



About these instructions

Research and development tax concession instructions for Excel spreadsheet version 2007.

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These instructions will help you use and complete the Excel spreadsheet version of the [Research and development tax concession schedule 2007](#) (the R&D schedule) and the research and development (R&D) items on the [Company tax return 2007](#).

When we refer to 'you' in these instructions, we are referring to the person responsible for completing the schedule.

This publication is NOT a guide to income tax law. Please get help from the Tax Office or a recognised tax adviser if you feel this publication does not fully cover your circumstances.

Other resources that you may need to refer to are listed in 'What to read/do next' and in each section of these instructions.

Abbreviations and unfamiliar terms

For an explanation of any terms used in these instructions that are unfamiliar to you, see the 'list of definitions' and the 'list of abbreviations'.

Overview



How to complete the schedule

PART A Calculation of R&D deduction



PART B Amount of expenditure on the following items



PART C Government grants and recoupments



PART D Research and development incremental tax concession



PART E Research development tax offset



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Overview

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Who must complete an R&D schedule?

Who can claim the R&D tax concession?

Who administers the R&D tax concession?

Before you complete the schedule

These instructions will help you use and complete the Excel spreadsheet version of the R&D schedule, which in turn will help you complete the items for R&D expenditure on the Company tax return 2007.

 Further Information

For more information about the R&D tax concession, see the joint AusIndustry/Tax Office publication Guide to the research & development tax concession.

Who must complete an R&D schedule?

You must complete and lodge an R&D schedule if you make a claim on your company tax return for R&D activities under the R&D tax concession that is, sections 73B to 73Z of the Income Tax Assessment Act 1936 (ITAA 1936).

Who can claim the R&D tax concession?

You may be entitled to claim the concession for your company if it is:

- an eligible company that has registered its research and development activities with the Industry, Research and Development Board (IRDB) through AusIndustry for the income year ended 30 June 2007, or
- the head company of a consolidated group where at least one of the subsidiary companies in the group is an eligible company and is registered with the IRDB (section 73BAB of ITAA 1936).

An eligible company is a body corporate incorporated under a law of the Commonwealth or of a state or territory (subsection 73B(1) of ITAA 1936).



Attention An eligible company that incurs expenditure as a trustee or nominee cannot claim the concession unless it is a trustee of a public trading trust (subsection 73B(3) of ITAA 1936).

You can only claim the tax concession for expenditure on eligible R&D activities. The IRDB and AusIndustry determine whether activities are eligible R&D activities.

You must lodge an application for registration of R&D activities with the IRDB within 10 months of the end of the income year.



You must register before you make a claim in the company's tax return. If your company chooses to claim the R&D tax offset, it must do so in its return of income (which includes the R&D schedule) and it must be registered at that time.

Who administers the R&D tax concession?

The R&D tax concession is jointly administered by AusIndustry, part of the Department of Industry, Tourism and Resources (DITR) and the Tax Office.

For information about how to register for the R&D tax concession and about what R&D activities qualify for the concession:

- visit the [AusIndustry website](#)
- phone the AusIndustry hotline on **13 28 46**

For information about claiming the R&D tax concession:

- go to our '[Research and development tax concession](#)' homepage
- Phone the business tax Infoline on **13 28 66**

Before you complete the schedule

Before you start to use the Excel spreadsheet version of the R&D schedule, you will need to make certain calculations and complete certain parts of the company tax return. Read through the points below. Although not exhaustive, they list important information.

Five items on the [Company tax return 2006](#) relate to the R&D tax concession:

Item 7 Reconciliation to taxable income or loss

- **D** Accounting expenditure in item 6 subject to R&D tax concession
- **L** R&D tax concession - not including label M
- **M** Incremental R&D (additional 50%) deduction
- **Y** R&D tax offset, if chosen

Calculation statement

- **U** R&D tax offset.

General

1. At item **7 Reconciliation to taxable income or loss** on the Company tax return 2007, complete **D Accounting expenditure in item 6 subject to R&D tax concession**. For information about how to complete this item, see 'Preliminary calculation - label D'.
2. Calculate your aggregate R&D amount:
 - to ensure the company has incurred the required amount (that is, more than \$20,000), and
 - to determine whether your expenditure qualifies for the 100% or 125% deduction under sections 73B(14) and (15) and 73BA(3) of ITAA 1936.
3. Calculate how much has been spent in each category that qualifies for a deduction under section 73B of ITAA 1936.

Consolidated groups

The amounts used as the base amounts in the calculation of the R&D tax concession deductions for consolidated groups must have been worked out on a **consolidated basis**, with all intra-group transactions eliminated. They must **not** be calculated on an **aggregated basis**, simply aggregating each group company's expenditure.




Attention: Only one R&D schedule is required for a consolidated group.

Clawback

Section 73C of ITAA 1936 operates to 'claw back' the benefits of the R&D tax concession for companies that have received a government grant - other than a cooperative research centre (CRC) program grant - for the same project. If you need to make any clawback calculations, you must make them in accordance with section 73C.

You will need to determine whether the company (or any company required to be grouped with it) received, or was entitled to receive, a recoupment of, or a grant in respect of any amounts claimed under the R&D tax concession.

 Further Information

To find out how the clawback rules operate where a subsidiary leaves or joins a consolidated group, see sections 73BAE of ITAA 1936 and section 701-5 of [Income Tax Assessment Act 1997](#) (ITAA 1997).

If clawback applies, you may find it useful to read 'Important notes on Part A of the schedule' and 'PART C Government grants and recoupments - other than CRC program grants'.

Prepayments

Adjust the amount of expenditure incurred in accordance with the prepayment provisions in sections 82KZL to 82KZMF of ITAA 1936 and subsection 73B(11) of ITAA 1936.

Intra-group mark-up


Determine any portion of the expenditure ineligible for the additional 25% component in accordance with the intra-group mark-up provisions (subsections 73B(14AA) - (14AD) of ITAA 1936).

Overseas expenditure

Expenditure on overseas R&D activities is covered in sections 39EC and 39ED of the *Industry Research and Development Act 1986* (IRADA 1986). Companies must have an overseas provisional certificate from the IRDB before they can claim overseas expenditure.

Depreciating assets/plant

Determine amounts that are available for deduction as depreciation under sections 73BA, 73BC, 73BG, 73BH, 73BJ and 73BN of ITAA 1936 and Divisions 40 and 42 of ITAA 1997.

 Further Information

For more information, see the [Guide to depreciating assets 2007](#) (NAT 1996-6.2006).

Core technology

Determine how much of technology expenditure is deductible in accordance with subsections 73B(12A)-(12B) of ITAA 1936.

Incremental expenditure

Determine whether the company's incremental expenditure makes it eligible for the incremental tax concession under section 73Q of ITAA 1936.

Grouping rules

Determine which entities are in the company group in accordance with sections 73L, 73M and 73R of ITAA 1936.



Attention A head company of a consolidated group will also need to consider these provisions (for example, where it is grouped with other entities with less than 100% control or ownership).

Expenditure that is not at risk

Apply section 73CA of ITAA 1936 to any expenditure for which the company was not at risk.

Roll-over relief

See sections 73E, 73F and 73G of ITAA 1936 to determine expenditure that qualifies for roll-over relief.

GST

Adjust expenditure amounts to take account of any entitlement you have to GST credits. See Division 27 of ITAA 1997.

