



Research and development tax incentive

Apply for the research and development (R&D) tax offset for income years commencing on or after 1 July 2021.

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About the R&D program

Read about the research and development (R&D) program, compliance measures and the charter.

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The R&D program

The R&D tax incentive program is the Australian Government's most significant lever for funding innovation and R&D. It plays a pivotal role in shaping the nation's economic future and bolstering Australia's global competitiveness. The program encourages companies of all sizes to undertake R&D activities they might not otherwise.

The ATO and the Department of Industry, Science and Resources (DISR) jointly administer the R&D tax incentive. Your R&D activities must be registered with DISR before claiming the tax offset.

We're responsible for payment or application of the R&D offset and ensuring that you are entitled to tax offsets for expenditure claimed in your tax return for your R&D activities.

Aims of the R&D program

The R&D tax incentive aims to boost competitiveness and improve productivity across the Australian economy by:

- encouraging industry to conduct R&D that may not otherwise have been conducted
- improving the incentive for smaller firms to undertake R&D
- providing business with more predictable, less complex support.

Changes since 1 July 2021

The following changes were announced in 2020 to the R&D tax incentive that apply for income years commencing on or after 1 July 2021:

- The refundable offset rate of 43.5% has been replaced with an offset rate of 18.5% above the company's tax rate.
- The flat non-refundable rate of 38.5% has been replaced with a progressive marginal tiered R&D intensity threshold. Increasing rates of benefit apply for incremental research and development expenditure by intensity:
 - 0 to 2% intensity: an 8.5% premium to the company's tax rate
 - greater than 2% intensity: a 16.5% premium to the company's tax rate.

- The expenditure threshold has increased from \$100 million to \$150 million. For notional deductions above \$150 million, the R&D tax offset rate is the corporate tax rate. The R&D premium does not apply.
- The feedstock, clawback and adjustment provisions have been replaced with an exact amount rather than an approximation.
- The general anti-avoidance provisions of Part IVA of the *Income Tax Assessment Act 1936* includes an R&D tax offset as a tax benefit from 1 July 2021.
- The ATO is required to publish a company's claimed R&D expenditure. The first publication is to be made 2 years after the end of the financial year, and as soon as practicable after 1 July 2024.

Anti-avoidance rules

The general anti-avoidance rule of Part IVA of the *Income Tax Assessment Act 1936* now includes R&D tax offsets as a tax benefit for Part IVA from 1 July 2021.

A tax benefit arising out of on R&D claim may be summarised as:

- The R&D entity entered into a scheme to access the R&D tax offset.
- A tax benefit is received in connection with the scheme.
- The dominant purpose of the R&D entity entering into the scheme is to either:
 - enable it to get the R&D tax offset
 - get a refundable R&D tax offset where it would have or reasonably be expected to have obtained a non-refundable R&D tax offset.

If Part IVA applies to an arrangement, the tax benefits obtained from the arrangement can be cancelled.


Publishing a company's R&D expenditure

We are required to publish R&D expenditure claimed by an R&D entity 2 years after the end of the financial year. The first publication of the

R&D tax transparency reports will be as soon as practicable after 1 July 2024 for the income year ending 30 June 2022.

Publishing this information will improve public accountability for R&D claimants and encourage voluntary compliance with the R&D program.

The R&D charter

We have jointly developed the [R&D tax incentive program charter](#)  along with DISR to clearly explain:

- the roles of DISR and the ATO in the context of the R&DTI program
- what you can expect when you interact with us
- what we ask from you.

The joint charter also details the options available to you if you are unsatisfied with your interactions with us.

When you deal with us, however, your interactions will be guided by our own Charter. Our Charter:

- explains what you can expect when you interact with us
- applies to everyone who works with us
- is based on laws, codes and principles we both must follow.

QC 70867

R&D tax incentive transparency reports

Learn about the annual R&D tax incentive transparency reports, including their purpose and what data is included.

Last updated 19 November 2024

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About the transparency reports

We're required by law to publish certain data about Research and Development (R&D) tax incentive claims reported to us by companies (R&D entities). Publishing this information will:

- provide transparency on the benefits received by R&D entities
- encourage voluntary compliance with the requirements of the R&D tax incentive (R&DTI) program
- increase public awareness of which companies have claimed the tax incentive.

Publication of this report is a legal requirement under section 3H of the *Taxation Administration Act 1953* (TAA). It came into effect in July 2021, following reforms to the policy and administration of the R&DTI program, as a result of [Treasury Laws Amendment \(A Tax Plan for the COVID-19 Economic Recovery\) Act 2020](#) [\[7\]](#).

Each year, the transparency report will be made up of 2 parts. These are:

- the [Report of data about Research and Development tax incentive entities](#) [\[7\]](#) (data report), published on [data.gov.au](#) [\[7\]](#)
- the *Research and development tax incentive – transparency report*, which provides an analysis of the data.

When we publish the report

We're required to publish the R&D data 2 years after the end of the financial year that the data relates to. The delay in publishing this information is designed to address any perceived commercial sensitivity of the data.

We published the first data report in early October 2024 and we'll continue to publish it annually.

What R&D data we publish

The data we publish in the report is specific and limited to the:

- name of the R&D entity claiming the R&DTI
- entity's Australian business number (ABN) or Australian company number (ACN)
- 'total R&D expenditure' – total notional deductions claimed (label **Z** in Part **A** of the R&DTI schedule) less any feedstock adjustments (label **B** in Part **B** of the R&DTI schedule).

We base this on what the R&D entity provided in its company tax return.

If an R&D entity amended its company tax return, we report both the original information provided by the entity and the last client-initiated amendment lodged with us. This includes any voluntary disclosures provided during a review or audit.

Commissioner-initiated amendments won't be published. If, during a review or audit, the Commissioner amended the labels, we're required to publish the total expenditure on R&D based on the company return lodged before the Commissioner-initiated amendment.

You're unable to opt out of having your R&D information published in the report. There are no exclusions.

Due to tax law confidentiality provisions in the TAA, we can't disclose any further information beyond what will be published in the report.

Data notes

Labels in the data report

There will be 5 labels in the data report on data.gov.au:

- **Name** – this is the name of the R&D entity on the date we extracted the data.
- **ABN** or **ACN** – if the R&D entity had a valid ABN when we extracted the data, then we've published the ABN; if not, we've published its ACN.
- **Total R&D expenditure** – this is based on the first information the R&D entity provided to the Commissioner and is the total notional deductions (label **Z** at Part **A** on the R&D schedule) less feedstock adjustments (label **B** at Part **B** on the R&D schedule).
- **Adjusted total R&D expenditure** – this is based on the last amendment the R&D entity provided to the Commissioner and is the total of notional deductions (label **Z** at Part **A** on the R&D schedule) less feedstock adjustments (label **B** at Part **B** on the R&D schedule).
- **Income year** – this is the income year for the R&D claim.

Notes about the total R&D expenditure amounts

Generally, we round the total R&D expenditure amounts in the data report, so you may see differences between the totals in the data report and the amounts we've used in the information and charts in our analysis.

There are also R&D entities that we report a 'Nil' dollar amount for. This could be because:

- feedstock adjustments are more than the notional deductions
- the R&D entity adjusted the amount in their tax return
- the R&D entity didn't provide information regarding total R&D expenditure.

Consolidated groups

Where an R&D entity is part of an income tax consolidated group or multiple entry consolidated (MEC) group, the subsidiary members are treated as part of the head company for income tax purposes, for as long as they remain part of the group for income tax purposes.

The published total R&D expenditure amounts are those disclosed by the head company of the consolidated group or MEC group.

Data sources

We get the data for the data report from the company tax return and R&D schedule labels.

Company tax return

We include the entity in the data report if they've reported an amount at label **21A** or **21U**.

R&D schedule

The total R&D expenditure in the data report is the amount of total notional deductions less any feedstock adjustments. If notional deductions less feedstocks adjustments are negative or zero, the figure is reported as Nil.

We use Part **A** label **Z** to obtain the total notional R&D deduction amounts we include in the data report – this amount is worked out by adding together items **1** to **9** in Part **A** of the R&D schedule for both Australian-owned R&D (label **X**) and foreign-owned R&D (label **Y**).

We use Part **B** label **B** to obtain the feedstock adjustment amount.

Amendments

If you've reviewed your R&D claims and believe that there's an error in the information that we publish, you're able to correct any errors by lodging an amendment with us in writing.

