

Research & development tax and government incentives update

Last week the Treasury Laws Amendment (Research & Development Tax Incentive) Bill 2019 was introduced into the House of Representatives. This reflects recommendations of a Senate Committee review of the previous Treasury Laws Amendment Bill lapsed earlier this year.

The amendments include:

1. The research & development (R&D) tax offset for refundable R&D tax incentive claims is now provided as the claimant's corporate tax rate plus a 13.5% premium. This reduces the effective offset for companies with a 27.5% tax rate from 43.5% to 41%.
2. The refundable R&D tax incentive now includes a cap of the refundable amount of \$4 million per annum. However, offset amounts that relate to expenditure on clinical trials do not count towards this cap.
3. The R&D expenditure threshold has been increased from \$100 million to \$150 million.
4. The non-refundable R&D tax offset will now be tied to R&D intensity, as a ratio between R&D expenditure and total company expenditure. The proposed changes include three intensity tiers as opposed to the previously suggested four tiers.

Who is affected?

- Small businesses, will have their R&D offset reduced.
- Large entities with \$20 million or more aggregated turnover who invest only a small portion of their overall business expenditure into R&D, as the amendments result in a significant reduction in benefit.
- Large entities with \$20 million or more aggregated turnover with a large portion of R&D expenditure, as the changes reward the heavy investment into R&D with a higher benefit.

How can we help?

The amendments generally apply to income years commencing on or after 1 July 2019, if enacted.

ShineWing Australia can assist in providing further information in relation to the proposed changes and guidance on how you may be affected.

Get in touch



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