



Research and development tax incentive schedule instructions 2021

To help you claim a research and development (R&D) tax offset in the Company tax return 2021.

27 May 2021

To help you claim a research and development (R&D) tax offset in the Company tax return 2021 (NAT 0656).

About these instructions

When we refer to 'you' in these instructions, we are referring to the person responsible for completing the **Research and development tax incentive schedule 2021** (NAT 73794). This publication is not a guide to income tax law. If you feel this publication does not fully cover your circumstances, get help from us or a registered tax adviser.

Publications and services

To find out how to get a publication referred to in these instructions, and for information about our other services, see [More information](#).

Abbreviations and unfamiliar terms

For an explanation of any terms used in these instructions that are unfamiliar to you, see [Definitions](#) and [Abbreviations](#).

Introduction

Completing the Research and development tax incentive schedule



Part A – Calculation of notional R&D deduction



Part B – Feedstock



Part C – Clawback – R&D recoupment tax



Part D – R&D expenditure to associates



Part E – R&D tax offset calculation



Definitions



Abbreviations



More information



Introduction

27 May 2021

These instructions will help you complete the *Research and development tax incentive schedule 2021*, which in turn will help you complete the items for the research and development (R&D) tax offset at item **21** of the *Company tax return 2021* (NAT 0656). For more information about the R&D tax incentive, see **Research and development tax incentive**.

If you fill in the **Research and development tax incentive schedule 2021** on your computer, the form will complete some calculations and fields for you.

You can use our **Research and development tax incentive calculator** to help you complete the *Research and development tax incentive schedule 2021*. You can print a copy of the schedule when you have finished using the calculator. This schedule will be accepted for lodgment with an original tax return or an amendment request.

Changes to the Research and development tax incentive apply for income years commencing on or after 1 July 2021.

Who must complete a Research and development tax incentive schedule?

You must complete and lodge a *Research and development incentive schedule 2021* if you make a claim at item **21** on your *Company tax return 2021* for an R&D tax offset under the R&D tax incentive, that is, Division 355 of the *Income Tax Assessment Act 1997* (ITAA 1997).

If you have a feedstock adjustment (additional assessable income) but are not claiming an R&D tax offset in this year of income, you do not need to complete the *Research and development tax incentive schedule 2021*. You will still need to work out your feedstock adjustment and include it at **W** item **21** and **B** item **7** on the *Company tax return 2021*. See [Part B](#) for information about how you work out your feedstock adjustment.

Who can claim the R&D tax incentive?

You may be entitled to claim the R&D tax incentive in your *Company tax return 2021* if you are an R&D entity that has registered its R&D activities with AusIndustry (on behalf of Industry Innovation and Science Australia) for 2020–21.

Only R&D entities can register R&D activities and claim the R&D tax offset. You are an eligible R&D entity if you are a corporation that is any of the following:

- incorporated under an Australian law
- incorporated under foreign law but an Australian resident for income tax purposes
- incorporated under foreign law, and both of the following apply
 - the corporation is a resident of a country with which Australia has a comprehensive double tax agreement which includes a definition of 'permanent establishment', and
 - the corporation carries on business in Australia through a permanent establishment as defined in the double tax agreement. It is then eligible to the extent that it carries on business through that permanent establishment.

You are not eligible for the R&D tax incentive if you are:

- an individual
- a corporate limited partnership
- an exempt entity (because your entire income is exempt from income tax).

Trusts are not generally eligible R&D entities. The exception is a body corporate in the capacity of trustee for a public trading trust.

See also:

- [Who can claim](#)

You must register before claiming

You must register before you make a claim for the R&D tax incentive on the company's tax return. You must lodge an application for registration of the activities with AusIndustry within 10 months of the

end of your income year. For example, if your income year ends on the 30 June, then you must register by 30 April of the following year.

Who are the R&D activities conducted for?

Generally, an R&D entity is only entitled to a tax offset if the R&D activities were conducted for one of the entities below:

- the R&D entity itself
- a foreign corporation that is
 - connected with, or an affiliate of, the R&D entity (or the R&D entity is an affiliate of the foreign resident)
 - a resident of a country with which Australia has a comprehensive double tax agreement.

R&D activities that are conducted for a foreign corporation must be conducted under a written agreement meeting certain conditions between the R&D entity and the foreign corporation.

Additionally, if the R&D entity is a foreign corporation carrying on business through a permanent establishment in Australia, it may be entitled to an R&D tax offset if the R&D activities are conducted for the foreign corporation (and not for the permanent establishment in Australia).

See also:

- For whom are R&D activities conducted?
- Who can claim

Who administers the R&D tax incentive?

The R&D tax incentive is jointly administered by AusIndustry (on behalf of Industry Innovation and Science Australia), and the Australian Taxation Office (ATO).

For information about how to register for the R&D tax incentive and about what R&D activities qualify for the incentive:

- business.gov.au 
- phone AusIndustry on **13 28 46**.

For information about what amounts are eligible for the R&D tax incentive and how to claim:

- Research and development tax incentive
- phone us on **13 28 66**.

Before you complete the Research and development tax incentive schedule

Before you start to fill in the schedule, you will need to make certain calculations and complete certain parts of the *Company tax return 2021*.

Six labels on the *Company tax return 2021* relate to the R&D tax incentive:

- at page 5 item **7 Reconciliation to taxable income or loss**
 - **D Accounting expenditure in item 6 subject to R&D tax incentive**
- at page 9 item **21 Research and development tax incentive**
 - **A Non-refundable R&D tax offset**
 - **B Non-refundable R&D tax offset carried forward from previous year**
 - **C Non-refundable R&D tax offset to be utilised in current year**
 - **D Non-refundable R&D tax offset to be carried forward to next year**
 - **U Refundable R&D tax offset**
 - **W Feedstock adjustment - additional assessable income**
- at page 11 **Calculation statement**
 - **M R&D recoupment tax**

For more information on completing the labels above, see:

- Company tax return instructions 2021 (NAT 0669)

- [Preliminary calculation – Add-back of research and development \(R&D\) accounting expenditure.](#)

Total notional R&D deduction amount

Using [Part A](#) of these instructions, calculate your total notional R&D deduction amount to determine whether you can claim an R&D tax offset. To be eligible to claim an R&D tax offset, your total notional deductions at Part A must be at least \$20,000. If your total notional deductions are less than \$20,000, you will only be able to obtain the R&D tax offset for:

- expenditure incurred to a Research Service Provider (RSP) for services within a research field for which the RSP is registered under the *Industry Research and Development Act 1986* (IR&D Act), when that RSP isn't an associate of the R&D entity
- expenditure incurred as a monetary contribution under the Cooperative Research Centre (CRC) program.

Do not complete a schedule unless any of the following apply:

- your total notional deductions are at least \$20,000
- you have incurred expenditure to a RSP, or
- you have made a monetary contribution under the CRC program.

If you do not have to complete a schedule and you have a feedstock adjustment or clawback adjustment, you must record this on the company tax return:

- feedstock adjustment at **W Feedstock adjustment – additional assessable income** item **21** and **B Other assessable income** item **7**
- clawback adjustment in the **Calculation statement**, label **M, R&D recoupment tax**.

