



澳大利亚研发税激励政策

AUSTRALIAN R&D TAX INCENTIVE PROGRAM

我们马上就要开始了。

We will commence shortly



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AUSTRALIAN R&D TAX INCENTIVE PROGRAM

2020年7月28日周二下午12点30分至2点

Tuesday 28 July 2020 | 12:30 pm – 2:00 pm





INTRODUCTION

Danette Cheung, Director – Tax Services & National Leader
of China Practice Group

Housekeeping

- 我们马上就要开始了。
The webinar will run for approximately 1 hour.
- 本次研讨会将会同步录制，与会者也能在会后回顾录像，幻灯片以及相关的资料。
This webinar is being recorded and will be made available to all participants along with the presentation slides and other related materials.
- 与会者的麦克风在会议进行时将会被静音。
All participant/attendee lines will be muted.
- 演讲结束时将会有问答环节。
There will be a Q&A session at the end of the presentation.
- 请在屏幕下方的问答框里输入您的问题。
Enter your questions in the Q&A box located at the bottom of your screen.
- 如想进一步了解演讲人和议题，又或者是我们RSM的中国业务部，请点击<https://www.rsm.global/australia/client/china>。
For further information about our speakers, the topics or about the China Practice Group at RSM, visit <https://www.rsm.global/australia/client/china>.



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China Practice Group

How can we help?

- Establishing business operations in Australia, including advice on the appropriate structure to undertake your business and investment activities
- Commercial and financial due diligence to assist you with making the right decisions
- Buying businesses, residential, commercial or farming property in Australia
- Taxation structuring and advisory
- Importing and exporting goods and services into and from Australia
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- Audit, accounting and other business advisory services
- Capital market support and IPOs
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- Aged care services
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- Education
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- Offshore Marine Services
- Property & Construction
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For more information, visit:

<https://www.rsm.global/australia/client/china-practice-group>

Speakers



Peter Xi 是RSM 悉尼研发税团队的高级经理，也是前普华永道研发税团队的高级顾问。他拥有麦格理大学的商科和法律本科双学位，悉尼大学的法学硕士学位。他在研发 税收规划，税收政策咨询，税务咨询，业务分析方面拥有 10多年的经验，是澳大利亚华人会计师协会技术董事。



Derek Xie 是RSM 悉尼商务咨询部资深经理，拥有麦格理大学会计和金融学位。他的服务涉及各行各业。他在会计与商务咨询方面有14年的经验，也是澳大利亚和新西兰 特许会计师。



THE AUSTRALIAN R&D TAX INCENTIVE

Peter Xi, Senior Manager – R&D Tax Team, RSM Australia

R&D Tax Incentive – General overview and history

What is the R&D Tax Incentive?

- Volume based entitlement program (spend on R&D, get support).
- Supports the experimental development of new or improved technologies, products or processes, or the acquisition of new knowledge generally. Not restricted to any industry or sector.
- Benefit realised through lodgement of the income tax return.
- Self-assessment program, which means less red tape upfront to receive benefit, however must be able to provide evidence in the event of a review.
- Key statistics
 - ICT-related research and development is most prominent;
 - For past 3 financial years, fairly consistent in terms of new entrants (25%) and existing claimants (75%).

R&D Tax Incentive – the benefits

Background

If your grouped turnover is less than \$20m, you can claim:

43.5%

Refundable R&D tax credit

43.5c
per \$1 spent



potential refundable benefit in a tax loss position

up to 16c
per \$1 spent



potential benefit in a tax payable position

If your grouped turnover is \$20m or more, you can claim:

38.5%

Non-refundable R&D tax credit

up to 11c
per \$1 spent

potential benefit to reduce tax payable or carry forward as tax offset

R&D Tax Incentive – Dual Agency Administration

Innovation and Science Australia
(AusIndustry as Delegate)

Lodge R&D Application Form

Assesses the technical/scientific eligibility of R&D activities

Australian Taxation Office

Calculate R&D Expenditure and lodge R&D Tax Schedule with Income Tax Return

Assesses whether taxation rules have been met, and whether the R&D expenditure is incurred on the registered activities.

