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Research and development tax concession schedule instructions 2008

To help you claim research and development (R&D) deductions
on the company tax return for 1 July 2007 – 30 June 2008



For more information visit
www.ato.gov.au/randd
or www.ausindustry.gov.au

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DEFINITIONS

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ABOUT THESE INSTRUCTIONS

When we refer to 'you' in these instructions, we are referring to the person responsible for completing the R&D schedule. This publication is NOT a guide to income tax law. Please get help from the Tax Office or a recognised tax adviser if you feel this publication does not fully cover your circumstances.

PUBLICATIONS AND SERVICES

To find out how to get a publication referred to in these instructions, and for information about our other services, see the inside back cover.

ABBREVIATIONS AND UNFAMILIAR TERMS

For an explanation of any terms used in these instructions that are unfamiliar to you, see the list of definitions on page 32.

There is a list of abbreviations on page 34.

INTRODUCTION

These instructions will help you complete the attached *Research and development tax concession schedule 2008* (NAT 6708), which in turn will help you complete the items for expenditure on research and development (R&D) on the *Company tax return 2008* (NAT 0656). For more information about the R&D tax concession, see the joint AusIndustry – Tax Office publication *Guide to the R&D tax concession*.

There is an automated spreadsheet that replicates the research and development tax concession schedule on our website at www.ato.gov.au/randd

This spreadsheet will do the R&D calculations automatically for you. We will accept a printout of the completed spreadsheet as an official research and development tax concession schedule.

WHAT'S NEW?

Amendments to the research and development tax concession

The *Tax Laws Amendment (2007 Measures No. 2) Act 2007* improves the operation of the R&D provisions by:

- allowing an eligible company to choose the R&D tax offset either in its return of income or by notice in writing to the Commissioner of Taxation (the Commissioner) within specified timeframes
- allowing an eligible company to claim the R&D tax offset if it has incurred contracted expenditure to a registered Australian research agency (RRA), regardless of whether its aggregate expenditure is greater than \$20,000
- expanding the definition of 'exempt entity' to include all entities whose income is exempt from income tax under any Commonwealth law and all untaxable Commonwealth entities, which affects the eligibility to choose the R&D tax offset (transitional provisions ensure that the amendment does not apply retrospectively to deny offsets already claimed by eligible companies), and
- allowing an eligible company to object to written notices from the Commissioner if it is dissatisfied with the amount of R&D tax offset allowed.

The *Tax Laws Amendment (2007 Measures No. 5) Act 2007* resulted in further changes to the R&D provisions. It:

- introduced a new 100% deduction for expenditure by Australian companies wholly or primarily on behalf of grouped foreign companies
- extended the 175% incremental tax concession to include a deduction for an increase in expenditure by Australian companies wholly or primarily on behalf of grouped foreign companies
- altered the treatment of grants, which will affect the calculation of the incremental tax concession, and
- introduced a new method of calculating the extra incremental tax concession for both Australian owned and foreign owned R&D activities.

The *Tax Laws Amendment (2007 Measures No. 5) Act 2007* also resulted in the addition of two new labels in item 7 of the *Company tax return 2008*:

- **J Foreign owned R&D tax concession – not including label K**, and
- **K Foreign owned R&D – extra incremental 75% deduction**.

The *Research and development tax concession schedule 2008* has changed format.

- The 'Claimable at 150%' column in part A has been removed. The general concessional rate of deduction for expenditure on R&D was reduced from 150% to 125% in 1996. Since that time, only certain amounts that fall within the 1996 transitional rules may be deducted at the former rate and the 'Claimable at 150%' column therefore had a very limited application. If you believe you are entitled to deduct any amount of expenditure at the rate of 150%, please contact the Innovation Segment (InnovationTax@ato.gov.au).
- There is a new column 'Foreign owned R&D expenditure' in part A that relates to the new 100% deduction for expenditure by Australian companies wholly or primary on behalf of a foreign company.
- Part B now has only one item for adjustments to the company's aggregate R&D amount.
- Part C has two new items to show grants and recoupments attributable to incremental expenditure on Australian owned R&D, and grants and recoupments attributable to expenditure on foreign owned R&D.
- There is a new part, **Part E – Foreign owned R&D incremental tax concession**, to allow companies to report required information for the foreign owned R&D – extra incremental 75% deduction.
- Required information for the R&D tax offset is now shown at part F.

Date of effect

The *Tax Laws Amendment (2007 Measures No. 2) Act 2007* and *Tax Laws Amendment (2007 Measures No. 5) Act 2007* generally apply from the 2007–08 income year.

Further information

See *Guide to the R&D tax concession*.

WHO MUST COMPLETE THE RESEARCH AND DEVELOPMENT TAX CONCESSION SCHEDULE?

You must complete and lodge the *Research and development tax concession schedule 2008* if you make a claim on your company tax return for expenditure on R&D activities under the R&D tax concession, that is, sections 73B to 73Z of the *Income Tax Assessment Act 1936* (ITAA 1936).

WHO CAN CLAIM THE R&D TAX CONCESSION?

You may be entitled to claim the R&D tax concession for your company if it is:

- an eligible company that has registered its R&D activities with Innovation Australia through AusIndustry for the 2007–08 year of income, or
- the head company of a consolidated group where at least one of the subsidiary companies in the group is an eligible company and has registered its R&D activities with Innovation Australia through AusIndustry for the 2007–08 year of income (section 73BAB of the ITAA 1936).

An eligible company is a body corporate incorporated under a law of the Commonwealth or of a state or territory (subsection 73B(1) of the ITAA 1936).

ON WHOSE BEHALF ARE THE R&D ACTIVITIES CONDUCTED?

For income years commencing after 30 June 2007, eligible companies may be able to claim expenditures under the R&D tax concession that are:

- incurred in respect of eligible R&D activities, as defined, that are carried out by or on behalf of the claimant company and not on behalf of any other person (Australian owned R&D)
- incurred in respect of Australian-centred R&D activities, as defined, that are carried out on behalf of a foreign company (foreign owned R&D).

The **Definitions** list on pages 32–3 defines ‘research and development (R&D) activities’, ‘foreign company’ and ‘Australian-centred R&D activities’.

NOTE

Generally, an eligible company that incurs expenditure on R&D activities in its capacity as a trustee or nominee, other than in its capacity as the trustee of a public trading trust, cannot claim the concession (subsection 73B(3) of the ITAA 1936) for expenditure incurred in its trustee or nominee capacity. This does not apply where the trustee and trust are subsidiary members of a consolidated group.

You can only claim the R&D tax concession for expenditure on R&D activities that are registered with Innovation Australia. Innovation Australia, supported by AusIndustry, determines whether activities are R&D activities and Australian-centred R&D activities.

You must lodge an application for registration of the activities with Innovation Australia within 10 months of the end of your income year.

YOU MUST REGISTER BEFORE CLAIMING

You must register before you make a claim for the R&D tax concession on the company’s tax return, including the choice for the R&D tax offset.

WHO ADMINISTERS THE R&D TAX CONCESSION?

The R&D tax concession is jointly administered by AusIndustry, part of the Department of Innovation, Industry, Science and Research (DIISR), and the Tax Office.

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

- visit the AusIndustry website at **www.ausindustry.gov.au**
- phone the AusIndustry hotline on **13 28 46**.

For information about claiming the R&D tax concession:

- visit the Tax Office research and development website **www.ato.gov.au/randd**
- phone the Business Infoline on **13 28 66**.

BEFORE YOU COMPLETE THE RESEARCH AND DEVELOPMENT TAX CONCESSION SCHEDULE

Before you start to fill in the *Research and development tax concession schedule 2008*, you will need to make certain calculations and complete certain parts of the company tax return. Read through the points below and on the next page. Although not exhaustive, they list important information.

Seven items on the *Company tax return 2008* relate to the R&D tax concession:

- at page 3 item **7 Reconciliation to taxable income or loss**
 - **D Accounting expenditure in item 6 subject to R&D tax concession**
 - **L Australian owned R&D tax concession – not including label M**
 - **J Foreign owned R&D tax concession – not including label K**
 - **M Australian owned R&D – extra incremental 50% deduction**
 - **K Foreign owned R&D – extra incremental 75% deduction**
 - **Y R&D tax offset, if chosen**
- at page 6 **Calculation statement**
 - **U R&D tax offset.**

General

- At item **7 Reconciliation to taxable income or loss** on the *Company tax return 2008*, complete **D Accounting expenditure in item 6 subject to R&D tax concession** (for information on how to complete this item, see **Preliminary calculation – Add-back of research and development (R&D) accounting expenditure** on page 4).
- Using parts A and B of these instructions, calculate your aggregate R&D amount to determine whether
 - the company can deduct an amount of ‘R&D expenditure’ (other than contracted expenditure paid to an RRA) under subsection 73B(14); that is, an aggregate R&D amount of more than \$20,000, and
 - the company’s expenditure qualifies for a 100% or 125% deduction under subsections 73B(4D), 73B(4E), 73B(15), 73B(23), 73B(24B) and 73BA(3) of the ITAA 1936.The **Definitions** list on page 32 defines ‘aggregate R&D amount’.

- Using parts A and B of these instructions, calculate your expenditure on foreign owned R&D to determine if you have incurred the required amount for claiming under section 73B(14C); that is, more than \$20,000.
The **Definitions** list on page 32 defines 'expenditure on foreign owned R&D'.
- Calculate how much has been spent in each category that qualifies for a deduction under section 73B of the ITAA 1936.

Consolidated groups

- The amounts used in the calculation of the R&D tax concession 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.

! NOTE

Only one research and development tax concession schedule is required for a consolidated group.

Clawback

Section 73C of the ITAA 1936 can operate to claw back the additional 25% concession for expenditure on a project of Australian owned R&D for companies that have received a government grant (other than a CRC program grant) for the same project. If you need to make any clawback calculations, you must make them in accordance with section 73C.

- You will need to determine whether the company (or any company required to be grouped with it) received, or was entitled to receive, a grant or recoupment in respect of any amounts claimed under the R&D tax concession.
- To find out how the clawback rules operate where a subsidiary leaves or joins a consolidated group, see section 73BAE of the ITAA 1936 and section 701-5 of the *Income Tax Assessment Act 1997* (ITAA 1997).
- If clawback applies, you may find it useful to read **Important notes on part A of the research and development tax concession schedule** on page 5 of these instructions and **Part C – Government grants and recoupments other than CRC program grants** on page 13.

Note that the receipt of a grant can also directly affect the calculations for the **Australian owned R&D – extra incremental 50% deduction** and the **foreign owned R&D – extra incremental 75% deduction**.

Prepayments

- Adjust the amount of expenditure incurred in accordance with the prepayment provisions in sections 82KZL to 82KZMF of the ITAA 1936 and subsection 73B(11) of the ITAA 1936.

Intra-group markup

- Determine any portion of the expenditure that represents an intra-group markup (subsections 73B(14AA) to (14AD) of the ITAA 1936) that is
 - ineligible for the additional 25% component in accordance with the intra-group markup provisions (relevant to expenditure on Australian owned R&D only), and
 - excluded from the definition of incremental expenditure for the purposes of Australian owned R&D and foreign owned R&D expenditure.

Overseas expenditure

- Companies wishing to claim a deduction for overseas R&D activities under section 73B, 73BA, 73BH or 73QA of the ITAA 1936 or a tax offset under section 73I of the ITAA 1936 must have an overseas provisional certificate from Innovation Australia before they can make a claim. Sections 39EC and 39ED of the *Industry Research and Development Act 1986* (IR&D Act) cover the application requirements and decisions on applications for overseas provisional certificates.

Depreciating assets and plant

- Determine amounts that are deductible in relation to depreciating assets or plant under sections 73BA and 73BH of the ITAA 1936, in relation to Australian owned R&D activities.



For more information, see *Guide to depreciating assets 2008* (NAT 1996).

Core technology

- Determine how much core technology expenditure is deductible in accordance with subsections 73B(12A) to 73B(12B) of the ITAA 1936 in respect of Australian owned R&D.

Extra incremental deductions – Australian owned and foreign owned R&D

- Determine whether the company is eligible for the extra 50% deduction for expenditure on Australian owned R&D activities or the extra 75% deduction for expenditure on foreign owned R&D activities by referring to subsections 73QA(1) and 73QB(1) of the ITAA 1936.

Grouping rules

- If you are claiming
 - the R&D tax offset
 - the extra deductions for Australian owned and/or foreign owned R&D

for expenditure paid to associates (intra-group markup), or an associate has received a grant in relation to R&D activities that you are claiming (clawback), you need to determine which entities are in the company group in accordance with sections 73L and 73R of the ITAA 1936.



! NOTE

A head company of a consolidated group will also need to consider these provisions (for example, where it is grouped with other entities with less than 100% control or ownership).

Expenditure that is not at risk

- Apply section 73CA of the ITAA 1936 to any expenditure for which the company was not at risk, or section 73CB of the ITAA 1936 to any expenditure incurred to a tax-exempt body that was not at risk (relevant to expenditure on Australian owned R&D only).

COMPLETING THE RESEARCH AND DEVELOPMENT TAX CONCESSION SCHEDULE

Rollover relief

- See sections 73E to 73G of the ITAA 1936 to determine expenditure that may qualify for rollover relief.

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 *Research and development tax concession schedule 2008*, go to page 34.

Complete all items on the *Research and development tax concession schedule 2008* that apply to your company, 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.

FILLING IN THE TOP OF PAGE 1

Original or amended claim

If the company has already lodged a research and development tax concession schedule for the 2007–08 year of income, print **X** in the box at the right of **Amended claim**. If it hasn't, print **X** in the box at the right of **Original**.

Company name

Print the name of the company. The name shown on the research and development tax concession schedule must be the same as that shown on the company's tax return.

Tax file number (TFN)

Write the TFN of the company.

AusIndustry – Innovation Australia number

Write the AusIndustry – Innovation Australia registration number issued to the company for this income year for registered activities.

If your company is the head company of a consolidated group and it is not registered with AusIndustry for the current year, write the registration number of any subsidiary member company in the consolidated group that has been registered.

Australian business number (ABN)

Write the company's ABN.

Signature as prescribed on tax return

The person who is required to sign and who signs the company tax return must also sign the research and development tax concession schedule.

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

At **D Preliminary calculation** write the add-back of R&D accounting expenditure for the amounts that you have written at the expenditure labels at item **6 Calculation of total profit or loss** on the *Company tax return 2008* which relate to amounts that are subject to the R&D tax concession (Australian owned or foreign owned R&D).

The amount written at **D** on the research and development tax concession schedule must be the same as the amount written at **D Accounting expenditure in item 6 subject to R&D tax concession** item **7** on the company tax return.

If you have not written expense amounts for R&D deductions at item **6 Calculation of total profit or loss** on the company tax return (if, for example, those amounts are capitalised) write **0** at **D Preliminary calculation** on the research and development tax concession schedule and **D Accounting expenditure in item 6 subject to R&D tax concession** item **7** on the company tax return.