If you've submitted an amendment and it's not processed before we extract the data, we publish the updated information in the next year's report. If you've amended your R&DTI claim, we publish both the original R&D expense amount and the amended R&D expense amount. If you've withdrawn your claim in full, we publish the original R&D expense amount with the amended R&D expense amount published as Nil.

Data assurance process

When preparing the data for publishing, we review and confirm the data in accordance with the information contained on our systems as at the date we extracted the data.

If you are an R&D entity (or their nominated representative) with data included in the report and there is an error, you can **contact us**.

What's not in the report

The information in the transparency report does **not** include:

- the R&D activities conducted by the entity
- the calculations behind notional deductions and feedstock adjustments
- clawback amounts other than feedstock adjustments
- the amount of R&D tax offset the entity received
- whether the R&D tax offset received was refundable or non-refundable
- the extent and nature of any ATO activity, including any past or ongoing audit or compliance activities
- whether the R&D entity was entitled to or received the R&D tax offset.

The report doesn't contain information collected by Department of Industry, Science and Resources (DISR) on behalf of Industry Innovation and Science Australia (IISA) as authorised under the *Industry Research and Development Act 1986*.


Communication approach

Since September 2023, ahead of the release of the first report, we:

- engage with key external stakeholders to inform them of the new reporting requirement and to get their input into our approach
- communicate directly with all affected R&D entities and their registered tax agents (in October 2023, February 2024 and July 2024), to inform them of the new reporting requirement and encourage them to review their information and amend any errors
- communicate directly with those R&D entities that lodged an amendment to let them know that both their original and amended amounts will be published

- communicate directly with those R&D entities that had their claim amended by the Commissioner to let them know we're unable to publish the Commissioner-amended amount; we'll only publish the original amount they claimed
- issue broader communications to the community to inform them about the new data report and provide them with access to comprehensive information about the data report.

Visibility for future applicants

To ensure future applicants are aware that the data they lodge in their R&DTI schedule will be included in R&DTI transparency reporting, we've added a notice to the [R&DTI schedule 2024 \(paper version\) \(PDF, 536KB\)](#)  and digital version as well as the R&DTI calculator.

Administration of the R&DTI program

The R&DTI program is jointly administered by the:

- Department of Industry, Science and Resources (DISR on behalf of IISA)
- ATO.

DISR manages the registration process for the R&DTI program and we review the eligibility of the expenditure incurred on the registered activities. We leverage the skills of each agency to:

- reduce compliance costs for business
- increase certainty while maintaining program integrity.

The ATO and DISR regularly conduct engagement activities, including compliance reviews and audits of R&D entities to safeguard the integrity of the R&DTI program. Information in relation to these activities is not included in this report.

The R&DTI program is a self-assessment regime. Receiving a registration number from DISR doesn't mean the R&D activities meet the eligibility requirements. A registration number means the application has been received and is complete. R&D entities may still be subject to compliance action by DISR and the ATO.

About the R&D program contains further details, including the aim of the program and our joint charter with DISR.

Innovation success stories

DISR provides information on its website about the [how the R&D tax incentive has helped companies](#) .

R&D tax incentive transparency report 2021–22



The first annual R&D tax incentive transparency report, providing transparency on the claims made by R&D entities.

QC 73799

Rates of R&D tax incentive offset

Work out the R&D tax incentive offset rate for your eligible entity.

Last updated 22 May 2024

The research and development (R&D) tax incentive provides targeted tax offsets designed to encourage more companies to engage in R&D. The incentive has 2 core components. For income years starting on or after 1 July 2021, entities engaged in R&D may be entitled to:

- a refundable tax offset equal to the entity's company tax rate plus an 18.5% premium for eligible entities with an aggregated turnover of less than \$20 million per annum, provided they are not controlled by income tax-exempt entities
- a non-refundable tax offset for all other eligible entities equal to the entity's company tax rate plus a two-tiered premium determined on the notional R&D expenditure as a proportion of total expenditure for the income year. The new rates will be the company tax rate plus
 - 8.5% for R&D expenditure up to 2% of total expenditure
 - 16.5% for R&D expenditure above 2% of total expenditure.

Entities may be able to carry forward unused offset amounts to future income years. To find out more, see [Refundable and non-refundable offsets](#).

The rate of the R&D tax offset is reduced to the company tax rate for that portion of an entity's notional R&D deductions that exceeds \$150 million for an income year. If you previously claimed a concession you can transition from the R&D concession to the R&D tax incentive.

For more information, see the [Research and Development Tax Incentive](#) [guidance](#) published on business.gov.au.

QC 70869

Eligibility for R&D tax offsets

Assess whether your entity is eligible to register R&D activities and claim R&D tax offsets in any given year.

Last updated 22 November 2022

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Assess whether your entity is eligible to register R&D activities and claim R&D tax offsets in any given year.

Eligible entities

Broadly speaking, your eligibility to claim research and development (R&D) tax offsets will depend on whether you:

- are an R&D entity

- incurred [notional deductions](#) of at least \$20,000 on [eligible R&D activities](#).

You can only claim an R&D tax offset if you are an R&D entity. You are an R&D entity if you are a corporation that is either:

- incorporated under an Australian law
- incorporated under a foreign law but an Australian resident for income tax purposes
- incorporated under a foreign law and you are both
 - a resident of a country with which Australia has a double tax agreement that includes a definition of 'permanent establishment'
 - carrying on business in Australia through a permanent establishment as defined in the relevant double tax agreement.

You are **not** eligible for an R&D tax offset if you are either:

- an individual
- a corporate limited partnership
- an exempt entity (where your entire income is exempt from income tax)
- a trust (with the exception of a public trading trust with a corporate trustee).

If you are an R&D entity, you may also need to consider the special rules applied to consolidated groups and R&D partnerships. Other conditions may also apply, depending on whom the R&D activities are being conducted for.

Consolidated groups

There are special rules to consider if you are a member of a consolidated group or a multiple entry consolidated (MEC) group.

If you are the head company of a consolidated group or MEC group, your subsidiary members are treated as part of you (the head company) for as long as they remain part of the consolidated or MEC group for income tax purposes.

Therefore, the R&D tax incentive applies to your consolidated group or MEC group as if it is a single entity conducting all R&D activities within the group. This means only the head company of the group should register for, and claim, the tax incentive for these R&D activities.

R&D partnerships

Special rules also apply if you are a partner in an R&D partnership. An R&D partnership is one where each partner meets the definition of an R&D entity.

The partnership itself is not eligible to claim the R&D tax incentive for the R&D activities it undertakes because it is not an R&D entity. However, the **partners** may be able to claim for R&D activities the partnership has undertaken.

If you are a partner in an R&D partnership, you should register your R&D activities with AusIndustry prior to making a claim.

Who R&D activities are conducted for

In most cases, you can only claim an R&D tax offset for expenditure on R&D activities conducted for you rather than for another entity.

Working out for whom the R&D activities are conducted involves determining who receives the major benefit from carrying out the activities (for example, who owns the results of the activities).

Usually, you won't be able to claim for expenditure on R&D activities you conducted to a significant extent for another entity. However, provided all other eligibility requirements are met, the entity receiving the major benefit from the R&D activities may be able to claim these amounts.

If you meet certain conditions, you may also qualify for an R&D tax offset if either:

- your R&D activities are conducted for an associated foreign corporation that is a resident of a country with which Australia has a comprehensive double tax agreement
- you are a foreign corporation carrying on your business through a permanent establishment in Australia and the R&D activities are conducted for you and not for the permanent establishment.

For more information, see **Who can claim**.

Eligible activities

Your eligibility to claim the R&D tax offset will also depend on where you are conducting your R&D activities and, importantly, what those activities are.


For more details, see [Eligible R&D activities](#) .

Where you are conducting your R&D activities


Generally, only R&D activities conducted in Australia qualify for the R&D tax incentive. However, R&D activities conducted overseas also qualify if AusIndustry makes a finding that your activities meet the conditions specified in section 28D of the *Industry Research and Development Act 1986* (IR&D Act).

R&D activities must meet certain criteria to be eligible for the R&D tax incentive. They must be classified as either [Core R&D activities](#) or [Supporting R&D activities](#).


Core R&D activities

[Core R&D activities](#)  are experimental activities:

- whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience
- which can only be determined by applying a systematic progression of work that
 - is based on principles of established science
 - proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions
- that are conducted for the purpose of generating new knowledge (including about creating new knowledge or improved materials, products, devices, processes or services).

