provided to small firms with a turnover of less than \$20 million per annum (**you don't need to make a profit to be eligible**) ;
- a 40 per cent tax credit cent (the equivalent of a 133 per cent deduction) will be provided to foreign-owned firms, and firms with a turnover of more than \$20 million per annum;
- the Credit is decoupled from the corporate tax rate and thereby creates certainty in the level of assistance; and
- the increased benefits to companies are balanced by removal of the complex R&D Tax Concession Premium and tightening definitions to support genuine R&D.

An interim measure, prior to the introduction of the R&D Tax Credit, will increase the R&D expenditure threshold for the R&D Tax Offset to \$2 million for 2009-10 and provide a tangible demonstration of increased Government support for eligible small companies.

Information on the Government's announcement of the R&D Tax Credit is available at the [Minister for Innovation, Industry, Science & Research's website](#).

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?

More Information

If you are interested professional assistance in applying for this grant and would like to discuss your options with Treadstone please call us on (03) 9016 3575