PART A

Calculation of R&D deduction

IMPORTANT NOTES ON PART A OF THE RESEARCH AND DEVELOPMENT TAX CONCESSION SCHEDULE

! NOTE

The 'Claimable at 150%' column has been removed. The general concessional rate of deduction for expenditure on R&D was reduced from 150% to 125% in 1996. Since that time, only certain amounts that fall within the 1996 transitional rules may be deducted at the former rate. The 'Claimable at 150%' column therefore had a very limited application. If you believe you are entitled to deduct any amount of expenditure at the rate of 150%, please contact the Innovation Segment (InnovationTax@ato.gov.au).

For items **1** to **14** in part A, note the following.

Base amount column

The base amount for each item is the amount of the deduction available for the particular classification of expenditure **before** any additional concessional component is added. This column includes expenditures incurred on Australian owned R&D and foreign owned R&D.

! NOTE

Do not include the amount of the additional concession at any item in the 'Base amount' column.

Claimable at 100% column

The 'Claimable at 100%' column is for expenditure on Australian owned R&D that includes, but is not limited to, expenditure that:

- is subject to the application of clawback (section 73C of the ITAA 1936)
- represents an intra-group markup (subsections 73B(14AA) to (14AD) of the ITAA 1936)
- is subject to the operation of section 73CA of the ITAA 1936 (expenditure not at risk)
- is deductible only at the 100% rate.

Do not include expenditure on foreign owned R&D in this column. These amounts must be included in the 'Foreign owned R&D expenditure' column.

Claimable at 125% column

The 'Claimable at 125%' column is for expenditure on Australian owned R&D that is eligible for deduction at the rate of 125%. Where there is a shaded area instead of a box, the additional concession (that is, the extra 25%) does not apply to that item of expenditure.

! NOTE

Do not include the amount of the additional concession (that is, the extra 25%) at items **1** to **15** in part A. Do this at item **16**.

Foreign owned R&D expenditure column

Include in the 'Foreign owned R&D expenditure' column all expenditures incurred on foreign owned R&D activities that are eligible for a deduction under subsection 73B(14C) of the ITAA 1936. This expenditure is claimable at the rate of 100%. Where there is a shaded area instead of a box, no deduction is available under subsection 73B(14C) for that item of expenditure.

A deduction for expenditure on foreign owned R&D activities may only be claimed for amounts incurred on Australian-centred R&D activities carried out wholly or primarily on behalf of certain grouped foreign companies. The eligibility criteria for claiming this type of expenditure are set out in subsection 73B(14C). These criteria include the requirement for a written agreement between the company and the foreign company, the requirement that all eligible company group members be registered for the year in respect of their relevant Australian-centred R&D activities, and the requirement for a minimum expenditure of \$20,000 on foreign owned R&D in the year.

! NOTE

Threshold for expenditure on foreign owned R&D

Where you have incurred expenditure on foreign owned R&D that is less than or equal to \$20,000 in your tax accounting period, you may need to adjust this amount for the purposes of applying the threshold test in paragraph 73B(14C)(f) (that is, the expenditure on foreign owned R&D by the eligible company for the year of income is greater than \$20,000). The reasons for this might include:

- section 716-850 of the ITAA 1997 applies, because the company is a member of a consolidated group but has a non-membership period for the year of income, or
- the amounts reported in column 4 of part A are for a period greater or lesser than 12 months, as they relate to the company having a transitional substituted accounting period. The amount calculated in such a case, for the purposes of paragraph 73B(14C)(f), is for expenditure incurred on foreign owned R&D in the 12 months ending at the end of this transitional period.

In these circumstances, you will need to lodge your schedule and returns using the paper form available. Before doing this, you will need to email the Innovation Segment for additional instructions at InnovationTax@ato.gov.au

See *Guide to the R&D tax concession* for more information on eligibility for this type of deduction.

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 further information, see *Schedule 25A instructions 2008* (NAT 2639) and the taxation rulings referred to within that publication.

ITEM 1

Contracted expenditure – RRA

(relevant to Australian owned and foreign owned R&D)

Show at this item expenditure incurred by an eligible company to an RRA for the performance by the RRA of research and development activities on behalf of the company or wholly or primarily on behalf of a grouped foreign company. The

Definitions list on page 33 defines 'registered Australian research agency (RRA)'.

The RRA must not be an associate of the eligible company and must have been registered with Innovation Australia in respect of the class of activities on which the expenditure was incurred.

Expenditure incurred on Australian owned R&D cannot be 'contracted expenditure' unless, when the expenditure was incurred, the eligible company was capable of using, or had formulated a plan to use, any results of the R&D directly in connection with a business that the company carried on or proposed to carry on (subsection 73B(1B) of the ITAA 1936). This restriction does not apply to expenditure incurred on foreign owned R&D.

At item **1** show eligible expenditure on items included in paragraph (c) of the definition of 'contracted expenditure' under subsection 73B(1) of the ITAA 1936. These amounts should be adjusted as required under subsection 73B(11) of the ITAA 1936 for advance and accelerated expenditure.

At **A** show the total amount of eligible contracted expenditure (the base amount).

At **B** show any amount of contracted expenditure on Australian owned R&D claimable at 100%.

At **C** show any amount of contracted expenditure on Australian owned R&D claimable at 125%.

At **D** show any amount of contracted expenditure on foreign owned R&D.

The total of the amounts at **B**, **C** and **D** must equal the base amount at **A**.

For more information, see:

- subsections 73B(1) and 73B(1B) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 2

Salary expenditure

(relevant to Australian owned and foreign owned R&D)

At item **2** show the amount of eligible salary expenditure for employees who are actually carrying out an eligible R&D activity (as defined in subsection 73B(1) of the ITAA 1936), including:

- salaries, wages, allowances, bonuses, overtime payments, penalty rate payments, annual leave, sick leave and long service leave, and
- on-costs such as contributions to a superannuation fund, premiums for workers compensation insurance and payroll tax.

You may need to apportion the expenditure incurred between R&D and non-R&D activities.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

This item does not include:

- salary expenditure incurred in the construction of R&D plant, depreciating assets, structural improvements and buildings
- salary expenditure of R&D support staff not directly connected with the research activity – include those at item **3 Other R&D expenditure**
- salary expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- salary expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.

Adjust the amount of salary expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936).

At **E** show the total R&D salary expenditure incurred (the base amount).

At **F** show any amount of R&D salary expenditure on Australian owned R&D claimable at 100%.

At **G** show any amount of R&D salary expenditure on Australian owned R&D claimable at 125%.

At **A** show any amount of salary expenditure on foreign owned R&D.

The total of the amounts at **F**, **G** and **A** must equal the base amount at **E**.

For more information, see:

- subsection 73B(1) of the ITAA 1936
- *Taxation Ruling TR 2002/1 – Income tax: research and development: plant expenditure (pre 29 January 2001)*
- *Guide to the R&D tax concession*.

ITEM 3

Other R&D expenditure

(relevant to Australian owned and foreign owned R&D)

At item **3** show eligible other R&D expenditure incurred directly in respect of relevant R&D activities carried on, by or on behalf of the company, or wholly or primarily on behalf of a grouped foreign company. (See paragraph (c) of the definition of 'research and development expenditure', subsection 73B(1) of the ITAA 1936.)

Do **not** include amounts to be shown at item **4 Contract – other** or item **5 Plant leasing**.

Overhead and administrative expenditure is directly in respect of R&D where:

- the eligible R&D activities contributed to all or an identifiable part of the expenditure being incurred, or
- the conduct of eligible R&D activities by the company would be materially impaired if the expenditure was not incurred.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

Adjust the amount of other R&D expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936).

'Other R&D expenditure' does **not** include:

- core technology expenditure
- interest expenditure
- feedstock expenditure (show eligible feedstock expenditure and residual feedstock expenditure (Australian owned R&D only) at separate items)
- expenditure incurred acquiring or constructing tangible assets, plant, pilot plant (including certain prototypes) or a building, or extending, altering or making improvements to a building
- expenditure incurred acquiring or constructing a section 73BA depreciating asset
- other expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- other expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.

At **H** show the total amount of 'other R&D expenditure' incurred (the base amount), excluding any amounts to be shown at items **4** or **5**.

At **I** show any amount of other R&D expenditure on Australian owned R&D claimable at 100%.

At **J** show any amount of other R&D expenditure on Australian owned R&D claimable at 125%.

At **K** show any amount of other R&D expenditure on foreign owned R&D.

The total of the amounts at **I**, **J** and **K** must equal the base amount at **H**.

For more information, see:

- subsection 73B(1) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 4

Contract – other

(relevant to Australian owned and foreign owned R&D)

Item **4** is a component of paragraph (c) of the definition of R&D expenditure in subsection 73B(1) of the ITAA 1936 'Other R&D expenditure'. It covers any eligible expenditure incurred under a contract to another party (other than an RRA) that is directly in respect of relevant R&D activities carried on, by or on behalf of the company, or wholly or primarily on behalf of a grouped foreign company.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

This item excludes:

- contracted expenditure carried out by an RRA (show this at item **1**)
- expenditure under a contract that is, in substance, for the acquisition of plant and not for the receipt of services
- expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.

Adjust the amount of 'contract – other' expenditure you claim in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936). Subsection 73B(9) of the ITAA 1936 does not allow a deduction for expenditure incurred on R&D activities on behalf of any other person unless the expenditure is incurred wholly or primarily on behalf of a grouped foreign company.

At **N** show the total amount of contract – other expenditure incurred (the base amount).

At **O** show any amount of contract – other expenditure on Australian owned R&D claimable at 100%.

At **P** show any amount of contract – other expenditure on Australian owned R&D claimable at 125%.

At **Q** show any amount of contract – other expenditure on foreign owned R&D.

The total of the amounts at **O**, **P** and **Q** must equal the base amount at **N**.

For more information, see:

- subsection 73B(1) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 5

Plant leasing

(relevant to Australian owned R&D only)

Item **5** is a component of paragraph (c) of the definition of R&D expenditure in subsection 73B(1) of the ITAA 1936. You will need to show any eligible expenditure incurred in the hire or leasing of an item of plant that is directly in respect of Australian owned R&D activities.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

Adjust the amount of plant leasing expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936).

At **R** show the total amount of expenditure incurred on plant leasing for Australian owned R&D (the base amount). Only include plant leasing expenditure in respect of Australian owned R&D if your aggregate R&D amount is greater than \$20,000.

At **S** show any amount of the plant leasing expenditure on Australian owned R&D claimable at 100%.

At **T** show any amount of the plant leasing expenditure on Australian owned R&D claimable at 125%.

The total of the amounts at **S** and **T** must equal the base amount at **R**.

For more information, see:

- subsection 73B(1) of the ITAA 1936
- *Guide to the R&D tax concession*.

NOTES ON FEEDSTOCK EXPENDITURE FOR ITEMS 6 AND 14

Feedstock expenditure items

To find out how much to include at the feedstock expenditure items **6** and **14**, first determine the following amounts:

- **feedstock expenditure** – expenditure incurred in acquiring or producing materials or goods processed or transformed by the company in relevant R&D activities. It includes expenditure on energy directly input into processing or transforming these materials or goods
- **feedstock input** – feedstock expenditure for materials or goods that were processed or transformed in R&D activities during the year of income
- **feedstock output** – the sales proceeds or value of any products obtained during the year of income from processing or transforming the materials or goods that were feedstock expenditure. It is either the amount received or receivable for the products sold in arm's length transactions or, if sold in a non-arm's length transaction or not sold, the amount that would have been received if they had been sold in an arm's length transaction.

ITEM 6

Eligible feedstock expenditure

(relevant to Australian owned and foreign owned R&D)

Include at item **6** the amount of eligible feedstock expenditure as defined in subsections 73B(1) and 73B(1A) of the ITAA 1936 for related Australian owned or foreign owned R&D. It is the excess of the feedstock input over the feedstock output for the related activities, in the year of income. The eligible feedstock expenditure for Australian owned R&D can attract the additional 25% concession component.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

For Australian owned R&D only, show the remainder of feedstock input at item **14** as residual feedstock expenditure. For more information, see page 12.

Adjust the amount of eligible feedstock expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936).

This item excludes:

- eligible feedstock expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- eligible feedstock expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.

At **V** show the total amount of eligible feedstock expenditure (the base amount).

At **W** show any amount of eligible feedstock expenditure on Australian owned R&D claimable at 100%.

At **X** show any amount of eligible feedstock expenditure on Australian owned R&D claimable at 125%.

At **Z** show any amount of eligible feedstock expenditure on foreign owned R&D.

The total of the amounts at **W**, **X** and **Z** must equal the base amount at **V**.

For more information, see:

- subsections 73B(1) and 73B(1A) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 7

Plant and pilot plant deductions – pre 29 Jan. 2001 (including disposal losses)

(relevant to Australian owned R&D only)

Item **7** includes plant and pilot plant deductions and balancing loss adjustments for a unit of plant that was acquired under a contract entered into, or that commenced construction, before midday Australian Eastern Standard Time on 29 January 2001. Add the relevant amounts together, as explained below, and write them at the appropriate labels. If the company has a balancing profit under paragraph 73B(23)(f), 73B(24)(g) or 73B(24B)(f) of the ITAA 1936, include this profit amount at item **8**. Each of the types of deduction under this heading is considered separately in the following paragraphs.

If your aggregate R&D amount is less than or equal to \$20,000, you cannot claim the additional 25% deduction for this expenditure.

Deductions for plant expenditure

Include at item **7** one-third of the amount of 'qualifying plant expenditure' for the year of income (subsections 73B(4) and 73B(5) of the ITAA 1936). To have an amount of qualifying plant expenditure, the company must, at the time it incurred the expenditure on the unit of plant, have intended to use the unit of plant exclusively for R&D activities, for at least an initial period. (Plant expenditure is defined in subsections 73B(1) and 73B(1C) of the ITAA 1936.) The company must also have satisfied the actual exclusive-use tests contained in subsections 73B(4) and 73B(5) of the ITAA 1936. The company cannot claim an amount as qualifying plant expenditure if R&D activities ceased during the year of income (subsection 73B(5) of the ITAA 1936).

If these conditions are satisfied, one-third of the amount of qualifying plant expenditure forms the basis of the deduction allowable (subsection 73B(15) of the ITAA 1936).

NOTE

If another person uses the unit of plant exclusively for R&D activities, and that person has paid or must pay a consideration to the owner of the unit of plant, reduce the qualifying plant expenditure deduction by one-half of the consideration received (subsection 73B(15A) of the ITAA 1936).

If the company can claim plant expenditure under subsection 73B(15) of the ITAA 1936, and the tax cost is 'set' for that plant asset because the company joins a consolidated group (see sections 701-10 and 701-55 of the ITAA 1997), you may need to make an adjustment to any deduction allowable for the decline in value of that asset. (See section 73BAF of the ITAA 1936.)

At **A** include one-third of qualifying plant expenditure on Australian owned R&D, if a deduction for that expenditure is allowable under subsection 73B(15) of the ITAA 1936.

At **B** include that part of the amount at **A** claimable at 100%.

At **C** include that part of the amount at **A** claimable at 125%.

The total of the amounts at **B** and **C** must equal the base amount at **A**.