How to complete the schedule

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Original or amended claim

Company name

Tax file number (TFN)

AusIndustry/IRDB registration number

Signature as prescribed in tax return

Australian business number (ABN)

Preliminary calculation - D

Complete all items on the schedule that apply to your company, including **yes/no** items. If an item or label does not apply, leave it blank.

Original or amended claim

If the company has already lodged a schedule for the 2007 income year, enter **X** in the box at the right of **Amended claim**. If it hasn't, enter **X** in the box at the right of **Original claim**.

Company name

Enter the name of the company. The name entered on the schedule must be the same as that shown on the company's tax return.

Tax file number (TFN)

Enter the TFN of the company.

AusIndustry/IRDB registration number

Enter the AusIndustry/IRDB registration number issued to the company for this income year for registered activities.

If your company is the head entity of a consolidated group and it is not registered with AusIndustry for the current year, enter the registration number of any one company in the consolidated group that has been registered.

Signature as prescribed in tax return

The person who is required to sign and who signs the company tax return must also sign the R&D schedule.

Australian business number (ABN)

Enter the company's ABN.

Preliminary calculation - D

On the R&D schedule at **Preliminary calculation D** enter the write-back of R&D accounting expenditure for the amounts you have included at the appropriate expenditure labels at item **6 Calculation of total profit or loss** on the Company tax return 2007.

The amount entered at **D** on the R&D schedule must be the same as the amount entered at **D item 7 Accounting expenditure in item 6 subject to R&D tax concession** on the company tax return.

If you have not included expense amounts for R&D deductions at item **6 Calculation of total profit or loss** on the company tax return - if, for example, those amounts are capitalised - enter zero (**0**) at **Preliminary calculation D** on the R&D Schedule and **D item 7 Accounting expenditure in item 6 subject to R&D tax concession** on the company tax return..

For consolidated groups

If aggregated expenditure has been used for accounting R&D expenditure under item **6** on the company tax return, add back the full amount of this aggregated expenditure at **D item 7 Accounting expenditure in item 6 subject to R&D tax concession** on the company tax return.

PART A Calculation of R&D deduction

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Important notes on Part A of the R&D schedule

Base amount column

Claimable at 100% column

Claimable at 125% column

Claimable at 150% column

Incremental tax concession deduction

Important notes on Part A of the R&D schedule

For Part A items 1 to 14, note the following:

Base amount column

The base amount for each item is the amount of the deduction available for the particular classification of expenditure BEFORE any additional concessional component is added. The three columns to the right of the 'Base amount' column allocate the base amount to three parts according to the level of any concession that applies (100%, 125% and 150%).



Do not add in the amount of the additional concession in these labels. This is automatically calculated at item 16.

Where there is a shaded area instead of a box, that level of concession does not apply to that expenditure.

Claimable at 100% column

The 'Claimable at 100%' column includes, but is not limited to, expenditure that:

- **clawback** applies to (section 73C of ITAA 1936)
- represents an **intra-group mark-up** (subsections 73B(14AA)-(14AD) of ITAA 1936), or
- is subject to the operation of section 73CA or 73CB of ITAA 1936 (expenditure not at risk or expenditure incurred to tax-exempt bodies which is not at risk).

Claimable at 125% column

Include in the 'Claimable at 125%' column all amounts eligible as a deduction at the rate of 125%.

Claimable at 150% column

The 'Claimable at 150%' column applies in very limited circumstances. It applies to expenditures covered under the 1996 transitional rules which applied when the concessional rate changed from 150% to 125%.

Incremental tax concession deduction

Part A of the schedule does not calculate any incremental tax concession deduction (50% Premium). Such a deduction is determined at **Part D**.

Item 1 Contracted expenditure – RRA



Item 2 Salary expenditure

Item 3 Other R&D expenditure



Item 4 Contract – other



Item 5 Plant leasing



Item 6 Eligible feedstock expenditure



Item 7 Plant/pilot plant deductions – pre-29 January 2001 (including disposal losses)



Item 8 Disposal profits – pre-29 January 2001



Item 9 Plant and depreciating assets – post-29 January 2001 (decline in value)



Item 10 Disposal losses – post-29 January 2001



Item 11 Disposal profits – post-29 January 2001



Item 12 Core technology – deductible amount	>
Item 13 Interest or amounts in the nature of interest	>
Item 14 Residual feedstock expenditure	>
Item 15 Total of allocated base amounts	>
Item 16 Claims including concession	>
Item 17 Total claim	>

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Item 1 Contracted expenditure – RRA

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Contracted expenditure is expenditure on work carried out by a registered research agency (RRA) on behalf of an eligible company. The RRA must not be an associate of the eligible company, and must have been registered under section 39F of the IRADA 1986 when the expenditure was incurred. The RRA must have been registered in

respect of the class of R&D activities on which the expenditure was incurred.

At item **1** enter expenditure on items included in paragraph (c) of the definition of 'contracted expenditure' under subsection 73B(1) of ITAA 1936. These amounts should be adjusted as required under subsection 73B(11) of ITAA 1936 for advance and accelerated expenditure.


Expenditure qualifies as contracted expenditure only if, at the time the expenditure was incurred, the eligible company was capable of using, or had formulated a plan to use, any results of the R&D directly in connection with a business that the company carried on or proposed to carry on (subsection 73B(1B) of ITAA 1936).

At **A** enter the total amount of contracted expenditure that is RRA incurred (the base amount).

At **B** enter any amount of the contracted expenditure claimable at 100%.

At **C** enter any amount of the contracted expenditure claimable at 125%.

At **D** enter any amount of the contracted expenditure claimable at 150%.

 **Attention** The total of the amounts at B, C and D must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information see:

- subsection 73B(1) and 73B(1B) of [ITAA 1936](#)
- [Taxation Ruling IT 2451 - Investor funding of research and development activities](#)
- [Taxation Ruling IT 2442 - Concession for eligible research and development expenditure](#)
- [Guide to the R&D tax concession](#)

Item 2 Salary expenditure

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At item 2 enter the amount of salary expenditure for employees who are actually carrying out an eligible R&D activity (as defined in subsection 73B(1) of ITAA 1936, including:

- salaries, wages, allowances, bonuses, overtime payments, penalty rate payments, annual leave, sick leave and long service leave, and
- on-costs such as contributions to a superannuation fund, premiums for workers' compensation insurance and payroll tax.

 Further Information

You may need to apportion the expenditure incurred between R&D and non-R&D activities. For more information, see [Taxation Ruling IT 2552 - Research and development \(R&D\) - costing of expenditure](#), paragraphs 4-12.


This item does not include:

- salary expenditure incurred in the construction of R&D plant, depreciating assets, structural improvements or buildings
- salary expenditure of R&D support staff not directly connected with the research activity - include those at item **3 Other R&D expenditure**, and
- salary expenditure claimed that is to be adjusted in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936).

At **E** enter the total R&D salary expenditure incurred (the base amount).

At **F** enter any amount of the total R&D salary expenditure claimable at 100%.

At **G** enter any amount of the total R&D salary expenditure claimable at 125%.