Expenditure to associates

Under the R&D tax incentive, you can only obtain an R&D tax offset for expenditure incurred to an associate when that amount is paid. Before completing the Research and development tax incentive schedule, you will need to determine which amounts you have paid to associates; see [Part D – R&D expenditure to associates](#).

See also:

- R&D expenditure incurred to an associate

Consolidated groups

The amounts used in the calculation of the R&D tax incentive for consolidated groups must be worked out on a consolidated basis, with all intra-group transactions eliminated. They must not be calculated on an aggregated basis, by simply adding together the expenditure of each company in the group.

Only one Research and development tax incentive schedule is required for a consolidated group, to be completed by the head company.

Clawback adjustment

A clawback adjustment will apply if both of the following apply:

- you claimed a notional deduction under the R&D tax incentive
- you received, or have become entitled to receive, a government recoupment such as a grant or reimbursement that relates to this expenditure.

The government recoupment may be from an Australian Government agency or a state or territory body.

Under subdivision 355-G of the ITAA 1997, the income tax you are liable to pay on the recoupment will be increased. This is referred to as a clawback adjustment and is recorded at the **Calculation statement**, label **M, R&D recoupment tax** on the *Company tax return 2021*.

If a clawback adjustment applies, read [Part C – Clawback – R&D recoupment tax](#).

See also:

- Clawback adjustment

Prepayments

Adjust the amount of expenditure incurred in accordance with the prepayment provisions in sections 82KZL to 82KZMF of the *Income Tax Assessment Act 1936* (ITAA 1936).

See also:

- Deductions for prepaid expenses 2021

Expenditure incurred while not at arm's length

If you incur expenditure to either an [associate](#) or another party with which you are not dealing at arm's length and the expenditure incurred exceeds the market value of the relevant R&D activity, the amount eligible for a notional R&D deduction is treated as being the market value of the R&D activity.

Intra-group mark-ups

The amount that you can claim as a notional R&D deduction is reduced to reflect mark-ups between connected or affiliated entities.

Before completing the schedule you need to calculate your reduction amount using the method statement in **subsection 355-415(2)** of the ITAA 1997.

Overseas expenditure

You must have a positive overseas finding from Industry Innovation and Science Australia before you can claim a notional deduction for expenditure on overseas R&D activities under Division 355 of the ITAA 1997. Sections 28C and 28D of the *Industry Research and Development Act 1986* (IR&D Act) provide information on findings about activities to be conducted outside Australia, including conditions that must be met.

For more information about the location of your R&D activities, go to business.gov.au 

Depreciating assets

Determine amounts that are notionally deductible for decline in value of depreciating assets under **subdivision 355-E** or **section 355-520** of the ITAA 1997, in relation to your R&D activities.

For more information, see the **Guide to depreciating assets 2021** (NAT 1996).

Entitlement requirements

To work out whether you qualify for the refundable or non-refundable tax offset, you need to consider whether you:

- meet the aggregated turnover threshold, or

- are controlled by one or more exempt entities.

'Aggregated turnover' is explained in [Definitions](#).

Regardless of a company's aggregated turnover, if one or more [exempt entities](#) have [direct control](#) or [indirect control](#) of the company (with a relevant control threshold of 50%), then the company is only eligible for the 38.5% non-refundable tax offset.

For more information, see:

- Research and development tax incentive
- Grouping for aggregated turnover purposes
- Step 3 – Calculate your aggregated turnover of *Research and development tax incentive*.

Expenditure that is not at risk

As per section 355-405 of the ITAA 1997, a company cannot claim a notional deduction for expenditure if it is not at risk in respect of that expenditure. Apply section 355-405 of the ITAA 1997 to reduce your notional deductions by any amount for which the company was not at risk.

Core technology expenditure

Expenditure incurred in acquiring technology that is core technology cannot be claimed under the R&D tax incentive.

If you are unsure as to whether your particular technology is core technology, you can request a finding from Industry Innovation and Science Australia. This finding gives you certainty about whether expenditure incurred in acquiring the technology is excluded under the R&D tax incentive.

The law changed with effect from 1 July 2011. There are special transitional arrangements covering undeducted core technology expenditure which was previously deductible under the R&D tax concession.

These arrangements help ensure that any undeducted core technology expenditure is eligible for deduction, even though such deductions are not taken into account in calculating the amount of any tax offset a company might be entitled to under the R&D tax incentive.

The rules outlined below apply irrespective of whether the company continues to use the core technology for eligible R&D activities after 1 July 2011.

If the core technology is a depreciating asset (for example, a patent) the provisions in **Division 40** of the ITAA 1997, for deducting amounts for depreciating assets, will apply on the basis that the opening adjustable amount is the amount of undeducted expenditure in relation to the asset.

If the core technology is not a depreciating asset, the undeducted expenditure is deductible in equal proportions over five income years, starting in the first income year beginning on or after 1 July 2011.

Undeducted core technology amounts, claimed under the transitional rules, should be shown at **X Other deductible expenses** item **7** on the Company tax return 2021.

Building expenditure

Expenditure cannot be claimed under the R&D tax incentive if it is incurred to acquire or construct:

- a building or a part of a building, or
- an extension, alteration or improvement to a building.

Interest expenditure

Expenditure incurred for interest (within the meaning of subsection 128A(1AB) of the ITAA 1936) payable to an entity cannot be claimed under the R&D tax incentive.

Goods and services tax (GST)

Adjust expenditure amounts to exclude any GST input tax credits to which you are entitled (see **Division 27** of the ITAA 1997).

Lodging the schedule

For information on how to lodge your schedule, see [Lodgment](#).

Complete all items that apply to you, including yes or no items. If an item or label (other than a yes or no item) does not apply, leave it blank unless otherwise instructed.

Completing the Research and development tax incentive schedule

27 May 2021

Completing the top of page 1

Original or amended schedule

If you have already lodged a *Research and development tax incentive schedule 2021*, place an **X** in the box at the right of **Amended schedule**. Otherwise, place an **X** in the box at the right of **Original**.

Company name

Enter the name of the company. The name shown on the Research and development tax incentive schedule must be the same as that shown on the company's tax return.

Tax file number (TFN)

Enter the TFN of the company lodging the schedule and company tax return. The TFN shown on the Research and development tax incentive schedule must be the same as that shown on the company's tax return.

AusIndustry – Industry Innovation and Science Australia number

Enter the AusIndustry – Industry Innovation and Science Australia registration number issued to the company for registered R&D activities for this income year. If you are only claiming expenditure incurred to an associate in an earlier income year that has been paid in the current year, you will need to include your AusIndustry – Industry Innovation and Science Australia registration number for the income year that registration was obtained for the related R&D activities. If

your company is part of a consolidated group, only the head company should apply for registration under the R&D tax incentive.

Australian business number (ABN)

Enter the company's ABN.

Preliminary calculation – Add back of research and development (R&D) accounting expenditure

At **D Preliminary calculation** enter the total of amounts written at the expenditure labels in item **6 Calculation of total profit or loss** on the *Company tax return 2021* (NAT 0656) that relate to amounts that you are claiming as a notional R&D deduction under the R&D tax incentive provisions. Generally, these amounts include expenditure for accounting purposes on R&D activities, which are used in calculating the R&D tax offset, rather than being claimed as allowable deductions.

