

- less than \$100 million R&D expenditure
- less than \$2 million aggregated turnover
- tax liability position

REFUNDABLE TAX OFFSET



INCOME YEAR TWO

**COMPANY UNDERTAKES R&D PROJECT** 

COMPANY REGISTERS R&D ACTIVITIES UNDERTAKEN IN YEAR ONE WITH AUSINDUSTRY COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

**COMPANY BENEFIT** 





\$2 million R&D expenditure

Company aggregated turnover in year one is \$1.5 million

Less than \$20 million aggregated turnover -Company entitled to a 43.5% refundable tax offset

Eligible R&D \$2 million X 43.5% refundable tax offset = \$870,000

Company entitled to refundable tax offset of \$870,000

Assessable income \$1.5 million Less total expenses \$3 million

Adjusted assessable income -\$1.5 million

Add back R&D expenses Taxable income \$500,000

Tax liability at 28.5% company tax rate\* = \$142,500

\* The company tax rate may be different depending on individual circumstances

\$2 million

Company's refundable tax offset reduces tax liability to \$0

The remaining refundable tax offset \$727,500 (\$870,000 -\$142,500) is paid to the company by the ATO



- less than \$100 million R&D expenditure
- less than \$20 million aggregated turnover
- tax liability position

REFUNDABLE TAX OFFSET





COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES **INCOME TAX RETURN** FOR **YEAR ONE** 

COMPANY BENEFIT









\$

\$10 million R&D expenditure

Company turn over in year one is \$5 million

Less than \$20 million aggregated turnover -Company entitled to a 43.5% refundable tax offset

Eligible R&D \$10 million X 43.5% refundable tax offset = \$4.35 million

Company entitled to refundable tax offset of \$4.35 million

Assessable income
Less total expenses

\$5 million
\$14 million

Adjusted assessable income
-\$9 million

Add back R&D expenses \$10 million

Taxable income \$1 million

Tax liability at 30% nominal company tax rate = \$300,000

Company's refundable tax offset reduces tax liability to \$0

The remaining refundable tax offset \$4.05 million (\$4.35M -\$300,000) is paid to the company by the ATO



- less than \$100 million R&D expenditure
- less than \$20 million aggregated turnover
- tax loss position

REFUNDABLE TAX OFFSET



INCOME YEAR TWO

COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT







\$

\$10 million R&D expenditure

Company aggregated turnover in year one is \$5 million

Less than \$20 million aggregated turnover -Company entitled to a 43.5% refundable tax offset

Eligible R&D \$10 million X 43.5% refundable tax offset = \$4.35 million

Company entitled to refundable tax offset of \$4.35 million

Assessable income
Less total expenses

\$5 million
\$16 million

Adjusted assessable income
-\$11 million

Add back R&D expenses \$10 million

Taxable income \$0

Tax liability at 30% nominal company tax rate = \$0

Company in **tax loss** position

Company receives **\$4.35 million tax offset payment**from ATO



- less than \$100 million R&D expenditure
- more than \$20 million aggregated turnover
- tax liability position

### NON-REFUNDABLE TAX OFFSET REDUCED TAX LIABILITY



INCOME YEAR TWO

COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT









\$10 million R&D expenditure

Company aggregated turnover in year one is \$50 million

More than \$20 million aggregated turnover -Company entitled to a 38.5% non-refundable tax offset

Eligible R&D \$10 million at 38.5% non-refundable tax offset = \$3.85 million

Company entitled to non-refundable tax offset of \$3.85 million

Assessable income
Less total expenses \$50 million
\$40 million

Adjusted assessable income
Add back R&D expenses \$10 million

Tax liability at 30% nominal company tax rate = \$6 million

\$20 million

Taxable income

Company's tax liability reduced to \$2.15 million (\$6M - \$3.85M)



- less than \$100 million R&D expenditure
- more than \$20 million aggregated turnover
- tax liability position



