



# Changes to the R&D Tax Incentive

## Overview factsheet July 2021 (updated July 2023)

### R&D Tax Incentive reforms introduced in the 2020–21 Budget

Changes to the R&D Tax Incentive were introduced in the 2020–21 [Budget Paper 2 “JobMaker Plan - Research and Development Tax Incentive”](#) and were legislated in the [Treasury Laws Amendment \(A Tax Plan for the COVID-19 Economic Recovery\) Bill 2020](#).

### Reforms that came into effect 1 January 2021

New Feature	Previous feature
<b>IISA determinations</b>	
<p>The Board of Industry Innovation and Science Australia (the Board) may also make determinations about the circumstances and ways in which it will exercise its powers, or perform its functions or duties in relation to the R&amp;D Tax Incentive. These determinations are binding on the Board.</p>	<p>No equivalent.</p>
<b>Extensions of time</b>	
<p>The Board’s ability to grant an extension of time is subject to a cap of three months on the total extension available, unless the extension is granted to allow an applicant to wait for the outcome of a separate pending decision. From 1 April 2022, the cap is 92 days.</p>	<p>The Board must grant extensions of time for registrations and the provision of information of up to 14 days if it is necessary and may grant a longer period if an applicant’s ability to meet the deadline is impaired by events outside the applicant’s control.</p>

## Reforms came into effect from the first income year commencing on or after 1 July 2021 (administered by the Australian Tax Office)\*

New Law	Previous Law
<b>Expenditure threshold</b>	
<p>The R&amp;D expenditure threshold increased to \$150 million.</p>	<p>The R&amp;D expenditure threshold applies to eliminate the incentive component of the R&amp;D tax offset in relation to notional deductions in excess of \$100 million.</p>
<p>The R&amp;D expenditure threshold is a permanent feature.</p>	<p>The R&amp;D expenditure threshold is legislated to no longer apply from 1 July 2024.</p>
<b>R&amp;D tax offset for small R&amp;D entities</b>	
<p>R&amp;D entities with aggregated turnover of less than \$20 million are generally entitled to an R&amp;D tax offset rate equal to their corporate tax rate plus an 18.5 per cent premium.</p>	<p>R&amp;D entities with aggregated turnover of less than \$20 million are generally entitled to an R&amp;D tax offset rate of 43.5 per cent.</p>
<b>R&amp;D tax offset for large R&amp;D entities</b>	
<p>R&amp;D entities with aggregated turnover of \$20 million or more are entitled to an R&amp;D tax offset equal to their corporate tax rate plus a premium based on the level of their incremental R&amp;D intensity (eligible R&amp;D expenditure divided by total business expenses) for their R&amp;D expenditure under \$150 million.</p>	<p>R&amp;D entities with aggregated turnover of \$20 million or more are entitled to a non-refundable R&amp;D tax offset of 38.5 per cent.</p>
<b>Schemes to obtain an R&amp;D tax benefit</b>	
<p>The Commissioner may also deny a tax benefit in the form of an amount of a refundable or non-refundable R&amp;D tax offset that an R&amp;D entity seeks to obtain from a tax avoidance scheme.</p>	<p>The Commissioner may deny a tax benefit in the form of a deduction or notional deduction that an R&amp;D Entity seeks to obtain from a tax avoidance scheme.</p>
<b>Uniform clawback rule</b>	
<p>Recoupment amounts and feedstock adjustments give rise to an amount of assessable income equal to the grossed-up value of the incentive component of associated amounts of R&amp;D tax offset.</p>	<p>Recoupment amounts are subject to a standalone and tax of 10 per cent.</p> <p>One third of feedstock adjustments are included in an R&amp;D entity's assessable income.</p>
<p>An amount is included in the assessable income of the R&amp;D entity that received or is entitled to the R&amp;D tax offset in relation to a recoupment amount or feedstock revenue received by a related entity.</p>	<p>In cases involving related entities, the entity receiving a recoupment is subject to recoupment tax.</p> <p>In cases involving related entities, the R&amp;D entity entitled to the R&amp;D tax offset is subject to a feedstock adjustment if the related entity receives feedstock revenue.</p>

## New Law

## Previous Law

### Balancing adjustments for R&D assets

The R&D entity's assessable income is increased by an amount equal to the grossed-up value of the incentive component of the associated amounts of R&D tax offset.

For an R&D asset held only for R&D purposes where the balancing adjustment amount is included in the R&D entity's assessable income – the amount is generally increased by one third.

For an R&D asset held partially for R&D purposes where the balancing adjustment amount is included in the R&D entity's assessable income – the R&D component of the amount is generally increased by one third.

The R&D entity is entitled to a deduction equal to the grossed-up value of the incentive component of the associated amounts of R&D tax offset that would have been obtained if the R&D component of the balancing adjustment amount was included in the calculation of the offset.

For an R&D asset held only for R&D purposes where the balancing adjustment amount is allowed as a deduction, the deduction is included in the R&D entity's R&D tax offset calculation.

For an R&D asset held partially for R&D purposes where the balancing adjustment amount is allowed as a deduction – the R&D component of the amount is increased by one third or (for small R&D entities) by one half.

Similar amended rules apply to balancing adjustments for R&D assets held by R&D partnerships

Similar rules apply to balancing adjustments for R&D assets held by R&D partnerships.

The transitional rules are amended in line with the primary amendments but continue to apply to R&D assets acquired before the introduction of the R&D Tax Incentive in 2011.

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### Transparency of R&D claimants and activities

As soon as practicable after the period of two years following the end of the financial year, the Commissioner must publish information about the R&D entities that have claimed notional deductions for R&D activities, including the amount claimed.

No equivalent.

\* Note: Changes to how you claim the incentives were included in company tax return and R&D schedule instructions from 2021/22. Updates on these changes are available on the [Australian Taxation Office website](#).

### Information and support

The R&DTI is jointly administered by the Department of Industry, Science and Resources and the Australian Taxation Office.

For helpful guidance on interpreting the legislation and keeping records visit [business.gov.au/rdti](https://business.gov.au/rdti) or phone **13 28 46**.

For R&D entity and expenditure information visit [ato.gov.au/rdti](https://ato.gov.au/rdti).