 **Attention** The total of the amounts at F and G must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- [Taxation Ruling IT 2552](#)
- [Taxation Ruling 2552A - Addendum - Research and development \(R&D\) - costing of expenditure](#)
- [Taxation Ruling IT 2442](#)
- [Taxation Ruling TR 2002/1](#)
- [Guide to the R&D tax concession](#)

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Item 3 Other R&D expenditure


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At item 3 enter other R&D expenditure incurred directly in respect of R&D activities carried on by or on behalf of the company. (See paragraph (c) of the definition of 'research and development expenditure', subsection 73B(1) of ITAA 1936.)

 **Attention** Do not include amounts to be shown at item 4 Contract - other or item 5 Plant leasing.

Taxation Ruling IT 2552 states that overhead and administrative expenditure is directly in respect of R&D where:

- the eligible R&D activities contributed to all or an identifiable part of the expenditure being incurred, or
- the conduct of eligible R&D activities by the company would be materially impaired if the expenditure was not incurred.

 Further Information

For more information about this classification, see [Taxation Ruling IT 2442](#), paragraphs 12-24 and [Taxation Ruling IT 2552](#), paragraphs 13-21 and [Taxation Ruling IT 2552A](#).

Adjust the amount of other R&D expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936).

'Other R&D expenditure' does NOT include:

- core technology expenditure
- interest expenditure
- feedstock expenditure (show eligible feedstock expenditure and residual feedstock expenditure as separate items)
- expenditure incurred acquiring or constructing plant, pilot plant or a building, or extending, altering or making improvements to a building, and
- expenditure incurred acquiring or constructing a section 73BA of ITAA 1936 depreciating asset.

At **H** enter the total amount of other R&D expenditure incurred, excluding any amounts to be entered at items **4** or **5** (the base amount).

At **I** enter the amount of other R&D expenditure claimable at 100%.

At **J** enter any amount of other R&D expenditure claimable at 125%.

At **K** enter any amount of other R&D expenditure claimable at 150%.

The total of the amounts at **I**, **J** and **K** must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- [Taxation Ruling IT 2451](#)
- [Taxation Ruling IT 2442](#)
- [Taxation Ruling IT 2552](#)
- [Taxation Ruling IT 2552A](#)
- [Guide to the R&D tax concession](#)

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Item 4 Contract – other

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Item 4 is a component of paragraph (c) of the definition of research and development expenditure in subsection 73B(1) of ITAA 1936 'Other R&D expenditure'. You will need to show any expenditure incurred under a contract to another party (other than a RRA) that is directly for R&D activities carried on by or on behalf of the company.

This item excludes:

- contracted expenditure carried out by an RRA (enter this at item 1), and
- expenditure under a contract that is, in substance, for the acquisition of plant.

Adjust the amount of 'contract other' expenditure you claim in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936). Subsection 73B(9) of ITAA 1936 does not allow a deduction for expenditure incurred on R&D activities on behalf of any other person.

If the payment is to another group member, adjust the amount of expenditure claimed in accordance with the intra-group mark-up provisions (subsections 73B(14AA)-(14AD) of ITAA 1936).

At **N** enter the total amount of contract other expenditure incurred (the base amount).

At **O** enter any amount of the contract other expenditure claimable at 100%.

At **P** enter any amount of the contract other expenditure claimable at 125%.

At **Q** enter any amount of the contract other expenditure claimable at 150%.

The total of the amounts at **O**, **P** and **Q** must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- [Taxation Ruling IT 2451](#)
- [Taxation Ruling IT 2442](#)
- [Guide to the R&D tax concession](#)

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Item 5 Plant leasing

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Item 5 is a component of paragraph (c) of the definition of research and development expenditure in subsection 73B(1) of ITAA 1936. You will need to show any expenditure incurred in the hire or leasing of an item of plant that is directly in respect of R&D activities carried on by or on behalf of the company.

Adjust the amount of plant leasing expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936).

At R enter the total amount of plant leasing expenditure incurred (the base amount).

At S enter any amount of the plant leasing expenditure amount claimable at 100%.

At T enter any amount of the plant leasing expenditure amount claimable at 125%.

At U enter any amount of the plant leasing expenditure claimable at 150%.

The total of the amounts at **S**, **T** and **U** must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- [Taxation Ruling IT 2442](#)
- [Guide to the R&D tax concession](#)

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Item 6 Eligible feedstock expenditure

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Feedstock expenditure items

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Feedstock expenditure items

To find out how much to include at the feedstock expenditure items 6 and 14, first determine the following amounts.

- Feedstock expenditure - expenditure incurred in acquiring or producing materials or goods processed or transformed by the company in R&D activities. It includes expenditure on energy directly input into processing or transforming these materials or goods.
- Feedstock input - feedstock expenditure for materials or goods that were processed or transformed in R&D activities during the year of income.
- Feedstock output - the sales proceeds or value of any products obtained during the year of income from processing or transforming the materials or goods that were feedstock expenditure. It is either the amount received or receivable for the products sold in arm's length transactions or, if not sold, or not sold in an arm's length transaction, the amount that would have been received if they had been sold in an arm's length transaction.

Include at item 6 the amount of eligible feedstock expenditure as defined in subsections 73B(1) and (1A) of ITAA 1936 for related R&D activities. It is the excess of the **feedstock input over the feedstock output** for the related activities, in the year of income. The eligible feedstock expenditure will attract the additional 25% concession component.

If the company has eligible feedstock expenditure, include this amount at item **6**. Enter the remainder of feedstock input at item **14** as residual feedstock expenditure.



Adjust the amount of eligible feedstock expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936).

At **V** enter the total amount of eligible feedstock expenditure (the base amount).

At **W** enter any amount of eligible feedstock expenditure claimable at 100%.

At **X** enter any amount of the eligible feedstock expenditure claimable at 125%.



Attention The total of the amounts at W and X must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- subsection 73B(1A) of [ITAA 1936](#)
- [Guide to the R&D tax concession](#)

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Item 7 Plant/pilot plant deductions – pre-29 January 2001 (including disposal losses)

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Deductions for plant expenditure

Deductions for pilot plant expenditure

Balancing adjustments (loss) on the disposal of plant and pilot plant

More information

Item 7 includes plant and pilot plant deductions and balancing loss adjustments for a unit of plant acquired under a contract entered into, or that commenced construction, before midday Australian Eastern Standard Time on 29 January 2001.

Add the relevant amounts together, as explained below, and enter them at the appropriate labels. If the company has a balancing profit under paragraphs 73B(23)(f) or 73B(24)(g) or 73B(24B)(f) of ITAA 1936, include this profit amount at item 8.

Each of these types of deduction is considered separately in the following paragraphs and the amounts are to be added together.

Deductions for plant expenditure

Include at item **7** one-third of the amount of 'qualifying plant expenditure' for the year of income (subsections 73B(4) and (5) of ITAA 1936). To have an amount of qualifying plant expenditure, the company must, at the time it incurred the expenditure on the unit of plant, have intended to use the unit of plant exclusively for R&D activities, for at least an initial period. (Plant expenditure is defined in subsection 73B(1) of ITAA 1936). The company must also have satisfied the actual exclusive-use tests contained in subsections 73B(4) and (5) of ITAA 1936. The company cannot claim an amount as qualifying plant expenditure if R&D activities ceased during the year of income (subsection 73B(5) of ITAA 1936).

If these conditions are satisfied, one-third of the amount of qualifying plant expenditure forms the basis of the deduction allowable (subsection 73B(15) of ITAA 1936).



