Research and development tax incentive schedule instructions 2022

Instructions to help you claim a research and development (R&D) tax offset in the Company tax return 2022 (NAT 0656).

15 December 2022

Instructions to help you claim a research and development (R&D) tax offset in the Company tax return 2022 (NAT 0656).

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Instructions for completing Part C – R&D expenditure to associates.

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Definitions
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For names or technical terms, each abbreviation is spelled out in full the first time it is used.

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About the Research and development tax incentive schedule

These instructions will help you complete the *Research and development tax incentive schedule 2022*, which in turn will help you complete item **21 Research and development tax incentive** in the **Company tax return 2022** (NAT 0656). For more information about the R&D tax incentive, see **Research and development tax incentive**.

You can use our **Research and development tax incentive calculator** to help you complete the *Research and development tax incentive schedule 2022*. 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.

When we refer to 'you' in these instructions, we are referring to the company or the person responsible for completing the **Research and development tax incentive schedule 2022** (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.

Changes to the Research and development tax incentive apply for income years commencing on or after 1 July 2021, therefore for early balancing entities with an early balancing substituted accounting period this will be the year that commences on or after 1 January 2022. If you are one of these entities, use the **Research and development tax incentive instructions for early balancing substituted accounting period (SAP) entities 2022**.

Abbreviations and unfamiliar terms

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

What's new?

Changes have been enacted to the Research and Development (R&D) tax incentive. These changes apply from the first income year commencing on or after 1 July 2021. The *Research and Development tax incentive schedule 2022* applies those changes.

Who must complete a Research and development tax incentive schedule?

You must complete and lodge a *Research and development incentive schedule 2022* if you make a claim at **A** item **21 Non-refundable R&D tax offset** or **U** item **21 Refundable R&D tax offset** in your *Company tax return 2022* 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 additional assessable income in relation to a clawback amount covered by Part B of this schedule, but are not claiming a tax offset under the R&D tax incentive in this year of income:

- You do not need to complete the *Research and development tax incentive schedule 2022*.
- You will still need to work out this amount and include it at **W** item **21 Clawback amounts – additional assessable income** and at **B** item **7 Other assessable income** in the *Company tax return 2022* (see Part B for information about how you work out your clawback amount).

If you have a deductible balancing adjustment amount but are not claiming a tax offset under the R&D tax incentive in this year of income:

- You do not need to complete the *Research and development incentive schedule 2022*.
- You will still need to work out this amount and include it at **X** item **21 Balancing adjustments - catch up deduction** and at **X** item **7 Other deductible expenses** in the *Company tax return 2022* (see Part B for information to work out your deductible balancing adjustment).

Continue to: Who can claim the R&D tax incentive?

Who can claim the R&D tax incentive?

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Information about eligibility and who can claim the Research and development tax incentive schedule.

Eligibility for R&D tax incentive

You may be entitled to claim the R&D tax incentive in your *Company tax return 2022* if you are an R&D entity that has registered its R&D activities with AusIndustry for 2021–22.

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'
  - 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.

For more information, see **Eligibility for R&D tax offsets.**

You must register before claiming

It is a condition that you register your activities with AusIndustry to be entitled to the R&D tax incentive. You must lodge your application for registration of the activities within 10 months of the end of your income year. For example, if your income year ends on 30 June, then you must register with AusIndustry by 30 April of the following year.

You must register with AusIndustry before you make a claim for the R&D tax incentive on the company's tax return.

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).

For more information, see **Eligibility for R&D tax offsets.**

The R&D tax incentive is jointly administered by AusIndustry 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 25 66**.

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Completing the Research and development tax incentive schedule

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Instructions for completing the Research and development tax incentive schedule.

Before you complete the Research and development tax incentive schedule

You may prepare a printed schedule using the Research and development tax incentive calculator to lodge with an original tax return or an amendment request.

Before you start to fill in the schedule, you will need to make certain calculations and complete certain parts of the *Company tax return 2022*:

- **Q** item **6 Total expenses**
- **D** item **7 Accounting expenditure in item 6 subject to R&D tax incentive**

For more information, see:

- Company tax return instructions 2022

- 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 an RSP
- you have made a monetary contribution under the CRC program.

If you only have to report clawback amounts covered by Part B of this schedule:

- you do not complete this schedule
- you record the clawback amounts in the *Company tax return 2022*.

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 2022*, you will need to determine which amounts you have paid to associates.

For more information, see Part C – R&D expenditure to associates.

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 2022* is required for a consolidated group, to be completed by the head company.

Clawback amounts

You have a clawback amount if you claimed a notional deduction under the R&D tax incentive and:

- you have a feedstock adjustment, or
- you received, or have become entitled to receive, an R&D recoupment for expenditure for which you claim the R&D tax offset, or
- you have an assessable balancing adjustment for an asset used in conducting R&D activities.

Under **subdivision 355-G** of the ITAA 1997, if you have a clawback amount, you must work out the amount of additional assessable income that you show at **W** item **21 Clawback amounts – additional assessable income** and at **B** item **7 Other assessable income** in the *Company tax return 2022*.

Deductible balancing adjustments

You have a catch up deduction if you have a deductible balancing adjustment for an asset used in conducting R&D activities.

Under subdivision 355-H of the ITAA 1997, if you have a deductible balancing adjustment for an R&D asset, you must work out the amount you can claim as an additional catch up deduction that you show at **X** item **21 Balancing adjustments – catch up deduction** and at **X** item **7 Other deductible expenses** in the *Company tax return 2022*.