Deductions for pilot plant expenditure

Post 23 July 1996 pilot plant is:

- an experimental model of other plant for use in R&D activities or for use in commercial production, being one that is not for use in commercial production but that has all of the intended characteristics of the other plant it is modelled on
- plant acquired after 23 July 1996 and before 29 January 2001, and
- plant acquired or constructed for use by the company exclusively for the purpose of carrying on R&D activities (subsections 73B(1) and 73B(4C) of the ITAA 1936).

You can claim a deduction for expenditure in acquiring or constructing such an item of pilot plant only if the unit of pilot plant is used exclusively for carrying on R&D activities during the year of income.

The base amount at this item is the annual deduction percentage of the qualifying pilot plant expenditure for such items, as calculated under subsection 73B(4D) or 73B(4E) of the ITAA 1936.

The annual deduction percentage is 100% (as per subsection 73B(4G) of the ITAA 1936) if:

- the qualifying pilot plant expenditure is \$300 or less, or
- the useful life of the qualifying pilot plant is less than three years.

Otherwise, determine the annual deduction percentage to be used in calculating the amount eligible for deduction as two-thirds of the percentage shown in the table in subsection 73B(4H) of the ITAA 1936.

! NOTE

To determine 'useful life' for the purposes of applying this table, Subdivision 40-B of the ITAA 1997 applies (see subsection 73B(4J) of the ITAA 1936).

For pilot plant acquired or constructed after 29 January 2001, see item **9**.

At **A** include the qualifying annual deduction percentage of pilot plant expenditure on Australian owned R&D.

At **B** include the annual deduction percentage of pilot plant expenditure claimable at 100%.

At **C** include the annual deduction percentage of pilot plant expenditure claimable at 125%.

The total of the amounts at **B** and **C** must equal the base amount at **A**.

! NOTE

The sum of all post 23 July 1996 pilot plant deductions allowable to a company for such pilot plant (for all years) must not exceed the qualifying pilot plant expenditure multiplied by 1.25 (subsection 73B(15AB) of the ITAA 1936).

Balancing adjustments (loss) on the disposal of plant and pilot plant

Balancing adjustments may be needed if items of plant and pilot plant for which expenditure has been deducted under subsections 73B(15) and 73B(15AA) of the ITAA 1936 are disposed of, lost or destroyed after being used exclusively for carrying on R&D activities, provided no deduction is allowable to the company for depreciation under the former Division 42 of the ITAA 1997. Such balancing adjustments are covered under subsections 73B(23), 73B(24) and 73B(24B) of the ITAA 1936. The consideration received for the plant at the time of disposal may vary from the written-down value (the original cost of the item less deductions for qualifying plant expenditure as calculated in accordance with subsections 73B(4A) and 73B(4B) of the ITAA 1936). If this balancing adjustment is a loss, record it at this item.

If the consideration receivable for the disposal, loss or destruction of the unit of R&D plant, or unit of post 23 July 1996 pilot plant is less than the written-down value, you can claim the amount of this difference (paragraphs 73B(23)(e) and 73B(24B)(e) of the ITAA 1936). If the pilot plant was acquired before 23 July 1996, refer to subsection 73B(24) of the ITAA 1936 to calculate the amount that can be deducted as a balancing adjustment loss (if applicable).

At **A** include the amount of any eligible balancing adjustment loss.

At **B** include the amount of any balancing adjustment (deduction) claimable at 100%.

At **C** include the amount of any balancing adjustment (deduction) claimable at 125%.

The total of the amounts at **B** and **C** must equal the base amount at **A**.

For more information, see:

- subsections 73B(1), 73B(1C), 73B(4), 73B(4A), 73B(4B) to 73B(4J), 73B(5), 73B(5AA), 73B(5AB), 73B(15), 73B(15A), 73B(15AA), 73B(15AB), 73B(18), 73B(20), 73B(21A), 73B(23), 73B(24), 73B(24A), 73B(24B) and section 73BAF of the ITAA 1936
- Subdivision 42-C and section 42-18 of the ITAA 1997
- Taxation Ruling TR 2002/1
- *Guide to the R&D tax concession*.

ITEM 8

Pre 29 Jan. 2001 disposal profits

(relevant to Australian owned R&D only)

Plant balancing adjustments (profits)

If the consideration receivable is greater than the written-down value of the unit of plant (paragraph 73B(23)(f) of the ITAA 1936), include at item **8** the amount by which the consideration exceeds the written-down value, up to the limit of the difference between the cost of the plant and its written-down value.

At **E** and **F** include the amount of any assessable balancing adjustment (assessable income).

The amount at **E** must equal the amount at **F**.

Balancing adjustments sale of pilot plant (profits)

If the consideration receivable is greater than the written-down value of the unit of post 23 July 1996 pilot plant (paragraph 73B(24B)(f) of the ITAA 1936), include the amount by which the consideration exceeds the written-down value, up to a limit of the difference between the cost of the plant and its written-down value. Include this amount in the calculation of the net base amount at item **8**.

At **E** and **F**, include the amount of any assessable balancing adjustment (assessable income).

The amount at **E** must equal the amount at **F**.

For more information, see:

- subsections 73B(1), 73B(4B), 73B(15AA), 73B(23) and 73B(24B) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 9

Plant and depreciating assets – post 29 Jan. 2001 (decline in value)

(relevant to Australian owned R&D only)

Include at item **9** deductions for depreciating assets (section 73BB of the ITAA 1936), including certain capital works, used in carrying on Australian owned R&D activities. They must have begun to be constructed, or have been acquired under contracts entered into, after midday Australian Eastern Standard Time on 29 January 2001.

The amount allowable is determined through a notional application of the provisions of Division 40 of the ITAA 1997, subject to certain assumptions. These are set out in section 73BC of the ITAA 1936.

For an asset used for non-R&D purposes as well as for R&D purposes in a year, you can claim the R&D portion of the decline in value under section 73BA of the ITAA 1936. The remainder of the deduction is determined under Division 40 of the ITAA 1997.

If a taxpayer under the former simplified tax system (STS), or a taxpayer who could otherwise allocate an asset to a Division 40 low-value pool, uses that asset for R&D activities as its first use, the taxpayer must claim deductions for it under section 73BA of the ITAA 1936, **not** the STS (Subdivision 328-D of the ITAA 1997) or low-value pool provisions (Subdivision 40-E of the ITAA 1997). If the asset is used for non-R&D purposes for part of the year or in a subsequent year, deductions for that part of the year or the subsequent year will be considered under Division 40 of the ITAA 1997.

If an asset was not used for R&D in an earlier income year and the company was entitled to a deduction for the asset under a Division 40 low-value pool or an STS pool in that year, you should continue to calculate deductions under the relevant pooling provisions, even if the asset is subsequently used for R&D.

If your aggregate R&D amount is less than or equal to \$20,000, you cannot claim the additional 25% deduction for this expenditure.

You may need to complete the *Capital allowances schedule 2008*. For more information, see *Guide to depreciating assets 2008*.

NOTE

You cannot claim a deduction under section 73BA of the ITAA 1936 for any period if, for any earlier period, the company was entitled to a deduction for the asset under the former STS provisions (Subdivision 328-D of the ITAA 1997) or a Division 40 low-value pool (section 40-440 of the ITAA 1997).

At **H** write the eligible notional Division 40 amount as determined under sections 73BA to 73BC of the ITAA 1936.

At **I** write the notional Division 40 amount as determined under sections 73BA to 73BC of the ITAA 1936 claimable at 100%, including where the aggregate R&D amount is less than \$20,000.

At **J** write the notional Division 40 amount as determined under sections 73BA to 73BC of the ITAA 1936, claimable at 125%.

The total of the amounts at **I** and **J** must equal the base amount at **H**.

For more information, see:

- sections 73BA, 73BB and 73BC of the ITAA 1936
- Divisions 40 and 43 of the ITAA 1997
- *Guide to the R&D tax concession*.

NOTES ON BALANCING ADJUSTMENTS MADE IN ITEMS 10 AND 11

If a balancing adjustment event (within the meaning of section 40-295 of the ITAA 1997) occurs in relation to a 73BA depreciating asset, you may be entitled to a deduction under section 73BF of the ITAA 1936 (for a balancing loss) or required under that section to include an amount in your assessable income (a balancing profit). Generally, where an asset's termination value (worked out under section 40-300 of the ITAA 1997) is more than its adjustable value (worked out under section 40-85 of the ITAA 1997) just before a balancing adjustment event, an amount is included in your assessable income (balancing profit) under section 40-292 of the ITAA 1997. Where an asset's termination value is less than its adjustable value immediately before a balancing adjustment event, you can deduct an amount for the income year in accordance with that section (balancing loss).

If the section 73BA depreciating asset has never attracted deductions under Divisions 42 or 40 of the ITAA 1997, calculate the balancing adjustment under section 73BF. For section 73BA depreciating assets that have attracted such deductions, calculate the balancing adjustment under section 40-292 of the ITAA 1997.

Write the amount of this balancing adjustment at item **10** for a loss or at item **11** for a profit (negative).

Before starting items **10** and **11**, see *Guide to depreciating assets 2008* and *Guide to the R&D tax concession*.

ITEM 10

Post 29 Jan. 2001 balancing losses

(relevant to Australian owned R&D only)

If the company is entitled to deduct an amount under section 40-292 of the ITAA 1997 following a balancing adjustment event (such as disposal), include at item **10** the part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D. The part of the balancing adjustment amount claimable at 125% is worked out using the formula in subsection 40-292(4) of the ITAA 1997. The remaining part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D is claimable at 100%. Any amount relating to the use of the asset for another taxable purpose is not shown on the research and development tax concession schedule.

If the company is entitled to deduct an amount under section 73BF of the ITAA 1936 following a balancing adjustment event, include the amount of the balancing adjustment at item **10**. The part of the balancing adjustment that the company is entitled to claim at 125% is worked out using the formula in subsection 73BF(3) of the ITAA 1936. The remaining part is claimable at 100%.

At **K** write the amount of any balancing adjustment (deduction).

At **N** write any balancing adjustment (deduction) claimable at 100%.

At **O** write any balancing adjustment (deduction) claimable at 125%.

The total of the amounts at **N** and **O** must equal the base amount at **K**.

For more information, see:

- section 40-292 of the ITAA 1997
- section 73BF of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 11

Post 29 Jan. 2001 balancing profits

(relevant to Australian owned R&D only)

If the company is required by section 40-292 of the ITAA 1997 to include an amount in its assessable income following a balancing adjustment event (such as disposal), include at item **11** the part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D. The part of the balancing adjustment amount assessable at the rate of 125% is worked out using the formula in subsection 40-292(4) of the ITAA 1997. The remaining part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D is assessable at the rate of 100%. Any assessable amount relating to the use of the asset for another taxable purpose is not shown on the research and development tax concession schedule.

If the company is required by section 73BF of the ITAA 1936 to include an amount in its assessable income following a balancing adjustment event, include at item **11** the amount of the balancing adjustment. The part of the balancing adjustment amount assessable at the rate of 125% is worked out using the formula in subsection 73BF(3) of the ITAA 1936. The remaining part is assessable at the rate of 100%.

At **P** write the amount of any balancing adjustment (assessable amount).

At **Q** write any balancing adjustment (assessable amount) assessable at 100%.

At **R** write any balancing adjustment (assessable income) amounts assessable at 125%.

The total of the amounts at **Q** and **R** must equal the base amount at **P**.

For more information, see:

- section 40-292 of the ITAA 1997
- section 73BF of the ITAA 1936
- *Guide to the R&D tax concession*
- *Guide to depreciating assets*.

ITEM 12

Core technology – deductible amount

(relevant to Australian owned R&D only)

At item **12** include deductions for core technology expenditure as defined in subsections 73B(1) and 73B(1AB) of the ITAA 1936. Core technology expenditure includes expenditure incurred in acquiring, or in acquiring the right to use, core technology for Australian owned R&D activities that are carried on by the company or on its behalf.

Subsection 73B(12A) of the ITAA 1936 limits how much core technology expenditure incurred in a year of income can be deducted. A maximum of one-third of expenditure on R&D incurred during the year on R&D activities related to the core technology can be deducted.

Under subsections 73B(12A) and 73B(12B) of the ITAA 1936, any undeducted core technology expenditure amounts can be carried forward to future years when the company undertakes R&D activities related to the core technology.

! NOTE

- You may need to make an adjustment if core technology is disposed of (subsections 73B(12A) and 73B(12B) of the ITAA 1936).
- If core technology expenditure is deductible under subsection 73B(12A) and, as a result of the company joining a consolidated group, the tax cost of the core technology asset is 'set' (see sections 701-10 and 701-55 of the ITAA 1997), you may need to make an adjustment to any deductions allowable for the decline in value of that asset under Division 40 (ITAA 1997). (See section 73BAF of the ITAA 1936.)

At **S** and **T** write the total amount of deductible core technology expenditure for the year (after the operation of subsection 73B(12A) of the ITAA 1936).

The amount at **S** must equal the amount at **T**.

For more information, see:

- subsections 73B(1), 73B(1AB), 73B(12), 73B(12A), 73B(12B), 73B(27A), 73B(27B) and 73B(27C) of the ITAA 1936
- *Taxation Determination TD 98/1 – Income tax: does 'expenditure on research and development activities' in subsection 73B(27A) and sections 73C and 73D of the Income Tax Assessment Act 1936, include 'core technology expenditure'?*
- *Guide to the R&D tax concession*.

ITEM 13

Interest or amounts in the nature of interest (relevant to Australian owned R&D only)

At item **13** write interest expenditure as defined in subsection 73B(1) of the ITAA 1936 and allowable as a deduction under subsection 73B(14A) of the ITAA 1936. This item includes interest, or an amount in the nature of interest, incurred during the year of income in the financing of Australian owned R&D activities.

You may need to adjust the amount of interest expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the ITAA 1936) or the debt and equity rules (section 26-26 of the ITAA 1997).

At **U** and **V** write the amount of eligible interest expenditure as defined in subsection 73B(1) of the ITAA 1936.

The amount at **U** must equal the amount at **V**.

For more information, see:

- subsections 73B(1) and 73B(14A) of the ITAA 1936
- *Guide to the R&D tax concession*.

ITEM 14

Residual feedstock expenditure (relevant to Australian owned R&D only)

Residual feedstock expenditure is the lesser amount of the company's feedstock input and feedstock output for Australian owned R&D activities in the year of income.

If feedstock inputs are:

- greater than feedstock outputs, write the outputs amount at **W Residual feedstock expenditure**
- less than feedstock outputs, write the inputs amount at **W Residual feedstock expenditure**.

This is the residual feedstock expenditure, as defined in subsection 73B(1) of the ITAA 1936.

NOTE

The residual feedstock expenditure will not be deductible at the concessional rate. It is claimable at 100%. Subsection 73B(14B) of the ITAA 1936 allows a deduction for residual feedstock expenditure.

At **W** and **X** write the amount of residual feedstock expenditure.

The amount at **W** must equal the amount at **X**.