Some types of activities are specifically excluded from being core R&D activities. See the [List of excluded activities](#) .

Supporting R&D activities

A [supporting R&D activity](#)  is one that is directly related to core R&D activities or, for certain activities, has been undertaken for the

dominant purpose of supporting core R&D activities.


Activities that must satisfy the dominant purpose requirement are those that either:

- produce – or are directly related to producing – goods or services, or
- are excluded from being core R&D activities.

Eligible notional deductions

You may be entitled to an R&D tax offset if your total notional deductions for an income year are 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 IR&D Act, where that RSP isn't an associate of the R&D entity
- expenditure incurred as a monetary contribution under the [Co-operative Research Centre \(CRC\) program](#) .

Before making a claim for the R&D tax incentive, you need to determine whether your expenditure is:

- [eligible](#), or
- [ineligible](#) under the R&D incentive.

Eligible expenditure

If you are an R&D entity your notional deduction amounts you can claim may be for:

- expenditure incurred on R&D activities, including expenditure on overseas activities covered by an [Advance Finding](#)  from AusIndustry, amounts paid to associates and expenditure to an RSP
- the decline in value of assets used for conducting R&D activities (including R&D partnership assets)
- balancing adjustments for assets used only for conducting R&D activities (including R&D partnership assets)

- expenditure in relation to goods and materials transformed or processed during R&D activities to produce marketable products (feedstock expenditure)
- monetary contributions under the CRC program.

You are entitled to a notional R&D deduction in relation to expenditure described above to the extent that:

- your expenditure is of a kind eligible for the R&D tax incentive
- you incur expenditure during the income year (other than an amount you incur to an associate but do not pay until a later income year) on one or more registered R&D activities.

As a result, the general rule is that expenditure on R&D activities is claimable in the income year it is incurred. The exceptions to this rule are when:

- an amount of expenditure is incurred but not paid to an associate
- the prepayment rules apply in relation to expenditure for services to be provided over a period.

Eligible expenditure on your R&D activities must be claimed under the R&D tax incentive. If you choose not to claim eligible expenditure under the R&D tax incentive, you cannot claim it elsewhere in your tax return. This is different to the former R&D tax concession, where you could choose to claim an amount under another deduction provision.

Ineligible expenditure

You cannot notionally deduct expenditure under the R&D tax incentive that is:

- interest expenditure (within the meaning of interest in the withholding tax rules)
- expenditure that is not at risk
- core technology expenditure
- expenditure included in the cost of a depreciating asset (decline in value notional deductions may apply however)
- expenditure incurred to acquire or construct a building (or part of a building or an extension, alteration or improvement to a building).

These types of expenditure do not warrant the enhanced tax benefits available under the R&D tax offsets. However, they should be considered under the normal deduction provisions of the income tax law because you may still be able to deduct these amounts from your assessable income.

See Taxation Ruling TR 2021/5 *Income tax: research and development tax offsets - the 'at risk' rule*. This ruling sets out the provisions that prevent an entity from notionally deducting expenditure that is not 'at risk'.

QC 70871

Steps for claiming R&D tax offset

Steps to help you work out if you are eligible for the R&D tax offset, how much you can claim and records to keep.

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Steps to help you work out if you are eligible for the R&D tax offset, how much you can claim and records to keep.

Claiming the R&D tax offset

If you are conducting R&D activities, you may be eligible to claim an R&D tax offset under the R&D tax incentive.

You should assess for yourself whether you, and the activities you are conducting, qualify for a claim under the R&D tax incentive. To help you do this, we have set out the 6 steps you need to take to work out if you can claim and, if so, how much. We have also provided a checklist.

Remember that you must keep accurate records. Not only does this make good business sense, it's also the law. If you plan on using a tax agent or R&D consultant to help you lodge your returns or complete your forms, you need to make sure they are registered.


Registering your R&D activities

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

Register your R&D activities:

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

Research Service Providers (RSPs) must also register annually with AusIndustry.

You can find more information at [Assess if your R&D activities are eligible](#) .

Step 1 – Check that you meet the 4 initial eligibility requirements

There are 4 questions you must answer in order to work out if you meet the initial eligibility requirements and therefore qualify for an R&D tax incentive tax offset.

Before claiming the R&D tax offset you must ensure that the correct answer is 'yes' to all of the following questions:

Question 1: Are you an eligible R&D entity?

Only R&D entities (eligible entities) can claim a research and development (R&D) tax offset.

Question 2: Have you carried out eligible activities?

You can only claim an R&D tax offset if you have carried out eligible R&D activities in an income year.

Question 3: Have you registered your activities?

You must [register](#) each of your R&D activities with AusIndustry before you lodge your claim.

Question 4: Do your notional deductions qualify?

You need to work out whether your eligible notional R&D deductions are greater than \$20,000.

If you can answer yes to all of these questions, then steps 2, 3 and 4 will help you work out which offset you can claim.

If you cannot answer 'yes' to all of these questions, you cannot claim the R&D tax offset.

Step 2 – Work out if you are controlled by any exempt entities

Once you've worked out that you meet the initial eligibility requirements, you will also need to work out if you are controlled by one or more exempt entities as this will affect which tax offset you can claim.

An exempt entity is an entity whose ordinary and statutory income is exempt from income tax; or is a Commonwealth entity that does not pay tax.

If you are controlled by one or more exempt entities, you cannot claim the refundable tax offset but you can claim the non-refundable tax offset instead. If this is the case, you don't need to take your aggregated turnover into account to work out which offset you can

claim, and you can go to [Step 4 – Work out which tax offset you can claim](#).

If you are not controlled by one or more exempt entities, you may be entitled to claim the refundable tax offset if your aggregated turnover is less than \$20 million.

To work out if your company is controlled by one or more exempt entities, you will need to consider if one or more exempt entities, their affiliates or both have either:

- shares and other equity interests in your company that give them or their affiliates at least 50% of the voting power in your company
- the right to receive at least 50% of any income or capital your company distributes.

Step 3 – Calculate your aggregated turnover

If you aren't controlled by an exempt entity, you must work out your aggregated turnover to identify which tax offset you can claim.

The rules for calculating aggregated turnover are the same as those for the **small business entity concessions**.

Aggregated turnover is the sum of the following:

- your [annual turnover](#) for the income year
- the annual turnover of [any entity connected with you](#), for that part of the income year that the entity is connected with you
- the annual turnover of [any entity that is an affiliate of yours](#), for that part of the income year that the entity is affiliated with you.

Both Australian entities and foreign entities can be connected or affiliated with you. This means your aggregated turnover includes the annual turnover of both Australian and foreign entities for the period they are connected or affiliated with you. When you calculate aggregated turnover for an income year, do **not** include:

- the annual turnover of other entities for any period of time that the entities are either not connected with you or are not your affiliate
- amounts resulting from any dealings between you and your connected entities or affiliates for that part of the income year that

each entity is connected or affiliated with you

- amounts resulting from any dealings between your connected entities or affiliates for that part of the income year that each entity is connected or affiliated with you.

Annual turnover

Your annual turnover is the total ordinary income you derive in the income year in the ordinary course of carrying on a business. This includes income on a worldwide basis. If you are not carrying on a business at any time during the income year, your annual turnover is nil.

If you are a partner in an R&D partnership at some time during an income year, then your aggregated turnover includes your proportion of the R&D partnership's annual turnover for that year.

Once you have calculated your annual turnover, you will need to calculate the annual turnover for each entity connected or affiliated with you.

Connected entities

To work out your **aggregated turnover** for the income year you also need to determine if there are any entities 'connected with you'.

You are connected with another entity if either:

- you control the other entity
- you are controlled by the other entity
- you and the other entity are controlled by the same third entity.

Both Australian and foreign entities can be connected entities.

You control a company if you, your affiliates, or you together with your affiliates have either:

- shares and other equity interests in the company that give you or your affiliates at least 40% of the voting power in the company (or both)
- the right to receive at least 40% of any income or capital the company distributes.

You control a partnership if you, your affiliates, or you together with your affiliates have the right to 40% or more of the partnership's net income or capital.

Different rules apply for a **discretionary trust**.

You may also be connected with another entity as a result of the **indirect control test**.

Your affiliates

You need to determine if there are any entities that are affiliates of yours in order to work out your aggregated turnover.

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

- in accordance with your directions or wishes
- in concert with you.

Your affiliates can be Australian and foreign individuals and companies.

An individual or company is not your affiliate merely because of the nature of the business relationship you or the individual or company share.