For more information, see:

- Clawback of R&D tax offset
- Part B - Balancing adjustments – catch up deduction.

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).

For more information, see **Deductions for prepaid expenses 2022**.

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 AusIndustry 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. You cannot claim for expenditure on overseas activities if the R&D is conducted for a foreign corporation that is connected or affiliated with you.

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 2022**.

Entitlement requirements

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

- meet the aggregated turnover threshold
- 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 non-refundable tax offset.

For more information, see:

- **Clawback of R&D tax offset**
- **Step 3 – Calculate your aggregated turnover**

Expenditure that is not at risk

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

TR 2021/5 *Income tax: research and development tax offsets – the 'at risk' rule* considers the tests for determining whether a company's expenditure is 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 AusIndustry. This finding gives you certainty about whether expenditure incurred in acquiring the technology is excluded under the R&D tax incentive.

Building expenditure

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

- a building or a part of a building
- 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.

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Completing company information and preliminary calculation

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Instructions for completing company information and preliminary calculation.

Original or amended schedule

If you have already lodged a *Research and development tax incentive schedule 2022*, place an **X** in the box at **Amended schedule**. Otherwise, place an **X** in the box at **Original**.

Company name

Show the name of the company, that is, the name of the company lodging the *Research and development tax incentive schedule 2022*. The name you show on the schedule must be the same as that shown on the company's tax return.

Tax file number (TFN)

Show your TFN, that is, the TFN of the company lodging the *Research and development tax incentive schedule 2022*. The TFN you show on the schedule must be the same as shown on the company's tax return.

AusIndustry – IISA

Show the AusIndustry–Industry Innovation and Science Australia (IISA) registration number issued to you 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 you paid in the current year, you need to include your AusIndustry–IISA registration number for the income year that registration was obtained for the related R&D activities. For the period you are part of a consolidated group, only the head company should apply for registration under the R&D tax incentive.

Australian business number (ABN)

Show your ABN, that is, the ABN of the company lodging the *Research and development tax incentive schedule 2022*. The ABN you show on the schedule must be the same as that shown on the company's tax return.

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

At **D Preliminary calculation** show the total of amounts shown at the expenditure labels in item **6 Calculation of total profit or loss** in the *Company tax return 2022* 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 you show at item **6 Calculation of total profit or loss** are accounting system amounts that correspond to the amounts in your financial statements. Do not include accounting fees here.

At **D Preliminary calculation** you also need to include amounts that you have shown at expenditure labels in item **6 Calculation of total profit or loss** in the *Company tax return 2022* 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 C – R&D expenditure to associates.

The amount shown at **D Preliminary calculation** must be the same as the amount shown at **D** item **7 Accounting expenditure in item 6 subject to R&D tax incentive** in the *Company tax return 2022*.

If you have not shown 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** in the *Company tax return 2022* (if, for example, those amounts are capitalised for accounting purposes) show **0** (zero) at:

- **D Preliminary calculation** in the *Research and development tax incentive schedule 2022*, and
- **D** item **7 Accounting expenditure in item 6 subject to R&D tax incentive** in the *Company tax return 2022*.

Continue to: Part A – Calculation of notional R&D deduction

Part A – Calculation of notional R&D deduction

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Instructions for completing Part A – Calculation of notional R&D deduction.

R&D amounts

Show the notional R&D deduction amounts at Part A in whole dollars only. Do not multiply the amounts in Part A by an offset percentage, do that in Part E – R&D tax offset calculation.

In allocating notional R&D deduction amounts to 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

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

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

Foreign owned R&D column

Show in this column all amounts that you (an R&D entity) incurred for another company that is both:

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

The activities must be conducted under a written agreement between you and the other company.

Additionally, show 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 2022 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
- expenditure incurred, but not paid, to associates.

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

Show at item **1 R&D expenditure – Research service provider (RSP)** the expenditure you 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.

Split 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.

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

Show at item **2 R&D expenditure – Contract expenditure (not RSP)** the amount of expenditure you 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.

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

Do not show any amount 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. Show amounts paid to an associate at Part A, item 6. You also need to provide further details of expenditure to your associates in Part C – R&D expenditure to associates.

To claim this type of expenditure on R&D activities, your total notional deduction amount must be at least $20,000.

For more information, see **Expenditure you incur under contract to other parties**.

Item 3 R&D expenditure – Salary expenditure

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

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

- researchers
- technical employees
- other employees directly working on your R&D activities
- supervisors and managers of the above staff.

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

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

Do not show any amount 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 C – R&D expenditure to associates.

To claim this type of expenditure on R&D activities, your total notional deduction amount must be at least $20,000.

For more information, see:

- Salary expenditure on eligible R&D activities
- Your notional deduction

Item 4 R&D expenditure – Other

Show at item **4 R&D expenditure – Other** the expenditure, to the extent that it was incurred on R&D activities, that you are not required to show 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.

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

Do not show any amount 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 C – R&D expenditure to associates.

To claim this type of expenditure on R&D activities, your total notional deduction amount must be at least $20,000.

For more information, see:

- Expenditure you can claim
- Your notional deduction

Item 5 R&D expenditure – Feedstock input expenditure

Show at item **5 R&D expenditure – Feedstock input expenditure** the total amount of R&D 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 both:

- the total cost of 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.

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

To claim this type of expenditure on R&D activities, your total notional deduction amount must be **at least $20,000**.

An amount you include in **Feedstock input expenditure** must not be included elsewhere in Part A.

The amount you show at this item may not form part of any feedstock adjustment in 2021–22. 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 to work out the amount of feedstock adjustment in the current or a future income year (see Part B – Clawback amounts – Feedstock).

