



R&D Tax Concession 175 per cent Premium

What is the R&D Tax Concession?

The R&D Tax Concession is a Commonwealth Government initiative to increase the amount of research and development being conducted in Australia by allowing companies to deduct up to 125 per cent of eligible expenditure on R&D activities from assessable income when lodging their income tax return. However, as an added incentive, beginning from 30 June 2001, a 175 per cent Premium Tax Concession has been introduced for companies who increase their level of R&D.

Who is eligible for the 175 per cent Premium R&D Tax Concession?

Companies which have a three-year history of registering for, and claiming, the 125 per cent R&D Tax Concession, and which for the year beginning 30 June 2001 increase their R&D expenditure for the year above the average level for the previous three-years. In addition, companies which have received grants or loans under the Industry Research and Development Board's R&D Start Program may use this as part of their three-year history.

How do I establish eligibility for the 175 per cent Premium R&D Tax Concession?

This will be determined by adding up eligible annual R&D expenditure (excluding plant related expenditure) over the previous three-year period and dividing by three. Any eligible R&D expenditure (excluding plant-related expenditure) in the fourth year above that average will be eligible for the Premium, providing companies have been registered for, and claimed, the 125 per cent R&D Tax Concession for the previous three years, or have received grants and loans under the R&D Start Program. Note that special rules apply for companies that are members of groups, and where there has been a down turn of more than 20 per cent in (eligible) R&D expenditure in the three-year history period.

What if a company's financial year does not end on 30 June?

This does not present a problem, because it is not unusual for some companies to finish their financial year after 30 June. If for instance a company's financial year finished on 31 December 2001, they would be eligible to begin claiming for eligible expenditure incurred for R&D activities from 1 January 2002, and so on. However, irrespective of when their financial year ends, they will of course have to have the required three-year history. It is imperative for all companies to keep detailed records of all eligible expenditure when lodging their claims.

For further information contact the **AusIndustry HotLine 13 28 46**