Key Process

Role if there is a review

R&D Tax Incentive – General Overview

Statistics

	Total R&D Claims – ATO Statistics	Total value of R&D offsets*
2015/16	12,123	\$6.1bn
2016/17	13,074	\$6.1bn
2017/18	13,156	\$5.4bn



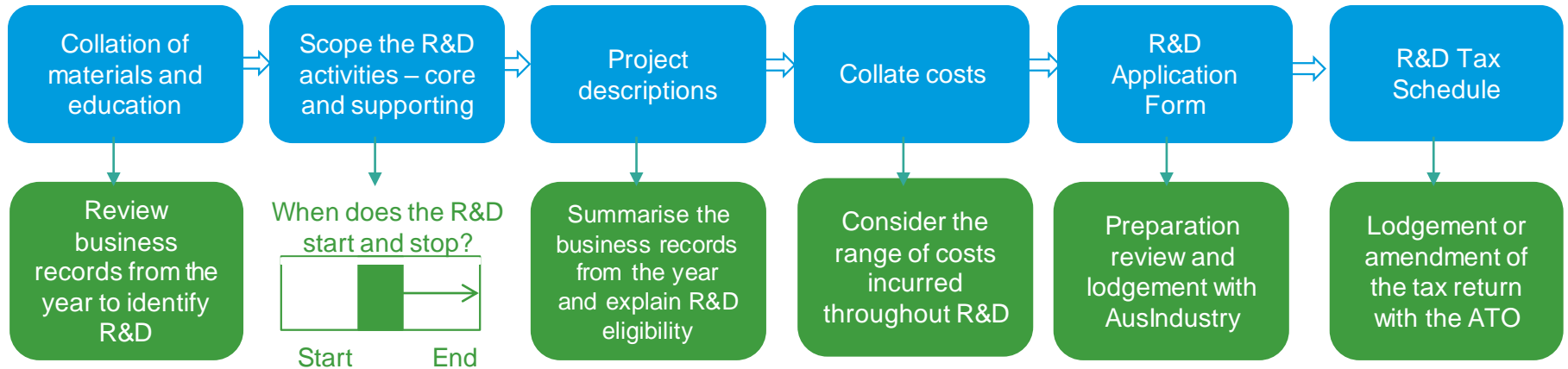
R&D Tax Incentive – What is the process?

Claim Process | How do I claim?

1. Generally must be company to claim. Cannot be trust, sole trader etc.
2. Retrospective claim (deadline within 10 months of income year end)
3. Registration of R&D Projects and activities – The R&D Application Form
4. R&D Expenditure – include in the Company Income Tax Return (R&D ATO schedule)



The R&D Claim Process



How is a claim for the R&D Tax Incentive made?



Register: Annual registration of activities with AusIndustry within 10 months of financial year end.



Claim: Lodge claim for R&D Tax Incentive to the ATO in Company's Income Tax Return (R&D Tax Incentive Schedule)

R&D Tax Incentive

Costs | What costs can I include?

Specific examples of R&D Expenditure – must attach to the registered R&D activities

- Wages and salaries
- Items directly related to the R&D activities (e.g. testing costs, samples, hire of equipment for testing)
- Contract expenditure (e.g. sub-contractors, specialists, consultants)
- Depreciation on plant and equipment used in R&D activities
- Other expenses directly related to R&D activities (e.g. travel, conferences, training)
- A portion of site or project overheads (e.g. office & factory rent, electricity, telephone, internet, etc.)



What is an eligible core R&D activity?

An eligible R&D project must contain **at least one “core” R&D activity** which is:

An experimental activity

The outcome of the experiment cannot be known or determined in advance

Are conducted for the purpose of generating new knowledge (including new or improved products, processes, technologies etc.)

Can only be determined by a systematic progression of work that is based on principles of established science and proceeds from:



Can also claim
“supporting”
R&D activities



R&D Tax Incentive – Supporting R&D activities

Once eligible ‘core’ R&D activities are identified, ‘supporting’ R&D activities will also be eligible if certain conditions are satisfied (the conditions are much less onerous than the ‘core’ R&D activities requirements).

What is a ‘supporting’ R&D activity?

