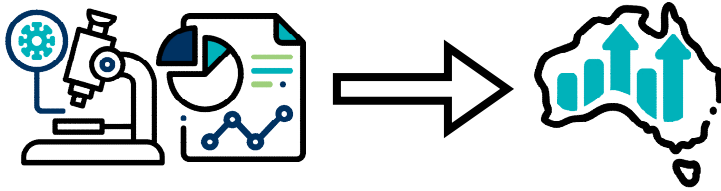


Research & Development Tax Incentive (R&DTI)

What is the R&DTI?

The R&DTI is a targeted tax offset program for eligible research and development (R&D) activities. It is not a grant. It offers a refundable tax offset of 43.5% for R&D entities with an annual turnover under \$20 million. A non-refundable tax offset is available to R&D entities with an annual turnover of more than \$20 million.



Am I eligible?

To be eligible for the R&DTI you must be a company that:

- is liable to pay income tax in Australia;
- conducts at least one activity that meets the definition of a core R&D activity; and
- has eligible R&D expenditure greater than \$20,000.

If your eligible R&D expenditure is less than \$20,000, you can still apply for the offset if you use a [registered Research Service Provider](#) to conduct your R&D.

How to apply

Applying for the R&DTI is an annual process. There are [steps you need to follow](#) to ensure you are eligible. You should [apply to register](#) your R&D with the Department of Industry, Science, Energy and Resources within 10 months of the end of the income year in which you conduct your eligible R&D activities. You will be issued with a registration number which will need to be entered in the R&D schedule in your annual income tax return.



What you need to know

- Decide before you commence your R&D project that you intend to claim the R&DTI.
- Plan your project according to the legislative requirements of the R&DTI.
- To apply for the R&DTI you need to conduct research in a scientific way.
- The legislation talks about 'activities', not about the project as a whole. These activities are called 'core' and 'supporting' activities. A project must have at least one core activity. The legislation is specific about the attributes a core activity must have. A supporting activity must directly relate to at least one core activity.
- Your core activities must proceed from a hypothesis. Your hypothesis is your idea or proposed explanation for how you could achieve a particular result and why that result may be or may not be achievable. It will guide your investigation. Because of the rapidly developing nature of technology it is essential for you to demonstrate how your background research helped you to develop your hypothesis.
- Document and keep records of your R&D throughout the project and of the expenditure you intend to claim. You need to be able to demonstrate a clear link between the R&D activities you conduct and the expenditure you incur.

Software development

Software development R&D activities that meet the definition of core or supporting activities are eligible for the R&DTI. Recently updated [software guidance](#) is now available to help you assess your activities' eligibility. You should also read the [Guide to Interpretation](#). To claim the tax offset, you must show how you calculated the cost of your R&D activities, including all expenditure calculations and estimates between R&D and non R&D activities. You also need to show that you have used a reasonable basis and method for this allocation.



Resources

[Business.gov.au guidance on R&DTI](#)

You can call AusIndustry on 13 28 46