Attention If another person uses the unit of plant exclusively for R&D activities, and that person has paid or must pay a consideration to the owner of the unit of plant, reduce the deductible plant expenditure by one-half of the consideration received (subsection 73B(15A) of ITAA 1936).



Attention If the company can claim plant expenditure under subsection 73B(15) of ITAA 1936, and the tax cost is 'set' for that plant asset because the company joins a consolidated group (see section 701-10 and 701-55 of ITAA 1997), you may need to make an adjustment to any


deduction allowable for the decline in value of that asset (ITAA 1936). (See section 73BAF of ITAA 1936).

At **A** enter one-third of qualifying plant expenditure, if a deduction for that expenditure is allowable under subsection 73B(15) of ITAA 1936 (the base amount).

At **B** enter that part of the amount at **A** claimable at 100%.

At **C** enter that part of the amount at **A** claimable at 125%.

At **D** enter that part of the amount at **A** claimable at 150%.

 **Attention: The total of the amounts at B, C and D must equal the amount included in the base amount otherwise, a warning message 'Your claim does not balance will display in the Excel spreadsheet'.**

Deductions for pilot plant expenditure

Post-23 July 1996 pilot plant is:

- an experimental model of other plant for use in R&D activities or for use in commercial production, one that is not for use in commercial production, but that has all of the intended characteristics of the other plant it is modelled on
- plant acquired after 23 July 1996 (and before 29 January 2001), and
- plant acquired or constructed for use by the company to use exclusively for the purpose of carrying on R&D activities (subsections 73B(1) and 73B(4C) of ITAA 1936).


You can claim a deduction for expenditure in acquiring or constructing such an item of pilot plant if the unit of pilot plant is used exclusively for carrying on R&D activities during the year of income.


The base amount at this item is the annual deduction percentage of the qualifying pilot plant expenditure for such items, as calculated under subsection 73B(4D) or (4E) of ITAA 1936.

The annual deduction percentage is 100% (as per subsection 73B(4G) of ITAA 1936) if:

- the qualifying pilot plant expenditure is \$300 or less, or
- the useful life of the qualifying pilot plant is less than three years.

Otherwise, determine the annual deduction percentage to be used in calculating the amount eligible for deduction as two-thirds of the percentage shown in the table in subsection 73B(4H) of ITAA 1936.

 **Attention** To determine useful life for the purposes of applying this table, Subdivision 40-B of ITAA 1997 applies (see subsection 73B(4J) of ITAA 1936).


 **Attention** For pilot plant acquired or constructed after 29 January 2001, see item 9.

At **A** enter the annual deduction percentage of pilot plant expenditure (the base amount).

At **B** enter the annual deduction percentage of pilot plant expenditure claimable at 100%.

At **C** enter the annual deduction percentage of pilot plant expenditure claimable at 125%.

The total of the amounts at **B** and **C** must equal the amounts included in the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

 **Attention** The sum of all post-23 July 1996 pilot plant deductions allowable to a company for such pilot plant (for all years) must not exceed the qualifying pilot plant expenditure multiplied by 1.25 (subsection 73B(15AB) of ITAA 1936).

Balancing adjustments (loss) on the disposal of plant and pilot plant

Balancing adjustments may be needed if items of plant and pilot plant for which expenditure has been deducted under subsections 73B(15) and 73B(15AA) of ITAA 1936 are disposed of, lost or destroyed after being used exclusively for carrying on R&D activities, provided no deduction is allowable to the company for depreciation under the former Division 42 of ITAA 1997.

Such balancing adjustments are covered under subsections 73B(23), 73B(24) and 73B(24B) of ITAA 1936. The consideration received for the plant at the time of disposal may vary from the written-down value (the original cost of the item less deductions for qualifying plant expenditure as calculated in accordance with subsections 73B(4A) and 73B(4B) of ITAA 1936). If this balancing adjustment is a loss, record it at this item. If the pilot plant was acquired before 23 July 1996, refer to subsection 73B(24) of ITAA 1936 to calculate the amount that can be deducted as a balancing adjustment loss (if applicable).

If the consideration receivable for the disposal, loss or destruction of the unit of R&D plant or unit of post 23 July 1996 pilot plant is less than the written-down value, you can claim the amount of this difference (paragraphs 73B(23)(e) and 73B(24)(e) of ITAA 1936).

At **A** enter the amount of any balancing adjustment loss, (the base amount).

At **B** enter the amount of any balancing adjustment (deduction) amounts claimable at 100%.

At **C** enter the amount of any balancing adjustment (deduction) amounts claimable at 125%.



Attention The total of the amounts at B and C must equal the amount included in the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsections 73B(1), (1C), (4), (4A), (4B) to (4J), (5), (5AA), (5AB), (15), (15A) (15AA), (15AB), (18), (20), (21A) and (24A) and (24B) of [ITAA 1936](#)
- Subdivision 42-C and section 42-18 of [ITAA 1997](#)
- [Taxation Ruling TR 2002/1](#)
- [Guide to the R&D tax concession](#)

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Item 8 Disposal profits – pre-29 January 2001

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Plant balancing adjustments (profits)

Balancing adjustments sale of pilot plant (profits)

More information

Plant balancing adjustments (profits)

If the consideration receivable is greater than the written-down value of the unit of plant (paragraph 73B(23)(f) of ITAA 1936, include at item 8 the amount by which the consideration exceeds the written-down value, up to the limit of the difference between the cost of the plant and its written-down value.

 **Attention** In the company chooses to take the R&D tax offset, you will use this amount in calculating the size of the offset.

At **E** and **F** include the amount of any balancing adjustment (assessable income).

Balancing adjustments sale of pilot plant (profits)

If the consideration receivable is greater than the written-down value of the unit of post 23 July 1996 pilot plant (paragraph 73B(24B)(f) of ITAA 1936), include the amount by which the consideration exceeds the written-down value, up to a limit of the difference between the cost of the plant and its written-down value. Include this amount in the calculation of the net base amount at item **8**. If the pilot plant was acquired before 23 July 1996, refer to subsection 73B(24) to calculate the balancing adjustment profit (if applicable).



Attention The amount at **E** must equal the amount at **F** otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsections 73B(1), 73B(4B), 73B(15AA), 73B(23), 73B(24), 73B(24B) of ITAA 1936
- [Guide to the R&D tax concession](#)

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Item 9 Plant and depreciating assets – post-29 January 2001 (decline in value)

Last updated 24 June 2008

Item **9** records deductions for depreciating assets (section 73BB of ITAA 1936), including certain capital works, used in carrying on R&D activities. They must have begun to be constructed, or have been acquired under contracts entered into, after midday Australian Eastern Standard Time on 29 January 2001.


The amount allowable is determined through a notional application of the provisions of Division 40 of ITAA 1997, subject to certain assumptions. These are set out in section 73BC of ITAA 1936.

For an asset applied to non-R&D purposes as well as R&D use in a year, you can claim the R&D portion of the decline in value under section 73BA of ITAA 1936. The remainder of the deduction is determined under Division 40 of ITAA 1997.


If an STS taxpayer, or a taxpayer who could otherwise allocate an asset to a Division 40 low-value pool, uses that asset for R&D activities as its first use, the taxpayer must claim deductions for it under section 73BA of ITAA 1936, not the STS (Subdivision 328-D of ITAA 1997) or low-value pool provisions (Subdivision 40-E of ITAA 1997). If the asset is used for non-R&D purposes for part of the year or in a subsequent year, deductions for that part of the year or the subsequent year will be considered under Division 40 of the ITAA 1997.