You can read more about the **grouping rules** to work out whether your entity is:

- an R&D entity that meets the aggregated turnover threshold to qualify for the refundable tax offset, as this is calculated on a 'group' basis
- controlled by one or more exempt entities, again to see if it qualifies for the refundable tax offset.

Step 4 – Work out which tax offset you can claim

Once you have determined if you are controlled by any exempt entities, and calculated your aggregated turnover, you can work out which tax offset you can claim.

You can claim the non-refundable tax offset if you are controlled by any exempt entities as worked out at Step 2. You can also claim the

non-refundable tax offset if your aggregated turnover worked out at Step 3 is \$20 million or more.

You can claim the refundable tax offset if your aggregated turnover worked out at Step 3 is less than \$20 million. You cannot claim the refundable offset if you are controlled by any exempt entities.

Step 5 – Calculate your tax offset

To work out the amount of your tax offset you need to work out the amount of your notional deductions and, if claiming the non-refundable tax offset, your total expenses for the income year.

Notional deductions

Your notional deductions are the amounts you can claim in working out your tax offset. It includes the R&D expenses that you can claim, decline in value on your R&D assets, and contributions made under the Cooperative Research Centres Program.

Total expenses

Your total expenses are worked out in accordance with accounting standards and commercially accepted accounting principles. The amount reported at Item 6 on the company's tax return is likely to show this amount.

Total expense includes the notional deduction amount. If an amount of notional deduction is not otherwise included in an entity's total expenses, an adjustment is made to include it.

Rules apply to prevent any double counting of amounts recognised at different times as notional deductions and total expenses.

Example: total expense and notional deductions

On 1 July 2021, XYZ Pty Ltd (XYZ) acquires an asset for \$30,000 that it uses exclusively in its R&D activities. XYZ uses the straight-line method to work out the depreciation for accounting purpose. As the asset has a useful life of 4 years, XYZ records an expense of \$7,500 ($\$30,000 \div 4$) for each of the 2021–22 to 2024–25 income years in its accounting records.

XYZ claims an upfront notional deduction of \$30,000 in the 2021–22 income year.

XYZ adds a further \$22,500 to the total expense amount calculated for R&D purposes in the 2021–22 income year to reflect the entire amount of \$30,000 of notional deduction claimed in that year.

XYZ does not include any amount in relation to this asset in its total expenses for the 2022–23 to 2024–25 income years as the entire amount has been included in the total expense amount in the 2021–22 income year.

Calculating the offset

Once you have worked out which offset you are eligible for, you calculate the amount of your tax offset.

To calculate your claim for the refundable R&D tax offset, you multiply the notional deduction by your corporate tax rate plus a premium of 18.5%.

Follow these steps to calculate your claim for the non-refundable R&D tax offset:

1. Multiply your total expenses by 2% to obtain the amount that your notional deduction is claimed at the lower premium.
2. Multiply the amount of your notional deductions up to the amount obtained in Step 1 by your corporate tax rate plus a premium of 8.5%.
3. Multiply the remaining amount of your notional deductions that exceeds the Step 1 amount by your corporate tax rate plus a premium of 16.5%.
4. If your notional deductions exceed \$150 million, the premium worked out at Step 2 and Step 3 is instead worked out on notional deductions of \$150 million. The remainder of your notional deductions that exceed \$150 million are multiplied by the corporate tax rate.
5. Add the total of the amounts determined under steps 2, 3 and 4 to get your non-refundable offset amount.

Examples to help calculate the tax offset

The examples below will help you work out the R&D tax offset.

Example 1: refundable tax offset

Company X is an R&D entity entitled to notional deductions of \$1.5 million for R&D expenditure. Their aggregated R&D turnover for the 2021–22 income year is \$16 million. Company X is not controlled by any exempt entities and has a corporate tax rate of 25%.

Company X is entitled to the refundable R&D tax offset, which is calculated as follows:

$$43.5\% \times \$1,500,000 = \$652,500$$

Company X can claim a refundable offset of \$652,500 for the 2021–22 income year.

Example 2: non-refundable tax offset

Company Y is an R&D entity entitled to notional deductions of \$9 million for R&D expenditure and its total expense for the 2021–22 income year is \$30 million. Company Y's aggregated turnover for the income year is \$40 million and its corporate tax rate is 25%.

As Company Y's turnover is greater than \$20 million it is entitled to the non-refundable R&D tax offset, which is calculated as follows:

1) Multiply the total expense amount of \$30 million by 2%
 $\$30,000,000 \times 2\% = \$600,000$

2) Work out the claim on the first \$600,000 of R&D expenditure using the corporate tax rate of 25% plus the 8.5% premium
 $\$600,000 \times 33.5\% = \$201,000$

3) Work out the claim on the remaining \$8,400,000 of your R&D expenditure using the corporate tax rate of 25% plus the 16.5%

premium

$$\$8,400,000 \times 41.5\% = \$3,486,000$$

4) Add up the amounts worked out at Step 2 and Step 3

$$\$201,000 + \$3,486,000 = \$3,687,000.$$

Company Y can claim a non-refundable offset amount of \$3,687,000 for the 2021–22 income year.

Example 3: refundable tax offset

Company Z is an R&D entity entitled to a notional deduction for monetary CRC contributions made, which total \$18,000 in the 2021–22 income year. These contributions can be claimed even though the total amount is less than \$20,000. Company Z has aggregated turnover for the income year of \$4 million and its corporate tax rate is 25%. Company Z is not controlled by any exempt entities.

The company can claim the refundable R&D tax offset, which is calculated as follows:

$$43.5\% \times \$18,000 = \$7,830$$

Company Z can claim a refundable offset amount of \$7,830 for the 2021–22 income year.

Example 4: non-refundable tax offset

Company XYZ is an R&D entity entitled to notional deductions of \$170 million for R&D expenditure and its total expense for the 2021–22 income year is \$250 million. Company XYZ's aggregated turnover for the income year is \$400 million and its corporate tax rate is 30%. As Company XYZ's turnover is greater than \$20 million it is entitled to a non-refundable tax offset which is calculated as follows:

6. Multiply the total expense amount of \$250 million by 2%

$$\$250,000,000 \times 2\% = \$5,000,000$$

7. Work out the claim on the first \$5,000,000 of notional deduction using the corporate tax rate of 30% plus the 8.5% premium
$$\$5,000,000 \times 38.5\% = \$1,925,000$$
 8. After subtracting the \$5 million claimed at Step 2 from \$150 million, a further \$145 million of notional deduction is claimed using the corporate tax rate of 30% plus the 16.5% premium
$$\$145,000,000 \times 46.5\% = \$67,425,000$$
 9. The remaining amount of the \$170 million notional deduction in excess of \$150 million is claimed using the corporate tax rate of 30%
$$\$20,000,000 \times 30\% = \$6,000,000$$
 10. Add up the amounts worked out at steps 2, 3 and 4
$$\$1,925,000 + \$67,425,000 + \$6,000,000 = \$75,350,000$$
- Company XYZ can claim a non-refundable offset amount of \$75,350,000 for the 2021–22 income year.

Step 6 – Lodging your claim

Once you have determined you can claim the R&D tax incentive tax offset, the final step is to lodge your claim for the income year. You claim the R&D tax offset by completing a **research and development tax incentive schedule** and the relevant labels of the company tax return and lodging the return and schedule with us. The instructions will help you to complete the forms.

The **research and development tax incentive calculator** will help you complete the **research and development tax incentive schedule**. You can print a PDF version of the R&D tax incentive schedule when you have finished your calculations.

This schedule will be accepted for lodgment with your **company tax return**. If you need assistance refer to the **company tax return instructions**.

Make sure you have included your unique AusIndustry registration number for the year on your R&D tax incentive schedule before you lodge the form with your company tax return.

Keeping R&D records

You will need to keep the following records to substantiate your claim. Records must generally be kept for a minimum of 5 years. A penalty may be imposed if proper records are not kept.

Business records


Your business records must be sufficient to verify the:

- amount of expenditure incurred on R&D activities
- nature of the R&D activities
- relationship of the expenditure to the activities.

You should keep documents to show how you apportioned expenditure between your eligible core R&D activities and supporting R&D activities as opposed to your other non-R&D activities. It is your responsibility to satisfy us that you used reasonable methods to differentiate between your expenditure on R&D activities and your expenditure on non-R&D activities.