For more information, see:

- Clawback amounts
- Clawback of feedstock adjustments

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

Show 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 2021–22, 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 2021–22
- 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 C item **E4 R&D expenditure paid to associates in the current year**.

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

To claim this type of expenditure on R&D activities, your total notional deduction amount must be at least $20,000.

If you have incurred expenditure to your associate, but it is not paid in 2021–22, do not include that amount at **K** or **L**. 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 C – 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 C – R&D expenditure to associates
- Salary expenditure to your associate
- Payment to your associate in your claim year
- Your notional deduction

Item 7 R&D assets – Decline in value

Show 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.

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

To claim these amounts on R&D activities, your total notional deduction amount must be 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.

Item 8 R&D assets – Balancing adjustment losses

Only early balancing companies with a substituted accounting period commencing prior to 1 July 2021 should consider this item.

Other companies do not complete this item, as you no longer include balancing adjustment losses to work out the R&D tax offset. See the Company tax return instructions 2022 to claim balancing adjustment losses as a deduction instead.

Show 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.

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

To claim these amounts on R&D activities, your total notional deduction amount must be 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** item **7 Other deductible expenses** in the *Company tax return 2022* 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** item **7 Other deductible expenses** in the *Company tax return 2022* 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** item **7 Other deductible expenses** in the *Company tax return 2022*. 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** item **7 Other assessable income** in the *Company tax return 2022*.

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.

Item 9 Cooperative Research Centre (CRC) contributions

Show at item **9 Cooperative Research Centre (CRC) contributions** the amount of expenditure you have incurred as a monetary contribution under the CRC program that you spent on registered R&D activities.

Split the incurred expenditure into Australian owned R&D activities (**Q**) and foreign owned R&D activities (**R**).

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

For more information, see Contributions under the CRC program.

Item 10 Total of allocated notional deductions

Show at **X** item **10 Total of allocated notional deductions** the sum of the amounts you show at items **1** to **9** in the **Australian owned R&D**

column.

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

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

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

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

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

Continue to: [Part B – Clawback amounts]

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Part B – Clawback amounts

15 December 2022

Instructions for completing Part B – Clawback amounts.

Clawback amounts

You show clawback amounts as additional assessable income to clawback the incentive component of the offset previously claimed.

The following may require clawback adjustments:

- feedstock adjustments
- R&D recoupments
- assessable balancing adjustments.

Feedstock adjustments

A feedstock adjustment 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 amounts claimed on the following:

- expenditure on goods or materials acquired or produced (feedstock inputs) which are transformed or processed during R&D activities in producing one or more tangible products (feedstock outputs)
- expenditure on energy that is input directly into that transformation or processing
- 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 industrial or mass production activities.

When a feedstock adjustment is triggered, you must include an amount in your assessable income. A feedstock adjustment is triggered in the income year the output is supplied or applied to your own use.

You do not need to complete Part B **1**, **2** or **3** unless your R&D activities have produced a marketable product supplied to someone else, or applied to your own use during 2021–22 (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 R&D recoupment.

If you have a feedstock adjustment amount in 2021–22 but are not claiming the R&D tax offset:

- you do not need to complete the *Research and development tax incentive schedule 2022*
- you will still need to work out the additional assessable income resulting from your feedstock adjustment (and any other clawback amount), and include it in the *Company tax return 2022* at both

- **W** item **21 Clawback amounts - additional assessable income**
- **B** item **7 Other assessable income**.

These instructions provide details about how you work out the additional assessable income arising from your feedstock adjustment.

For more information, see Clawback of feedstock adjustments.

Item 1 Feedstock revenue total

Show 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

Show 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).

Include in the total amount you show at item **2**:

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

Item 3 Feedstock adjustment amount

The amount you show at **B** item **3 Feedstock adjustment amount** 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 are applied to the R&D entity's own use (other than in transforming such products for supply in the future).

Step 1

Determine which R&D activities have produced marketable products.

Step 2

For each of the marketable products identified at step 1 above, work out the following amounts:

- Step 2A – feedstock revenue for the current income year
- Step 2B – the sum of amounts claimed in the current income year and all earlier income years 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.

Step 3

For each of the marketable products identified at step 1 above, determine whether the amount you worked out at step 2A is less than the amount calculated at step 2B. The feedstock adjustment amount for each marketable product will be the lesser of the amounts at steps 2A and 2B.

Step 4

Add together the amounts calculated at step 3 above. Show the total amount at **B** item **3 Feedstock adjustment amount**.

If you do not have any R&D recoupments or Assessable balancing adjustments, go to Total clawback. Otherwise, continue on to R&D recoupment and/or Assessable balancing adjustments.

R&D recoupment

If you (or an entity connected or affiliated with you):

- were eligible for the R&D tax incentive, and
- received a government recoupment (such as a government grant or reimbursement) in relation to expenditure that is eligible for an R&D tax incentive offset

you must include an amount in assessable income as a clawback. Clawback does not decrease the grant or offset you received.

An R&D recoupment amount arose in 2021–22 if you either received or were entitled to receive a recoupment from an Australian Government agency, or a state or territory body, and the following applied:

- the recoupment related to expenditure incurred on certain activities, or
- the recoupment required expenditure to either be or have been incurred on certain activities

and

- that expenditure was notionally deducted for the R&D tax incentive, or
- the decline in value was notionally deducted where the expenditure was for a depreciating asset used in those activities.