If an asset was not used for R&D in an earlier income year and the company was entitled to a deduction for the asset(s) under a Division 40 low-value pool or an STS pool in that year, you should continue to calculate deductions under the relevant pooling provisions, even if the asset is subsequently used for R&D.

You may need to complete the [Capital allowances schedule 2007](#).

 Further Information


For more information, see the [Guide to depreciating assets 2007](#).

 **Attention** **You cannot claim a deduction if the company is entitled to a deduction for the asset under the simplified tax system pooling provisions (Subdivision 328-B of ITAA 1997) or a Division 40 low-value pool (section 40-440 of ITAA 1997).**

At **H** enter the notional Division 40 amount as determined under sections 73BA to 73BC of ITAA 1936 (the base amount).

At **I** enter the notional Division 40 amount as determined under sections 73BA to 73BC of ITAA 1936 claimable at 100%, including where the aggregate R&D amount is less than \$20,000.

At **J** enter the notional Division 40 amount as determined under sections 73BA to 73BC of ITAA 1936, claimable at 125%.

 **Attention** The total of the amounts at I and J must equal the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- sections 73BA, 73BB, 73BC of [ITAA 1936](#)
- Division 40 of [ITAA 1997](#)
- Division 43 of [ITAA 1997](#)
- [Guide to the R&D tax concession](#)

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Item 10 Disposal losses – post-29 January 2001

Last updated 24 June 2008

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Notes on balancing adjustments - item 10

Notes on balancing adjustments - item 10

You may need to make balancing adjustments under subsection 73BF of ITAA 1936 or section 40-292 of ITAA 1997 if section 73BA depreciating assets are disposed of (section 40-295 of ITAA 1997). If the termination value of the asset at the time of disposal is different from its adjustable value just before the event occurred (section 40-300 of ITAA 1997), you will need to make a balancing adjustment. Record the amount of this balancing adjustment at item 10 for a loss or at item 11 for a profit (negative).

If the section 73BA depreciating asset has never attracted deductions under Divisions 42 or 40 of ITAA 1997, calculate the balancing adjustment under section 73BF. For section 73BA depreciating assets that have attracted such deductions, calculate the balancing adjustment under section 40-292 of ITAA 1997.

 Further Information

Before starting item 10 see the [Guide to depreciating assets](#) and the [Guide to the R&D tax concession](#).

If the company is entitled to deduct an amount under section 40-292 of ITAA 1997 following a balancing adjustment event (such as disposal), include the amount of any part of the balancing adjustment that the company is entitled to increase by 25% under the formula in subsection 40-292(4) of ITAA 1997, in the calculation of the base amount for item **10**.

If the company is entitled to deduct an amount under section 73BF of ITAA 1936 following a balancing adjustment event, include at item **10** the amount of any part of the balancing adjustment that the company is entitled to increase by 25% under the formula in subsection 73BF(3) of ITAA 1936.

At **K** enter the amount of any balancing adjustment (deduction) (the base amount).

At **N** enter the amount of any balancing adjustment (deduction) amounts claimable at 100%.

At **O** enter the amount of any balancing adjustment (deduction) amounts claimable at 125%.



Attention The total of the amounts at N and O must equal the amounts included in the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- section 40-292 of [ITAA 1997](#)
- section 73BF of [ITAA 1936](#)
- [Guide to the R&D tax concession](#)

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Item 11 Disposal profits – post-29 January 2001

Last updated 24 June 2008

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Notes on balancing adjustments - item 11


More information

Notes on balancing adjustments - item 11

You may need to make balancing adjustments under subsection 73BF of ITAA 1936 or section 40-292 of ITAA 1997 if section 73BA depreciating assets are disposed of (section 40-295 of ITAA 1997). If the termination value of the asset at the time of disposal is different from its adjustable value just before the event occurred (section 40-300 of ITAA 1997), you will need to make a balancing adjustment.

Record the amount of this balancing adjustment at item 10 for a loss or at item 11 for a profit.

If the section 73BA depreciating asset has never attracted deductions under Divisions 42 or 40 of ITAA 1997, calculate the balancing adjustment under section 73BF. For section 73BA depreciating assets that have attracted such deductions, calculate the balancing adjustment under section 40-292 of ITAA 1997.

 Further Information

Before starting item 11, see the [Guide to depreciating assets](#) and the [Guide to the R&D tax concession](#).

If the company is required to include in assessable income an amount under section 40-292 of ITAA 1997 following a balancing adjustment event (such as disposal), include at item **11** the amount of any part of the balancing adjustment that the company is required to increase by 25% under the formula in subsection 40-292(4) of ITAA 1997.

If the company is required to include in assessable income an amount under section 73BF of ITAA 1936 following a balancing adjustment event, include at item **11** the amount of any part of the balancing adjustment that the company is required to increase by 25% under the formula in subsection 73BF(3) of ITAA 1936.

At **P** enter the amount of any balancing adjustment (assessable amount) (the base amount).

At **Q** enter the amount of any balancing adjustment (assessable amount) amounts claimable at 100%.

At **R** enter the amount of any balancing adjustment (assessable income) amounts claimable at 125%.

 **Attention** The total of the amounts at Q and R must equal the amount included in the base amount otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- section 40-292 of ITAA 1997
- section 73BF of ITAA 1936
- Guide to the R&D tax concession
- Guide to depreciating assets

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Item 12 Core technology - deductible amount

Last updated 24 June 2008

At item 12 include deductions for core technology expenditure as defined in subsection 73B(1) and (1AB) of ITAA 1936. Core technology expenditure includes expenditure incurred in acquiring, or in acquiring the right to use, core technology for R&D activities that are carried on by the company or on its behalf.

Subsection 73B(12A) of ITAA 1936 limits how much core technology expenditure incurred in a year of income can be deducted. A maximum of one-third of R&D expenditure incurred during the year on R&D activities related to the core technology can be deducted.

Under subsections 73B(12A) and 73B(12B) of ITAA 1936, any undeducted core technology expenditure amounts can be carried forward to future years when the company undertakes R&D activities related to the core technology.




Attention You may need to make an adjustment if core technology is disposed of (subsections 73B(12A) and 73B(12B) of ITAA 1936).



Attention Core technology expenditure is deductible under subsection 73B(12A) and, as a result of the company joining a consolidated group, the

tax cost of the core technology asset is 'set' (see section 701-10 and 701-55 of ITAA 1997), you may need to make an adjustment to any deductions allowable for the decline in value of that asset under Division 40 (ITAA 1997). (See section 73BAF of ITAA 1936.)

At **S** and **T** enter the total amount of deductible core technology expenditure for the year (after the operation of subsection 73B(12A) of ITAA 1936).

 **Attention: The amount at S must equal the amount at T otherwise a warning message 'Your claim does not balance' will display in the Excel spreadsheet.**

More information

For more information, see:


- subsection 73B(1AB), 73B(1), 73B(12), 73B(12A) and 73B(12B) of [ITAA 1936](#)
- subsections 73B(27A), 73B(27B) and 73B(27C) of [ITAA 1936](#)
- [Taxation Determination TD 98/1 - Does 'expenditure on research and development activities' in subsection 73B\(27A\) and sections 73C and 73D of the Income Tax Assessment Act 1936, include 'core technology expenditure'?](#)
- [Guide to the R&D tax concession](#)

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Item 13 Interest or amounts in the nature of interest

Last updated 24 June 2008

At item **13** enter interest expenditure as defined in subsection 73B(1) of ITAA 1936 and allowable as a deduction under subsection 73B(14A) of ITAA 1936. This item includes interest, or an amount in the nature of interest, incurred during the year of income in the financing of R&D activities.

