The Research and Development Tax Incentive (R&DTI) is a way for the Australian Government to encourage business to invest in research and development that will benefit companies and the broader Australian economy.

Incentivising investment in R&D

The R&DTI is an incentive program that supports your company to invest more in eligible R&D activities.

If your R&D activities meet the program criteria, you may be eligible for a tax offset that covers some of the costs of your R&D.

The R&DTI is not just a financial support program. It could also be an opportunity for you to collaborate with registered Research Service Providers (RSPs).

Who should apply for the R&DTI?

You should take a closer look at the R&DTI if you:

▸ are incorporated under Australian or a foreign law
▸ conduct or plan to conduct one or more eligible core research and development activities
▸ have eligible R&D expenditure greater than $20,000 (if your expenditure is less than $20,000 you can still claim the tax offset by using a registered RSP to conduct your R&D).

R&DTI tax offset benefits

New incentive benefits apply for R&D conducted from 1 July 2021. You can receive a premium on top of your corporate tax rate.

Companies with an aggregated turnover of less than $20 million

may receive a refundable R&D offset rate equal to your corporate tax rate plus an 18.5% premium.

OR

Companies with an aggregated turnover of $20 million or more

may receive a non-refundable R&D tax offset rate equal to your corporate tax rate plus an incremental premium.

Premium increments are based on the intensity of your R&D expenditure as a proportion of total expenditure for the year. There are two premium increments:

▸ R&D intensity up to 2% receives a tax offset equal to your company tax rate plus 8.5% premium.
▸ Additional R&D intensity above 2% receives a tax offset equal to your company tax rate plus 16.5% premium.

From 1 July 2021, if your eligible expenditure exceeds $150 million for an income year, the tax offset is calculated using your company tax rate.
For R&D undertaken before 30 June 2021

43.5% refundable tax offset
for companies with annual turnover less than $20 million.

OR

38.5% non-refundable tax offset
for companies with annual turnover of $20 million or more.

For R&D activities conducted prior to 1 July 2021, if your eligible expenditure exceeds $100 million for an income year, the tax offset is calculated using your company tax rate.

What are ‘eligible R&D activities’?

- Types of eligible activities are set out in Section 355.25 of the ITAA 1997, the law that applies to the program.
- Your activities must meet all of the requirements of the law for you to be eligible for the program.

Eligibility – how it works

The R&DTI is a self-assessment program. Before you register to apply, you must decide whether your R&D activities are eligible according to the legislation. You are responsible for ensuring your R&D activities meet legal requirements.

- Refer to the law when assessing whether your activities are eligible.
- Keep records to support your claim.
- AusIndustry may review your registration to educate you on eligibility and to comply with the law.

How to apply

Applying for the R&D program is an annual process.

1. Self-assess your eligibility while planning your R&D
   - Check your company is eligible.
   - Check that your R&D expenditure is eligible.

2. Consider applying for an Overseas Finding or Advance Finding

3. Conduct R&D, continue to self-assess and keep records

4. Register for the program

5. Claim your tax offset
   - To claim your tax offset you must enter your registration number into the R&D schedule of your company’s annual income tax return.

Information and support

For helpful guidance on interpreting the legislation and keeping records visit business.gov.au/rdti or phone DISER on 13 28 46.
For R&D entity and expenditure information visit ato.gov.au/Business/Research-and-development-tax-incentive/

The R&DTI is jointly administered by DISER and the ATO.