Specific R&D records

You will need to retain documents such as reports detailing the R&D activities you carried out, who conducted the R&D activities and the time your staff spent on the R&D activities.

For more information, see [Keeping records as evidence of your R&D activities](#)  guidance on business.gov.au.

Using a tax agent or R&D consultant


If you are planning to pay someone to help you prepare and lodge your tax return or R&D tax incentive schedule, you need to make sure they are a registered tax agent.

Only a registered tax agent can charge a fee to prepare and lodge your tax return, or provide other services described as 'tax agent services'. They must be registered with the Tax Practitioners Board and must follow strict laws that ensure they act in a professional manner.

Tax agent services – if provided for a fee or reward – include advising and assisting you with tax concessions for expenditure incurred on

research and development activities, where this involves the application of taxation laws.

Accordingly, an R&D consultant may be required to be registered with the Tax Practitioners Board (TPB).

If you are not sure if your tax agent is registered, you can ask to see their Certificate of Registration or you can visit the [Tax Practitioners Board](#)  website and search the tax agent register.

QC 70872

Helping you get R&D claims right

Check areas of concern in specific industries and advice to avoid making an incorrect R&D tax incentive claim.

Last updated 26 September 2024

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Joint administration of R&D tax incentive

The Australian Taxation Office (ATO) and the Department of Industry, Science and Research (DISR) jointly administer the R&D tax incentive (R&DTI):

- DISR administers registration and compliance of R&D activities.

- The ATO is responsible for expenditure claimed in the tax return on eligible R&D activities.

The R&D tax incentive is a self-assessment program, which means the responsibility for compliance rests with the taxpayer.

The ATO and DISR undertake complementary risk assessment and compliance work.

DISR's compliance work focuses on the eligibility of R&D activities, while our compliance work focuses on the R&D tax offsets allowable in respect of those activities.

As a result of the risk assessment and compliance work of both, the ATO and DISR have identified a number of areas of concern. Four industries have been identified with significant number of companies making claims that have issues. The remaining areas of concern are not restricted to companies in particular industries.

Common errors

DISR has identified some common errors made by entities and their representatives during the registration process. These errors delay the progression of applications. To avoid delays, ensure you check the following.

Incorrect income year

Check you're applying for the correct income year. The income year needs to match the income period on the company's tax return submitted to us. You can't amend this by a variation.

Incorrect entity

Make sure the correct entity is applying. Only the head company of a consolidated or multiple entry consolidated group can apply to register R&D activities. The head company must register R&D activities performed by any member of the group. This information can't be later amended by a variation.

Wrong primary contact

The **primary contact** must be a company representative with their correct email address – not the email for a tax agent, adviser or

consultant. You can use contact details for agents, advisers and consultants elsewhere in the application form.

If you need any amendments after submission, you must complete a variation, resulting in a delay in registration.

Getting help

If you have any concerns about your R&D registration, contact DISR by:

- emailing rdtaxincentive@industry.gov.au
- phoning **13 28 46**.

Avoid delays

To avoid delays in processing your company tax return and R&DTI schedule with us, ensure you check that:

- the DISR – IISA number is correct on the R&DTI schedule and corresponds to the income year of the return
- label **D** – preliminary calculation on the R&DTI schedule matches item 7 label **D** on the company tax return
- Part D – reporting entity annual turnover has been correctly calculated and placed under the correct label on the R&DTI schedule (remember, you must include the annual turnovers of connected and affiliated entities in the calculation of aggregate turnover of the reporting entity)
- Part E label **R** tax rate is correct.

Concerns in specific industries

Four industries have been identified with a significant number of companies making R&D claims that have issues, including:

- [Agriculture](#)
- [Building and construction](#)
- [Mining](#)
- [Software development](#)

Agriculture

ATO and DISR have observed issues with R&DTI claims made by companies in agricultural industries where:

- no R&D activities are being conducted
- the activities form part of, or all of, the entity's ordinary business activities
- the activities involve the application of established products and existing methodologies that a competent professional could have worked out the outcome without conducting an experiment
- the activities address a commercial rather than a technical risk
- the scale of R&D activities is disproportionate with the scale of any data collection, observation and evaluation
- the method employed to apportion overhead expenses allocates an unreasonably large amount to R&D
- it is uncertain whether the activities are being conducted by the company on its own behalf or for the entity carrying on the agricultural business
- it is uncertain whether amounts billed to related parties are paid.

For more information see:

- [Incorrectly claiming the wine grapes levy](#)
- Taxpayer Alert TA 2015/3 *Accessing the R&D Tax Incentive for ineligible broadacre farming activities*
- Taxpayer Alert TA 2017/4 *Claiming the Research and Development Tax Incentive for agricultural activities*

Building and construction

The ATO and DISR have observed issues with R&DTI claims made by companies in the building and construction industries. These include:

- whole of project claims where the technical uncertainty is resolved by applying existing knowledge
- R&D claims where activities involve untested or novel elements where in effect, they relate to fulfilling the building and construction contract
- expenditure that is subject to the building exclusion

- R&D consultants advising clients they are eligible to make a R&D claim as their activity is unique.

For more information, see *Taxpayer Alert TA 2017/2 Claiming the Research and Development Tax Incentive for construction activities*.

Mining

ATO and DISR have observed issues with R&DTI claims made by mining companies. This includes where:


- the scope of the R&D activities in the context of extracting minerals is not clearly identified. Activities in R&D projects are too broad there is an increased risk of over-claim of costs
- activities relating to modelling of mines are not R&D unless they are associated with a physical experiment. A feasibility study does not necessarily mean that R&D has or will occur
- claimants need to explain the technical challenges and how they overcome them using simple terminology
- exploration activities are specifically excluded from being a core R&D activity.

Software development

ATO and DISR have observed issues with R&DTI claims by companies in the information technology and software development industries. This includes where:

- R&D claims are made on whole of project basis not considering each of the activities and applying the relevant legislation to determine which activities are R&D activities
- software experiments are not clearly articulated in the R&D registration forms
- technical uncertainties are not clearly identified
- expenditure is incurred in acquiring, or acquiring the right to use, technology that cannot be claimed as a notional deduction
- expenditure is being apportioned between R&D activities and ineligible activities in an unreasonable manner.

For more information see:

- [Guidance material](#)  to clarify the eligibility of software development activities under the R&D tax incentive
- Taxpayer Alert TA 2017/5 *Claiming the Research and Development Tax Incentive for software development activities.*

Other general areas of concern

The remaining areas of concern are not restricted to companies in particular industries and include:

- [Ordinary business activities vs eligible R&D activities](#)
- [Apportionment of overheads](#)
- [Payments to associates](#)
- [Record keeping](#)
- [R&D consultants](#)
- [Fraud](#)

Ordinary business activities vs eligible R&D activities

The ATO and DISR have observed issues with R&DTI claims that include expenditure relating to ordinary business activities and are not eligible R&D activities. This includes where:

- no R&D activities have been undertaken
- the registered activities include a mixture of eligible R&D activities and ineligible ordinary business activities
- the R&D activities being carried out have transitioned into ordinary business activities
- the R&D activities are not concerned with the generation of new knowledge
- the R&D activities do not involve the application of the scientific method (proving or disproving a hypothesis through experiments)
- the R&D activities address commercial being rather than technical risks.

For more information, see *Taxpayer Alert TA 2017/3 Claiming the Research and Development Tax Incentive for ordinary business activities*.

Apportionment of overheads

Apportionment methodologies may be used in some instances, but the company can only claim notional deductions under the R&DTI to the extent that the expenditure has been incurred on eligible R&D activities. For example, it may be appropriate to use R&D salary over total staff to apportion personnel costs but not for utilities.

It is commonly observed that the apportionment methodologies used by claimants can result in an unreasonable apportionment of overhead expenses to R&D activities over non-R&D activities.

The company must use a reasonable basis of apportionment. It must reflect the extent to which the expenditure has been incurred on R&D activities if there is no single apportionment method that can be used to apportion expenditure between R&D and ordinary business activities on a fair and reasonable basis.

The appropriate methodology to apportion an expense depends on the nature of the expense. The company should document the methodology adopted and the rationale for that methodology.

Payments to associates

The ATO has observed R&DTI claims that include notional deductions claimed in relation to **expenditure incurred to associates** where the amount has not been paid. Notional deductions can only be claimed in relation to expenditure incurred to associates of the company where the amount has also been paid.