The Income and Expenses amounts written at item **6 Calculation of total profit or loss** are accounting system amounts that correspond to the amounts in your financial statements for the income year. Do not include accounting fees here.

At **D Preliminary calculation** you also need to include amounts that you have written at the expenditure labels in item **6 Calculation of total profit or loss** on the *Company tax return 2021* which you have incurred to your associates that are not yet paid or claimed and are to be carried forward. For more information, see [Part D – R&D expenditure to associates](#).

The amount written at **D Preliminary calculation** on the *Research and development tax incentive schedule* must be the same as the amount written at **D Accounting expenditure in item 6 subject to R&D tax incentive** item **7** on the *Company tax return 2021*.

If you have not written expense amounts for R&D deductions and R&D expenditure to associates to be carried forward at item **6 Calculation of total profit or loss** on the company tax return (if, for example, those amounts are capitalised for accounting purposes) enter **0** (zero) at:

- **D Preliminary calculation** on the Research and development tax incentive schedule, and
- **D Accounting expenditure in item 6 subject to R&D tax incentive** item **7** on the *Company tax return 2021*.

64909

Part A – Calculation of notional R&D deduction

27 May 2021

Show the notional R&D deduction amounts at Part A in whole dollars only. Do not multiply the amounts in Part A by the offset percentage to which the company is entitled, this is done in [Part E – R&D tax offset calculation](#).

In allocating notional R&D deduction amounts to the items **1** to **9** in Part A, choose the item most appropriate to the expenditure or decline in value amount in question.

Australian owned R&D column

Enter in this column all amounts that relate to R&D activities that the company has conducted for itself where it is a corporation that is:

- incorporated under an Australian law, or
- incorporated under foreign law but an Australian resident for income tax purposes.

Foreign owned R&D column

Enter in this column all amounts that your company (an R&D entity) incurs for another company that is:

- a foreign corporation, and
- a resident of a country with which Australia has a comprehensive double tax agreement.

The activities must be conducted under a written agreement between the entities.

Additionally, enter amounts in this column for amounts incurred if the R&D entity is a foreign corporation carrying on business through a

permanent establishment in Australia that can be claimed under the R&D tax incentive.

If you are claiming amounts in this column, you will also need to consider other taxation implications in regard to your related-party international dealings. For more information, see **International dealings schedule instructions 2021** (NAT 73345) and the taxation rulings referred to within that publication.

If an R&D entity is entitled under section 355-100 of the ITAA 1997 to an R&D tax offset for an income year for expenditure it can notionally deduct under sections 355-205, 355-480 or 355-580 of the ITAA 1997, that expenditure:

- cannot be taken into account by any entity in working out a deduction under any provision for any income year, and
- cannot be taken into account by any entity in working out another tax offset under any provision for any income year.

If an R&D entity is entitled under section 355-100 of the ITAA 1997 to an R&D tax offset for an income year for the decline in value under sections 355-305, 355-315, 355-520 or 355-525 of the ITAA 1997, that decline in value (to the extent that the asset is used for the purpose of conducting R&D activities):

- cannot be taken into account by any entity in working out a deduction under any other provision (other than section 40-292 or 40-293 of the ITAA 1997) for any income year, and
- cannot be taken into account by any entity in working out another tax offset under any other provision for any income year.

Do not include any amounts at Part A for building expenditure, interest expenditure, core technology expenditure, non-arm's length amounts, not-at-risk amounts, group mark-up amounts or expenditure incurred, but not paid, to associates.

Item 1 R&D expenditure – Research service provider (RSP)

Enter at item **1 R&D expenditure – Research service provider (RSP)** the expenditure you have incurred to an RSP, to the extent that it has been incurred on R&D activities.

Apportion your expenditure between R&D activities and other activities that you undertake and show expenditure on **R&D activities only** at this item.

Separate the expenditure at item **1** between Australian owned R&D activities (**A**) and foreign owned R&D activities (**B**).

In most circumstances, expenditure to an RSP is not subject to the \$20,000 notional deduction threshold. You will therefore be able to claim an R&D tax offset for this expenditure, regardless of the amount. However, these rules will only apply where:

- the RSP is not an associate of the R&D entity
- the R&D activities are within a research field for which the RSP is registered under the IR&D Act.

See also:

- Keeping records and calculating your notional deductions

Item 2 R&D expenditure – Contract expenditure (not RSP)

Enter at item **2 R&D expenditure – Contract expenditure (not RSP)** the amount of expenditure you have incurred under a contract to another party (other than an RSP), to the extent that it has been incurred on R&D activities.

Apportion your expenditure between R&D activities and other activities that you undertake. Show expenditure on **R&D activities only** at this item.

Separate the expenditure at item **2** between Australian owned R&D activities (**C**) and foreign owned R&D activities (**D**).

Do not show any amounts at this item for expenditure incurred to an associate. If you have entered into a contract with your associate, you are only eligible to claim the amount incurred in the income year to the extent it is paid. Amounts paid to an associate are shown at [Part A, item 6](#). You also need to provide further details of expenditure to your associates in [Part D – R&D expenditure to associates](#).

You cannot claim this type of expenditure on R&D activities unless your total notional deduction amount is at least \$20,000.

See also:

- Expenditure you incur under contract to other parties
- Keeping records and calculating your notional deductions

Item 3 R&D expenditure – Salary expenditure

Enter at item **3 R&D expenditure – Salary expenditure** the amount of salary expenditure you have incurred for all of your employees, to the extent that it has been incurred on R&D activities.

The amounts shown at this item include expenditure on salary and wages (and associated on costs) of:

- managers or supervisors of research staff
- researchers
- technical employees
- supervisors of research staff conducting R&D activities.

Apportion your expenditure between R&D activities and other activities that you undertake. Show expenditure on **R&D activities only** at this item.

Separate the expenditure at item **3** between Australian owned R&D activities (**E**) and foreign owned R&D activities (**F**).

Do not show any amounts at this item for expenditure incurred to an associate. If you incurred expenditure to your associate, you are only eligible to claim the amount incurred in the income year to the extent it is paid. Amounts paid to an associate are shown at [Part A, item 6](#). You also need to provide further details of expenditure to your associates in [Part D – R&D expenditure to associates](#).

You cannot claim this type of expenditure on R&D activities unless your total notional deduction amount is at least \$20,000.

See also:

- Salary expenditure
- Keeping records and calculating your notional deductions

Item 4 R&D expenditure – Other

Enter at item **4 R&D expenditure – Other** the expenditure, to the extent that it has been incurred on R&D activities, that is not required to be shown at any other item of Part A. Types of expenditure to be shown at this item may include:

- administrative costs and overheads incurred on R&D activities
- expenditure on overseas activities that are covered by a finding made by Industry Innovation and Science Australia under section 28C of the IR&D Act.

Apportion your expenditure between R&D activities and other activities that you undertake. Show expenditure on R&D activities only at this item.

Separate the expenditure at item **4** between Australian owned R&D activities (**G**) and foreign owned R&D activities (**H**).