Complete this item only if, during 2021–22, you received a government recoupment that relates to an amount you have notionally deducted at Part A **Calculation of notional R&D deductions** in the *Research and development tax incentive schedule 2022* or in earlier income years commencing on or after 1 July 2011.

Item 4 Recoupments – entitled to or received

Show at item **4 Recoupment(s) – (entitled to/received)** the total amount of recoupment you, or an entity connected or affiliated with you, received or become entitled to receive in 2021–22 (other than under the CRC program), that relates to notional R&D deductions for which you have claimed an R&D tax offset in 2021–22 or in earlier income years commencing on or after 1 July 2011.

Item 5 R&D expenditure related to recoupments

Show at item **5 R&D expenditure related to recoupment(s)** the total amount you claim as a notional deduction under the R&D tax incentive that relates to the recoupment you show at item **4 Recoupment(s) – (entitled to/received)**. This may include amounts claimed as a notional deduction in 2021–22 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 R&D recoupment amount for another recoupment.

If you repaid any amount of the reimbursement, reduce the amount of expenditure by the amount of the repayments.

If you receive or are entitled to receive a recoupment, section 355-405 may apply – to prevent notional deductions from being claimed for R&D

expenditure or earlier year associated R&D expenditure that is not at risk. If you cannot claim an R&D tax incentive offset for any expenditure related to the recoupment because of section 355-405, that expenditure is not R&D expenditure related to recoupments.

Item 6 Project expenditure for which recoupments paid

Show at item **6 Project expenditure for which recoupment(s) paid** the total project expenditure for all years of the project for which the recoupment has been paid (including R&D and other amounts). Project expenditure means the amount to which the entire recoupment relates and you will need to consider the terms of the grant or other agreement to work out what your project expenditure is in respect of each recoupment. A recoupment may be an instalment under the agreement.

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 2022* to include a further amount as additional assessable income. Further amendments will be required until there is no more expenditure related to this recoupment.

Item 7 R&D recoupment amount

Show at **M** item **7 R&D recoupment amount** the total of all R&D recoupment amounts that relate to expenditure for which you have claimed a notional deduction under the R&D tax incentive.

Step 1

Identify all recoupments that you received, or were entitled to receive in 2021–22.

Step 2

For each recoupment amount that you received or were entitled to receive, subtract any repayments you have made, to calculate the net amount of each recoupment.

Step 3

- Step 3A – if a recoupment is of expenditure incurred, the recoupment amount is the expenditure recouped that is claimed as a notional deduction under the R&D tax incentive.

- Step 3B – if a recoupment relates to a project for which you received or are entitled to receive a grant, the terms of which require you to incur expenditure, the recoupment amount cannot exceed:

  Net amount of the recoupment × (R&D expenditure ÷ project expenditure).

The R&D expenditure is the total amount claimed as notional R&D deductions in relation to the recoupment in 2021–22 and prior income years. The project expenditure is the total expenditure that is required to be incurred on the project under the terms of the grant, including expenditure that will be incurred in future years.

If you received a recoupment in 2021–22 for which project expenditure will be incurred and claimed as a notional deduction in a future year, you will need to, at that future time, amend your *Company tax return 2022* to include a further clawback amount as additional assessable income. Further amendments will be required to the *Company tax return 2022* for each future year that project expenditure is incurred and claimed as a notional deduction, until there is no more expenditure related to the recoupment.

If you incurred and have claimed an R&D tax incentive offset for project expenditure in 2021–22 for a recoupment received in a prior income year, you will have to amend that prior income year to include a clawback adjustment amount.

Step 4

Add up all of the recoupment amounts worked out under steps 1 to 3. Show the total amount at **M** item **7 R&D recoupment amount**.

If you do not have any assessable balancing adjustments, go to Total clawback. Otherwise, continue on to Assessable balancing adjustments.

Assessable balancing adjustments

Item 8 Assessable balancing adjustment amount

You must complete **8** item **O Assessable balancing adjustment amount** if:

- a balancing adjustment event happens to a tangible depreciating asset used in R&D activities which decline in value deductions were claimed as notional R&D deductions (for example, a disposal of that asset), and
- the termination value of the asset at that time (usually the disposal consideration) was greater than the asset's adjustable value (usually its written down value). If this is not the case, you will need to consider if you have a deductible balancing adjustment.

Balancing adjustment events occur when the R&D entity stops holding a depreciating asset, for example when the entity sells the asset for which the termination value will, in most cases be the sale proceeds received by the R&D entity.

Step 1

For each asset used for R&D activities where you need to make an assessable balancing adjustment, work out the difference between:

- the asset’s termination value
- the asset’s adjustable value (that is, the asset’s then written-down tax value).

The maximum amount for each asset is the difference between the asset's cost and its adjustable value. This difference will usually be the total decline in value for that asset.

Step 2

- Step 2A – for assets that were wholly used for R&D activities, the amount is the amount calculated in step 1 for the asset.
- Step 2B – for assets that were partially used for R&D activities, the amount is calculated as:

  (total R&D deductions ÷ total decline in value) × the step 1 amount for the asset

The total R&D deductions are the total deductions for decline in value claimed as notional R&D deductions in all income years for the asset. The total decline in value is the cost of the asset less its adjustable value.

- Step 2C – for assets used in an R&D partnership and used only for R&D activities, the amount is your partnership proportion of the amount calculated under step 2A for the asset.

- Step 2D – for assets partially used for R&D activities in an R&D partnership, the amount is your partnership proportion of the amount worked out in step 2B.

Step 3

Add the total of the amounts calculated in step 2 for each asset and show this amount at **O** item **8 Assessable balancing adjustment amount**.