ITEM 15

Total of allocated base amounts

(relevant to Australian owned and foreign owned R&D)

Calculate **A**, **B**, **C** and **D** at item **15** by adding each column. The amount at:

- **A** is the total of base amounts for items **1** to **14**, treating any amounts in items **8** and **11** as negative numbers
- **B** is the total of the 'claimable at 100%' amounts for items **1** to **14**, treating any amounts in items **8** and **11** as negative numbers
- **C** is the total of the 'claimable at 125%' amounts for items **1** to **14**, treating any amount in item **11** as a negative number
- **D** is the total of the amounts of foreign owned R&D expenditure in items **1**, **2**, **3**, **4** and **6**.

As with the base amounts, the amount at **A** must equal the total of the amounts at **B**, **C** and **D**. If the amounts at **A**, **B** or **C** are negative, print code **L** in the relevant adjacent box.

ITEM 16

Claims including concession (base amount multiplied by 100% or 125%)

(relevant to Australian owned and foreign owned R&D)

Calculate **E**, **F** and **G** at item **16** by multiplying the amounts at **B**, **C** and **D** at item **15** immediately above by the appropriate column percentage.

At **E** write the amount at **B** item **15** multiplied by 100%.

At **F** write the amount at **C** item **15** multiplied by 125%.

At **G** write the amount at **D** item **15** multiplied by 100%.

If the amount at **E** or **F** is negative, print code **L** in the relevant adjacent box.

ITEM 17

Total claim (including concession)

Australian owned R&D

The amount at **L** item **17** is the sum of the amounts at **E** and **F** item **16**.

If this amount is negative, print code **L** in the box to the right of **L**.

Transfer this amount, and code **L** where applicable, to **L Australian owned R&D tax concession – not including label M** at item **7 Reconciliation to taxable income or loss** on page 3 of the *Company tax return 2008*.

See the instructions for **L R&D tax concession – not including label M** in the *Company tax return instructions 2008* (NAT 0669).

Foreign owned R&D

The amount at **J** item **17** is the amount at **G** item **16**.

Transfer this amount to **J Foreign owned R&D tax concession – not including label K** at item **7 Reconciliation to taxable income or loss** on page 3 of the *Company tax return 2008*.

See the instructions for **J Foreign owned R&D tax concession – not including label K** in the *Company tax return instructions 2008*.

PART B

Adjustments to aggregate R&D amount of company

ITEM 1

Adjustments required to the company's aggregate R&D amount, for example, building expenditure, consolidated group adjustments, expenditure on foreign owned R&D

! NOTE

Only complete this item if the company has incurred expenditure on Australian owned R&D.

Include at **X** item **1** other amounts that are not included in the second and third columns in part A relating to Australian owned R&D that are needed to calculate the company's aggregate R&D amount. These amounts form part of the aggregate R&D amount even though they may not be deductible under section 73B of the ITAA 1936 or may not be related to Australian owned R&D. These include:

- the total amount of any capital expenditure on buildings used for the purpose of carrying on R&D activities, deductible under Division 43 of the ITAA 1997
- for companies that are lodging a return regarding income and deductions for a period before or after they joined a consolidated group, the additional aggregate research and development amount calculated in accordance with section 716-850 of the ITAA 1997

and may also include some expenditures on foreign owned R&D.

Include also at **X** item **1** any positive or negative adjustments that may need to be made to the aggregate R&D amount where a company has a transitional substituted accounting period in the year of income, and where the amounts reported in columns 2 and 3 of part A relate to a period that is less or more than 12 months. The aggregate R&D amount is calculated by reference to the 12-month period that is the tax offset year or year of income.

PART C

Government grants and recoupments other than CRC program grants

(relevant to Australian owned and foreign owned R&D)

ITEM 1

Entitlement to government grants and recoupments for the financial year that relate to activities and projects claimed above

At **P** item **1** write the total amount of relevant Australian government recoupments of, or grants received in respect of, expenditure on R&D for which the company is claiming the R&D tax concession (for Australian owned or foreign owned R&D) in the 2008 year of income. Exclude amounts received under CRC programs.

! NOTE

The clawback provisions (section 73C of the ITAA 1936) may operate on these amounts to reduce your entitlement to the additional 25% concession for relevant expenditure on Australian owned R&D. For instructions on the application of the clawback provisions, see *Guide to the R&D tax concession*.

Expenditure to which clawback applies should be shown in the 'Claimable at 100%' column in part A of the research and development tax concession schedule for Australian owned R&D activities (column 2). Include any income from grants in the *Company tax return 2008* at **Income, Q Assessable government industry payments** item **6 Calculation of total profit or loss**.

ITEM 2

Grants and recoupments attributable to incremental expenditure on Australian owned R&D

At **A** item **2** show the total amounts of government grants and recoupments attributable to incremental expenditure on Australian owned R&D.

ITEM 3

Grants and recoupments attributable to expenditure on foreign owned R&D

At **F** item **3** show the total amounts of government grants and recoupments attributable to expenditure on foreign owned R&D.

! NOTE

The amounts included at **A** item **2** and **F** item **3** are used to calculate the relevant expenditure to be used in determining entitlement to the **Australian owned R&D – extra incremental 50% deduction** and the **Foreign owned R&D – extra incremental 75% deduction** on the *Company tax return 2008*. If you are not claiming any of these deductions, you do not need to complete **A** item **2** or **F** item **3**. For more information about the effect of grants on the calculation of your entitlement to either of these deductions, see *Guide to the R&D tax concession*.

PARTS D & E

Australian owned & foreign owned R&D incremental tax concession

CALCULATION INSTRUCTIONS

Round all calculations to the nearest whole dollar.

The tables referred to in the steps below begin on page 22 of these instructions.

! NOTE

Before starting this section, determine whether the company is eligible under subsection 73QA(1) of the ITAA 1936 to claim the Australian owned incremental tax concession and/or under 73QB(1) of the ITAA 1936 to claim the foreign owned incremental tax concession, as relevant.

You may use parts D & E of these instructions to help you in determining your eligibility. If so, it may be easier to defer answering the relevant eligibility questions until after the rest of part D and/or part E, as the case may be, has or have been completed.

The steps below show how to calculate the amount of the extra deductions (extra 50% deduction on Australian owned R&D activities and/or extra 75% deduction on foreign owned R&D activities) that a company may be eligible to claim. Definitions for the terms used in these instructions are on pages 32–3. If you do not wish to claim either of these deductions, do not complete these steps and go to **Part F – R&D tax offset (eligible Australian owned expenditure only)** beginning on page 30 of these instructions.

Year abbreviations	
Y₀	the current year of income for which the company tax return is being completed – for most companies the current year is 2007–08
Y₋₁	the 2006–07 year of income (if 2007–08 is the current year of income)
Y₋₂	the 2005–06 year of income (if 2007–08 is the current year of income)
Y₋₃	the 2004–05 year of income (if 2007–08 is the current year of income)

! NOTE FOR EARLY BALANCERS

Parts D & E of these instructions apply only to assessments for years of income beginning after 30 June 2007. For years of income beginning before this date, you need to calculate any additional deduction that you are entitled to under section 73Y of the ITAA 1936 by referring to part D of the *Research and development tax concession schedule instructions 2007*. Write the amount calculated at **D** in **table 14** (page 18) of those instructions at **M** item **3** at part D of the *Research and development tax concession schedule 2008*. You must lodge your schedule and return using the paper forms available. Electronic lodgment cannot be used.

Step 1

Is the company a member of a group for the purposes of the R&D tax concession?

Test whether the company has any group relationships and determine any relevant group membership periods by using the grouping rules in sections 73L and 73R of the ITAA 1936 for the current year of income and the previous three years of income ('the four years'). The head company of a consolidated group will also need to consider the R&D grouping provisions (for example, if it is grouped with other entities with less than 100% control or ownership).

Step 1.1

If you incurred incremental expenditure, as defined in subsection 73P(2) of the ITAA 1936, on Australian owned R&D activities and are eligible for and wish to claim the Australian owned R&D incremental tax concession, you will need to complete part D of the *Research and development tax concession schedule 2008*.

Enter the name and TFN of the company (at **a** item **1**) and all group members that have incurred incremental expenditure on Australian owned R&D activities in a group membership period in any of the four years at item **1** in part D of the *Research and development tax concession schedule 2008*. Also print the names of each of these companies in the first column of **table 1** on page 22 of these instructions.

In addition, enter the name and TFN of the company and all group members that have incurred expenditure on foreign owned R&D, as defined in subsection 73B(14C) of the ITAA 1936, in a group membership period in any of the four years at item **1** in part E of the *Research and development tax concession schedule 2008*.

Step 1.2

If you incurred expenditure on foreign owned R&D and are eligible for and wish to claim the foreign owned R&D incremental tax concession, complete part E of the *Research and development tax concession schedule 2008*.

Enter the name and TFN of the company (at **a** item **1**) and all group members that have incurred expenditure on foreign owned R&D, as defined in subsection 73B(14C) of the ITAA 1936, in the group membership period in the **Y₀** year of income at item **1** in part E of the *Research and development tax concession schedule 2008*, if not already completed. Also print the names of each of these companies in the first column of **table 4** on page 25 of these instructions.

In addition, enter the name and TFN of the company and all group members that have incurred incremental expenditure on Australian owned R&D in a group membership period in any of the four years at item **1** in part D of the *Research and development tax concession schedule 2008*, if not already completed.

! NOTE

Ensure that you insert only the name of the head company (and not the subsidiary companies) for a consolidated group.

Attach additional tables if there are not enough rows for all group members in parts D and E of the *Research and development tax concession schedule 2008*.

Step 2

To determine the company's entitlement to the Australian owned R&D incremental tax concession (section 73QA of the ITAA 1936) and/or for input into the calculation of the company's entitlement to the foreign owned R&D incremental tax concession, complete table 1 following the steps below.

Table 1 allows you to calculate the company's increase in expenditure on Australian owned R&D and the total increase in expenditure on Australian owned R&D by the eligible companies in the group. **Table 1** follows the method statement set out in section 73RA of the ITAA 1936.

! NOTE

If your company is ineligible for the Australian owned R&D incremental tax concession but eligible for the foreign owned R&D incremental tax concession, you must still complete steps 2, 3, 4 and 6 in order to calculate the company's entitlement to the foreign owned R&D incremental tax concession. You do not need to complete step 5.

Step 2.1

Reduced expenditure on Australian owned R&D is the incremental expenditure for the company incurred in its group membership period, adjusted to take into account any grants or recoupment attributable to that incremental expenditure.

Calculate the reduced expenditure on Australian owned R&D for the company in its group membership period for the current year of income (**Y₀**) and the three immediately prior years of income (**Y₋₁**, **Y₋₂** and **Y₋₃**), using **tables 2.1 to 2.4** and steps 2.1 to 2.2 for each of these years.

Step 2.1.1

(**A** in **tables 2.1 to 2.4**)

Work out the company's incremental expenditure incurred in its group membership period for each relevant year (Y₀, Y₋₁, Y₋₂ and Y₋₃).

Incremental expenditure is a subset of R&D expenditure as defined in subsection 73B(1) of the ITAA 1936, and includes contracted expenditure, salary expenditure and other expenditure incurred directly in respect of R&D activities. For these purposes, incremental expenditure only includes amounts of expenditure deductible under subsections 73B(13) and 73B(14) of the ITAA 1936 (or would be so deductible ignoring the operation of the \$20,000 limit in paragraph 73B(14)(b)), in respect of registered, Australian owned R&D activities.

It excludes the following:

- expenditure to lease or hire plant
- any expenditure included above under a contract that is, in substance, for the acquisition of plant and not for the receipt of services, and
- intra-group markups.

The following labels in part A of the *Research and development tax concession schedule 2008* relate to the expenditure items that may form part of incremental expenditure in the **Y₀** year of income:

- **B** and **C** in item 1
- **F** and **G** in item 2
- **I** and **J** in item 3
- **O** and **P** in item 4
- **W** and **X** in item 6.

Write the total of the amounts shown at the labels listed above for the relevant year of income at:

- **A** in **table 2.1** for the **Y₀** year of income
- **A** in **table 2.2** for the **Y₋₁** year of income
- **A** in **table 2.3** for the **Y₋₂** year of income
- **A** in **table 2.4** for the **Y₋₃** year of income.

To calculate this amount for the **Y₋₁**, **Y₋₂** and **Y₋₃** years of income, refer to your research and development tax concession schedules for those years.

Step 2.1.2

(**B** in **tables 2.1 to 2.4**)

When using figures from part A of the *Research and development tax concession schedule 2008*, you may need to make adjustments if any of the circumstances listed below apply to the company. The cumulative totals of these adjustments are to be written both at **B** in **tables 2.1 to 2.4** and in rows **f** and **g** item 1 in part D of the *Research and development tax concession schedule 2008*, as directed below:

- An intra-group markup is included in part A. This amount would be included as a negative in row **f** item 1 in part D (subsections 73B(14AC) and 73P(5) of the ITAA 1936) and at **B** in **tables 2.1 to 2.4** as directed below.
- Where the company has a transitional substituted accounting period in the claim year, make adjustments (positive or negative) in rows **f** and **g** to reflect the incremental expenditure incurred in the 12-month period, and at **B** in **tables 2.1 to 2.4** as directed below.
- If section 73BAC or 73BAD of the ITAA 1936 applies to the company (a company has left or joined a consolidated group) you may need to make an adjustment (positive or negative) in rows **f** and **g** and at **B** in **tables 2.1 to 2.4** as directed below. See sections 73BAC and 73BAD of the ITAA 1936, and *Guide to the R&D tax concession*.
- If expenditure under a contract is both for the acquisition of plant and for the provision of services, you must apportion the expenditure on a reasonable basis between them, as per subsection 73P(3) of the ITAA 1936. If none of the expenditure is apportionable, do not include the expenditure as incremental expenditure (subsection 73P(4) of the ITAA 1936). Include any adjustments to give effect to this in rows **f** and **g** and at **B** in **tables 2.1 to 2.4** as directed below.
- If you are claiming the foreign owned R&D incremental tax concession (and not the Australian owned R&D incremental tax concession) but you have also incurred expenditure on Australian owned R&D and your aggregate R&D amount is

\$20,000 or less, you will need to include the amount of any salary expenditure, other R&D expenditure, contract – other expenditure and eligible feedstock expenditure that you have incurred in relation to Australian owned R&D in row **f** and at **B** in **tables 2.1 to 2.4** as directed below.

Row **f** is used to show the net effect of these adjustments to incremental expenditure claimable at 100%. Row **g** is used to show the net effect of these adjustments to incremental expenditure claimable at 125%. A negative value may be written in these rows if necessary.

Write the sum of these adjustments (rows **f** and **g**) in rows **f** and **g** item **1** in part D of the *Research and development tax concession schedule 2008* and at:

- **B** in **table 2.1** for the **Y₀** year of income
- **B** in **table 2.2** for the **Y₋₁** year of income
- **B** in **table 2.3** for the **Y₋₂** year of income
- **B** in **table 2.4** for the **Y₋₃** year of income.

Step 2.1.3

(**C** in **tables 2.1 to 2.4**)

Work out how much (if any) of the initial clawback amount is attributable to incremental expenditure incurred in the eligible company's group membership period for each relevant year (Y₀, Y₋₁, Y₋₂ and Y₋₃). This will be twice the amount included at A item 2 in part C of the Research and development tax concession schedule 2008.