Record keeping

It is a requirement that companies maintain contemporaneous records to support their R&D claims. This view is supported by AAT Cases (*Tier Toys Limited v FC of T* [2014] AATA 156 and *Ozone Manufacturing Pty Ltd v FC of T* [2013] AATA 420). In this case, contemporaneous records were not maintained so the taxpayer could not demonstrate that the expenditure was anything more than normal business expenses.

The taxpayer's business records must be sufficient to verify the:

- amount of the expenditure incurred on R&D activities
- nature of the R&D activities
- relationship of the expenditure to the activities.

Self-assessment requires evidence that substantiates that each and every part of the legislative requirements are met. A taxpayer cannot succeed in establishing those requirements in the absence of detailed documentation recording the process of each activity as it develops.

The taxpayer has the responsibility to ensure that reasonable methods have been used to differentiate between expenditure on eligible R&D activities and other activities.

Documents created after the fact will generally not be adequate on their own without some contemporaneous records (that is, records of activities at the time they were conducted).

For more information see:

- Keeping R&D records
- [Keeping records as evidence of your R&D activities](#) 

R&D consultants

Tax agents and R&D consultants have an important role to play as intermediaries in providing advice to taxpayers in relation to the R&DTI. However, we have concerns with how the R&DTI is being advised to taxpayers.

The ATO and DISR have concerns with some of the practices of tax agents and consultants. These include:

- cold calling taxpayers and advising them that their business activities are eligible R&D activities
- using late registrations to amend claims to access the R&D refundable offset to provide funding for companies in financial difficulties
- charging excessive commissions that are a large percent of the refundable R&D tax offset
- a registered activity relating to the whole of the project rather than a specific activity

- registered tax agents, including R&D consultants, advising companies to make incorrect R&D tax incentive claims – they may be referred to the Tax Practitioners Board to consider whether there has been a breach of the *Tax Agent Services Act 2009*.


Promoter penalty laws may apply under Division 290 of Schedule 1 to the *Taxation Administration Act 1953* for promoters of schemes to access the R&D tax incentive for ineligible activities.

Fraud

While most taxpayers and advisors generally do the right thing, the ATO and DISR are working closely to identify taxpayers and advisors that may be involved in aggressive R&D arrangements. We are taking a coordinated approach to address these behaviours to ensure the integrity of the R&DTI program.

These arrangements:

- are inconsistent with the requirements of the R&D regime
- may have feature of tax avoidance
- may be fraudulent.

For further information about compliance work, refer to [Help to self-assess my eligibility and register my activities](#) .

Incorrectly claiming the wine grapes levy

The ATO and DISR are warning about a scheme involving incorrectly claiming the wine grapes levy as R&D expenditure.

The levy is paid by wine producers to the Department of Agriculture and Water Resources. It is calculated on the total number of tonnes of grapes used by the wine producer in a year.

Some promoters, including those operating under reputable brand names, are incorrectly advocating that companies who pay the compulsory wine grapes levy (the levy) can register the activity with DISR or simply claim the levy, as all or part of a notional deduction in calculating their entitlement to an R&D tax offset.

The levy is applied to fund the marketing, and research and development programs undertaken by the Australian Grape and Wine Authority ('Wine Australia'). Wine Australia is not a registered research

service provider (RSP) nor a Cooperative Research Centre under the R&D tax incentive program.

What are our concerns

The ATO and DISR are concerned that some wine producers have been misled into thinking they are able to include the levy as eligible R&D expenditure which has been incurred on registered R&D activities.

The levy can usually be claimed by a wine producer as an ordinary business deduction against the wine producer's assessable income. However, the way R&D commissioned by Wine Australia is conducted, means that the levy cannot be claimed in calculating a refundable or non-refundable R&D tax offset for the wine producer.

Levies paid to industry organisations can only be claimed in calculating an R&D tax offset if the industry organisation is a Levy Collecting RSP. Wine Australia is not a Levy Collecting RSP.

Generally, eligible R&D expenditure can only be claimed on R&D activities which are registered by the claimant with DISR. If the R&D activity is carried on for the claimant by a third party, the claimant also needs to be able to show that:

- it has effective ownership of the know-how, intellectual property, or other results arising from the R&D expenditure
- it has appropriate control over the conduct of the R&D activities
- it bears the financial burden of carrying out the R&D activities
- the R&D activity is not carried out to a significant extent for another entity, or entities.

It follows that although a company that produces wine may have registered R&D activities with DISR, the company's expenditure on the levy bears no connection with the R&D activities it carries on.

In addition, the funds provided through the levy are used by Wine Australia to invest in R&D activities undertaken by research bodies based on the R&D provider's own project proposals and are conducted at the direction of Wine Australia. The know-how and intellectual property arising from the R&D activities is retained by the entities investing in the R&D, and as is the case with the financial risk, the results are broadly shared.

Finally, the R&D activities commissioned by Wine Australia are carried on for the benefit of the broader grape and wine industry, not just for individual companies that pay the levy.

We also note that many of the activities carried on by Wine Australia which are funded by levies, such as marketing and promotion, are expressly excluded from the definition of R&D activities and therefore related expenditure cannot be included in an R&D tax offset claim.

What you should do

You should consider whether our concerns are applicable to your circumstances.

We are committed to maintaining the integrity of the R&D program. We deal firmly with dishonest promoters whilst providing fair outcomes for taxpayers who have inadvertently entered into an R&D scheme or relied on advice they obtained in good faith.

If you consider that our concerns are applicable to your circumstances, you can:


- contact us by phone or email to the contact details below
- seek independent professional advice
- ask the ATO for a **private ruling**, or in the case of verifying that your R&D activities are eligible, apply for a Finding from DISR
- apply to DISR to amend or withdraw your registration, or
- make a **voluntary disclosure** to the ATO or amend your tax return.

Penalties can apply if you have incorrectly claimed the R&DTI. They will be significantly reduced if you make a voluntary disclosure. Generally, the reduction in penalties is greater if you make a voluntary disclosure before we notify you of an examination of your tax affairs.


Registered tax agents, including R&D consultants, who advise or encourage companies to make incorrect R&D claims may be referred to the Tax Practitioners Board to consider whether they have breached the *Tax Agent Services Act 2009*. Promoter penalty laws may also apply to the promoters of schemes designed to inappropriately access the R&DTI.

To provide information about this or another arrangement, or about a promoter, you can:

- phone us on **1800 060 062**
- complete the ATO Tip-off form.

For more information, see [Check if you're eligible for the R&D Tax Incentive](#) .

Further help and advice from ATO and DISR

You can get further help and advice about the R&DTI from the ATO and [DISR](#) . The type of help and advice you receive will depend on your specific needs and circumstances and whether or not you want an answer in writing.

The ATO and DISR administer the R&DTI jointly. You should seek help or advice from the agency that administers the aspect of the program that relates to your query.

DISR manages the registration of your R&D activities and checks that they comply with the law. They provide public guidance and advance findings about the program so that R&D entities are better informed about their entitlements and obligations. Their findings set out how their decisions apply to you and your specific circumstances.

The ATO determines whether or not the expenditure you are claiming for your R&D activities is eligible. We offer different types of advice and guidance that give our view on how the laws we administer apply. These range from published guidance about how the law applies generally, to advice given to a taxpayer about how the law applies to their particular circumstances.

They include:

- private rulings, which set out our opinion about the way a tax law applies to you in specific circumstances
- public rulings, which deal with priority issues that require clarifying and include product rulings (which are intended to provide certainty to participants about an arrangement)
- class rulings (which are intended to minimise the need for a group of participants to individually seek private rulings in relation to the same scheme).

For more information see our:

- [Research and development tax incentive calculator](#) to help work out your entitlement
- [ATO advice products – rulings](#)
- [Tailored technical assistance](#)

QC 70873

Checklist for claiming R&D tax incentive

Use our checklist to make sure you claim the R&D tax incentive correctly.

Last updated 28 November 2023

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[Self-assess the eligibility of the R&D activities](#)

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[Apply for registration of activities](#)

[Making adjustments](#)

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Use our checklist to make sure you claim the R&D tax incentive correctly.

Self-assess the eligibility of your company

The R&D tax incentive provides targeted tax offsets designed to encourage more companies to engage in R&D activities.

To take advantage of the R&D tax offsets you need to be an R&D entity. An R&D entity is either a corporation that is incorporated under an Australian law or, in some circumstances, a foreign corporation.

You can self-assess the eligibility of your company at [Eligible R&D entities](#) or by contacting AusIndustry.