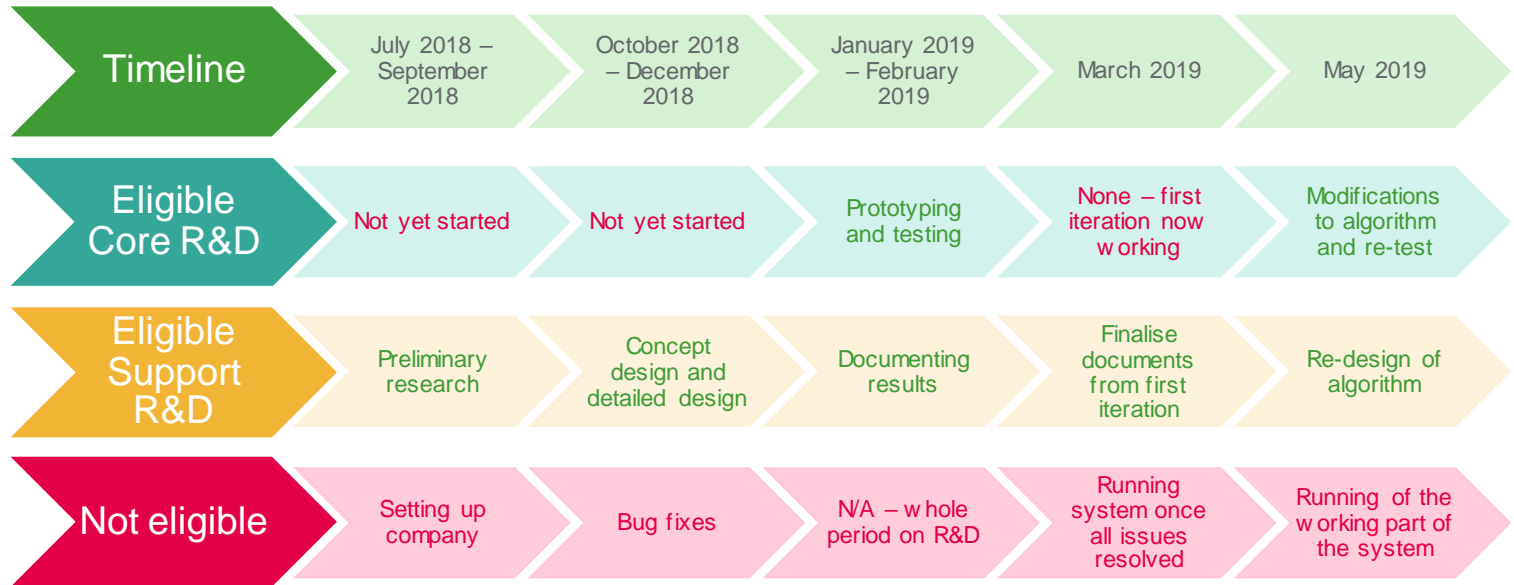
In the first instance, an eligible ‘supporting’ R&D activity is simply an activity which is ‘directly related’ to the core R&D activity. Based on case law, this means there is a direct or relatively immediate relationship to the core R&D activity. Examples will include:

- Background research
- Designing different options
- Formulating the hypothesis prior to the experiment
- Project management during the experiments
- Discussions with industry experts on potential solutions

In some instances, supporting R&D activities will only be eligible if they are undertaken for the ‘dominant purpose’ of supporting the core R&D activity.

Practical example – core v supporting activities

Below is an example of how eligible R&D activities could be registered for development of a *new Artificial Intelligence based share trading algorithms to automatically learn and improve trading abilities*.



R&D Tax Incentive – Examples of R&D activities

Types of projects that may qualify

Examples across consumer products, industrial products and engineering based innovations

- Food and beverage – protein balls, coconut water drinks
- Equipment innovations – conveyor systems, spreader designs, spraying equipment
- New construction processes and products – e.g. new concrete mixes
- Newly engineered consumer products – footwear, potentially new clothing using different combination of materials, etc.
- Pharmaceuticals, cosmetics & pain relief products
- New medical devices

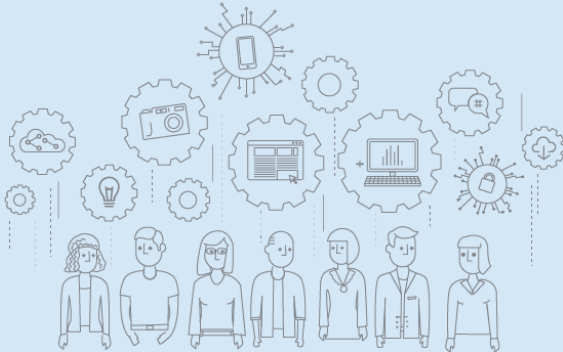


Example of refundable R&D tax credit

The Healthy Bakery Co (“HBC”) spends \$100,000 developing a sugar free cupcake mix suitable for diabetics

- \$50K: staff costs
- \$35K: specialist consultants & testing
- \$15K: overheads

HBC is a start-up, with no revenue.