The initial clawback amount in relation to the relevant expenditure is an amount equal to twice the amount, or twice the total of the amounts, as the case may be, that the company or the group member has received, or became entitled to receive, as a recoupment of, or as a grant in respect of, any of the relevant expenditure. For further information on the clawback provision in section 73C of the ITAA 1936, see *Guide to the R&D tax concession*.

Write the initial clawback amount attributable to incremental expenditure at:

- **C** in **table 2.1** for the **Y₀** year of income
- **C** in **table 2.2** for the **Y₋₁** year of income
- **C** in **table 2.3** for the **Y₋₂** year of income
- **C** in **table 2.4** for the **Y₋₃** year of income.

Step 2.1.4

(**D** in **tables 2.1 to 2.4**)

Add the amount at **A** in **table 2.1** to the amount at **B** in **table 2.1**. Subtract the amount at **C** in **table 2.1** from the sum of **A** and **B**. If the result is negative, treat the result as zero. Write the result in **D** in **table 2.1**.

Transfer the amounts as directed at the end of **table 2.1**.

Repeat for each year, substituting **table 2.1** for **tables 2.2, 2.3** and **2.4** respectively.

Step 2.2

Repeat step 2.1 for each group member listed in **table 1**.

Step 2.3

You have now worked out the reduced expenditure on Australian owned R&D for the company and each other eligible company group member, if any.

Add up the expenditures in each column of the additional tables to **table 1** (if used) and write these in row **e** item **1** in part D of the *Research and development tax concession*

schedule 2008, and row **e** in **table 1** on page 22 (the respective totals of each column in each of these should be the same).

Total each of the columns **A, B, C** and **D** for the **Y₀, Y₋₁, Y₋₂** and **Y₋₃** years of income in **table 1** and write the results in row **f** in **table 1**.

Also include these totals at **Q, R, S** and **T, GROUP TOTALS** item **1** in part D of the *Research and development tax concession schedule 2008*.

Further:

- Write the group **Y₋₁** amount at **A** in **table 9.1**.
- Write the group **Y₋₂** amount at **A** in **table 9.2**.
- Write the group **Y₋₃** amount at **A** in **table 9.3**.

NOTE

If the results for your company and each eligible group member with which you are grouped are zero at labels **A, B, C** and **D** in **tables 2.1, 2.2, 2.3** and **2.4**, you do not need to finish step 2 of these instructions.

Write **0** at:

- **A** in **table 9.1**
- **A** in **table 9.2**
- **A** in **table 9.3**
- **A** in **table 15**
- **D** in **table 18**.

Further, leave **M** item **3** in part D of the *Research and development tax concession schedule 2008* blank (you are ineligible for the Australian owned R&D incremental tax concession), and print **X** in the **No** box at the top of part D of the *Research and development tax concession schedule 2008*.

Go to step 3. You do not need to complete step 5.

Step 2.4

(**D** in **table 3**)

For the company listed in **table 1**, use **table 3** and the instructions below to add up:

- a** the reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the **Y₋₁** year of income (calculated at **D** in **table 2.2**)
- b** the reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the **Y₋₂** year of income (calculated at **D** in **table 2.3**), and
- c** the reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the **Y₋₃** year of income (calculated at **D** in **table 2.4**).

Write this result at **D** in **table 3**, and transfer the result as directed at the end in **table 3**.

Step 2.4.1

Repeat step 2.4 for each year for each group member that is listed in **table 1**.

Step 2.5

(**E** in **table 3**)

For the company, divide your result from step 2.4 (**D** in **table 3**) by 3. Write the result at **E** in **table 3** and transfer the result as directed at the end of that table.

Step 2.5.1

Repeat step 2.5 for each group member that is listed in **table 1**.

Step 2.6

(G in table 3)

For the company, subtract the result of step 2.5 (E in table 3) from the result of D in table 2.1 for the Y₀ year of income, using table 3. Write the result in G in table 3. Transfer the result as directed at the end of table 3. The result is the 'change in expenditure on Australian owned R&D' by the eligible company.

Step 2.6.1

Repeat step 2.6 for each group member that is listed in table 1.

Step 2.7

(H in table 3)

The 'increase in expenditure on Australian owned R&D by the eligible company' is:

- a the change in expenditure on Australian owned R&D by the eligible company, or
- b zero, if the change in expenditure on Australian owned R&D by the eligible company is a negative number.

If the result from G in table 3 is a negative number for the company, write 0 at H in table 3. If the result from G in table 3 is a positive number for the company, write that number at H in table 3. Transfer the result as directed at the end of table 3.

Step 2.7.1

Repeat step 2.7 for each group member that is listed in table 1.

Step 2.8

Add up each of columns E, F, G and H of the additional tables to table 1 (if used) and write these in row e in table 1.

Add up each of columns E, F, G and H in table 1 above. Write the results in row f in table 1 for each column.

Further:

- Write the result for row f of column G in table 1 at A in table 15.
- Write the result for row f of column G in table 1 at C in table 16.
- Write the result for row f of column H in table 1 at B in table 16.
- Write the result for row f of column G in table 1 at D in table 18.

You have now worked out the total increase in expenditure on Australian owned R&D by the eligible companies in the group and the net increase in Australian owned R&D by the group.

If the result in either row f of column G or row f of column H in table 1 is zero, leave M item 3 in part D of the *Research and development tax concession schedule 2008* blank (you are ineligible for the Australian owned R&D incremental tax concession), and print X in the No box at the top of part D of the *Research and development tax concession schedule 2008*.

Go to step 3.

Step 3

For the purposes of determining the company's entitlement to the foreign owned R&D incremental tax concession (section 73QB of the ITAA 1936), and/or for input into the calculation of the

company's entitlement to the Australian owned R&D incremental tax concession, complete table 4 using the following instructions.

Table 4 will calculate the company's 'increase in expenditure on foreign owned R&D' and the total increase in expenditure on foreign owned R&D by the eligible companies in the group. Table 4 follows the method statements set out in section 73RB of the ITAA 1936.

NOTE

If you have determined that your company is ineligible for the foreign owned R&D incremental tax concession but is eligible for the Australian owned R&D incremental tax concession, you must still complete steps 3, 4 and 5 in order to calculate the company's entitlement to the Australian owned R&D incremental tax concession. You do not need to complete step 6.

Step 3.1

Calculate the reduced expenditure on foreign owned R&D for the company for its group membership period in the current year of income (Y₀) using table 5 and steps 3.1 to 3.2 below.

Step 3.1.1

(A in table 5)

Work out the amount of the expenditure on foreign owned R&D (see subsections 73B(14C) and 73B(14D) of the ITAA 1936) incurred by the company in its group membership period for the Y₀ year of income.

Write the amount from J item 17 in part A of the *Research and development tax concession schedule 2008* at A in table 5 of these instructions.

Step 3.1.2

(B in table 5)

When using figures from part A of the *Research and development tax concession schedule 2008*, you may need to make adjustments if any of the following circumstances apply to the company (row f referred to below is in item 1 in part E of the *Research and development tax concession schedule 2008*). The cumulative totals of these adjustments are to be written in B in table 5, as well as in row f item 1 in part E of the *Research and development tax concession schedule 2008*, as directed below.

- Where deduction amounts reported in part A of the *Research and development tax concession schedule 2008* relate to a period that is greater or less than 12 months, you must make adjustments (positive or negative) in row f to reflect the expenditure on foreign owned R&D incurred in the 12-month period, and to B in table 5.
- If section 73BAC or 73BAD of the ITAA 1936 applies to the company (a company has left or joined a consolidated group) you may need to make an adjustment (positive or negative) in row f, and at B in table 5. See sections 73BAC and 73BAD of the ITAA 1936, and *Guide to the R&D tax concession*.
- If you are claiming the Australian owned R&D incremental tax concession (and not the foreign owned incremental tax concession), but you have also incurred expenditure on foreign owned R&D of \$20,000 or less, you will need to include the amount of this expenditure in row f, and at B in table 5.

Row **f** is used to show the net effect of these adjustments to expenditure on foreign owned R&D.

Show the sum of the net effect of these adjustments at **B** in **table 5** and in row **f** item **1** in part E of the *Research and development tax concession schedule 2008*.

Step 3.1.3 (D in **table 5**)

Work out how much (if any) of the initial clawback is attributable to expenditure on foreign owned R&D by the eligible company in the eligible company's group membership period for the Y_0 year of income. This will be twice the amount included at F in part C of the Research and development tax concession schedule 2008.

The initial clawback amount in relation to the relevant expenditure is an amount equal to twice the amount, or twice the total of the amounts, as the case may be, that the company or the grouped person has received, or become entitled to receive, as a recoupment of, or as a grant in respect of, any of the relevant expenditure. For further information on the clawback provision in section 73C of the ITAA 1936, see *Guide to the R&D tax concession*.

Write the initial clawback amount attributable to foreign owned R&D at **D** in **table 5**.

Step 3.1.4 (C and E in **table 5**)

Add the amount at **A** in **table 5** to the amount at **B** in **table 5**. Write the result at **C** in **table 5**. Subtract the amount at **D** in **table 5** from **C** in **table 5**. If the result is negative, treat the result as zero. Write the result at **E** in **table 5** and follow the transfer instructions at the end of the table.

Step 3.2

Repeat step 3.1 for each group member that is listed in **table 4**.

You have now worked out the reduced expenditure on foreign owned R&D for the company and each other eligible company group member, if any.

NOTE

If your results at **A**, **B**, **C**, **D** and **E** in **table 5** are zero for your company and each company with which you are grouped, you do not need to finish step 3 of these instructions.

Write **0** at:

- **B** in **table 9.1**
- **B** in **table 9.2**
- **B** in **table 9.3**
- **B** in **table 15**
- **D** in **table 16**.

Further, leave **K** item **2** in part E of the *Research and development tax concession schedule 2008* blank (you are ineligible for the foreign owned R&D incremental tax concession), and print **X** in the **No** box at the top of part E of the *Research and development tax concession schedule 2008*.

Go to step 4. You do not need to complete step 6.

Step 3.3

Work out, for each of the Y_{-1} , Y_{-2} and Y_{-3} years of income, the reduced notional expenditure on foreign owned R&D by the company in its group membership period for the year of income, using either step 3.3.1 or step 3.3.2 below for each of these years.

Step 3.3 is the transitional method for calculating the notional expenditure on foreign owned R&D and only applies to the 2008 year of income. For instructions on how to calculate the notional expenditure on foreign owned R&D for future income years, see the specific instructions for those years.

If the company has incurred an amount of expenditure on foreign owned R&D in its group membership period for the Y_0 year (worked out at step 3.1.1) and each of the Y_{-1} , Y_{-2} and Y_{-3} years of income is a nil expenditure year (concerning the establishment of a new presence in Australia – see subsection 73QB(2) of the ITAA 1936), use step 3.3.1 to calculate the notional expenditure on foreign owned R&D and do not complete step 3.3.2.

If the company has incurred an amount of expenditure on foreign owned R&D in its group membership period for the Y_0 year including all or part of the year of income starting after 30 June 2007 and before 1 July 2008 (worked out at step 4.1.1) and any of the Y_{-1} , Y_{-2} and Y_{-3} years of income is **not** a nil expenditure year (concerning the establishment of a new presence in Australia – see subsection 73QB(2) of the ITAA 1936), use step 3.3.2 to calculate the notional expenditure on foreign owned R&D and do not complete step 3.3.1.

The **Definitions** list on page 32 defines 'nil expenditure year'.

Step 3.3.1 (A, B and C in **table 6**)

(companies with a nil expenditure year for the Y_{-1} , Y_{-2} and Y_{-3} years)

If your company and all of its group members have established a new presence in Australia, write **0** at columns **B**, **C** and **D** in **table 4** (for each line for which you have printed a company name) and at each line of item **1** in part E of the *Research and development tax concession schedule 2008* (for which you have printed a company name) for the Y_{-1} , Y_{-2} and Y_{-3} years of income.

Also write **0** at **B**, **C** and **D** in **table 6** and at **A**, **B** and **C** in **table 7**. Go to step 3.4.

Step 3.3.2 (A, B and C in **table 6**)

(companies under the transitional rules)

Companies that do not have a nil expenditure year will be deemed (under the transitional rules) to have deducted an amount in the three years prior to the Y_0 year of income.

This deemed expenditure history is worked out by reference to an eligible company's expenditure on foreign owned R&D in the Y_0 year of income (**C** in **table 5**).

NOTE

The deemed expenditure history is not based on the company's reduced expenditure on foreign owned R&D.

For the company and each other eligible group member, calculate the notional expenditure on foreign owned R&D as follows:

Y₋₁ year of income:

Multiply your **expenditure on foreign owned R&D** for the **Y₀** year of income (**C** in **table 5**) by 90%. Write this result at **B** in **table 6**.

Y₋₂ year of income:

Multiply your **expenditure on foreign owned R&D** for the **Y₀** year of income (**C** in **table 5**) by 80%. Write this result in **C** in **table 6**.

Y₋₃ year of income:

Multiply your **expenditure on foreign owned R&D** for the **Y₀** year of income (**C** in **table 5**) by 70%. Write this result at **D** in **table 6**.

Transfer the results as directed at the bottom of **table 6**.

Step 3.4

Repeat step 3.3 for each group member that is listed in **table 4**.

Step 3.5

You have now worked out the notional expenditure on foreign owned R&D for the company and each other eligible company group member, if any, for the **Y₋₁**, **Y₋₂** and **Y₋₃** years.

Add up the expenditures in each column of the additional tables to **table 4** (if used) and write these in row **e** item **1** in part E of the *Research and development tax concession schedule 2008*, and row **e** in **table 4** (the respective totals of each column in each of these should be the same).

Total each of the columns **A**, **B**, **C** and **D** for the **Y₀**, **Y₋₁**, **Y₋₂** and **Y₋₃** years of income in **table 4** and write the results in row **f** of that **table**. Also include these totals at **U**, **V**, **W** and **X**, **GROUP TOTALS** item **1** in part E of the *Research and development tax concession schedule 2008*.

Further:

- Write the group **Y₋₁** amount at **B** in **table 9.1**.
- Write the group **Y₋₂** amount at **B** in **table 9.2**.
- Write the group **Y₋₃** amount at **B** in **table 9.3**.

Step 3.6

(**D** in **table 7**)

For each company listed in **table 4**, use **table 7** and the instructions below to add up:

- the reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the **Y₋₁** year of income (**B** in **table 4** if step 3.2.1 applied or **B** in **table 6** if step 3.2.2 applied)
- the reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the **Y₋₂** year of income (**C** in **table 4** if step 3.2.1 applied or **C** in **table 6** if step 3.2.2 applied), and
- the reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the **Y₋₃** year of income (**D** in **table 4** if step 3.2.1 applied or **D** in **table 6** if step 3.2.2 applied).

Write this result in **D** in **table 7** and follow the transfer instructions at the bottom of that table.

Step 3.6.1

Repeat step 3.6 for each group member that is listed in **table 4**.

Step 3.7

(**E** in **table 7**)

For the company, divide the result at **D** in **table 7** (step 3.6) by 3. Write the result at **E** of that table and follow the transfer instructions at the bottom of that table.

Step 3.7.1

Repeat step 3.7 for each group member that is listed in **table 4**.