The AusIndustry [Program Snapshot](#)  and [R&D tax incentive customer information guide](#)  provide an overview of the R&D tax incentive program. This includes information on R&D tax incentive topics such as eligibility, self-assessment, how to register and some helpful advice on keeping good records.

For more details, see the [R&D tax incentive guide to interpretation](#) .

Self-assess the eligibility of the R&D activities

Your research and development activities must meet certain criteria to be eligible for the R&D tax incentive. They must be classified as either 'core R&D' activities or 'supporting R&D' activities.

Broadly, core R&D activities are experimental activities that:

- are based on principles of established science
- proceed from hypothesis to experiment, observation and evaluation, and lead to logical conclusions.

Importantly, core R&D activities must be conducted for the purpose of generating new knowledge. This includes the creation of improved materials, products, devices, processes or services.

A supporting activity is one that is directly related to core R&D activities or, for certain activities, has been undertaken for the dominant purpose of supporting core R&D activities.

You can learn more about the different types of [eligible R&D activities](#).

If you are unsure about the eligibility of your R&D activities, there are different types of Findings you can apply for through AusIndustry.


Findings provide practical certainty to program participants and allow the regulators to determine the eligibility of activities.

For more information, refer to information on the business.gov.au website:

- [What's an Advance Finding](#) 
- [Overseas Findings](#) 

Record keeping

Keep accurate records to substantiate and demonstrate the eligibility of the activities and associated expenditure.

To help you with your record-keeping requirements under the R&D tax incentive, the ATO, together with AusIndustry provide [information about what records you should keep](#)  to support your R&D claim.


Maintenance of good records will help you comply and receive the maximum benefit from the R&D tax incentive and will also minimise the costs that may be associated with a compliance review, risk review or finding.

See the [Compliance readiness guide on record keeping for the R&D Tax Incentive](#) .

Apply for registration of activities


Where you have self-assessed that you have undertaken eligible R&D activities and wish to claim the R&D tax incentive, you must register your R&D activities with AusIndustry and receive your unique registration number:

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

To register, submit your application in the [R&D Tax Incentive customer portal](#) .

Registration of activities by AusIndustry is not a verification of eligibility or an approval of the payment of a tax offset.

AusIndustry and the ATO share information and work closely to ensure the integrity of the R&D tax incentive. Make sure you provide accurate and consistent details of the activities and expenses in your registration and to us in your R&D schedules.

For further assistance in registering or accessing the customer portal, contact AusIndustry through business.gov.au  or phone **13 28 46**.

Making adjustments

You may need to make adjustments to your tax return if:

- you have received a government recoupment
- your R&D activities have produced either marketable products or products that have been applied to your own use
- you are registered for GST.

For more information on adjustments, see:

- [Clawback adjustment guide – recoupment amounts](#)
- [Feedstock adjustments](#)
- [Taxation Ruling TR 2013/3 *Income tax: research and development tax offsets: feedstock adjustments*](#).

Lodging your claim for the income year

After registration with AusIndustry, you claim the R&D tax incentive tax offset by completing an **R&D tax incentive schedule** and relevant labels of the company tax return and lodging them with the ATO. The **R&D tax incentive calculator** will help you to calculate your entitlement.

Making incorrect claims may result in penalties. Ensure you only include expenditure in an R&D claim that is actually incurred on R&D activities, not other ordinary business activities. It is important that the information you supply to both AusIndustry and ATO is accurate, consistent and supported by evidence and records.

Significant discrepancies in the information provided will increase the likelihood of your company's claim being reviewed.

Check **Steps for claiming the R&D tax offset** to calculate and lodge your R&D claim.

Correcting mistakes and challenging decisions


Once you have lodged your registration, or your claim for the R&D tax incentive, you may find you need to:

- amend your tax return:
 - if you have entered into any type of aggressive R&D arrangement, or have otherwise claimed the R&D tax incentive in relation to your normal business activities, you may want to seek independent professional advice, make a **voluntary disclosure** to us or **amend your tax return**
 - if AusIndustry makes a finding on your registration or the ATO conducts a review on your R&D claim, and it is determined that all or part of your R&D activities are not eligible, then your tax return will be amended and penalties and interest charges may be applied
- object to decisions made by the ATO or AusIndustry.

If you want to dispute the law as we have applied it to your case, or if you are dissatisfied with the amount of R&D tax offset we have allowed, you can object to the assessment (within certain time limits).

When we or AusIndustry makes a decision on your registration or claim, we will tell you how you may request a review if you are dissatisfied with the decision.

Using a tax agent or R&D consultant

If you are going to pay someone to help you with your tax return or R&D tax incentive schedule, you should first make sure they are a registered tax agent. Ask to see their Certificate of Registration or visit the [Tax Practitioners Board website](#)  and search the tax agent register.

Although they are usually helpful, using the services of an R&D consultant to assist with the preparation of a registration application and offset claim does not guarantee your claim will meet the eligibility criteria.

Penalties may apply to participants and promoters of aggressive R&D arrangements. Registered tax agents involved in the promotion of any type of aggressive R&D arrangement may be referred to the Tax Practitioners Board to consider whether there has been a breach of the *Tax Agent Services Act 2009*.

Red flags of risky behaviour

It is important for users and regulators of the R&D tax incentive work together to ensure the R&D tax incentive is benefiting the right people.

As a claimant:

- If you have not sought or received independent advice about your R&D claim, you should discuss with your tax agent. Ask your agent to check:
 - your claim against the AusIndustry eligibility guidelines
 - the quantum of the claim by reference to the expenditure you have actually incurred on your registered R&D activities
 - that you have kept adequate records.
- Be wary if you are approached by a new tax agent, or R&D consultant, proposing a potential R&D claim that seems too good to be true, for example:
 - they can triple your claim
 - they know how to get ordinary business expenses into an R&D claim
 - as a general proposition they contend that all of the cost of developing your new products qualify as R&D.





Discuss any R&D claim with your tax agent, and report behaviours that concern you to AusIndustry or to us.

To provide information about an R&D or another arrangement or a promoter of an R&D or another arrangement, you can:

- phone us on **1800 060 062**
- complete the **ATO tip-off form**, which is also available in the **Contact us** section of the ATO app.


Useful tools and documents for your claim

Refer to the following guidance information on business.gov.au:

- [Overview of the R&D tax incentive](#) 
- [R&D tax incentive guide to interpretation](#) 
- [Assess if your R&D activities are eligible for the R&D tax incentive](#) 
- [Research and Development Tax Incentive](#) 

Contacting us

If you need more information about whether your activities are eligible, you can ask AusIndustry for advice by:

- phoning the hotline on **13 28 46**
- emailing them or using Web Chat on their [Contact us](#)  page.

If you need more information about whether the expenditure you are claiming is eligible for the research and development (R&D) tax incentive, you can contact us on the phone numbers listed on our [Phone us](#) page.

QC 70875

Clawback of R&D tax offset

Check events that may cause clawback of your Research and development tax incentive tax offset.

Last updated 22 November 2022

On this page

Recoupment amounts

Feedstock adjustments

Balancing adjustments for R&D assets

Calculating the clawback amount

An amount of the R&D tax offset you have claimed in any year is clawed back in the current year if one or more of the following clawback events happens during the year:

- you have received a recoupment amount from a government source for expenditure which it has obtained an R&D tax offset
- you have a feedstock adjustment for tangible products
- you have an assessable balancing adjustment for an R&D asset.

The clawback includes an additional amount in your assessable income.

Recoupment amounts

A **clawback adjustment** arises in a year you, or an entity connected or affiliated with you, either receives or is entitled to receive a recoupment from an Australian Government agency, or a state or territory body, and either:

- 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 in relation to that expenditure (or decline in value notional deductions where the expenditure was for a depreciating asset) used in those activities.

The clawback is worked out on the amount of the R&D expenditure recouped.

Feedstock adjustments

A **feedstock adjustment** arises where you obtain an R&D tax offset for your feedstock expenditure incurred on R&D activities and during an income year those activities produce products that you, or an entity connected or affiliated with you, supply to someone else or apply to own use.


The feedstock adjustment applies to either:

- expenditure on goods or materials (feedstock inputs) that 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
- the decline in value of assets used in acquiring or producing the 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 or industrial activities.

Where 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 sold or applied.

The clawback is worked out on the lesser of the feedstock expenditure for the product supplied or applied to own use and their feedstock revenue. Feedstock revenue is calculated as:

 Market value of the marketable product multiplied by the cost of producing feedstock output divided by cost of producing marketable product.