The company:

1. Registers its activities with AusIndustry shortly after financial year end via lodgement of the R&D Application Form
2. Includes a “R&D Schedule” in its tax return, forgoing \$100K in tax deductions, but taking up \$43.5k in refundable R&D Tax Offsets
3. Receives a cheque from the ATO for \$43.5k
4. Re-invests this \$43.5k into the salary of the R&D staff for the next year to undertake further R&D. This amount is then included in the next year’s R&D claim.

“I was delighted to receive some cash back from the ATO, which I can use to fund further development projects – next, a vegan cupcake!”

Happy Owner – HBC

R&D Tax Incentive: who's looking at what?

Increased authority scrutiny & review activity on R&D

- **AusIndustry** – new industry specific guidance and new review program recently released.
- **Taxpayer Alerts** – jointly released by **ATO/AusIndustry** February 2017
- Key focus topic is claiming business as usual activities which do not meet the experimental threshold, failure to separate R&D Activities from ineligible activities and contemporaneous documentation of R&D.
- **Keeping documentation in R&D format is very important – RSM can provide templates on this.**



Australian Government

Department of Industry

Business

business.gov.au

13 28 46

Delivered by AusIndustry™



Documentation Generally

What does the documentation need to prove?

- ✓ The activities actually occurred.
- ✓ The costs were actually incurred **on the registered R&D activities.**
- ✓ The relevant eligibility criteria is met for both the activity, and the cost on the activity. **This is where additional documentation from RSM templates might be required.**
- ✓ Any other additional criteria or rules prescribed by law which must be met (e.g. contract should show R&D “for” you when you have a contractor).
- ✓ Documentation must be **contemporaneous.**

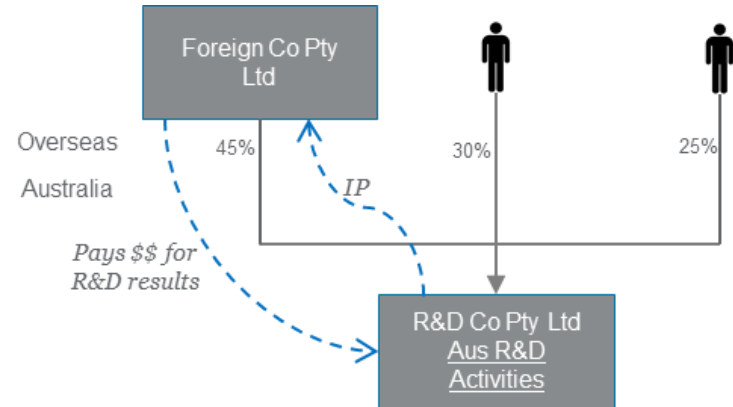


R&D Tax Incentive

International Issues | Foreign owned R&D

Where the R&D activities are undertaken wholly in Australia however the intellectual property is owned by a foreign parent or related company, and paid for by the foreign company.

- Specific rules for ‘foreign-owned and sponsored’ R&D.
 - Foreign co and Aus co have a Double Tax Agreement.
 - R&D activities undertaken solely within Australia.
 - The Australian R&D entity is connected or affiliated with the foreign sponsor (same Division 328 definition).
 - A written agreement must exist in relation to the R&D activities and must bind both parties.
- Modifications to standard rules:
 - R&D must be undertaken ‘for’ the foreign related party, rather than ‘for’ itself.
 - Funding can come from foreign entity to Aus entity.





STRUCTURING CONSIDERATIONS

Derek Xie, Manager – Business Advisory, RSM Australia

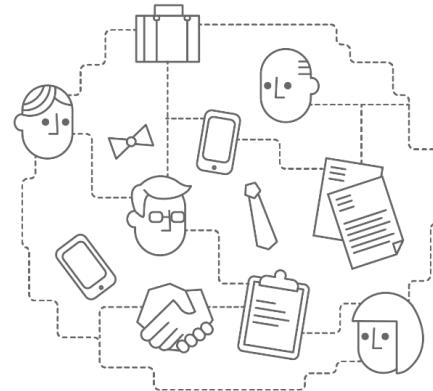
Business Structure

- **Income Tax Consolidated Group**
 - One group lodges a Single Company Tax Return each year by the head company
 - Must be 100% fully owned companies or unit trusts
 - Loss of one group company can offset profit of another group company in the same year
 - Intragroup dealings are not recognised for income tax purposes
- **GST Grouping**
 - Lodging one activity statement on behalf of the whole group for each GST Period (i.e. monthly or quarterly)
 - Removal of the need to remit GST and claim input tax credits on intra-group supplies
 - Tax invoices for intragroup transactions are not required

Business Structure (cont.)