Do not show any amounts at this item for expenditure incurred to an associate. If you incurred expenditure to your associate, you are only eligible to claim the amount incurred in the income year to the extent it is paid. Amounts paid to an associate are shown at Part A [Item 6 R&D expenditure – Paid to associates in the current year](#). You also need to provide further details of expenditure to your associates in [Part D – R&D expenditure to associates](#).

You cannot claim this type of expenditure on R&D activities unless your total notional deduction amount is at least \$20,000.

See also:

- Other R&D expenditure
- Keeping records and calculating your notional deductions

Item 5 R&D expenditure – Feedstock input expenditure

Enter at item **5 R&D expenditure – Feedstock input expenditure** the total amount of expenditure incurred in the income year on acquiring or producing [feedstock inputs](#) that are transformed or processed during R&D activities in producing one or more tangible products ([feedstock outputs](#)).

Feedstock input expenditure also includes:

- the total cost of energy input directly into the transformation or processing, and
- the decline in value of assets used in acquiring or producing the feedstock inputs to these R&D activities.

Separate your expenditure at item **5** between Australian owned R&D activities (**I**) and foreign owned R&D activities (**J**).

You cannot claim this type of expenditure on R&D activities unless your total notional deduction amount is **at least \$20,000**.

An amount included in **Feedstock input expenditure** must not also be included at any other label in Part A.

The amount to be shown at this item may not form part of any feedstock adjustment in the 2020–21 year. However, it will represent expenditure on feedstock inputs and should be recorded separately from the other expenditure types in Part A. It may be expenditure to be taken into account in calculating the amount of a feedstock adjustment in the current or a future year (see [Part B – Feedstock](#)).

See also:

- Feedstock adjustments
- Feedstock expenditure

Item 6 R&D expenditure – Paid to associates in the current year

Enter at item **6 R&D expenditure – Paid to associates in the current year** the total amount of expenditure you have paid to your associates in 2020–21, to the extent that it has been incurred on R&D activities. You could include expenditure you have paid to associates in the current year that was either:

- incurred in 2020–2021
- incurred in earlier income years commencing on or after 1 July 2011

provided you have not claimed this expenditure under other provisions of the ITAA 1936 or ITAA 1997.

Apportion your expenditure between R&D activities and other activities that you undertake. Show expenditure on **R&D activities only** at this item.

Transfer this amount to [Part D](#) label **E4 R&D expenditure paid to associates in the current year**.

Separate the expenditure at item **6** between Australian owned R&D activities (**K**) and foreign owned R&D activities (**L**).

You cannot claim this type of expenditure on R&D activities unless your total notional deduction amount is at least \$20,000.

If you have incurred expenditure to your associate, but it is not paid in 2020–2021, do not include that amount at **K** or **L** item **6**. For more information about how you treat this expenditure that is incurred but not yet paid, see [Preliminary calculation – Add back of research and development \(R&D\) accounting expenditure](#) and [Part D – R&D expenditure to associates](#).

For more information about what amounts may be claimed as 'Expenditure paid to associates in the current year' see:

- [Part D – R&D expenditure to associates](#) in these instructions
- R&D expenditure incurred to an associate
- R&D expenditure paid to your associate in your claim year in our guide *Amounts you can claim*.

See also:

- Keeping records and calculating your notional deductions

Item 7 R&D assets – Decline in value

Enter at item **7 R&D assets – Decline in value** the decline in value amount notionally deductible under subdivision 355-E and section 355-520 of the ITAA 1997 for depreciating assets used in R&D activities.

Separate your decline in value amount at item **7** between Australian owned R&D activities (**M**) and foreign owned R&D activities (**N**).

You cannot claim these amounts on R&D activities unless your total notional deduction amount is at least \$20,000.

For more information about what amounts may be claimed for 'Decline in value' under the R&D tax incentive, see [Decline in value of assets used for conducting R&D activities](#).

Item 8 R&D assets – Balancing adjustment losses

Enter at item **8 R&D assets – Balancing adjustment losses** the amount of balancing adjustment losses you are eligible to notionally deduct under sections 355-315 or 355-525 of the ITAA 1997, for assets used only for R&D activities.

Separate the amount shown at item **8** between Australian owned R&D activities (**O**) and foreign owned R&D activities (**P**).

You cannot claim these amounts on R&D activities unless your total notional deduction amount is at least \$20,000.

Balancing adjustment losses for assets used for both R&D and non-R&D activities are deductible under sections 40-285, 40-292 or 40-293 of the ITAA 1997 and do not qualify as notional deductions for the purposes of claiming an R&D tax offset.

Show at **X Other deductible expenses** item **7** on page 6 of the *Company tax return 2021* your deduction for balancing adjustment losses if the assets have been used for both R&D and non-R&D activities.

If you are otherwise eligible for an R&D tax offset under section 355-100 of the ITAA 1997 in the current year, the amount shown at **X Other deductible expenses** is calculated and claimed at an uplifted percentage under sections 40-292 or 40-293 of the ITAA 1997.

If you are not otherwise eligible for an R&D tax offset under section 355-100 of the ITAA 1997, the balancing adjustment losses for assets used on both R&D and non-R&D activities, as calculated under section 40-285 of the ITAA 1997, are included at **X Other deductible expenses** item **7** of the *Company tax return 2021*. This amount is not eligible to be uplifted and is therefore claimed at 100%.

Assessable balancing adjustment amounts (as a result of balancing adjustment profits) for assets used in R&D activities are included at **B Other assessable income** item **7** on page 5 of the *Company tax return 2021*.

If the asset has only been used for R&D activities, the assessable amount to be included at this label is uplifted by one third (as per subsection 355-315(3) of the ITAA 1997).

If the asset has been used partly for R&D activities, under subsection 40-292(5) or 40-293(3) of the ITAA 1997, the amount included and uplifted by one third is the proportion of the assessable balancing adjustment amount that relates to notional deductions claimed under the R&D tax incentive.

See also:

- Balancing adjustments for assets used for conducting R&D activities

Item 9 Cooperative Research Centre (CRC) contributions

Enter at item **9 Cooperative Research Centre (CRC) contributions** the amount of expenditure you have incurred as a monetary contribution under the CRC program that is spent on registered R&D activities. Separate the incurred expenditure at item **9** between Australian owned R&D activities (**Q**) and foreign owned R&D activities (**R**).

Expenditure you incur as a monetary contribution under the CRC program is not subject to the \$20,000 notional deduction threshold. You will therefore be able to claim an R&D tax offset for this expenditure, regardless of the amount.

See also:

- Contributions under the CRC program

Item 10 Total of allocated notional deductions

Enter at **X** item **10 Total of allocated notional deductions** the sum of the amounts shown at items **1** to **9** in the **Australian owned R&D** column.

Enter at **Y** item **10 Total of allocated notional deductions** the sum of the amounts shown at items **1** to **9** in the **Foreign owned R&D** column.

If you complete the form on your computer, item **10** will be calculated for you.

Item 11 Total notional R&D deduction (X plus Y)

Enter at **Z** item **11 Total notional R&D deductions (X plus Y)** the sum of the amounts shown at **X** and **Y** in item **10 Total of allocated notional deductions**.

If the amount shown at **Z** is less than \$20,000, you will only be able to claim an R&D tax offset for amounts shown at:

- item **1 R&D expenditure – Research service provider (RSP)**
- item **9 Cooperative Research Centre (CRC) contributions**.

