



# RICHARDS FINANCIAL

## RESEARCH & DEVELOPMENT TAX INCENTIVE

The Research and development (R&D) tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. It has two core components:

- a refundable tax offset for certain eligible entities whose aggregated turnover is less than \$20 million
- a non-refundable tax offset for all other eligible entities.

The R&D Tax Incentive is a self-assessment programme. This means you are responsible to assess your company and your R&D against eligibility requirements as defined by legislation to determine if you can receive the tax incentive.

### Eligibility

To be eligible for R&D Tax Incentives your business must:

- Be an eligible R&D entity
- Must have conducted eligible R&D activities
- Must have eligible R&D expenditure.
- Must keep records that demonstrate your activities meet the eligibility criteria for the program.

Companies engaged in R&D may be eligible for the following tax benefit:

- a 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than \$20 million per annum, provided they are not controlled by income tax exempt entities
- a 38.5% non-refundable tax offset for all other eligible entities (entities may be able to carry forward unused offset amounts to future income years).

The rate of the R&D tax offset is reduced to the company tax rate for that portion of an entity's notional R&D deductions that exceed \$100 million for an income year. This change applies to assessments for income years starting on or

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after 1 July 2014 and before 1 July 2024.

## Registering

If your company is an R&D entity and you want to claim an R&D tax offset in your company's income tax return, you must first register your R&D activities with the Department of Industry, Innovation and Science (who act on behalf of Innovation and Science Australia). You must register your R&D activities:

- for every income year you want to claim the offset
- within 10 months of the end of your company's income year
- prior to claiming the R&D tax offset in your company income tax return.

## Steps to claiming the tax offset

Can be found at:

<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/>

- <https://www.business.gov.au/assistance/research-and-development-tax-incentive>
- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/>