Total clawback

Item 9 Total clawback - additional assessable income

Show at item **9 Total Clawback - additional assessable income** the additional assessable income resulting from all clawback adjustments. To work it out, use the amounts shown at **B** item **3 Feedstock adjustment amount**, **M** item **7 R&D recoupment amount** and **O** item **8 Assessable balancing adjustment amount**. Work out the amounts apportioned to each offset year for each clawback and add them together.

Step 1 Apportion feedstock adjustment amount to relevant years

For each feedstock adjustment amount worked out at step 3 of item **3 Feedstock adjustment amount**, apportion the amount across each year that feedstock expenditure in relation to the feedstock adjustment was incurred:

- If, in step 2, the amount at step 2B is less than the amount at step 2A, the apportionment for each year is the 2B amount included in notional R&D deductions for each year.
- If, in step 2, the amount at step 2A is less than the amount at step 2B, you apportion the feedstock revenue across all years in which the R&D notional deductions were claimed in respect of the feedstock, in proportion to those deductions.
- Add up all the feedstock amounts you worked out above for each year.

Step 2 Apportion R&D recoupment amount to relevant years

For each recoupment amount worked out at step 3 of **7 R&D recoupment amount**:

- Step 2A – if a recoupment amount was a recoupment of expenditure incurred (such as a reimbursement), apportion the recoupment amount across each year, by identifying the expenditure claimed as notional R&D deductions in each year that related to the recoupment.
- Step 2B – if a recoupment requires expenditure to be incurred (such as a grant), apportion the recoupment amount across each year: identify the project expenditure claimed as notional R&D deductions in relation to the recoupment in each year, then apply the following formula to those amounts:

  net amount of the recoupment × (R&D expenditure ÷ project expenditure)

  The R&D expenditure is the amount claimed as notional R&D expenditure on the project in the relevant year. The project expenditure is the total expenditure that is required to be incurred on the project under the terms of the grant, including expenditure that will be incurred in future years. The result for each year is the recoupment amount attributable to that year.

- Add up all the recoupment amounts worked out above for each year.

Step 3 Apportion the assessable balancing adjustment amount to relevant years

For each asset for which there was a balancing adjustment event resulting in an assessable balancing adjustment amount included at step 3 of **O** item **8 Assessable balancing adjustment amount**, apportion the amount worked out at step 2 of **O** item **8 Assessable balancing adjustment amount** across all the years for which decline in value deductions were included in notional R&D deductions.

That is, for each asset for each year work out the assessable balancing adjustment amount × (decline in value claimed as a notional R&D deduction in that year ÷ total R&D decline in value)

The total R&D decline in value is the total decline in value claimed as a notional deduction across all the years for which a notional deduction was claimed.

The result for each year is the assessable balancing adjustment amount to be included in the clawback adjustment amount attributable to that year.

Step 4 Add up clawback amounts for each year

For each year that you worked out a clawback amount under any of steps 1, 2 or 3 above (feedstock adjustments, recoupments, or assessable balancing adjustments), add up all the amounts attributable to each year. These are the total clawback adjustment amounts for each year.

Step 5 Work out the deduction amount

Work out the deduction amount for each year. This is the total clawback adjustment amount for the year (as worked out at step 4), multiplied by your corporate tax rate for that year.

Step 6 Work out the offset differential

Work out the offset differential for each year. This is the difference between your original R&D offset entitlement, and what your R&D offset entitlement would have been if the notional R&D expenses had been reduced by the clawback adjustment amount.

- Step 6A – if you are eligible for the refundable R&D offset, multiply the total clawback adjustment amount for each year (worked out at step 4) by your R&D tax offset rate for the notional R&D deductions in the respective year that make up your clawback adjustment. The result is your offset difference for each year.
- Step 6B – if you are eligible for the non-refundable R&D offset
  - For each year prior to 2021–22 multiply the total clawback adjustment amount for each year (worked out at step 4) by your R&D tax offset rate for the notional R&D deductions in the respective year that make up your clawback adjustment. The result is your offset differential for each year.
  - For 2021–22
    - Work out the starting offset – this is your R&D tax offset entitlement based on the notional R&D deductions claimed,

disregarding any clawbacks or catch up balancing adjustments.

- Work out the adjusted offset – this is the R&D tax offset you would have been entitled to if you had reduced your notional R&D expenses claimed by the total clawback adjustment amount (as worked out at step 4), disregarding any deductible balancing charge adjustments.
- The offset differential is the starting offset minus the adjusted offset.

Step 7 Work out the amount included in assessable income

Work out the amount you include in your assessable income with this formula:

> (Offset differential – deduction amount) ÷ your corporate tax rate for 2021–22

- Step 7A – add up all the offset differentials for each year as calculated in step 6, and from this total subtract the sum of all the deduction amounts for each year as worked out at step 5. By subtracting the deduction amount, the clawback only applies to the incentive component of the R&D tax offset.
- Step 7B – divide the amount calculated in step 7A by your 2021–22 corporate tax rate. Include this amount at **P** item **9 Total clawback – additional assessable income**.
- Transfer this amount to your *Company tax return 2022* at **W** item **21 Clawback amounts – additional assessable income**. You also include it in the *Company tax return 2022* at **B** item **7 Other assessable income**.

For more information, see Clawback of feedstock adjustments.

Deductible balancing adjustments

Item 10 Balancing adjustments – catch up deduction

You must complete **Q** item **10 Balancing adjustments – catch up deduction** if both:

- a balancing adjustment event happens to a tangible depreciating asset, used in R&D activities, for which decline-in-value deductions (that is, depreciation deductions) were claimed as notional R&D deduction**s**
- the termination value of the asset at that time was less than the asset's adjustable value.

