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Australian Taxation Incentives - Research and Development

The R&D Tax Incentive is the Australian Government's principal measure to encourage industry investment in research and development. It is a broad-based, market-driven program that aims to boost company competitiveness, improve productivity and deliver economy-wide benefits to Australia.

The R&D Tax Incentive replaces the R&D Tax Concession for research and development in income years commencing on or after 1 July 2011. It provides generous benefits for eligible research and development activities (R&D activities).

- A 45% refundable tax offset for eligible entities with an aggregated turnover of less than $20 million - unless they are controlled by tax exempt entities
- A 40% non-refundable tax offset for all other eligible entities.

The R&D Tax Incentive is available to:

- a company incorporated under an Australian law;
- a company incorporated under a foreign law that is an Australian resident for tax purposes; or
- a company incorporated under a foreign law that is a resident of a foreign country with a double tax agreement with Australia and who carries on business through a permanent establishment of the body corporate in Australia.

Applications for registration of R&D activities must be lodged with AusIndustry within 10 months after the end of the company's income year in which the activities were conducted.

Activities are eligible if they meet the definition of R&D activities.

Core R&D activities are experimental activities:

- whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that:
- that are conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved materials, products, devices, processes or services).

Supporting R&D activities are activities directly related to core R&D activities. However, if such activities produce, or are directly related to producing, goods or services; or, are listed as an activity excluded from being a core R&D activity, they must be undertaken for the dominant purpose of supporting core R&D activities.