COME EAR **ONE** 

INCOME YEAR **TWO** 

COMPANY UNDERTAKES **R&D PROJECT** 

COMPANY REGISTERS R&D ACTIVITIES
UNDERTAKEN IN YEAR ONE WITH AUSINDUSTRY

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT







\$

\$10 million R&D expenditure

Company aggregated turnover in year one is \$50 million

More than \$20 million aggregated turnover -Company entitled to a 38.5% non-refundable tax offset

Eligible R&D \$10 million at 38.5% non-refundable tax offset = \$3.85 million

Company entitled to non-refundable tax offset of \$3.85 million

Assessable income \$50 million
Less total expenses \$50 million

Adjusted assessable income **\$0** 

Add back R&D expenses \$10 million

Taxable income \$10 million

Tax liability at 30% nominal company tax rate = \$3 million

Company's non-refundable tax offset **reduces tax liability to \$0** 

The remaining \$850,000 (\$3.85M -\$3M) non-refundable tax offset is carried forward to future income years



- less than \$100 million R&D expenditure
- more than \$20 million aggregated turnover
- tax loss position





COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT









\$10 million R&D expenditure

Company aggregated turnover in year one is \$50 million

More than \$20 million aggregated turnover -Company entitled to a 38.5% non-refundable tax offset

Eligible R&D \$10 million at 38.5% non-refundable tax offset = \$3.85 million

Company entitled to non-refundable tax offset of \$3.85 million

Assessable income
Less total expenses

Adjusted assessable income
-\$20 million

Add back R&D expenses \$10 million

Taxable income \$0

Tax liability at 30% nominal company tax rate = \$0

Company in a **tax loss** position

**\$3.85** million non-refundable tax offset is carried forward to future income years



- more than \$100 million R&D expenditure
- more than \$20 million aggregated turnover
- tax liability position



INCOME YEAR **TWO** 

COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT







\$

\$120 million R&D expenditure

Company aggregated turnover in year one is \$500 million

More than \$20 million aggregated turnover -Company entitled to a 38.5% non-refundable tax offset

Eligible R&D up to \$100 million at 38.5% non-refundable tax offset = \$38.5 million

Remaining \$20 million at 30% nominal company tax rate = \$6 million

Company entitled to non-refundable tax offset of \$44.5 million

Assessable income
Less total expenses

Adjusted assessable income
Add back R&D expenses

\$120 million

Taxable income \$100 million

Tax liability at 30% nominal company tax rate = \$30 million

Company's non-refundable tax offset **reduces tax liability to \$0** 

The remaining \$14.5 million (\$44.5M -\$30M) non-refundable tax offset is carried forward to future income years



- more than \$100 million R&D expenditure
- more than \$20 million aggregated turnover
- tax liability position



INCOME YEAR **TWO** 

COMPANY UNDERTAKES R&D PROJECT

COMPANY REGISTERS **R&D ACTIVITIES**UNDERTAKEN IN YEAR ONE WITH **AUSINDUSTRY** 

COMPANY LODGES INCOME TAX RETURN FOR YEAR ONE

COMPANY BENEFIT







\$

\$120 million R&D expenditure

Company aggregated turnover in year one is \$500 million

More than \$20 million aggregated turnover -Company entitled to a 38.5% non-refundable tax offset

Eligible R&D up to \$100 million at 38.5% non-refundable tax offset = \$38.5 million

Remaining \$20 million at 30% nominal company tax rate = \$6 million

Company entitled to non-refundable tax offset of \$44.5 million

Assessable income
Less total expenses \$500 million
\$520 million

Adjusted assessable income -\$20 million

Add back R&D expenses \$120 million

Taxable income

Tax liability at 30% nominal company tax rate = \$30 million

\$100 million

Company's non-refundable tax offset **reduces tax liability to \$0** 

The remaining \$14.5 million (\$44.5M -\$30M) non-refundable tax offset is carried forward to future income years