 **Attention** You may need to adjust the amount of interest expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of ITAA 1936).

At **U** and **V** enter the amount of interest expenditure as defined in subsection 73B(1) of ITAA 1936.

 **Attention** The amount at **U** must equal the amount at **V** otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

More information

For more information, see:

- subsection 73B(1) of [ITAA 1936](#)
- subsection 73B(14A) of [ITAA 1936](#)
- [Guide to the R&D tax concession](#)

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Item 14 Residual feedstock expenditure

Last updated 24 June 2008

Feedstock expenditure items

To find out how much to include at the feedstock expenditure items **6** and **14**, first determine the following amounts.

- **Feedstock expenditure** - expenditure incurred in acquiring or producing materials or goods processed or transformed by the company in R&D activities. It includes expenditure on energy directly input into processing or transforming these materials or goods.
- **Feedstock input** - feedstock expenditure for materials or goods that were processed or transformed in R&D activities during the year of income.
- **Feedstock output** - the sales proceeds or value of any products obtained during the year of income from processing or transforming the materials or goods that were feedstock expenditure. It is either the amount received or receivable for the products sold in arm's length transactions or, if not sold, or not sold in an arm's length transaction, the amount that would have been received if they had been sold in an arm's length transaction.

Residual feedstock expenditure is the lesser amount of the company's feedstock input and feedstock output for R&D activities in the year of income.

If feedstock inputs are:

- greater than feedstock outputs, record the outputs amount at **W Residual feedstock expenditure**.
- less than feedstock outputs, record the inputs amount at **W Residual feedstock expenditure**.

This is the residual feedstock expenditure, as defined in subsection 73B(1) of ITAA 1936.



Attention The residual feedstock expenditure will not be deductible at the concessional rate. It is claimable at 100%. Subsection 73B(14B) of ITAA 1936 allows a deduction for residual feedstock expenditure.

At **W** and **X** enter the amount of residual feedstock expenditure.



Attention The amount at **W** must equal the amount at **X** otherwise, a warning message 'Your claim does not balance' will display in the Excel spreadsheet.

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Item 15 Total of allocated base amounts

Last updated 24 June 2008

The Excel spreadsheet version of the [Research and development tax concession schedule 2007](#) will automatically total each column.

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Item 16 Claims including concession

Last updated 24 June 2008

The Excel spreadsheet version of the [Research and development tax concession schedule 2007](#) will automatically total each column by multiplying the labels at item **15** by the appropriate concessional percentage.

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Item 17 Total claim

Last updated 24 June 2008

The amount at **L** item **17** is the total of the amounts at **E**, **F** and **G** item **16** - the Excel spreadsheet version of the [Research and development tax concession schedule 2007](#) automatically calculates the value for **L**.

Transfer this amount to **L R&D tax concession - not including label M** at item **7 Reconciliation to taxable income or loss** on the [Company tax return 2007](#).

If this amount is negative, transfer the amount and code **L** to **L R&D tax concession - not including label M** at item **7 Reconciliation to taxable income or loss** on the [Company tax return 2007](#).

More information

See the instructions for **L R&D tax concession - not including label M** in the [Company tax return 2007 instructions](#).

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PART B Amount of expenditure on the following items

Last updated 24 June 2008

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Item 1 Cooperative research centre contributions

Item 2 Trading stock expenditure

Item 3 Royalties paid to non-residents for the use of core technology

Item 4 Total expenditure on plant and depreciating assets

Item 5 Total expenditure on core technology

Item 6 Building expenditure and other adjustments required to calculate the company's aggregate R&D amount

Item 1 Cooperative research centre contributions

At **I** item **1** enter the amount of any contributions to cooperative research centres (CRCs) that the company has made during the year of income.

Item 2 Trading stock expenditure

At **J** item **2** enter the total of any trading stock expenditures that were included as base amounts in items **1** to **5** of **Part A Calculation of research and development deduction**. Trading stock expenditures are expenditures incurred in connection with acquiring trading stock.

Item 3 Royalties paid to non-residents for the use of core technology

At **K** item **3** enter the total of any royalties paid for core technology used in R&D activities.

Item 4 Total expenditure on plant and depreciating assets

At **N** item **4** enter the total of any expenditure incurred in this income year on purchasing any items of plant or depreciating assets used in R&D activities.

Item 5 Total expenditure on core technology

At **O** item **5** enter the total of any expenditure incurred in this financial year on core technology that was used in R&D activities.

Item 6 Building expenditure and other adjustments required to calculate the company's aggregate R&D amount

At **X** item **6** enter other amounts not included in **Part A** that are needed to calculate the company's aggregate R&D amount. These amounts form part of the aggregate research and development amount even though they are not deductible under 73B of the ITAA 1936.

These include:

- the total amount of any capital expenditure on buildings used for the purpose of carrying on R&D activities, deductible under Division 43 of ITAA 1997, and
- for companies that are lodging a return regarding income and deductions for a period before or after they joined a consolidated group the additional aggregate research and development amount calculated in accordance with section 716-850 of ITAA 1997

Attention

These items are not eligible for a deduction under the R&D tax concession but form part of the aggregate R&D amount (subsection 73B(1) of ITAA 1936).

 **Only complete this part if the company chooses the R&D tax offset.**

At **X** item 6 also record any positive or negative adjustments that may need to be made where a company has a transitional accounting period and the amounts reported in Part A relate to a period that is less than or greater than 12 months. At **X** you can record the necessary adjustments to those amounts for the purpose of calculating the aggregate R&D amount. The aggregate R&D amount is calculated using the 12-month period that is the tax offset year (ATOID 2003/989).

PART C Government grants and recoupments

Last updated 24 June 2008

At **P** enter the total amount of government recoupments of, or grants received in respect of, R&D expenditure for which the company is also claiming the R&D tax concession in the 2006-07 year of income. Exclude amounts received under CRC programs.

 **Attention** The clawback provisions (section 73C or 73CB of ITAA 1936) may operate on these amounts.

Further Information

For instructions on the application of the clawback provisions, see the [Guide to the R&D tax concession](#)

Expenditure to which clawback applies is entered in the 'Claimable at 100%' column in Part A of the schedule. Include any income from grants at item **6 label Q 'Assessable government Industry payments'** on the [Company tax return 2007](#).

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PART D Research and development incremental tax concession

Last updated 24 June 2008

Calculation instructions

 **Attention** The Excel spreadsheet version of the [Research and development tax concession schedule 2007](#) (the

schedule) asks the question: 'Do you wish to test the company's entitlement to the incremental concession (Yes or No?)'.

If your answer is 'No', you can go to **Part E**.

Otherwise, the following instructions will assist you in completing **Part D** and determining your entitlement (if eligible). You must complete this part for all companies in the group that carry out R&D.

The steps below show how to calculate the amount of the premium (additional 50%) a company may be eligible to claim. Definitions of the terms used throughout these instructions are available at [Definitions](#).