- **Asset protection**

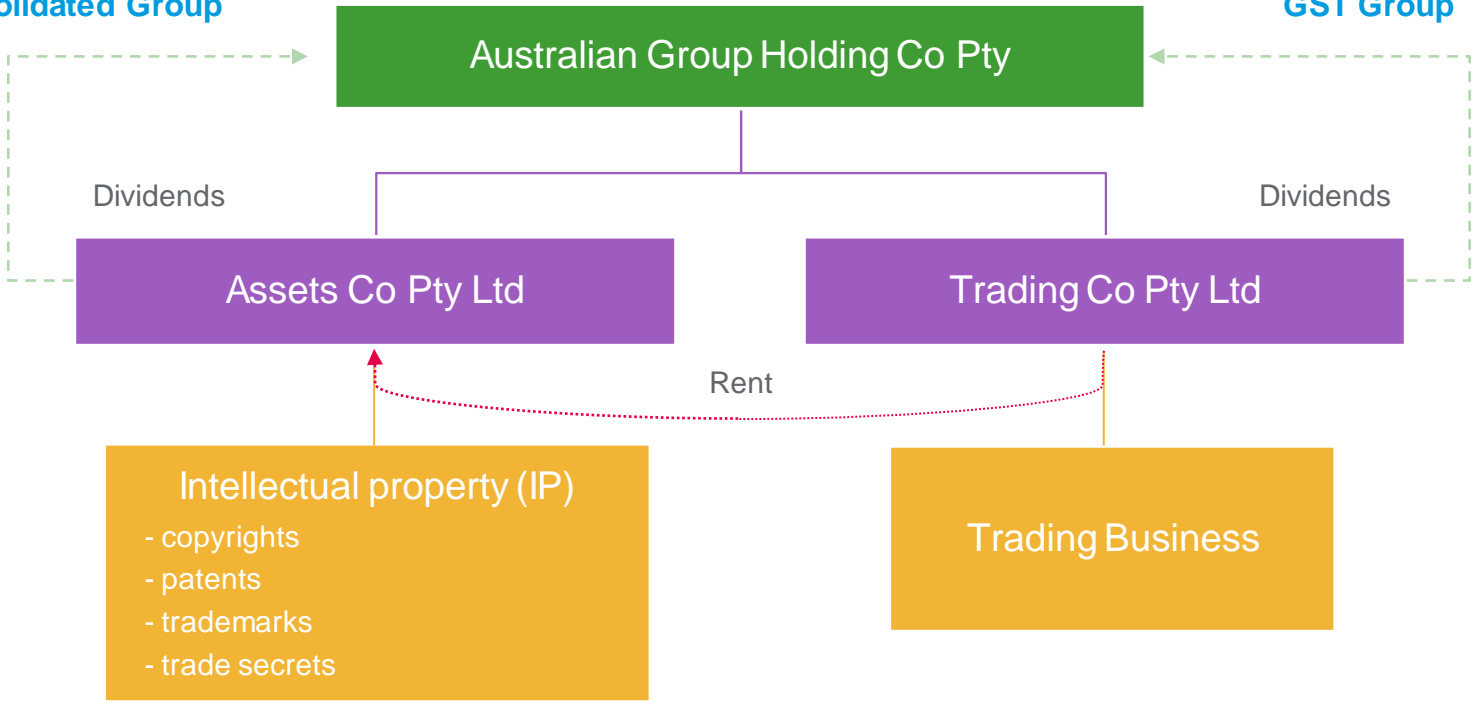
- Assets are held by a separate company
- Leasing key business assets (IP, P & E) to the trading company (business risk entity)
- Profits are paid as dividend by the subsidiary (trading company) to the head company
- Trading profits are retained in the head company and fund future investment via “loan”



Business Structure (cont.)

Tax Consolidated Group

GST Group



Questions and answers?

Thank you for your time and attention.

The latest information and webinar
details can be found at:
[rsm.com.au](https://www.rsm.com.au)



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