If you complete the form on your computer, **Z** will be calculated for you.

64909

Part B – Feedstock

27 May 2021

A feedstock adjustment is an amount you include in your assessable income. It applies when you obtain an R&D tax incentive offset for your feedstock expenditure incurred on R&D activities, when those activities also produce tangible products for supply to someone else, or to be applied to the R&D entity's own use (other than in transforming such products for supply).

The feedstock adjustment applies to expenditure on the following:

- goods or materials (feedstock inputs) transformed or processed during R&D activities in producing one or more tangible products (feedstock outputs)
- energy that is input directly into that transformation or processing.

A feedstock adjustment may also apply in respect of amounts claimed for the decline in value of assets used in acquiring or producing

feedstock inputs.

The feedstock provisions apply to both core R&D activities and supporting R&D activities that transform or process feedstock inputs. The provisions are not confined to mass production activities.

When a feedstock adjustment is triggered, you must include an amount in your assessable income. This may be in the current or in a future income year, depending on when the output is supplied or applied.

You do not need to complete Part B unless your R&D activities have produced a marketable product supplied to someone else, or applied to your own use during 2020–21 (other than in transforming such a product for supply). If your R&D activities have not produced a marketable product supplied to someone else or applied to your own use, go to [Part C – Clawback – R&D recoupment tax](#) in these instructions.

If you have a feedstock adjustment (additional assessable income) in 2020–21 but are not claiming the R&D tax offset, you do not need to complete the *Research and development tax incentive schedule 2021*. You will still need to work out your feedstock adjustment and include it at **W** item **21** and **B** item **7** of the *Company tax return 2021*. These instructions provide details about how you work out your feedstock adjustment.

See also:

- Feedstock adjustments

Item 1 Feedstock revenue total

Enter at item **1 Feedstock revenue total** the total amount of feedstock revenue from all R&D activities, where those activities have produced products supplied to someone else, or applied to the R&D entity's own use (other than in transforming such products for supply).

Item 2 Expenditure on feedstock inputs attributable to feedstock output

Enter at item **2 Expenditure on feedstock inputs attributable to feedstock output** the total amount of [feedstock inputs](#) attributable to [feedstock outputs](#) on all R&D activities, if those activities have

produced products supplied to someone else, or applied to the R&D entity's own use (other than in transforming such products for supply).

Also include in the total amount written at item **2 Expenditure on feedstock inputs attributable to feedstock output** the total amount of energy input directly into the transformation or processing and the decline in value of assets used in acquiring or producing the inputs to the R&D activities.

If you must include an additional amount in your assessable income as a result of triggering a feedstock adjustment, you may choose to reduce the amount of feedstock input expenditure in item **2 Expenditure on feedstock inputs attributable to feedstock output** to calculate the additional assessable income for the feedstock adjustment in a particular income year if:

- the total R&D notional deductions in the income year in which the relevant R&D expenditure arose exceeds \$100 million, and
- the sum of the proposed reduction and any prior reductions under these rules for that income year is not greater than the amount by which your R&D expenditure exceeded \$100 million (for example, if total R&D expenditure is \$150 million, then you may reduce additional liabilities by no more than \$50 million).

Item 3 Feedstock adjustment – additional assessable income

The amount to be shown at **B Feedstock adjustment – additional assessable income** is the total of all feedstock adjustments that are required to be made for all R&D activities, if those activities have produced products supplied to someone else, or applied to the R&D entity's own use (other than in transforming such products for supply).

Step 1

Determine which R&D activities have produced marketable products.

Step 2

For each of the R&D activities identified at step 1 above, work out each of the following amounts:

- 2A – feedstock revenue

- 2B – the sum of amounts claimed (in the current income year or an earlier income year) as notional deductions for
 - feedstock inputs attributable to feedstock outputs from each of these R&D activities
 - energy input directly into the transformation or processing
 - the decline in value of assets used in acquiring or producing the feedstock inputs to these R&D activities.

Where you have total notional R&D deductions that exceed \$100 million, the amount used for the purposes of 2B may be reduced. The amount of the reduction when combined with reductions under the clawback and balancing adjustment rules cannot exceed the excess of notional R&D deductions over \$100 million.

Step 3

For each of the R&D activities identified at step 1 above, determine whether the amount calculated at step 2A is less than the amount calculated at step 2B, as the feedstock adjustment amount will be calculated as one third of the lesser amount.

Step 4

For each of the R&D activities identified at step 1 above, work out your feedstock adjustment amount as follows:

- If the amount calculated at step 2A is less than the amount calculated at step 2B, divide the amount shown at step 2A by 3.
- If the amount calculated at step 2B is less than the amount calculated at step 2A, divide the amount shown at step 2B by 3.

Step 5

Add together each of the amounts calculated at step 4 above. Enter the total at **B item 3 Feedstock adjustment – additional assessable income**.

If you complete the form on your computer, this will be calculated for you at **B item 3**. If you have multiple feedstock outputs, the additional assessable income may be too high. If this happens, click the box

below label **B** ('Check this box to overwrite the value at label **B** above. Uncheck to use calculation.') and enter the correct value.

Include this amount in the *Company tax return 2021* at **W Feedstock adjustment – additional assessable income** item **21** and **B Other assessable income** item **7**.

64909

Part C – Clawback – R&D recoupment tax

27 May 2021

If you are eligible for the R&D tax incentive and you receive a government recoupment (such as a government grant or reimbursement) that relates to expenditure that is eligible for the R&D tax incentive, clawback applies.

Clawback does not decrease the grant or offset you receive; rather it increases the income tax you are liable to pay. This income tax increase is called a 'clawback adjustment' or 'R&D recoupment tax'.

A clawback adjustment arises where during an income year you either receive or are entitled to receive a recoupment from an Australian Government agency, or a state or territory body, and the following applies:

- the recoupment (such as a reimbursement) relates to expenditure incurred on certain activities or the recoupment (such as a grant) requires expenditure to either be or have been incurred on certain activities
- you are eligible for the R&D tax incentive for that expenditure (or decline in value notional deductions where the expenditure was for a depreciating asset used in those activities).

Only complete this item if you have received a government recoupment during 2020–21 that relates to an amount you have notionally deducted at **Part A Calculation of notional R&D deduction** on the Research and development tax incentive schedule in the

current income year or in earlier income years commencing on or after 1 July 2011.

When you are subject to additional income tax as a result of clawback, you may choose to reduce the amount of expenditure in item **2 R&D expenditure related to recoupments** to calculate the additional income tax for the clawback adjustment in a particular income year if:

- the total R&D notional deductions in the income year in which the relevant R&D expenditure arose exceeds \$100 million, and
- the sum of the proposed reduction and any prior reductions under these rules for that income year is not greater than the amount by which your R&D expenditure exceeded \$100 million (for example, if total R&D expenditure is \$150 million, then you may reduce additional liabilities by no more than \$50 million).

If you are unable to claim the R&D tax incentive for expenditure related to the recoupment because section 355-405 of the ITAA 1997 applies (the expenditure is not at risk), you do not need to make a clawback adjustment. If section 355-405 does not apply to expenditure related to the recoupment, you may still need to make a clawback adjustment.