Step 3.8

(**G** in **table 7**)

For the company, subtract the result of **E** in **table 7** from the result of **E** in **table 5** for the **Y₀** year of income using **table 7**. Write the result at **G** in **table 7**. The result is the 'change in expenditure on foreign owned R&D' by the eligible company. Transfer the result as directed at the bottom of **table 7**.

Step 3.8.1

Repeat step 3.8 for each group member that is listed in **table 4**.

Step 3.9

(**H** in **table 7**)

The 'increase in expenditure on foreign owned R&D by the eligible company' is:

- a** the change in expenditure on foreign owned R&D by the eligible company, or
- b** zero, if the change in expenditure on foreign owned R&D by the eligible company is a negative number.

If the result from **G** in **table 7** is a negative number, write **0** at **H** in **table 7**. If your result from **G** in **table 7** is a positive number, write that number at **G** in **table 7**. Transfer the result as directed at the end of that table.

Step 3.9.1

Repeat step 3.9 for each group member that is listed in **table 4**.

Step 3.10

Add up each of columns **E**, **F**, **G** and **H** of the additional tables to **table 4** (if used) and write these in row **e** in **table 4**.

Add up each of columns **E**, **F**, **G** and **H** in **table 4** above. Write the results in row **f** in **table 4**, for each column.

Further:

- Write the result for row **f** of column **G** at **B** in **table 15**.
- Write the result for row **f** of column **G** at **D** in **table 16**.
- Write the result for row **f** of column **G** at **C** in **table 18**.
- Write the result for row **f** of column **H** at **B** in **table 18**.

You have now worked out the total increase in expenditure on foreign owned R&D by the eligible companies in the group and the net increase in expenditure on foreign owned R&D by the group.

If the result in either row **f** of column **G** or row **f** of column **H** in **table 4** is zero, leave **K** item **2** in part E of the *Research and development tax concession schedule 2008* blank (you are ineligible for the foreign owned R&D incremental tax concession), and print **X** in the **No** box at the top of part E of the *Research and development tax concession schedule 2008*.

Go to step 4.

Step 4

For the purposes of determining your company's entitlement to the Australian owned R&D incremental tax concession and/or the foreign owned R&D incremental tax concession (sections 73QA and 73QB of the ITAA 1936), please complete table 8. Table 8 will calculate the 'adjusted increase in expenditure on R&D by the group' and follows the method statement set out in section 73RE of the ITAA 1936. Note that this calculation is based upon the relevant amounts for the group, in relation to expenditure on both Australian owned R&D and foreign owned R&D.

Step 4.1

(columns A, B and C in table 8)

Calculate the R&D spend of the group for each of the Y_0 , Y_{-1} , Y_{-2} and Y_{-3} years of income using tables 9.1 to 9.3, and write the results into C of each of those tables. Transfer the results as directed at the end of each table.

Step 4.2

(D in table 10 and D in table 11)

If your expenditure has increased from the Y_{-3} year to the Y_{-2} year and from the Y_{-2} year to the Y_{-1} year there is no need to complete this step, as you will have no adjustment amounts. Go to step 4.4 and also write 0 at D in table 15.

If your expenditure has decreased in any of these years, complete this step to calculate the adjustment amounts for the Y_0 year (AA_0) and Y_{-1} year (AA_{-1}) (section 73T of the ITAA 1936) using the instructions below. Transfer the results as directed at the end of each table.

Adjustment amount for Y_0 (AA_0)

You may need to make an adjustment if a company's R&D spend decreases in Y_{-1} to an amount that is less than 80% of that in the immediate prior year (Y_{-2}).

If this has occurred, AA_0 for an eligible company and its group members for Y_0 is:

$$80\% \text{ of R\&D spend for } Y_{-2} - \text{R\&D spend for } Y_{-1}$$

Use table 10 to calculate your AA_0 amount (if any).

Exception: If the requirements of subsection 73T(3) of the ITAA 1936 are met, AA_0 will be zero. If this is the case, write 0 at D in table 10 and column D in table 8 and follow the transfer instructions at the bottom of table 10.

Adjustment amount for Y_{-1} (AA_{-1})

Similarly, you may need to make an adjustment if a company's R&D spend decreases in Y_{-2} to an amount that is less than 80% of that in the immediate prior year (Y_{-3}).

If this has occurred, AA_{-1} for an eligible company and its group members for Y_{-1} is:

$$80\% \text{ of R\&D spend for } Y_{-3} - \text{R\&D spend for } Y_{-2}$$

Use table 11 to calculate your AA_{-1} amount (if any).

Exception: If the requirements of subsection 73T(4) of the ITAA 1936 are met, AA_{-1} will be zero. In this case write 0 at D in table 11 and column E in table 8 and follow the transfer instructions at the bottom of table 11.

Step 4.3

(D in table 12 and either C in table 13 or F in table 14)

Calculate the adjustment balance (section 73V of the ITAA 1936).

If the company has no amounts, or zeros, at both column E and column F in table 8, go to step 4.4.

Otherwise, calculate the running average for Y_{-1} (RA_{-1}) using table 12 below, and transfer the result as directed.

Is the R&D spend for the Y_{-1} (column A in table 8) less than or equal to RA_{-1} (column F in table 8)?

If **yes**, complete table 13, transfer the result as directed and go to step 4.4.

Exception: If subsection 73V(3) of the ITAA 1936 is met, the adjustment balance will be zero. In this case write 0 in column G in table 8 and at C in table 13, and transfer the result as directed at the end of table 13.

If **no**, transfer RA_{-1} to A in table 14 and complete that table to calculate the adjustment balance. Follow the instructions at the end of that table and go to step 4.4.

Exception: If subsection 73V(3) of the ITAA 1936 is met, the adjustment balance will be zero. In this case write 0 in column G in table 8 and at F in table 14, and transfer the result as directed at the end of table 14.

NOTE

Do not complete both table 13 and table 14. Use the instructions in step 4.3 above to determine which table is relevant to your company's circumstances.

Step 4.4

Is the company and its group members' Y_0 adjustment amount (AA_0) and adjustment balance zero because the company or any of its group members was eligible to claim the increment in 2007 and subsections 73T(3) and 73V(3) of the ITAA 1936 apply?

If **yes**, print X in the **2007: Yes** box at item 2 in part D of the *Research and development tax concession schedule 2008*.

If **no**, print X in the **2007: No** box.

Is the company and its group members' Y_{-1} adjustment amount (AA_{-1}) zero because the company or any of its group members was eligible to claim the increment in 2006 and subsection 73T(4) of the ITAA 1936 applies?

If **yes**, print X in the **2006: Yes** box at item 2 in part D of the *Research and development tax concession schedule 2008*.

If **no**, print X in the **2006: No** box.

Step 4.5

Calculate your adjusted increase in expenditure on R&D by the group using table 15 and the instructions in steps 4.5.1 to 4.5.2 below. Transfer the result as directed at the bottom of table 15.

Step 4.5.1
(C in table 15)

Add together the following amounts:

- a** the change in expenditure on Australian owned R&D by each eligible company in the group (A in table 15), and
- b** the change in expenditure on foreign owned R&D by each eligible company in the group (B in table 15).

Write the result at C in table 15.

Note: If the result from step 4.5.1 is a negative number, the adjusted increase in expenditure on R&D by the group will be zero.

Step 4.5.2
(E in table 15)

Subtract your adjustment balance (D in table 15) from C in table 15. This result is your adjusted increase in expenditure on R&D by the group. Write this result at E in table 15.

If the result from step 4.5.2 is a negative number, the adjusted increase in expenditure on R&D by the group will be zero. In this case write 0 at E in table 15.

Transfer the result as directed at the end of table 15.

If the result at E in table 15 is zero, leave both M item 3 in part D and K item 2 in part E of the *Research and development tax concession schedule 2008* blank (you are ineligible for both the Australian owned and foreign owned R&D incremental tax concessions), and ensure that you print X in the No box at the top of part D and in the No box at the top of part E of the *Research and development tax concession schedule 2008*.

Go to step 5.

! NOTE

If the result at E in table 15 is zero, you do not need to complete steps 5 and 6 of these instructions. Please turn to **Part F – R&D tax offset (eligible Australian owned expenditure only)** beginning on page 30 of these instructions.

Step 5
Calculate your extra deduction for increase in expenditure on Australian owned R&D (section 73QA of the ITAA 1936).

! NOTE

Do not complete step 5 if you have determined that your company is ineligible for the Australian owned R&D tax concession. Go to step 6.

Step 5.1
(I in table 16)

Calculate your company's share of the Australian owned part of the adjusted increase in expenditure on R&D by the group.

The formula for calculating the company's share of the Australian owned part of the adjusted increase in expenditure on R&D by the group is as follows:

Increase in expenditure on Australian owned R&D by the eligible company A	Net increase in expenditure on Australian owned R&D by the group C		Adjusted increase in expenditure on R&D by the group E
Total increase in expenditure on Australian owned R&D by the eligible companies in the group B	×	Net increase in expenditure on Australian owned R&D by the group C + Net increase in expenditure on foreign owned R&D by the group D	×

Use table 16 to calculate this amount, and transfer the result as directed at the end of that table.

Step 5.2
(B in table 17)

Calculate your company's extra deduction for increase in expenditure on Australian owned R&D for the Y₀ year of income using the instructions in table 17. Transfer this amount as directed at the end of this table.

The result of this calculation is your company's extra deduction for increase in expenditure on Australian owned R&D for the Y₀ year of income.

Go to step 6.

Step 6
Calculate your extra deduction for increase in expenditure on foreign owned R&D (section 73QB of the ITAA 1936).

! NOTE

Do not complete step 6 if you have determined that your company is ineligible for the foreign owned R&D tax concession. Go to **Part F – R&D tax offset (eligible Australian owned expenditure only)**.

Step 6.1
(I in table 18)

Calculate your company's share of the foreign owned part of the adjusted increase in expenditure on R&D by the group.

The formula for calculating the company's share of the foreign owned part of the adjusted increase in expenditure on R&D by the group is as follows:

Increase in expenditure on foreign owned R&D by the eligible company A	Net increase in expenditure on foreign owned R&D by the group C		Adjusted increase in expenditure on R&D by the group E
Total increase in expenditure on foreign owned R&D by the eligible companies in the group B	×	Net increase in expenditure on Australian owned R&D by the group C + Net increase in expenditure on foreign owned R&D by the group D	×

Use table 18 to calculate this amount, and transfer the result as directed at the end of that table.

Step 6.2
(B in table 19)

Calculate your company's extra deduction for increase in expenditure on foreign owned R&D for the Y₀ year of income using the instructions in table 19. Transfer this amount as directed at the end of this table.

The result of this calculation is your company's extra deduction for increase in expenditure on foreign owned R&D for the Y₀ year of income.

Go to **Part F – R&D tax offset (eligible Australian owned expenditure only)**.

TABLE 1: Australian owned R&D incremental tax concession calculation – s73RA and 73RC steps

		A	B	C	D	E	F	G	H
	Company	Y ₀	Y ₋₁	Y ₋₂	Y ₋₃	Total of columns B, C and D	Column E divided by 3	Column A minus column F	Zero if column G is negative
		Reduced expenditure on Australian owned R&D				D, table 3	E, table 3	G, table 3	H, table 3
		D, table 2.1	D, table 2.2	D, table 2.3	D, table 2.4				
a									
b									
c									
d									
e	Group members – totals from additional table								
f	Total of eligible company and group								

TABLE 2.1: Calculation of the reduced expenditure on Australian owned R&D for the Y₀ year of income

		Company 1	Company 2	Company 3
Incremental expenditure (step 2.1.1)	A	\$	\$	\$
Adjustments to incremental expenditure (step 2.1.2)	B	\$	\$	\$
Receipt of grants – initial clawback amount attributable to incremental expenditure (step 2.1.3)	C	\$	\$	\$
Reduced expenditure on Australian owned R&D (step 2.1.4)				
(A + B – C) (Write 0 if negative.)	D	\$	\$	\$
Transfer the amount at D for each company to:				
<ul style="list-style-type: none"> ■ table 1 or additional table (if used) of these instructions, for each relevant company for the year of income ■ item 1 in part D of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the company, for the year of income, and ■ F in table 3 of these instructions. 				

Note: If you are grouped with more than three companies, you will need to complete additional copies of **tables 2.1** to **2.4**.

TABLE 2.2: Calculation of the reduced expenditure on Australian owned R&D for the Y₋₁ year of income

		Company 1	Company 2	Company 3
Incremental expenditure (step 2.1.1)	A	\$	\$	\$
Adjustments to incremental expenditure (step 2.1.2)	B	\$	\$	\$
Receipt of grants – initial clawback amount attributable to incremental expenditure (step 2.1.3)	C	\$	\$	\$
Reduced expenditure on Australian owned R&D (step 2.1.4)				
(A + B – C) (Write 0 if negative.)	D	\$	\$	\$
Transfer the amount at D for each company to: <ul style="list-style-type: none"> ■ table 1 or additional table (if used) of these instructions, for each relevant company for the year of income ■ item 1 in part D of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the company, for the year of income, and ■ A in table 3 of these instructions. 				

TABLE 2.3: Calculation of the reduced expenditure on Australian owned R&D for the Y₋₂ year of income

		Company 1	Company 2	Company 3
Incremental expenditure (step 2.1.1)	A	\$	\$	\$
Adjustments to incremental expenditure (step 2.1.2)	B	\$	\$	\$
Receipt of grants – initial clawback amount attributable to incremental expenditure (step 2.1.3)	C	\$	\$	\$
Reduced expenditure on Australian owned R&D (step 2.1.4)				
(A + B – C) (Write 0 if negative.)	D	\$	\$	\$
Transfer the amount at D for each company to: <ul style="list-style-type: none"> ■ table 1 or additional table (if used) of these instructions, for each relevant company for the year of income ■ item 1 in part D of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the company, for the year of income, and ■ B in table 3 of these instructions. 				

TABLE 2.4: Calculation of the reduced expenditure on Australian owned R&D for the Y₋₃ year of income

		Company 1	Company 2	Company 3
Incremental expenditure (step 2.1.1)	A	\$	\$	\$
Adjustments to incremental expenditure (step 2.1.2)	B	\$	\$	\$
Receipt of grants – initial clawback amount attributable to incremental expenditure (step 2.1.3)	C	\$	\$	\$
Reduced expenditure on Australian owned R&D (step 2.1.4)				
(A + B – C) (Write 0 if negative.)	D	\$	\$	\$
Transfer the amount at D for each company to: <ul style="list-style-type: none"> ■ table 1 or additional table (if used) of these instructions, for each relevant company for the year of income ■ item 1 in part D of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the company, for the year of income, and ■ C in table 3 of these instructions. 				