Year abbreviations

Y₀	the current year of income for which the company tax return is being completed - for most companies the current year is 2006-07
Y₋₁	the 2005-06 year of income (if 2006-07 is the current year of income)
Y₋₂	the 2004-05 year of income (if 2006-07 is the current year of income)
Y₋₃	the 2003-04 year of income (if 2006-07 is the current year of income)


Step 1 - Is the company a member of a group for the purposes of the incremental tax concession?

Test whether the company has any group relationships and determine any relevant group membership periods by using the grouping rules in sections 73L and 73R of ITAA 1936 for the year of income and the previous three years of income. A head company of a consolidated group will also need to consider the R&D grouping provisions (for example, if it is grouped with other entities with less than 100% control or ownership).

If the company is a member of such a group, follow steps 2-3 for all members of the group that have had incremental expenditure in a

group membership period in any of the four years **Y₀**, **Y-1**, **Y-2** and **Y-3**.

Enter the name and TFN of the company and all group members (if any) that have incurred incremental expenditure in a group membership period in any of the four years at item **1** in **Part D Research and development incremental tax concession** on page 2 of the R&D schedule.

 Further Information

If there is not enough space for all group members then use the second Excel worksheet entitled 'Additional Schedule Part D'.

Step 2 - Calculate R&D spend for each year - that is, the total incremental expenditure for the company and grouped company members.

Incremental expenditure is R&D expenditure as defined in subsection 73B(1) of ITAA 1936, and therefore includes contracted expenditure, salary expenditure and other expenditure **incurred** directly in respect of R&D activities, whether deductible or not.

Exclude the following:

- expenditure to lease or hire plant, and
- any expenditure included above under a contract that is, in substance, for the acquisition of plant and not for the receipt of services.

The following labels in **Part A** relate to the expenditure items that may form part of incremental expenditure of the company in question:

- **A** item **1**
- **E** item **2**
- **H** item **3**
- **N** item **4**
- **V** item **6**

The schedule will **automatically** populate the company's name, TFN and **Y₀** incremental spend at row '**a**' item **1 Part D**.

Although **Y⁰** is automatically populated from the information contained in **Part A** of the R&D schedule, it only includes deductible amounts.

You may need to make adjustments **any** of the following circumstances apply

- The company has incurred some R&D expenditure which is not deductible (for example, in relation to unregistered activities). You must include such amounts at row **(f)** of Part D.
- An intra-group mark-up is included in **Part A**. You must deduct the amount of the intra-group mark-up at row **(f)** (subsection 73P(5) and 73B(14AC of ITAA 1936) (Note: If no other amounts are included at row **(f)** insert your value as a negative).
- Where the amounts entered in **Part A** of the R&D Schedule relate to a period that is greater or less than 12-months, you must make adjustments (positive or negative) to row **(f)** to reflect the incremental expenditure incurred in the 12-month period.
- If section 73BAC or section 73BAD of the ITAA 1936 applies to the company (a company has left or joined a consolidated group) you may need to make an adjustment (positive or negative) to rows **(f)** and **(g)**. For more information, refer to section 73BAC and section 73BAD of the ITAA 1936 and the [Guide to the R&D tax concession](#).
- If expenditure under a contract is both for the acquisition of plant and for the provision of services, you must apportion the expenditure on a reasonable basis between them, as per subsection 73P(3) of ITAA 1936. If none of the expenditure is apportionable, do not include the expenditure as incremental expenditure (subsection 73P(4) of ITAA 1936).

Note: Row **(f)** is used to adjust the incremental expenditure claimed at 100% and incremental expenditure that is not deductible in the Y_0 year of income. Row **(g)** is used to adjust the incremental expenditure claimable at 125%. A negative value may be inserted in these rows if necessary.

The types of adjustments you may be required to make to the Y_0 amount are also likely to affect the amounts reported in respect of the **Y_0 , Y_{-1} , Y_{-2} and Y_{-3}** years of income for the company and other group members.

The company will need to calculate the amount of its incremental expenditure for the immediate prior three years of income (**Y_0 , Y_{-1} , Y_{-2} and Y_{-3}**) and the incremental expenditure for all other entities with group membership periods for the **Y_0 , Y_{-1} , Y_{-2} and Y_{-3} years of income**.

Enter the amounts of incremental expenditures for each company in the columns labelled **Y₀**, **Y₋₁**, **Y₋₂** and **Y₋₃** incremental expenditure at item **1**.

Ensure that incremental expenditure for a consolidated group as claimant is recorded in a single row only at row **a**. Do not disaggregate incremental expenditure for each member of the consolidated group.

Step 3 - Calculation of adjustment amounts and adjustment balances

The schedule will automatically populate the total R&D spend of the company, for the **Y₀**, **Y₋₁**, **Y₋₂** and **Y₋₃**, years of income, the adjustment amounts and the adjustment balances.

If the company was eligible for the incremental tax concession in **Y₋₁** and/or **Y₋₂**, AND satisfies the provisions of subsections 73T(3), 73T(4) and or 73V(3) of ITAA 1936, select 'Yes' for the relevant year, in answering the question 'Please indicate whether the company, or any of its group members, was eligible to claim the increment in 2005-06 and/ or 2004-05'.

The schedule will then automatically calculate any adjustment amount for **Y₀** (**AA₀**) and **Y₋₁** (**AA₋₁**), and the adjustment balance

The schedule will then automatically calculate (at **label M**) the deduction which the company is entitled to under the incremental tax concession. Transfer this amount to **Label M - Incremental R&D (additional 50%) deduction** Item **7** on the Company tax return 2007.

More information

For more information, see:


- sections 73L to 73Z of ITAA 1936
- sections 73BAC and 73BAD of the ITAA 1936
- Guide to the R&D tax concession

PART E Research development tax offset

Last updated 24 June 2008

Calculation instructions


If the company chooses to take the R&D tax offset, it means that the company has chosen to forgo an R&D tax concession deduction (refer subsection 73I(1) of ITAA 1936). **The company cannot claim both.**

 **Attention** The company can only choose to take the R&D tax offset on its return of income (which includes the R&D schedule).

The company must be registered with the IRDB before it makes its choice.

The company cannot choose to take the R&D tax offset if an exempt entity, the affiliates of an exempt entity, an exempt entity together with its affiliates, or two or more exempt entities legally or beneficially own, or have the right to acquire, the legal or beneficial ownership of interests in the company that carry between them the right to:

- exercise, or control the exercise of, at least 25% of the voting power of the company, or
- receive at least 25% of any distribution of income or capital by the company (refer subsection 73J(2) of ITAA 1936).

 Further Information

The Excel spreadsheet version of the Research and development tax concession schedule 2007 (the schedule) asks the question: 'Do you wish to check eligibility for the R&D tax offset?' Choose 'No' if the company is not eligible because of exempt entity ownership as referred to above.

What to do if your answer is 'No'

If you choose 'No', you have completed the R&D schedule.

What to do if your answer is 'Yes'

If you choose 'Yes', the remaining instructions will assist you in determining the company's eligibility as well as any entitlement to the R&D tax offset.