See also:

- Clawback adjustment

Item 1 Recoupments – (entitled to/received)

Enter at item **1 Recoupments – (entitled to/received)** the total amount of recoupment you have received or become entitled to receive, (other than under the CRC program) in the current income year, that relate to notional R&D deductions for which you have claimed an R&D tax offset in the current income year or in earlier income years commencing on or after 1 July 2011.

Item 2 R&D expenditure related to recoupments

Enter at item **2 R&D expenditure related to recoupments** the total amount claimed as a notional deduction under the R&D tax incentive that relates to the recoupment shown at item **1 Recoupments – (entitled to/received)**. This may include amounts claimed as a notional

deduction in the current income year or in earlier income years commencing on or after 1 July 2011. Do not include R&D expenditure that you have already taken into account to work out another clawback adjustment (extra income tax) for another recoupment.

Where you have total notional R&D deductions that exceed \$100 million, the amount used for the purposes of item **2** may be reduced. The amount of the reduction when combined with reductions under the feedstock and balancing adjustment rules cannot exceed the excess of notional R&D deductions over \$100 million.

Item 3 Project expenditure for which recoupments paid

Enter at item **3 Project expenditure for which recoupments paid** the total project expenditure for all years of the project for which the recoupment has been paid (including R&D and other amounts). You will need to consider the terms of the grant agreement to work out what your project expenditure is in respect of each recoupment. A recoupment may be an instalment under the agreement.

Where you have total notional R&D deductions that exceed \$100 million the amount used for the purposes of item **3** may be reduced. The amount of the reduction when combined with reductions under the feedstock and balancing adjustment rules cannot exceed the excess of notional R&D deductions over \$100 million.

When you notionally deduct further amounts related to this recoupment under the R&D tax incentive in future years, you will be required to amend your *Company tax return 2021* in the **Calculation statement** at **M, R&D recoupment tax** to include a further amount of R&D recoupment tax. Further amendments will be required until either:

- there is no more expenditure related to this recoupment, or
- the amount of the extra tax recouped at **M, R&D recoupment tax** in the **Calculation statement** becomes equal to the amount of the government recoupment received.

Item 4 R&D recoupment tax – 10% tax payable

Enter at **M** item **4 R&D recoupment tax – 10% tax payable** the extra tax required on your recoupment as calculated under **Subdivision 355-G** of the ITAA 1997.

If you have claimed the R&D tax incentive at item **21** and you have received a government recoupment (such as a government grant or reimbursement) that relates to expenditure that you have claimed a notional deduction for under the R&D tax incentive, the income tax you are liable to pay on the recoupment will be increased. This is referred to as a clawback adjustment.

The clawback adjustment for each project is capped for grants, so that the extra tax payable cannot exceed the amount of the grant, that on a pro rata basis, you received for that project. As a result, if the sum calculated for **M** for each project exceeds the amount of the grant received for that project (which relates to the R&D expenditure), the amount to be shown at **M** for that project will be the amount of the grant.

64909

Part D – R&D expenditure to associates

27 May 2021

Under the R&D tax incentive, you can only obtain an R&D tax offset for expenditure incurred to an [associate](#) when that amount is paid. If you do not pay the amount until a later income year, you can choose to do either of the following:

- claim a deduction under the normal income tax provisions, for example, the general deduction provision, **section 8-1** of the ITAA 1997, for the income year in which the amount was incurred.
- claim a notional R&D deduction in the year you make the payment.

This choice must be made by the time you lodge your income tax return for the most recent income year before the income year in which the payment is made.

If you claim a deduction for this expenditure under the first choice you will no longer be entitled to claim a notional R&D deduction for that deducted expenditure in the year you make the payment. This cannot be reversed, for example, you cannot later request an amendment of the assessment to disallow the deduction you previously claimed. In addition to claiming this amount as a deduction in the *Company tax return 2021*, you will also need to record this expenditure that you have claimed under other income tax provisions in Part D item **3**.

If you wish to claim the expenditure under the second choice, you will need to record an amount of R&D expenditure incurred to associates to be carried forward in Part D item **5**. If you have included the amount of R&D expenditure incurred to associates to be carried forward in item **6 Calculation of total profit or loss** of the *Company tax return 2021*, add this amount back at **D Preliminary calculation** to ensure you do not also claim this amount as a deduction under the normal income tax provisions.

See also:

- R&D expenditure incurred to an associate

Item 1 R&D expenditure to associates incurred in prior year, not paid, not claimed (carried forward)

Enter at **E1 R&D expenditure to associates incurred in prior year, not paid, not claimed (carried forward)** the total amount of R&D expenditure you have incurred to your associates in earlier income years commencing on or after 1 July 2011 that has not yet been paid or claimed. This amount is carried forward from earlier income years.

Item 2 Current year R&D expenditure incurred to associates

Enter at **E2** the total amount of R&D expenditure you have incurred to your associates in 2020–21, including amounts that have not yet been paid.

Item 3 Current year R&D expenditure incurred to associates claimed under other

provisions

Enter at **E3 Current year R&D expenditure incurred to associates claimed under other provisions** the total amount of R&D expenditure you have incurred to your associates in 2020–21, but claimed under other provisions of the ITAA 1936 or ITAA 1997 because the amount was not paid in 2020–21.

If you claim a deduction for this expenditure under another provision of the ITAA 1936 or ITAA 1997, you will no longer be entitled to claim a notional R&D deduction in the year you make the payment. This choice cannot be reversed, for example, you cannot later request an amendment of the assessment to disallow the deduction you claimed.

If you choose to claim your associate expenditure under another provision of the ITAA 1936 or ITAA 1997, do not add this expenditure back at **D Preliminary calculation** on the Research and development tax incentive schedule or **D Accounting expenditure in item 6 subject to R&D tax incentive** item 7 on the *Company tax return 2021*.

Expenditure to your associate claimed under another provision of the ITAA 1936 or ITAA 1997 should be treated the same as other expenditure claimed under that provision within the *Company tax return 2021*.

Item 4 R&D expenditure paid to associates in the current year

Enter at **E4 R&D expenditure paid to associates in the current year** the total amount of R&D expenditure you have paid to your associates in 2020–21. This could include amounts you have incurred in 2020–21, or amounts you have incurred in earlier income years commencing on or after 1 July 2011, that have been paid in 2020–21 and that you have not previously claimed as a deduction under other provisions of the ITAA 1997 or ITAA 1936. The amount at **E4** should be equal to the amount you have shown at Part A item **6 R&D expenditure – Paid to associates in the current year**.

Item 5 R&D expenditure incurred to associates to be carried forward

If you have incurred expenditure to an associate during 2020–21 or in earlier income years commencing on or after 1 July 2011, you will be

entitled to carry the amount forward and claim it as a notional R&D deduction in the year you make the payment to your associate if you have not either:

- paid the amount, or
- claimed it under another provision of the ITAA 1936 or ITAA 1997.

Calculate the amount to be shown at **E R&D expenditure incurred to associates to be carried forward** using **Worksheet 1**. If you complete the form on your computer, this will be calculated for you.