TABLE 3: Calculation of increase in expenditure on Australian owned R&D

		Company 1	Company 2	Company 3
Reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the Y-1 year of income (from D in table 2.2)	A	\$	\$	\$
Reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the Y-2 year of income (from D in table 2.3)	B	\$	\$	\$
Reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the Y-3 year of income (from D in table 2.4)	C	\$	\$	\$
Total (A + B + C)	D	\$	\$	\$
Average reduced incremental expenditure on Australian owned R&D for the Y-1, Y-2 and Y-3 years (D ÷ 3)	E	\$	\$	\$
Reduced expenditure on Australian owned R&D by the eligible company in its group membership period for the Y-0 year of income (from D in table 2.1)	F	\$	\$	\$
Change in expenditure on Australian owned R&D (F – E)	G	\$	\$	\$
If G above is a negative number, write 0 at H . Otherwise, this is equal to the amount shown at G . This is the increase in expenditure on Australian owned R&D.	H	\$	\$	\$
<p>Transfer the amount at D for each company to: ■ column E in table 1 for each company.</p> <p>Transfer the amount at E for each company to: ■ column F in table 1 for each company.</p> <p>Transfer the amount at G for each company to: ■ column G in table 1 for each company.</p> <p>Transfer the amount at H for each company to: ■ column H in table 1 for each company, and ■ A of table 16 for the claimant company only.</p> <p>If the result at H is zero, leave M item 3 in part D of the <i>Research and development tax concession schedule 2008</i> blank (you are ineligible for the Australian owned R&D incremental tax concession), and print X in the No box at the top of part D of the <i>Research and development tax concession schedule 2008</i>.</p>				

Note: If you are grouped with more than three companies, you will need to complete additional copies of **table 3**.

TABLE 4: Foreign owned R&D incremental tax concession calculation – s73RB and 73RD steps

		A	B	C	D	E	F	G	H
	Company	Y ₀	Y ₋₁	Y ₋₂	Y ₋₃	Total of columns B, C and D	Column E divided by 3	Column A minus column F	Zero if column G is negative
		E, table 5	B, table 6	C, table 6	D, table 6	D, table 7	E, table 7	G, table 7	H, table 7
a									
b									
c									
d									
e	Group members – totals from additional table								
f	Total of eligible company and group								

TABLE 5: Calculation of the reduced expenditure on foreign owned R&D for Y₀ year of income

		Company 1	Company 2	Company 3
Foreign owned R&D expenditure from part A of the <i>Research and development tax concession schedule 2008</i> (step 3.1.1)	A	\$	\$	\$
Adjustments to foreign owned R&D expenditure (step 3.1.2)	B	\$	\$	\$
Expenditure on foreign owned R&D (A + B)	C	\$	\$	\$
Receipt of grants – initial clawback amount attributable to incremental expenditure (step 3.1.3)	D	\$	\$	\$
Reduced expenditure on foreign owned R&D (step 3.1.4)				
(C – D) (Write 0 if negative.)	E	\$	\$	\$
Transfer the amount at E for each company to: <ul style="list-style-type: none"> ■ column A, for each company, in table 4 above ■ item 1 in part E of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the Y₀ year of income, and ■ F in table 7 of these instructions (for the Y₀ year). Transfer the amount at C for each company to: <ul style="list-style-type: none"> ■ A in table 6 of these instructions. 				

Note: If you are grouped with more than three companies, you will need to complete additional copies of **table 5**.

TABLE 6: Reduced notional expenditure on foreign owned R&D for the Y₋₁, Y₋₂ and Y₋₃ years of income

		Company 1	Company 2	Company 3
Expenditure on foreign owned R&D (C in table 5)	A	\$	\$	\$
Reduced notional expenditure on foreign owned R&D (Y ₋₁ year of income) (A × 0.9)	B	\$	\$	\$
Reduced notional expenditure on foreign owned R&D (Y ₋₂ year of income) (A × 0.8)	C	\$	\$	\$
Reduced notional expenditure on foreign owned R&D (Y ₋₃ year of income) (A × 0.7)	D	\$	\$	\$
<p>Transfer the amount at B for each company to:</p> <ul style="list-style-type: none"> ■ column B, for the company, in table 4 ■ item 1 in part E of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the Y₋₁ year of income, and ■ A in table 7 of these instructions. <p>Transfer the amount at C for each company to:</p> <ul style="list-style-type: none"> ■ column C, for the company, in table 4 ■ item 1 in part E of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the Y₋₂ year of income, and ■ B in table 7 of these instructions. <p>Transfer the amount at D for each company to:</p> <ul style="list-style-type: none"> ■ column D, for the company, in table 4 ■ item 1 in part E of the <i>Research and development tax concession schedule 2008</i> or additional table (if used) for the Y₋₃ year of income, and ■ C in table 7 of these instructions. 				

Note: If you are grouped with more than three companies, you will need to complete additional copies of **table 6**.

TABLE 7: Total reduced notional expenditure on foreign owned R&D

		Company 1	Company 2	Company 3
Reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the Y ₋₁ year of income	A	\$	\$	\$
Reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the Y ₋₂ year of income	B	\$	\$	\$
Reduced notional expenditure on foreign owned R&D by the eligible company in its group membership period for the Y ₋₃ year of income	C	\$	\$	\$
Total reduced notional expenditure on foreign owned R&D (A + B + C)	D	\$	\$	\$
Average reduced notional expenditure on foreign owned R&D for the Y ₋₁ , Y ₋₂ and Y ₋₃ years (D ÷ 3)	E	\$	\$	\$
Reduced expenditure on foreign owned R&D by the eligible company in its group membership period for the Y ₋₁ year of income (E in table 5)	F	\$	\$	\$
Change in expenditure on foreign owned R&D (F – E)	G	\$	\$	\$
If G above is a negative number, write 0 at H . Otherwise, H is equal to the amount shown at G . This is the increase in expenditure on foreign owned R&D.	H	\$	\$	\$

TABLE 7: Total reduced notional expenditure on foreign owned R&D (continued)

Transfer the amount at **D** for each company to:

- column **E** in **table 4** for the relevant company.

Transfer the amount at **E** for each company to:

- column **F** in **table 4** for the relevant company.

Transfer the amount at **G** for each company to:

- column **G** in **table 4** for the relevant company.

Transfer the amount at **H** for each company to:

- column **H** in **table 4** for the relevant company, and
- **A** in **table 18** for the claimant company only.

If the result at **H** is zero, leave **K** item **2** in part E of the *Research and development tax concession schedule 2008* blank (you are ineligible for the foreign owned R&D incremental tax concession), and print **X** in the **No** box at the top of part E of the *Research and development tax concession schedule 2008*.

Note: If you are grouped with more than three companies, you will need to complete additional copies of **table 7**.

TABLE 8: Calculation of adjusted increase in expenditure on R&D by the group [s73RE]

Adjustment balance calculation [s73V]								s73RE calculation
	A	B	C	D	E	F	G	H
Adjustment balance inputs	Group R&D spend Y ₋₁	Group R&D spend Y ₋₂	Group R&D spend Y ₋₃	AA ₀	AA ₋₁	RA ₋₁	Adjustment balance	Adjusted increase in expenditure by the group
	C, table 9.1	C, table 9.2	C, table 9.3	D, table 10	D, table 11	D, table 12	C, table 13 or F, table 14	E, table 15

TABLE 9.1

R&D spend Y ₋₁		
Group Y ₋₁ from table 1 (row f of column B)	A	\$
Group Y ₋₁ from table 4 (row f of column B)	B	\$
R&D spend Y₋₁ (A + B)	C	\$
Transfer the result at C to:		
■ column A in table 8 above		
■ C in table 10 below, and		
■ E in table 14 below.		

TABLE 9.2

R&D spend Y ₋₂		
Group Y ₋₂ from table 1 (row f of column C)	A	\$
Group Y ₋₂ from table 4 (row f of column C)	B	\$
R&D spend Y₋₂ (A + B)	C	\$
Transfer the result at C to:		
■ column B in table 8 above		
■ A in table 10 below		
■ C in table 11 below, and		
■ A in table 12 below.		

TABLE 9.3

R&D spend Y₋₃		
Group Y ₋₃ from table 1 (row f of column D)	A	\$
Group Y ₋₃ from table 4 (row f of column D)	B	\$
R&D spend Y₋₃ (A + B)	C	\$
Transfer the result at C to: ■ column C in table 8 above ■ A in table 11 below, and ■ B in table 12 below.		

TABLE 10: Calculation of adjustment amount for Y₀ (AA₀)

R&D spend Y ₋₂ (from C in table 9.2 above)	A	\$
A × 0.8	B	\$
R&D spend Y ₋₁ (from C in table 9.1 above)	C	\$
AA₀ (B – C) (Write 0 if negative.)	D	\$
Transfer the amount at D to: ■ column D , AA₀ , in table 8 above ■ A in table 13 , and ■ B in table 14 .		

Note: If you get a negative result at **D** above, that result is taken to be zero (section 73S of the ITAA 1936).

TABLE 11: Calculation of adjustment amount for Y₋₁ (AA₋₁)

R&D spend Y ₋₃ (from C in table 9.3 above)	A	\$
A × 0.8	B	\$
R&D spend Y ₋₂ (from C in table 9.2 above)	C	\$
AA₋₁ (B – C) (Write 0 if negative.)	D	\$
Transfer the amount at D to: ■ column E in table 8 above ■ B in table 13 , and ■ C in table 14 .		

Note: If you get a negative result from calculating an adjustment amount, that result is taken to be zero (section 73S of the ITAA 1936).

TABLE 12: Calculation of running average for Y₋₁ (RA₋₁)

The R&D spend Y ₋₂ (from C in table 9.2 above)	A	\$
The R&D spend Y ₋₃ (from C in table 9.3 above)	B	\$
Total (A + B)	C	\$
RA₋₁ (C divided by 2)	D	\$
Transfer the result from D to: ■ column F in table 8 above, and ■ A in table 14 .		

TABLE 13: Calculation of the adjustment balance

Write AA₀ (from column D in table 8 above)	A	\$
Write AA₋₁ (from column E in table 8 above)	B	\$
Adjustment balance (A + B)	C	\$
Transfer the amount at C to: ■ column G in table 8 above, and ■ D in table 15 below.		

TABLE 14: Calculation of the adjustment balance

RA₋₁ (from column F in table 8 above)	A	\$
Write AA₀ (from column D in table 8 above)	B	\$
Write AA₋₁ (from column E in table 8 above)	C	\$
Subtotal (A + B + C)	D	\$
R&D spend Y ₋₁ (from C in table 9.1 above)	E	\$
Adjustment balance (D – E) (Write 0 if negative.)	F	\$
Transfer the amount at F to: ■ column G in table 8 above, and ■ D in table 15 below.		

Note: If you get a negative result from calculating an adjustment balance, write **0** instead (section 73S of the ITAA 1936).

TABLE 15: Calculation of the adjusted increase in expenditure on R&D by the group

Row f of column G in table 1 above	A	\$
Row f of column G in table 4 above	B	\$
A + B (Write 0 if negative.)	C	\$
Adjustment balance (from column G in table 8 above)	D	\$
Adjusted increase in expenditure by the group (C – D) (Write 0 if negative.)	E	\$
Transfer the result at E to: ■ column H in table 8 above ■ E in table 16 below, and ■ E in table 18 below.		

TABLE 16: Calculation of your company's share of the Australian owned part of the adjusted increase in expenditure on R&D by the group

Increase in expenditure on Australian owned R&D by the eligible company (row a of column H in table 1)	A	\$
Total increase in expenditure on Australian owned R&D by the eligible companies in the group (row f of column H in table 1)	B	\$
Net increase in expenditure on Australian owned R&D by the group (row f of column G in table 1)	C	\$
Net increase in expenditure on foreign owned R&D by the group (row f of column G in table 4)		
Note: If the figure at line f of column G in table 4 above is negative, write 0 at this label.	D	\$
Adjusted increase in expenditure on R&D by the group (from E in table 15 above)	E	\$
A ÷ B (Do not round this number.)	F	\$
C + D	G	\$
C ÷ G (Do not round this number.)	H	\$
The company's share of the Australian owned part of the adjusted increase		
(E × F × H)	I	\$
Transfer the amount at I to: ■ A in table 17 .		

Note: If the figures at **A**, **B**, **C** or **E** above are zero, leave **M** item **3** in part D of the *Research and development tax concession schedule 2008* blank (you are ineligible for the Australian owned R&D incremental tax concession), and print **X** in the **No** box at the top of part D of the *Research and development tax concession schedule 2008*. If you are ineligible, skip step 5.2 and go to step 6.

TABLE 17

Company:	
The company's share of the Australian owned part of the adjusted increase (from I in table 16)	A \$
A × 0.5	B \$
Transfer the amount at B to M item 3 in part D of the <i>Research and development tax concession schedule 2008</i> , and to M item 7 of the <i>Company tax return 2008</i> .	
Print X in the Yes box at the top of part D of the <i>Research and development tax concession schedule 2008</i> .	

TABLE 18: Calculation of your company's share of the foreign owned part of the adjusted increase in expenditure on R&D by the group

Increase in expenditure on foreign owned R&D by the eligible company (row a of column H in table 4)	A	\$
Total increase in expenditure on foreign owned R&D by the eligible companies in the group (row f of column H in table 4)	B	\$
Net increase in expenditure on foreign owned R&D by the group (row f of column G in table 4)	C	\$
Net increase in expenditure on Australian owned R&D by the group (row f of column G in table 1)		
Note: If the figure at line f of column G in table 1 above is negative, write 0 at this label.	D	\$
Adjusted increase in expenditure on R&D by the group (from E in table 15)	E	\$
A ÷ B (Do not round this number.)	F	\$
C + D	G	\$
C ÷ G (Do not round this number.)	H	\$
The company's share of the foreign owned part of the adjusted increase		
(E × F × H)	I	\$
Transfer the amount at I to: ■ A in table 19 .		

Note: If the figures at **A**, **B**, **C** or **E** above are zero, leave **K** item **2** in part E of the *Research and development tax concession schedule 2008* blank (you are ineligible for the foreign owned R&D incremental tax concession), and print **X** in the **No** box at the top of part E of the *Research and development tax concession schedule 2008*. If you are ineligible, skip step 6.2 and go to **Part F – R&D tax offset (eligible Australian owned expenditure only)**.

TABLE 19

Company:	
The company's share of the foreign owned part of the adjusted increase (from I in table 18)	A \$
A × 0.75	B \$
Transfer the amount at B to K item 2 in part E of the <i>Research and development tax concession schedule 2008</i> , and to K item 7 of the <i>Company tax return 2008</i> , and print X in the Yes box at the top of part E of the <i>Research and development tax concession schedule 2008</i> .	

PART F

R&D tax offset (eligible Australian owned expenditure only)

CALCULATION INSTRUCTIONS

An eligible company cannot deduct any amount under section 73B (except subsection 73B(14C)), 73BA, 73BH or 73QA for the tax offset year, if it chooses the R&D tax offset for that year. The R&D tax offset does not apply to deductions under subsection 73B(14C) (deduction for expenditure on foreign owned R&D) and under section 73QB (extra deduction for increase in expenditure on foreign owned R&D).

! NOTE

The company can choose to take the R&D tax offset in its company tax return (which includes the research and development tax concession schedule), or by notice in writing to the Commissioner. See *Guide to the R&D tax concession* for information about the time periods for giving this notice.

The company must be registered with Innovation Australia before it makes its choice.

