

# *New R&D Tax Incentive Program*

24 August 2011

**pwc**

*What would  
you like to grow?*

# *New R&D Tax Incentive Program – Law passed by Federal Parliament*

***On 24 August 2011, Federal Parliament passed the Tax Laws Amendment (Research and Development) Bill 2010 and the Income Tax Rates Amendment (Research and Development) Bill 2010, which now awaits Royal Assent.***

## ***What does this mean for you?***

The tax incentive program gives rise to new opportunities, including:

- potential cash savings of up to 15c for every \$1 spent on eligible R&D activities
- relaxation of the IP rules - greater opportunity to claim
- an increased ability to claim overseas R&D, and
- the opportunity to apply for a Private Binding Ruling on R&D activities.

## ***What do you need to do?***

As the law has now passed through Parliament and applies from 1 July 2011, it is timely for current claimants to:

- proactively review current R&D claims in light of the different eligibility criteria, and particularly the new definition of eligible R&D
- determine what additional documentation will be required to substantiate claims under the new program

- establish revised processes to capture R&D information in a contemporaneous manner, and
- consider the additional requirements set out in the legislation (e.g. the required delineation between core and supporting activities and their relevant costs).

If you do not currently have a claim you should consider whether:

- you meet the new definitional requirements of the new program
- your company performs R&D in Australia on behalf of a foreign entity (i.e. IP is held offshore)
- you may undertake R&D overseas, and
- to make an R&D claim in light of the increased benefit.

## ***Main aspects of the new Program***

The program has a retrospective start date of 1 July 2011.

Broadly, the new R&D tax incentive program takes a two-tiered approach:

- a 45 per cent refundable R&D tax offset will be available for companies with a grouped turnover of less than \$20 million. This is equivalent to a 15c in the dollar benefit, and
- a 40 per cent non-refundable R&D tax offset will be available for companies with a grouped turnover of

more than \$20 million. This is equivalent to a 10c in the dollar benefit.

## ***Upcoming events***

PwC will be conducting briefings around Australia to discuss the changes and how they are likely to impact your future claims. Please click below to register for one of these upcoming sessions:

- [Brisbane](#)
- [Canberra](#)
- [Melbourne](#)
- [Perth](#)
- [Sydney](#)

Industry specific workshops will also be announced in due course.

## ***Further information***

To have a deeper discussion about what the above means for your business, please contact your usual PwC contact or:

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