Worksheet 1: calculation of amount to be shown at E R&D expenditure incurred to associates to be carried forward

Row	Calculation element	Amount
E1	R&D expenditure incurred to associates in prior years (not paid, not claimed)	\$
E2	Plus current year R&D expenditure incurred	\$
E3	Less amount claimed under other provisions	\$
E4	Less amount paid and claimed in current year	\$
E	E1 + E2 – E3 – E4 = E Expenditure to associates to be carried forward	\$

Enter the result from **E** on **Worksheet 1** above at Part D, item **5**, label **E, R&D expenditure incurred to associates to be carried forward**. If you complete the form on your computer, it will be calculated for you.

If you have already included this expenditure incurred to associates to be carried forward in item **6 Calculation of total profit or loss** on the *Company tax return 2021*, also include this amount at **D Preliminary calculation**.

Part E – R&D tax offset calculation

27 May 2021

The R&D tax incentive provides a targeted tax offset to encourage certain companies (R&D entities) to conduct R&D activities that benefit Australia and has the following core components:

- a 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than \$20 million, unless they are controlled by one or more tax exempt entities
- a 38.5% non-refundable tax offset for all other eligible entities.

If an entity's notional R&D deductions exceed \$100 million for an income year, the rate of the R&D tax offset is reduced to the company tax rate for that portion exceeding \$100 million. This change applies to assessments for income years starting on or after 1 July 2014 and before 1 July 2024.

Part E of these instructions will assist you in working out which offset you are entitled to and the amount of R&D tax offset you will be able to claim at item **21** of the *Company tax return 2021*.

See also:

- Refundable and non-refundable tax offsets
- Grouping for aggregated turnover purposes
- Eligibility
- Research and development tax incentive

Item 1 Exempt entity ownership

Regardless of a company's aggregated turnover, if one or more [exempt entities](#) have [direct control](#) or [indirect control](#) of the company (with a relevant control threshold of 50%), then the company is eligible for the 38.5% non-refundable tax offset only.

If your company is controlled by one or more income tax-exempt entities, place an **X** in the box at the right of **Yes** and go to Part E item **5 Non-refundable tax offset**. You do not need to complete items **2**, **3** and **4**.

If your company is not controlled by one or more income tax exempt entities, place an **X** in the box at the right of **No** and go to item **2**.

Item 2 Aggregated turnover

If your [aggregated turnover](#) is \$20 million or greater, you are eligible for the 38.5% non-refundable tax offset.

If your company has an aggregated turnover of \$20 million or greater, place an **X** in the box at the right of **Yes** and go to Part E item **5 Non-refundable tax offset**. You do not need to complete items **3** and **4**.

If you have an aggregated turnover of less than \$20 million, place an **X** in the box at the right of **No**. You must complete items **3** and **4** of Part E. You do not need to complete item **5**.

Item 3 Aggregated turnover less than \$20 million

At Part E item **2**, if you have placed an **X** in the box at the right of **No**, you must complete item **3** and show details for your company and all entities connected with you, or that are your [affiliates](#), during 2020–21.

Enter your company name and tax file number (at **a** item **3**), and (if any) the names and tax file numbers of all entities that are connected with you, or are your affiliates, at any time during the year in Part E item **3**.

Attach an additional table if you are connected or affiliated with more than three other entities.

In the column **Annual turnover**, enter the amount of each entity's [annual turnover](#), as defined in section 328-120 of the ITAA 1997.

If you have used an additional table, add up the annual turnovers for each of the entities listed on the additional table and include the sum of these amounts at row **e**.

To correctly calculate aggregated turnover, you will need to make an adjustment if any amounts shown in the **Annual turnover** column relate to:

- ordinary income amounts derived from dealings between yourself and any entities you have listed in item **3**

- ordinary income amounts derived from dealings between two or more other entities you have listed in item **3**
- ordinary income amounts derived by entities you have listed in item **3** while they were not connected with you and were not your affiliates.

At row **f**, enter the total amount included in the **Annual turnover** column which requires an adjustment due to the points described above.

Calculate the amount to be shown at **AT Aggregated turnover** using **Worksheet 2** below. If you complete the form on your computer, this will be calculated for you.

Worksheet 2: Calculation of amount to be shown at AT Aggregated turnover

Row	Calculation element	Amount
a	Your company turnover	\$
b	Connected/affiliated entity turnover	\$
c	Connected/affiliated entity turnover	\$
d	Connected/affiliated entity turnover	\$
e	Connected/affiliated entity turnover total from additional table	\$
f	Adjustments required as a result of exclusions from aggregated turnover	\$
AT	Aggregated turnover (a + b + c + d + e - f)	\$

Item 4 Refundable tax offset

If you answered no to items **1** and **2** of Part E and your notional deductions calculated under Part A label **Z** total \$20,000 or more, you can claim the refundable tax offset. If your notional deductions

calculated under Part A label **Z** total less than \$20,000, then you are only entitled to a tax offset for notional deductions in relation to expenditure under Part A, **A** and **B**, **R&D expenditure – Research service provider (RSP)** and Part A, **Q** and **R**, **Cooperative Research Centre (CRC) contributions**.

Enter at **Z1 Total notional R&D deductions** the amount shown at **Z** of Part A, item **11**. Enter at **U Refundable R&D tax offset** the amount calculated by multiplying the amount shown at **Z1 Total notional R&D deductions** by 43.5%.

However, if **Z1** is greater than \$100 million you will need to calculate the amount at **U Refundable R&D tax offset** as:

- 43.5% multiplied by \$100 million, plus
- the corporate tax rate multiplied by the portion of the amount shown at **Z1 Total notional R&D deductions** which exceeds \$100 million.

For example, if an entity was entitled to a refundable 43.5% R&D tax offset and had \$150 million of R&D notional deductions, it would be entitled to an offset calculated as follows:

$$\$100 \text{ million} \times 43.5\% = \$43,500,000$$

$$\$50 \text{ million} \times 30\% = \$15,000,000$$

$$\text{Total offset} = \$58,500,000$$

If you complete the form on your computer, this will be calculated for you.

Transfer the amount at **U** to the *Company tax return 2021*, **U Refundable R&D tax offset** item **21**.

You do not need to complete item **5**.

Item 5 Non-refundable tax offset

If you answered yes to item **1** or item **2** of Part E and your notional deductions calculated under Part A label **Z** total \$20,000 or more, you can claim the non-refundable tax offset.

If your notional deductions calculated under Part A label **Z** total less than \$20,000, then you are only entitled to a tax offset for notional deductions for expenditure under Part A, **A** and **B**, **R&D expenditure –**

Research service provider (RSP) and Part A, Q and R, Cooperative Research Centre (CRC) contributions.

Enter at **Z2 Total notional R&D deductions** the amount shown at **Z** of Part A, item **11**. Enter at **A Non-refundable R&D tax offset** the amount calculated by multiplying the amount you have shown at **Z2 Total notional R&D deductions** by 38.5%.

However, if **Z2** is greater than \$100 million you will need to calculate the amount at **A Non-refundable R&D tax offset** as:

- 38.5% multiplied by \$100 million, plus
- the corporate tax rate multiplied by the portion of the amount shown at **Z2 Total notional R&D deductions** which exceeds \$100 million.