1. The schedule will automatically populate the company's name, TFN and aggregate R&D amount at row **a**.
2. You must insert the company's turnover (calculated in accordance with section 73K of the ITAA 1936) at row **a**.
3. Enter the company name, and the TFN of all entities that are required to be grouped under section 73L of ITAA 1936, at item **1 Research and development tax offset** in **Part E**.
4. Enter the amount of each entity's aggregate R&D amount, as defined in subsection 73B(1), and the turnover against the entity's tax file number in the columns Aggregate R&D amount and 'Entity turnover' respectively.



The aggregate R&D amount that is automatically populated for the company may not be correct unless you have properly followed instructions for Part B, item 6. (This requires building expenditure and other adjustments required to calculate the company's aggregate R&D amount to be included at **Part B** item **6**). The aggregate R&D amount of each of the entities grouped with the company must also be calculated with reference to this instruction.

5. Attach an additional schedule if there is insufficient space for all group members.
6. Ensure that the **aggregateR&D** amounts and turnover **from the additional schedule** are summed and the totals placed in row **g** of the original schedule. If the total of the aggregate R&D amount column is \$1,000,000 or less **and** the total of the R&D Group Turnover column is less than \$5,000,000, the company is eligible to choose to claim the R&D tax offset (paragraphs 73J(1)(c) and (d) of ITAA 1936).



The group aggregate R&D amount and the group turnover are automatically totalled at label B and **C** respectively.

7. The amount at Label **Y** is the company's entitlement to the R&D tax offset. Transfer this amount to Label **Y R&D tax offset, if chosen** at **Item 7**, on the **Company tax return 2006**. Transfer the amount calculated at Label **U** (30% of Label **Y**) to Label **U - R&D tax offset** in the Calculation Statement on the **Company tax return 2007**.
8. If the company is eligible to make this choice, but does not wish to do so, change your answer to the question 'Do you wish to check eligibility for the R&D tax offset to 'No'. Ensure that Label **Y** R&D tax offset, at **Item 7** of the *Company tax return 2006* and Label **U - R&D tax offset** in the Calculation Statement on the **Company tax return 2007** are not completed.

More information

For more information, see:

- sections 73H to 73M and 73B of ITAA 1936
- Guide to the R&D tax concession

How to lodge the R&D schedule



Abbreviations



Definitions



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How to lodge the R&D schedule

Last updated 24 June 2008


You should lodge your R&D schedule with the appropriate company tax return. We will accept either a printout of your completed Excel

spreadsheet version of the R&D schedule or a completed Research and development tax concession schedule 2007 form.

Requests for amendments

If your company wishes to request an amendment that includes changes to its R&D claim, you must complete an amended R&D schedule showing the amended figures. Send this schedule, with a letter requesting the amendment, to:

Australian Taxation Office
GPO Box 5056
Sydney NSW 2001

 Attention

This requirement applies only to the income year ended **30 June 2002** and subsequent income years.

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Abbreviations

Last updated 24 June 2008

ABN	Australian business number
CRC	cooperative research centre
IRADA 1986	<i>Industry Research and Development Act 1986</i>
IRDB	Industry Research and Development Board
ITAA 1936	<i>Income Tax Assessment Act 1936</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
R&D	research and development
RRA	registered research agency

STS	simplified tax system
TFN	tax file number

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Definitions

Last updated 24 June 2008

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Adjustment amount year zero (AA₀)

Adjustment amount year minus one (AA-1)

Aggregate R&D amounts

Balancing adjustment event

Current year (AA-1)

Incremental expenditure

Previous year (Y-1)

R&D spend

Running average (RA₀)

Running average (RA-1)

Total group mark-up

Year Y-2 (Y-2)

Year Y-3 (Y-3)

Adjustment amount year zero (AA₀)

AA₀ is the abbreviation used to denote a group's adjustment amount for the **Y⁰** year of income (subsection 73P(2) of ITAA 1936).

Adjustment amount year minus one (AA₋₁)

AA₋₁ is the abbreviation used to denote a group's adjustment amount for the **Y⁻¹** year of income (subsection 73P(2) of ITAA 1936).

Aggregate R&D amounts

Subsection 73B(1) defines the expenditures and deductions that comprise aggregate research and development (R&D) amount.

To claim the additional 25% concession this amount (or a grossed-up amount where a subsidiary company has joined or left a consolidated group and has a non-membership period of less than 365 days) needs to be more than \$20,000. However, payments to an registered research agency (RRA) are not subject to this threshold.

To be eligible to claim the R&D tax offset the aggregate R&D amount must be \$1,000,000 or less.

Balancing adjustment event

A balancing adjustment event occurs when an asset is disposed of, lost or destroyed after being used exclusively for carrying on R&D activities.

Current year (AA₋₁)

The current year is the year of income for which the company tax return is being completed. For most companies the current year is 2006-07. **Y₀** is the abbreviation used to denote the current year.

Incremental expenditure

Incremental expenditure means expenditure that is R&D expenditure except:

- expenditure to lease or hire plant, and
- expenditure under a contract to the extent that it is, in substance, for the acquisition of plant and not for the provision of services (subsection 73P(2) of ITAA 1936).

Previous year (Y_{-1})

For 2006-07 the previous year is the 2005-06 income year. Y_{-1} is the abbreviation used to denote that previous year.

R&D spend

R&D spend of an eligible company for a year of income means the sum of:

- the incremental expenditure of the eligible company for the year of income incurred during its group membership period, and
- the incremental expenditure of each group member of the eligible company for the year of income incurred during its group membership period (subsection 73P(2) of ITAA 1936).

Running average (RA_0)

RA_0 is the abbreviation used to denote the group's running average for the Y^0 income year (subsections 73P(2) and 73U(1) of ITAA 1936).

Running average (RA_{-1})

RA_{-1} is the abbreviation used to denote the group's running average for the Y^{-1} income (subsections 73P(2) and 73U(2) of ITAA 1936).

Total group mark-up

The total group mark-up is the sum of the amounts derived by persons during the year of income for goods and services in respect of all or part of the things for which the R&D amount was for while those persons were grouped with the eligible company mentioned in section 73L less the actual cost to those persons of providing those goods or services (subsection 73B(14AC) of ITAA 1936).

Year $Y-2$ (Y_{-2})

For the 2006-07 current year of income, Y_{-2} is the abbreviation used for the 2004-05 year of income.

Year Y-3 (Y-3)

For the 2005-06 current year of income, Y-3 is the abbreviation used for the 2003-04 year of income.

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What to read/do next

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Other publications you may need to refer to when completing the R&D schedule are:

- [Company tax return 2007 instructions](#) (NAT 0669-6.2007)
- [Guide to depreciating assets](#) (NAT 1996-6.2006)
- [Income Tax Assessment Act 1936](#)
- [Income Tax Assessment Act 1997](#)
- [Industry Research and Development Act 1986](#)

Taxation Ruling:

- [IT 2442 - Income tax: concession for eligible research and development expenditure](#)
- [IT 2451 - Income tax: investor funding of research and development activities](#)
- [IT 2552 - Income tax: research and development \(R&D\) - costing of expenditure](#)
- [IT 2552A \(Addendum\) - Income tax: research and development \(R&D\) - costing of expenditure](#)
- [TR 2002/1 - Income tax: research and development: plant expenditure \(pre 29 January 2001\)](#)

Taxation Determination:

- [TD 98/1 - Income tax: does 'expenditure on research and development activities' in subsection 73B\(27A\) and sections 73C](#)

and 73D of the Income Tax Assessment Act 1936 include 'core technology expenditure'?

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