Balancing adjustments for R&D assets

A balancing adjustment happens when you stop holding a depreciating asset. A common example is when you sell the asset. The clawback is worked out on the termination value of the R&D asset at that time which exceeds its adjustable value (previously known as tax-written down value). The amount is capped to ensure the clawback does not apply to the extent that the asset has appreciated in value. If the asset was partially held for R&D purposes, the clawback amount is reduced in proportion to the non-R&D use of the asset.

A separate catch-up deduction arises instead if the adjustable value exceeds the termination value of the asset at the time of the balancing adjustment event. If you have a deductible balancing adjustment for an R&D asset, you can claim a catch-up deduction that mirrors the clawback for an assessable balancing adjustment. This provides a

deduction in lieu of the amount of R&D tax offset which is forgone on the asset when the balancing adjustment event happens.

Calculating the clawback amount

A clawback amount is included in your assessable income. The amount matches the incentive or premium component of the R&D tax offset that relates to the clawback event.

Use the following steps to work out the clawback amount:

1. Start with each amount that is being clawed back in the current year.
2. Separate each amount into the notional deduction that is being clawed back for each claim year.
3. Add up the amounts being clawed back for each claim year.
4. Multiply the total amount being clawed back for each claim year by your corporate tax rate for that year. This is called your deduction amount.
5. Work out for each claim year the difference between your original R&D tax offset, and what your R&D tax offset would have been if notional deductions had been reduced by the total amount being clawed back for that year. This is called your offset differential.
6. Add up all your deduction amounts and add up all your offset differentials.
7. Subtract your total deduction amounts from your total offset differentials. This is the premium or incentive component of your R&D tax offset above your corporate tax rate for the amounts being clawed back.
8. Gross up the premium or incentive component to an equivalent amount of assessable income by dividing the amount by your corporate tax rate for the current year. This amount is included in your assessable income.

Correcting mistakes and disputing decisions

Find out how to amend or vary your R&D tax incentive claim or dispute a decision.

Last updated 18 December 2024

On this page

Varying your registration or claim

Amending your tax return

Objecting to our decisions

Effect of DISR findings on claims

Varying your registration or claim

Once you have lodged your registration or your claim for the R&D tax incentive, you may find that you need to:

- vary your registration details with the Department of Industry, Science and Resources (DISR)
- amend or vary your claim with the ATO
- dispute a decision made by either the ATO or DISR.

If you need to correct or vary your tax return because you made a mistake or omitted to mention something you later realise you should have mentioned, you can also amend your tax return (within certain time limits).

If you want to dispute the law as we have applied it to your case or if you are dissatisfied with the amount of R&D tax offset we have allowed you, you can object to our assessment (within certain time limits).

For information about varying your registration details or disputing decisions made by DISR, refer to the [Research & Development Tax Incentive](#) [guidance on business.gov.au](#).

Amending your tax return

'Amendment' is the term we use for a change made to an income tax assessment. If you want us to change your assessment you need to request an amendment in writing.

Amendments are part of the self-assessment system. That is, just as we accept your tax return information at face value, in most cases we do the same with the information you provide on your amendment request.

If you need to complete a company tax return, refer to **Research and development tax incentive schedule instructions 2024**.

Time limits for making amendments

There are time limits for making amendments to your tax return. This is generally 4 years for taxpayers who have R&D claims. A 2-year period may apply to assessments made for the 2021–22 or earlier income year. To give you certainty about your tax affairs, in most circumstances the law does not allow amendments (initiated by us or by you) outside the time limit, but you may be able to lodge an objection instead.

Special rules vary these time frames for certain decisions made by DISR in relation to the R&D tax incentive. These rules allow us to amend outside the standard time frames in relation to:

- DISR giving the Commissioner of Taxation a finding, within certain time frames, about registration, activities outside Australia, or core technology
- an internal review decision by DISR, the Administrative Review Tribunal (ART) or a court on certain matters.

How to amend your claim

If you wish to amend your claim for the R&D tax incentive, you need to:

- complete and lodge an amended **R&D tax incentive schedule** for the relevant year, showing the amended figures, and
- write us a letter to go with the amended schedule, requesting the amendment and specifying the labels on the company tax return that need amending.

You must then forward your amended R&D tax incentive schedule and letter requesting the amendment to:

AUSTRALIAN TAXATION OFFICE
PO BOX 3004
PENRITH NSW 2740

Objecting to our decisions

The law gives you the right to object to some decisions we make about your tax affairs, including most tax assessments. If you are dissatisfied with the amount of R&D tax offset we have allowed you, you can **object to a decision**.

You must lodge your objection in writing and within certain time frames. In some circumstances you can also lodge an appeal with the Administrative Review Tribunal (ART) or Federal Court.

Time limits for lodging objections vary depending on whether you are objecting to an original income tax assessment, an amended income tax assessment, or a nil income tax assessment.

In most cases, the time limit is at least 60 days from when you receive the notice. In the case of income tax assessments including an R&D tax offset, it is 4 years after the lodgment date for the return. If the final lodgment day for the return falls on a non-business day, your objection can be lodged on the next business day.

Time limits for objecting to original income tax assessments

For original income tax assessments, you have 4 years from the date the notice of assessment was given to you to lodge an objection. If you are a small or medium business, a 2-year period may apply to assessments for the 2021–22 income year made before 9 December 2022, or an earlier income year.

Time limits for objecting to amended income tax assessments

For amended income tax assessments, the time limit for lodging an objection is the later of either:

- 60 days from the date the amended assessment was given to you,
- or

- 4 years from the date the original assessment was given to you (unless a 2-year period applies to amend your assessment for the 2021–22 or earlier income year).

Nil income tax assessments

A 'nil assessment' is an assessment ascertaining that there is either:

- no taxable income
- an amount of taxable income and no tax is payable.

Generally, you cannot object against a nil assessment unless you are seeking to increase your tax liability. However, you can object against the total of your tax offset refunds for a year of income under the normal objection provisions.

If you wish to dispute the amount of a non-refundable R&D tax offset to be carried forward (where you have a nil assessment), you have to wait until you have an assessment for the year in which any part of the non-refundable R&D tax offset carried forward is first applied.

How to lodge an objection

Your objection must be lodged in writing. You can either use the form we provide or write a letter. Either way, your objection must be lodged within the time limit. You can fax your objection to us, post it, hand deliver it to a shopfront, or have your tax agent lodge it online. There is no fee for lodging an objection.

If you are dissatisfied with the outcome of your objection, you can **seek an external review of the decision** by lodging an appeal with the Administrative Review Tribunal (ART) or Federal Court.

How to lodge an appeal

Tax laws specifically give you the right to go to the ART or the Federal Court of Australia for a review of some of our actions or decisions about your tax affairs. Generally, you have to lodge an objection and be dissatisfied with the outcome before you can seek an external review. Certain time limits apply.

Effect of DISR findings on claims

Findings made by DISR bind us in making and amending assessments. We must use our amendment powers to give effect to findings. We must also give effect to any decision made by DISR on internal review, and any decision about a finding made by ART or a court.

If a finding removes entitlement to some or all of the R&D tax incentive you have already claimed, you should request a self-amendment to adjust for the amount that cannot be claimed.

If you do not amend your claim, we will commence an audit to give effect to the finding. We will not commence an audit for 28 days to allow time for a self-amendment request to be made.

We are required to give immediate effect to a finding. This is not deferred by your request for an internal review by DISR, or any ART or court action. You should self-amend once you receive the finding.

Concerns about repaying a debt

If you have concerns about repaying an R&D debt, you can phone us on **13 28 66** so we can assist. This assistance is also available to those experiencing debt concerns while the original finding is under an internal review by DISR. We will consider assistance after you have requested a self-amendment.

QC 70877

R&D tax incentive contact information

Contact information for the research and development (R&D) tax incentive.

Last updated 18 August 2023



Contact information for the research and development (R&D) tax incentive.

Eligible entities and how to claim

For information on eligible entities and how to claim the incentive, phone us on **13 28 66** between 8:00 am and 6:00 pm Monday to Friday.

Registration, eligible activities and findings

For information on registration, eligibility of R&D activities and findings, you can contact AusIndustry by:

- phoning them on **13 28 46**
- submitting an [email enquiry](#) 
- visiting [Contact us on business.gov.au](https://www.business.gov.au)  for a full list of contact details.

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QC 70879

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.

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