Step 1

For each tangible asset used for R&D activities where you need to make a deductible balancing adjustment, work out the difference between the termination value and the adjustable value of each tangible asset used in R&D activities.

Step 2

- Step 2A – for assets that were wholly used for R&D activities, the amount is the amount you worked out in step 1 for the asset.
- Step 2B – for assets that were partially used for R&D activities, you work out the amount as:

  (total R&D deductions ÷ total decline in value) × step 1 amount

The total R&D deductions are the total deductions for decline in value of the asset that were claimed as notional R&D deductions in all years. The total decline in value is the cost of the asset less its adjustable value.

- Step 2C – for assets used in an R&D partnership and used only for R&D activities, the amount is your partnership proportion of the amount calculated under step 2A for the asset.
- Step 2D – for assets partially used for R&D activities in an R&D partnership, the amount is your partnership proportion of the amount worked out in step 2B.

Step 3

For each balancing adjustment event resulting in a deductible balancing adjustment amount, apportion the sum of the amount worked out in step 2 across all the years that decline in value deductions were claimed as notional R&D deductions. For each year work out the following:

deductible balancing adjustment amount × (decline in value claimed as a notional R&D deduction in that year ÷ total R&D decline)

The total R&D decline in value is the total decline in value claimed as a notional deduction across all the years for which a notional deduction was claimed.

The result for each year is the deductible balancing amount attributable to that year.

Step 4

For each asset and each year that has a deductible balancing adjustment amount as worked out under step 3, add up all the amounts attributable to each year. These are the total deductible balancing adjustment amounts for each year.

Step 5

Work out the deduction amount for each year. This is the total deductible balancing adjustment amount for the year (as worked out at step 4), multiplied by your corporate tax rate for that year.

Step 6

Work out the offset differential for each year. This is the difference between your original R&D offset entitlement, and what your R&D offset entitlement would have been if the notional R&D expenses had been increased by the deductible balancing adjustment catch up deduction:

- Step 6A – if you are eligible for the refundable R&D offset, multiply
  - the total deductible balancing adjustment amount for each year (worked out at step 4) by
  - the R&D tax offset rate received for notional R&D deductions in the respective year.

  The result is your offset differential for each year.
- Step 6B – if you are eligible for the non-refundable R&D offset
  - For each year prior to 2021–22, multiply the total deductible balancing adjustment amount for each year (worked out at step 4) by the R&D tax offset rate received for notional R&D

deductions in the respective year (the result is your offset differential for each year).

- For 2021–22 work out the following
  - Work out the starting offset.
    If you had no clawback adjustments, the starting offset is your R&D tax offset entitlement based on the notional R&D deductions you claim.
    If you had a clawback adjustment, the starting offset is the adjusted offset calculated at step 6 of **P** item **9 Total clawback – additional assessable income**.
  - Work out the adjusted offset – this is the R&D offset you would have been entitled to if the amount you claimed as notional R&D expenses and total expenses were increased by the total deductible balancing adjustment amount attributable to 2021–22 (as worked out at step 4).
  - Work out the offset differential – that is, the adjusted offset minus the starting offset.

Step 7

Work out the amount to be claimed as a catch up deduction for 2021–22 using the following formula:

> (offset differential – deduction amount) ÷ your corporate tax rate for 2021–22

- Step 7A – add up all the offset differentials for each year as calculated in step 6, and subtract the sum of all the deduction amounts for each year as worked out at step 5.
- Step 7B – divide the amount worked in step 7A by your corporate tax rate in 2021–22 – show this amount at **Q** item **10 Balancing adjustments – catch up deduction**.
- Transfer this amount to the *Company tax return 2022* at **X** item **21 Deductible balancing adjustments.** Include this amount in the *Company tax return 2022* at **X** item **7 Other deductible expenses**.

Continue to: Part C – R&D expenditure to associates

Part C – R&D expenditure to associates

15 December 2022

Instructions for completing Part C – R&D expenditure to associates.

R&D tax offset for expenditure

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 a normal income tax provision if that provision applies, 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 income 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 income year you make the payment. This cannot be reversed, for example, you cannot claim the notional R&D deduction by requesting 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 2022*, you will also need to record this expenditure that you have claimed under other income tax provisions in Part C item **3**.

If you wish to claim the expenditure under the second choice, you will need to show it at Part C item **5 R&D expenditure incurred to associates to be carried forward**. 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** in the *Company tax return 2022*, 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.

Item E1 R&D expenditure to associates incurred in prior year, not paid, not claimed (carried forward)

Show at item **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 E2 Current year R&D expenditure incurred to associates

Show at item **E2 Current year R&D expenditure incurred to associates** the total amount of R&D expenditure you have incurred to your associates in 2021–22, including amounts that have not yet been paid.

Item E3 Current year R&D expenditure incurred to associates claimed under other provisions

Show at item **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 2021–22, but claimed under other provisions of the ITAA 1936 or ITAA 1997 because the amount was not paid in 2021–22.

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 item **D Preliminary calculation** on page 1 of the *Research and* *development tax incentive schedule 2022* or **D** item **7 Accounting expenditure in item 6 subject to R&D tax incentive** in the *Company tax return 2022*. 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 2022*.