The company cannot choose to take the R&D tax offset if, at any time during the R&D tax offset year, an exempt entity, the affiliates of an exempt entity, an exempt entity together with its affiliates or two or more exempt entities, legally or beneficially own, or have the right to acquire, the legal or beneficial ownership of interests in the company that carry between them the right to:

- exercise, or control the exercise of, at least 25% of the voting power of the company, or
- receive at least 25% of any distribution of income or capital by the company (refer to subsection 73J(2) of the ITAA 1936).

If you wish to find out whether a company meets the threshold tests for the R&D tax offset, enter the company name, tax file number and (if any) the names and tax file numbers of all entities that are grouped with the company at any time in the year under section 73L of the ITAA 1936, at item 1 in part F of the *Research and development tax concession schedule 2008*.

In the columns 'Aggregate R&D amount' and 'Entity turnover', enter the amount of each entity's aggregate R&D expenditure, as defined in subsection 73B(1), and the R&D turnover respectively against the entity's TFN. If you have certain expenditure on R&D activities that you cannot deduct under the R&D tax concession (for example, capital works deductions for buildings used for the purpose of carrying out R&D activities), that expenditure will still form a part of the aggregate R&D amount. Certain expenditures on overseas R&D activities may also form a part of the aggregate R&D amount (see the instructions to item 1 in part B on page 13 for further details regarding other adjustments that may be required to calculate the aggregate R&D amount of the company and other entities in the group).

If you are calculating the group aggregate R&D amount and R&D group turnover for your company, which is grouped with another company with a substituted accounting period, you should use the 12-month period that is your company's tax offset year and not the 'year of income' of the group member.

If your company has a transitional substituted accounting period that is less or greater than 12 months, you should use the 12-month period that is the tax offset year of your company to calculate the group aggregate R&D amount and R&D group turnover.

If you are using the relevant amounts from part A to determine the aggregate R&D amount of the company, you will need to take into account the above and make any necessary adjustments. Such adjustments relating to the aggregate R&D amount should be included at X item 1 in part B of the *Research and development tax concession schedule 2008*. These adjustments must also be incorporated in the calculation of the aggregate R&D amount of the company and R&D group members at item 1 in part F of the *Research and development tax concession schedule 2008*. Adjustments to the R&D group turnover should also be taken into account to calculate the R&D group turnover recorded at that item.

Attach an additional table if there is not enough space to list all group entities. If using an additional table, make sure you enter the sum of the aggregate R&D amounts and the entities' turnover amounts in row e item 1 in part F of the *Research and development tax concession schedule 2008*.

Total the aggregate R&D amounts and entity turnover amounts, and write the totals at B and C item 1 in part F of the *Research and development tax concession schedule 2008* and then transfer these totals to table 20.

TABLE 20: Eligibility for tax offset

Group totals: aggregate R&D amount (B item 1 in part F)	A	\$
Group totals: entity turnover (C item 1 in part F)	B	\$

If A is \$1,000,000 or less and B is less than \$5,000,000, the company may choose to claim the R&D tax offset (see paragraphs 73J(1)(c) and (d) of the ITAA 1936).

If the company is ineligible to claim the offset, print X in the No box at the top of part F, and no further action is required.

If the company chooses to take the offset, print X in the Yes box at the top of part F, and calculate the amount of deductions eligible for the R&D offset in accordance with table 22 on the next page, unless there is a balancing adjustment on the disposal of plant or pilot plant included at E item 8, K item 10, or P item 11 in part A. In this event, read below.

Balancing adjustment

If there is a balancing adjustment on the disposal of plant or pilot plant, follow these steps before completing (g) in table 22:

Step 1 Write here the amount at L item 17 in part A of the *Research and development tax concession schedule 2008*.

\$

Step 2 Write here the amounts from the following labels in part A of the research and development tax concession schedule that were included in the calculation of L in part A:

TABLE 21

N item 10	(a)	\$
O item 10 multiplied by 1.25	(b)	\$
Q item 11	(c)	\$
R item 11 multiplied by 1.25	(d)	\$
E item 8	(e)	\$
Total (a + b – c – d – e)	(f)	\$


Step 3 Subtract the amount at (f) in step 2 from the amount at step 1. Show the answer at (g) in **table 22**.

TABLE 22: Calculation of the amount of deductions eligible for the R&D tax offset

R&D claim: L from part A or the amount from step 3, if applicable	(g)	\$
Australian owned R&D – extra incremental 50% deduction: M in part D of the <i>Research and development tax concession schedule 2008</i>	(h)	\$
Amount eligible for R&D tax offset (g + h).	C	\$

Transfer the amount at **C** in **table 22** to:

- (i) in **table 23**
- Y item 2 in part F of the *Research and development tax concession schedule 2008*, and
- **Y R&D tax offset, if chosen** item 7 on page 3 of the *Company tax return 2008*.


NOTE

If you write an amount at **Y R&D tax offset, if chosen** item 7 on page 3 of the *Company tax return 2008*, the company may be taken to have chosen the R&D tax offset instead of the tax deduction. If you do not wish to choose the tax offset, do not show any amount at **Y R&D tax offset, if chosen**.

Calculate the amount of the R&D tax offset the company can claim as follows, using **table 23**:

amount eligible for tax offset

×

30%

which is the amount at **Y R&D tax offset, if chosen**, multiplied by 30%.

TABLE 23: Calculation of the R&D tax offset

Amount eligible for R&D tax offset: C from table 22	(i)	\$
R&D tax offset entitlement: multiply (i) × 0.3	B	\$

Transfer the amount at **B** to:

- U item 3 in part F of the *Research and development tax concession schedule 2008*, and
- **U R&D tax offset** in the **Calculation statement** on page 6 of the *Company tax return 2008*.

For more information, see:

- sections 73B and 73H to 73M of the ITAA 1936
- *Guide to the R&D tax concession*.

DEFINITIONS

Adjustment amount year zero (AA₀)

AA₀ is the abbreviation used to denote a group's adjustment amount for the Y₀ year of income (subsection 73P(2) of the ITAA 1936).

Adjustment amount year minus one (AA₋₁)

AA₋₁ is the abbreviation used to denote a group's adjustment amount for the Y₋₁ year of income (subsection 73P(2) of the ITAA 1936).

Aggregate R&D amount

Subsection 73B(1) defines the expenditures and deductions that comprise aggregate R&D amount.

- To claim the additional 25% concession, and some expenditures, this amount (or an annualised amount where a subsidiary company has joined or left a consolidated group and has a non-membership period of less than 365 days) needs to be more than \$20,000. However, payments to an RRA are not subject to this threshold.
- To be eligible to claim the R&D tax offset the group aggregate R&D amount must be \$1,000,000 or less.

Australian-centred R&D activities

The definition of 'Australian research and development activities' in subsection 73B(1) of the ITAA 1936 forms the basis of the definition of 'Australian-centred research and development activities'. It has the effect that expenditure deductible as 'expenditure on foreign owned R&D' is only expenditure for the purpose of carrying on R&D activities in Australia or in an external territory. The base 100% specific deduction is only allowed for directly related activities if they have a sole or dominant purpose directly related to the carrying on of a core R&D activity conducted in Australia or in an external territory.

Australian research and development activities

Subsection 73B(1) of the ITAA 1936 defines Australian research and development activities to mean research and development activities that are carried on in Australia or in an external territory.

Balancing adjustment event

A balancing adjustment event occurs when an asset is disposed of, lost or destroyed after being used exclusively for carrying on R&D activities (section 40-295 of the ITAA 1997).

Current year (Y₀)

The current year is the year of income for which the company tax return is being completed. For most companies the current year is 2007–08. Y₀ is the abbreviation used to denote the current year.

Expenditure on foreign owned R&D

This refers to expenditure on R&D incurred by an eligible company in respect of Australian-centred research and development activities carried on wholly or primarily on behalf of certain grouped foreign companies, that meets the tests set out in subsections 73B(14C) and 73B(14D) of the ITAA 1936 (concerning activities carried out pursuant to certain written agreements). Eligibility for claiming this type of expenditure is set out in subsection 73B(14C) of the ITAA 1936, and includes conditions such as: the expenditure for the year of income being greater than \$20,000; and the eligible company and all of its other eligible company group members being registered under section 39J of the IR&D Act for all of their relevant R&D activities (whether or not carried out in accordance with an R&D plan) in relation to the year of income.

Foreign company

Foreign company means a body corporate that:

- a is incorporated under a law of a foreign country, and
- b is a resident of a foreign country for the purposes of a double tax agreement that relates to that foreign country (subsection 73B (1) of the ITAA 1936).

Incremental expenditure

Incremental expenditure means expenditure that:

- is R&D expenditure, except
 - expenditure to lease or hire plant, and
 - expenditure under a contract to the extent that it is, in substance, for the acquisition of plant and not for the receipt of services (subsection 73P(2) of the ITAA 1936), and
- can be taken into account in working out the amount of a deduction under subsection 73B(13) or (14) or could be taken into account in working out the amount of a deduction under subsection 73B(14) apart from paragraph 73B(14)(b) of the ITAA 1936.

Nil expenditure year

Foreign companies that establish a new presence in Australia after the commencement of the foreign owned R&D incremental tax concession have immediate access to this concession for additional expenditure on foreign owned R&D expenditure with a nil expenditure year for each of the three prior years. The conditions for a nil expenditure year are set out in subsection 73QB(2). These are that neither the eligible company nor any grouped eligible companies existed in Australia in that year or in the 10 preceding years; and that none of the following carried on business in Australia in the nil expenditure year or the 10 preceding years:

- a foreign company grouped under section 73L with the eligible company any time during Y₀, Y₋₁, Y₋₂ or Y₋₃ years of income
- a foreign company grouped under section 73L with any section 73R group member of the eligible company, or
- a person who was grouped under section 73L with the relevant foreign company.

For further information, see *Guide to the R&D tax concession*.

Overseas research and development activities

Overseas research and development activities means research and development activities that are carried on outside Australia and the external territories (subsection 73B(1) of the ITAA 1936).

Previous year (Y-1)

The previous year is the year immediately before the current year of income. For 2007–08 the previous year is the 2006–07 income year. ‘Y-1’ is the abbreviation used to denote that previous year.

R&D spend

R&D spend of an eligible company and its group members for a year of income means the sum of:

- the amounts worked out for the year of income as the reduced expenditure on Australian owned R&D by each eligible company in its group membership period for the year of income, and
- the amounts worked out for the year of income as the reduced notional expenditure on foreign owned R&D by each eligible company in its group membership period for the year of income (subsection 73P(2) of the ITAA 1936).

Registered Australian research agency (RRA)

An Australian research agency registered with Innovation Australia under section 39F of the IR&D Act.

Research and development (R&D) activities

Research and development activities means:

- systematic, investigative and experimental activities that involve innovation or high levels of technical risk and are carried on for the purpose of
 - acquiring new knowledge (whether or not that knowledge will have a specific practical application), or
 - creating new or improved materials, products, devices, processes or services, or
- other activities that are carried on for a purpose directly related to the carrying on of activities of the kind referred to in the paragraph above.

Running average (RA-1)

RA-1 means ‘half the sum of the R&D spend of the eligible company and its group members for the Y-2 and Y-3 years of income’ (subsections 73P(2) and 73U(2) of the ITAA 1936).

Section 73BA depreciating asset

A section 73BA depreciating asset of an eligible company is an asset for which the eligible company could (ignoring section 73BA) deduct an amount under section 40-25 of the ITAA 1997 if the following assumptions were made:

- contrary to paragraph 40-30(1)(c) and subsection 40-30(2) of the ITAA 1997, all intangible assets were excluded from the definition of depreciating asset in section 40-30 of the ITAA 1997
- subsection 40-45(2) of the ITAA 1997 did not, except in the case of buildings, prevent Division 40 of the ITAA 1997 from applying to capital works to which Division 43 of the ITAA 1997 applies, or to which Division 40 would apply but for expenditure being incurred, or capital works being started, before a particular day
- the eligible company satisfied any relevant requirement for deductibility under Division 40.

Total group markup

The total group markup is the sum of the amounts derived by persons during the year of income for goods and services in respect of all or part of the things the R&D amount was for while those persons were grouped with the eligible company mentioned in section 73L, less the actual cost to those persons of providing those goods or services (subsection 73B(14AC) of the ITAA 1936).

Year Y-2 (Y-2)

The year Y-2 is the year immediately before year Y-1. For the 2007–08 income year, year Y-2 is the 2005–06 income year.

Year Y-3 (Y-3)

The year Y-3 is the year immediately before year Y-2. For the 2007–08 income year, year Y-3 is the 2004–05 income year.

ABBREVIATIONS

AA	adjustment amount
ABN	Australian business number
CRC	cooperative research centre
DIISR	Department of Innovation, Industry, Science and Research
GST	goods and services tax
IR&D Act	<i>Industry Research and Development Act 1986</i>
ITAA 1936	<i>Income Tax Assessment Act 1936</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
R&D	research and development
RA	running average
RRA	registered Australian research agency
STS	simplified tax system
TFN	tax file number
Y₀	the current claim year
Y₋₁	the year before the claim year
Y₋₂	the year two years before the claim year
Y₋₃	the year three years before the claim year

LODGMENT

Lodge the *Research and development tax concession schedule 2008* or a printout of the completed Excel spreadsheet from our website with the appropriate company tax return.

IF YOU HAVE REQUESTED AN AMENDMENT

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

Australian Taxation Office
GPO Box 5056
SYDNEY NSW 2001

This requirement applies only to the income year ended 30 June 2002 and subsequent income years.

MORE INFORMATION

INTERNET

- For general tax information and to download publications and rulings, visit **www.ato.gov.au**

PUBLICATIONS

Publications referred to in these instructions

- *Company tax return instructions 2008* (NAT 0669)
 - *Guide to depreciating assets 2008* (NAT 1996)
 - *Guide to the R&D tax concession**
 - *Income Tax Assessment Act 1936*
 - *Income Tax Assessment Act 1997*
 - *Industry Research and Development Act 1986*
 - *Schedule 25A instructions* (NAT 2639)
 - *Taxation Determination TD 98/1 – Income tax: does ‘expenditure on research and development activities’ in subsection 73B(27A) and sections 73C and 73D of the Income Tax Assessment Act 1936, include ‘core technology expenditure’?*
 - *Taxation Ruling TR 2002/1 – Income tax: research and development: plant expenditure (pre 29 January 2001)*
- * A joint Tax Office – AusIndustry publication available on the:
- AusIndustry website **www.ausindustry.gov.au**
 - Tax Office website **www.ato.gov.au/randd**

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OTHER SERVICES

- **Translating and Interpreting Service** **13 14 50**
If you do not speak English well and need help from the Tax Office, phone the Translating and Interpreting Service.
- **Hearing or speech impairment**
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 - If you are a TTY or modem user, phone **13 36 77** and ask for the number you want. For 1800 free call numbers, phone **1800 555 677** and ask for the number you want.
 - If you are a voice-only (speak and listen) user, phone **1300 555 727** and ask for the number you want. For 1800 free call numbers, phone **1800 555 727** and ask for the number you want.

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As this is a publications area only, any tax matters will be passed on to a specialist technical area. Alternatively you can phone our Business Infoline on **13 28 66** for help.

Research and development tax concession schedule instructions 2008