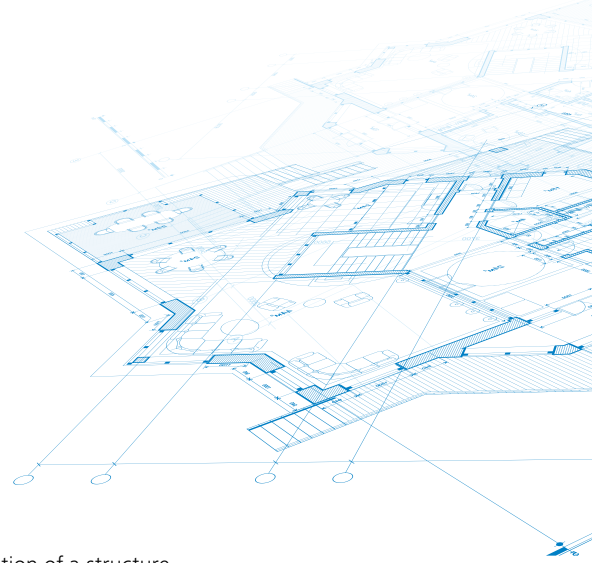


Property Intellectual Constructive comments on Australian real estate issues



Research & Development – Are you maximising your tax benefit?

The R&D Tax Concession Scheme is a broad based program, enabling eligible companies to claim a basic tax deduction of up to 125% of qualifying expenditure on eligible R&D activities through their annual tax return. In addition, under certain circumstances, companies may claim a 175% premium deduction for additional investment in R&D and small companies may elect to claim the Concession as an offset or rebate to enable them to 'cash out' the deduction.

The Property and Construction industries are increasingly looking to the R&D Tax Concession Scheme to take advantage of the costs incurred in undertaking projects that involve innovation or a high level of technical risk.

What is Eligible R&D?

Companies may claim the expenses associated with activities that meet the definition of R&D. In general terms, eligible R&D activities can be either core or supporting R&D activities, grouped into projects.

Core R&D activities must be 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.

Core activities must be Systematic, Investigative and Experimental (SIE) activities involving either:

- Innovation – i.e. an appreciable element of novelty; or
- A high level of technical risk (i.e. the technical outcome cannot be known or determined in advance on the basis of current knowledge or experience and the uncertainty can only be removed by applying scientific methodology).

Supporting activities are activities which are directly related to undertaking the above SIE activities.

Projects could include the construction of a structure to validate a new design, the monitoring of a site after a new remediation process has been undertaken or the confirmation of improvements to a construction technique or methodology.

Claiming the R&D Tax Concession

Annual registration of R&D activities with Innovation Australia is a prerequisite for claiming the Concession. Registration is available to any eligible company incorporated in Australia.

Subsequent to registration, the resultant tax deduction is claimed by companies in their income tax return. However, before claiming the Concession, companies must satisfy themselves that:

- they are registered for that year of income by Innovation Australia
- R&D expenditure exceeds a threshold of \$20,000 unless the work is contracted to a Registered Research Agency
- they have undertaken the R&D on their own behalf.

To find out more about the R&D Tax Concession or how the Concession may apply to your particular situation, please speak to one of the Deloitte R&D experts.

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