Item E4 R&D expenditure paid to associates in the current year

Show at item **E4 R&D expenditure paid to associates in the current year (to be included in Part A at item 6)** the total amount of R&D expenditure you have paid to your associates in 2021–22. This could include amounts you have incurred in 2021–22, or amounts you have incurred in earlier income years commencing on or after 1 July 2011, that have been paid in 2021–22 and that you have not previously claimed as a deduction under other provisions of the ITAA 1997 or ITAA 1936. The amount at item **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 2021–22 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
- claimed it under another provision of the ITAA 1936 or ITAA 1997.

Work out the amount you show at **E** item **5 R&D expenditure incurred to associates to be carried forward** using **Worksheet 1**.

Worksheet 1: work out the amount you show 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 (carried forward)	$
E2	Current year R&D expenditure incurred to associates	$
E3	Current year R&D expenditure incurred to associates claimed under other provisions	$
E4	R&D expenditure paid to associates in the current year (to be included in Part A at item 6)	$
E	**E1 + E2 − E3 − E4 = E** R&D expenditure incurred to associates to be carried forward	$

Show the result from **E** on **Worksheet 1** above in Part C **5** item **E R&D expenditure incurred to associates to be carried forward**.

If you have already included this expenditure incurred to associates to be carried forward in item **6 Calculation of total profit or loss** in the *Company tax return 2022*, include this amount also in item **D Preliminary calculation**.

Continue to: [Part D – Aggregated turnover]

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Part D – Aggregated turnover

15 December 2022

Instructions for completing Part D – Aggregated turnover.

Item 1 Do you have exempt entity ownership of 50% or greater

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

If your company is controlled by one or more income tax-exempt entities, show an **X** at **Yes** and go to Part E items **1 Additional information** and **3 Non-refundable R&D tax offset**. You do not need to complete Part D items **2** and **3**.

If your company is not controlled by one or more income tax exempt entities, show an **X** at **No** and go to item **2**.

Item 2 Do you have an aggregated turnover of $20 million or greater

If your aggregated turnover is $20 million or greater, you are eligible for the non-refundable tax offset.

If your company has an aggregated turnover of $20 million or greater, show an **X** at **Yes** and go to Part E items **1 Additional information** and **3 Non-refundable R&D tax offset**. You do not need to complete Part D item **3**.

If you have an aggregated turnover of less than $20 million, show an **X** at **No**. You must complete Part D item **3** and Part E items **1 Additional information** and **2 Refundable R&D tax offset**. You do not need to complete Part E item **3**.

Item 3 Aggregated turnover is less than $20 million

Show details for your company and all entities connected with you, or that were your affiliates, during 2021–22.

Show at item **3a** your annual turnover, as defined in section 328-120 of the ITAA 1997.

Show at items **3b**, **c** and **d**:

- the name of each entity connected with you, or which was your affiliate
- the tax file number (not required for overseas entities)
- the amount of each entity's annual turnover, as defined in section 328-120 of the ITAA 1997.

If you are connected or affiliated with more than three other entities:

- show the three entities with the greatest annual turnover at items **3b**, **c** and **d** Attach an additional table, showing the name, tax file number and annual turnover of your other entities
- add up the annual turnovers of the entities listed on the additional table, and include that sum in the annual turnover sum you show at row **e**.

To work out the aggregated turnover, you make an adjustment if any amount you show in the **Annual turnover** column relates to:

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

At row **f**, show the total amount included in the **Annual turnover** column which requires such an adjustment.

Work out the amount you show at **AT Aggregated turnover** using **Worksheet 2** below.

Worksheet 2: Amount to be shown at AT Aggregated turnover

Row	Calculation element	Amount
a	Your turnover	$
b	Connected or affiliated entity 1 turnover	$
c	Connected or affiliated entity 2 turnover	$
d	Connected or affiliated entity 3 turnover	$
e	Connected or affiliated entities turnover total from your additional table	$

f	Adjustment required due to exclusions from the aggregated turnover	$
AT	Aggregated turnover (a + b + c + d + e – f)	$

Continue to: Part E – R&D tax offset calculation

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Part E – R&D tax offset calculation

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Instructions for completing Part E – R&D tax offset calculation.

R&D tax incentive core components

The R&D tax incentive has the following core components:

- For eligible entities with an aggregated turnover of less than $20 million, a refundable tax offset, unless they are controlled by one or more tax exempt entities. The offset is equal to your corporate tax rate plus an additional premium rate of 18.5%.
- For all other eligible entities, a non-refundable tax offset. The offset is equal to your corporate tax rate plus a premium rate based on the level of incremental R&D intensity (the R&D expenditure as a proportion of total expenses). If your notional R&D deductions exceed $150 million for an income year, the rate of the R&D tax offset is reduced to the company tax rate for the portion over $150 million.

Part E of these instructions help you work out:

- which offset you are entitled to
- the amount of R&D tax offset you claim at item **21 Research and development tax incentive** in the *Company tax return 2022*.

For more information, see:

- Refundable and non-refundable tax offsets

- Eligibility for R&D tax offsets
- Clawback of R&D tax offset

Item 1 Additional information

Show your corporate tax rate at **R** item **1 Tax rate**. This will be either:

- 25% if you are a base rate entity
- 30% for all other companies.

Item 2 Refundable R&D tax offset

If you answered no to Part D items **1** and **2** and your notional deductions calculated under Part A **Z** item **11** total $20,000 or more, you can claim the refundable R&D tax offset.

If your notional deductions calculated under Part A **Z** item **11** total less than $20,000, then you are only entitled to a tax offset for notional deductions in relation to expenditure under Part A items **1A** and **1B R&D expenditure – Research service provider (RSP)** and Part A items **9Q** and **9R Cooperative Research Centre (CRC) contributions**.