For example, if an entity was entitled to a non-refundable 38.5% R&D tax offset and had \$150 million of R&D notional deductions, it would be entitled to an offset calculated as follows:

$$\$100 \text{ million} \times 38.5\% = \$38,500,000$$

$$\$50 \text{ million} \times 30\% = \$15,000,000$$

$$\text{Total offset} = \$53,500,000$$

If you complete the form on your computer, this will be calculated for you.

Transfer the amount at **A** to the *Company tax return 2021*, **A Non-refundable R&D tax offset** item **21**.

Taxpayer's declaration

If you do not lodge the schedule with your tax return, you must sign and date page 4 of the schedule.

64909

Definitions

27 May 2021

Affiliate

An individual or company is an affiliate of your entity if, in relation to the affairs of their business, they act, or could reasonably be expected to act in either of the following ways:

- in accordance with your entity's directions or wishes
- in concert with your entity.

Two or more entities in partnership are not each other's affiliates just because one partner acts or could reasonably be expected to act in concert with the other in relation to the affairs of the partnership business.

Aggregated turnover

Aggregated turnover is the sum of the [annual turnover](#) for all of the following:

- the R&D entity
- any entity connected with the R&D entity (within the meaning of section 328-125 of the ITAA 1997)
- any entity affiliated with the R&D entity (within the meaning of section 328-130 of the ITAA 1997).

Certain turnover amounts from dealings between these entities are excluded.

See also

- Step 3 – Calculate your aggregated turnover
- section 328-115 of the ITAA 1997.

Annual turnover

An entity's annual turnover is the total ordinary income it derived in the income year in the ordinary course of carrying on its business activities. This amount does not include GST.

If an entity is not carrying on a business at any time during the income year, its annual turnover is nil. If your entity carries on business for part of the income year, its annual turnover for that year must be worked

out using a reasonable estimate of what its annual turnover would be if it carried on a business for the whole income year.

See also

- Eligibility

Associates

In broad terms, associates are those entities that, by reason of family or business connections, might appropriately be regarded as being associates of a particular entity.

Some examples of an associate of a company, other than a company in the capacity of trustee, include:

- a partner of the company or a partnership in which the company is a partner
- a trustee of a trust estate under which the company or associate benefits
- another entity (including a natural person) that, acting alone or with another entity or entities, sufficiently influences the company
- an entity (including a natural person) that, either alone or together with associates, holds a majority voting interest in the company
- a second company that is sufficiently influenced by the company or the company's associate
- a second company in which a majority voting interest is held by the company or the company's associate.

For a more detailed definition, see **section 318** of the ITAA 1936.

Connected with an entity

Your entity is connected with another entity if either of the following applies:

- either entity controls the other entity
- both entities are controlled by the same third entity.

For a detailed definition, see **section 328-125** of the ITAA 1997

Direct control

For the purposes of working out aggregated turnover, broadly, your entity controls another entity if either of the following applies to your entity, its affiliates or both:

- they own or have the right to acquire the ownership of interests in the other entity that carry between them the right to receive at least 40% of any distribution of
 - income
 - capital
 - net income of the partnership if the other entity is a partnership
- if the other entity is a company, they own or have the right to acquire the ownership of interests in the company with at least 40% of the voting power in the company.

Different rules apply for a discretionary trust.

If you are working out whether you have ownership by exempt entities, treat references to 40% above as references to 50%.

We can decide that your entity does not control another entity, where your control percentage is at least 40%, but less than 50%. See **subsection 328-125(6)** of the ITAA 1997.

For more information about the meaning of 'connected with' and 'control', see **section 328-125** of the ITAA 1997.

Exempt entity

Exempt entity means an entity that is exempt from income tax under the ITAA 1997, ITAA 1936 or any other Commonwealth law, or an untaxable Commonwealth entity. For example, an entity that is exempt from income tax under **section 50-1** of the ITAA 1997 is an exempt entity.

Feedstock input expenditure

Feedstock input expenditure refers to the expenditure incurred in one or more income years in acquiring or producing goods, or materials

transformed or processed during R&D activities in producing one or more tangible products.

Feedstock outputs

Feedstock outputs refers to the tangible products produced as a result of the R&D activities (through the transformation or processing of feedstock inputs).

Feedstock revenue

When the feedstock output is immediately supplied or applied, the feedstock revenue will be its market value at that point.

If further expenditures are incurred on the feedstock output between the R&D activity and the point of supply, then the feedstock revenue will be a proportion of the value of the marketable product that is supplied. In these circumstances the feedstock revenue is calculated as follows:

 Divide the cost of producing feedstock output by the cost of producing marketable product. Multiply the result by the market value of the marketable product.

Indirect control

If your entity directly controls a second entity, and the second entity controls (whether directly or indirectly) a third entity, then your entity is taken to control the third entity.

There are some exceptions to this rule, see **subsection 328-125(8)** of the ITAA 1997.

64909

Abbreviations

27 May 2021

ABN	Australian business number
CRC	cooperative research centre
GST	goods and services tax
IR&D Act	<i>Industry Research and Development Act 1986</i>
ITAA 1936	<i>Income Tax Assessment Act 1936</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
R&D	research and development
RSP	registered service provider
TFN	tax file number

Lodgment

Lodge the completed Research and development tax incentive schedule 2021 or a printout from the completed calculator with the appropriate company tax return.

If you have requested an amendment

If your company has made a request for an amendment that includes changes to its R&D claim, you must complete a Research and development tax incentive schedule showing the amended figures. Send this schedule, with a letter requesting the amendment to:

Australian Taxation Office
PO Box 3004
PENRITH NSW 2740

64909

More information

27 May 2021

- Research and development tax incentive
- Referred publications 2021 to download publications and forms

Publications

Publications referred to in these instructions

- About the program
- Amounts you can claim
- Clawback adjustments
- Company tax return instructions 2021
- Deductions for prepaid expenses 2021
- Feedstock adjustments
- For whom are R&D activities conducted?
- Grouping for aggregated turnover purposes
- Guide to depreciating assets 2021 (NAT 1996)
- International dealings schedule instructions 2021
- Keeping records and calculating your notional deductions
- R&D expenditure incurred to an associate
- Refundable and non-refundable tax offsets
- Who can claim.

To get an ATO publication

- Order ATO publications
- see our legal database for taxation rulings and practice statements
- phone **1300 720 092**.

If you are a tax agent:

- go to taxagents.iorder.com.au 
- order by fax on **1300 361 462**.

By phone

- **Business 13 28 66**

Information about business income tax, fringe benefits tax (FBT), fuel tax credits (FTC), goods and services tax (GST), pay as you go (PAYG) and activity statements, including lodgment and payment, accounts and business registration (including Australian business number and tax file number), and dividend and royalty withholding tax.

- **Tax agents 13 72 86**

For enquiries from registered tax agents.

Other services

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service (TIS National) on **13 14 50**.

If you are deaf or have a hearing or speech impairment, you can phone us through the National Relay Service (NRS) on the numbers listed below, and ask for the ATO number you need:

- TTY users, phone **13 36 77**. For ATO 1800 free call numbers, phone **1800 555 677**.
- Speak and Listen (speech to speech relay) users, phone **1300 555 727**. For ATO 1800 free call numbers, phone **1800 555 727**.
- Internet relay users, connect to internet-relay.nrscall.gov.au 

64909

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).