Work out your refundable R&D tax offset

Step 1

Show at **Z1 Total notional R&D deductions** the amount you show in Part A **Z** item **11 Total notional R&D deductions**.

Step 2

Calculate your initial offset amount. If the amount at **Z1** is:

- $150 million or less, multiply the amount at **Z1** by your corporate tax rate plus 18.5%. This is your offset amount
- greater than $150 million
  - multiply $150 million by your corporate tax rate plus 18.5%
  - multiply the excess over $150 million by your corporate tax rate
  - the sum of these two amounts is your offset amount.

Show your refundable tax offset at **U** item **2 Refundable R&D tax offset**. Transfer this amount to the *Company tax return 2022* at **U** item **21 Refundable R&D tax offset**.

You do not need to complete item **3**.

Item 3 Non-refundable R&D tax offset

If you answered yes to Part D item **1** or item **2** and your notional deductions calculated under Part A **Z** item **11** total $20,000 or more, you can only claim the non-refundable R&D tax offset.

If your notional deductions calculated under Part A **Z** item **11** total less than $20,000, then you are only entitled to a tax offset for notional deductions for expenditure under Part A items **1A** and **1B R&D expenditure – Research service provider (RSP)** and Part A items **9Q** and **9R Cooperative Research Centre (CRC) contributions**.

Show at **Z2 Total notional R&D deductions** the amount shown at Part A Z item **11**.

Work out the non-refundable R&D tax offset

Step 1

Work out the R&D entity total expenses:

- start with the amount you show in the *Company tax return 2022* at **Q** item **6 Total expenses**, less any amount that was already included at **Q** item **6** in a prior year
- subtract the amount you show in the *Company tax return 2022* at **D** item **7 Accounting expenditure in item 6 subject to R&D tax incentive**
- add the amount you show at Part A **Z** item **11 Total notional R&D deductions (X plus Y)** in this *Research and development tax incentive schedule 2022*, less any amount that was included at **Z** item **11** in a prior year.

Show this amount at **V** item **3 R&D entity total expenses**.

Step 2

If your item **Z2 Total notional R&D deductions** are:

- less than or equal to $150 million, **Z2** is your step 2 amount

- greater than $150 million
  - $150 million is your step 2 amount
  - your notional deductions amount less $150 million is your **C1** amount.

Step 3

- Divide your step 2 amount by your step 1 amount to four decimal places.
- Multiply the result by 100 – to express it as a percentage to two decimal places.
- Show the percentage at **W** item **3 R&D intensity**.

Step 4

Populate the notional deductions applied column **A1** and **B1**.

If your step 3 percentage is 2% or less, show your step 2 amount at **A1**.

If your step 3 percentage is greater than 2%:

- at **A1**, show your R&D entity total expenses multiplied by 2%
- at **B1**, show your step 2 amount minus the amount at **A1**.

Step 5

Working out **A2**, **B2** and **C2**

- To work out **A2**, multiply **A1** by the sum of **R** item **1 Tax rate** plus 8.5%.
- To work out **B2** if you have an amount at **B1**, multiply **B1** by the sum of **R** item **1 Tax rate** plus 16.5%.
- To work out **C2** if you have an amount at **C1**, multiply **C1** by **R** item **1 Tax rate**.

Step 6

Add up the amounts at **A2**, **B2** and **C2** and show the total at **A** item **3 Non-refundable R&D tax offset**.

Show your non-refundable tax offset at **A** item **3 Non-refundable R&D tax offset**. Transfer this amount to the *Company tax return 2022* at **A** item **21 Non-refundable R&D tax offset**.

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Taxpayer's declaration

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

Lodgment

Lodge the completed *Research and development tax incentive schedule 2022* with the *Company tax return 2022*.

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 2022* showing the amended figures. Send this schedule, with a letter requesting the amendment to:

> **Australian Taxation Office**
> **PO Box 3004**
> **PENRITH NSW 2740**

Continue to: Definitions

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Definitions

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Find the definitions for terms we use in these instructions.

Affiliate

An individual or company is an affiliate of your company if, for 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 partner about the affairs of their partnership business.

Aggregated turnover

Aggregated turnover is the sum of the annual turnover for all of the following:

- the R&D entity
- any entity during the period it is connected with the R&D entity (within the meaning of section 328-125 of the ITAA 1997)
- any entity during the period it is 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.

For more information, see

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

Annual turnover

A company'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. Dealing with associates may be subject to adjustment.

If a company did not carry on a business at any time during the income year, its annual turnover is zero. If your company carried on a business for part of the income year, estimate what its annual turnover would have been if it had carried on a business for the whole income year.

For more information, see **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 another entity.

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

- a partner of the company
- a partnership in which the company is a partner
- a trustee of a trust estate under which the company or its associate benefits
- an entity (including a natural person) that, acting alone or with another entity, 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 company 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 of control, see **section 328-125** of the ITAA 1997.

Direct control

For the purposes of working out aggregated turnover, your company controls another entity if either of the following applies to your company, 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 company 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 either:

- an entity that is exempt from income tax under the ITAA 1997, ITAA 1936 or any other Commonwealth law
- 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 R&D 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:

> market value of the marketable product × (cost of producing feedstock output ÷ cost of producing marketable product)

Indirect control

If your entity directly controls a second entity, and the second entity controls (whether directly or indirectly) a third entity, 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.

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Abbreviations

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For names or technical terms, each abbreviation is spelled out in full the first time it is used.

Abbreviated terms

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

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