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R&D tax incentive transparency report 2021–22

The first annual R&D tax incentive transparency report, providing transparency on the claims made by R&D entities.

Published 3 October 2024

Focus of the report

The scope of this report, which entities and industries are included and what significant data was observed.

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Focus of the report

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What this report details

Our reporting has 2 parts:

- Part 1 – the Report of data about research and development tax incentive entities, published on Data.gov.au
- Part 2 – this *Research and development tax incentive – transparency report*, which provides an explanation of the data to help you understand it.

The *Report of data about research and development tax incentive entities 2021–22* provides information on companies that have claimed the R&D tax incentive (R&DTI) in the 2021–22 income year. It's the first *Report of data about research and development tax incentive entities* we have published, and we'll continue to publish these reports annually.

It details data the R&D entity (an entity eligible to register R&D activities and claim R&D tax offsets in any given year) reported in its company tax return. The data for the 2021–22 income year was extracted on 31 July 2024 with all data accurate at that time.

Section 3H of the Taxation Administration Act 1953 specifies the data we are required to report. Publishing this data:

- encourages voluntary compliance with the requirements of the R&DTI program
- increases public awareness of which companies have claimed the tax incentive.

Observations

There was significant investment in R&D activities by businesses in the 2021–22 income year. The R&DTI program incentivises companies, regardless of size or industry, to perform R&D activities they may not otherwise undertake due to the associated costs and risks involved.

Small businesses engaged heavily, with 5,574 entities involved in the R&D program over the 2021–22 income year. Public and multinational businesses invested the most in R&D with a total of $4.9 billion in expenditure claimed.

The professional, scientific and technical services industry (which includes businesses such as scientific research, computer system design and accounting services) invested more than any other industry, with 43% of the claims.

Highlights

- The total amount of R&D expenditure claimed in the 2021–22 income year is $11.2 billion.
- 11,545 companies claimed R&D expenditure in the 2021–22 income year.
- Public and multinational businesses invested the most on R&D in the 2021–22 income year, with a total of $4.9 billion claimed.
- Small businesses had the highest percentage of claimants, making up 48% of the total population.
- The industry with the highest number of claimants across all business populations is the professional, scientific and technical services industry, making up 43% of claims.
- Australian-owned companies accounted for 97.8% of this year's population, with 11,286 reporting R&D expenditure.

Interpreting the results

The *Report of data about research and development tax incentive entities 2021–22* identifies companies that claimed expenditure under the tax incentive in the 2021–22 income year, where their income year began on or after 1 July 2021. The total amount of R&D expenditure each company claimed is published. Companies claiming the tax incentive with a 2021–22 income year beginning before 1 July 2021 will not be disclosed. There are approximately 850 such companies in the 2021–22 income year.

If a company has adjusted their claim by requesting an amendment, we report their original claim and their adjusted claim, if it was processed by 31 July 2024. There are 241 R&D entities that have their amended total R&D expenditure published. Commissioner-initiated amendments following a review or audit are not published. Legislation stipulates only amendments reported by companies will be published.

The *Report of data about research and development tax incentive entities* will be updated on an annual basis to include new or amended information for companies that lodge or amend a claim after the current year's report is published.

It does not disclose the amount of the tax incentive each R&D entity received or whether it was refundable or non-refundable.

There are companies within the report that are reported with a 'nil' dollar claim. This could be because:

- their **feedstock adjustments** are more than the notional deductions
- the R&D entity adjusted the amount in their tax return – for these, we've published the original total R&D expenditure claimed and the nil amount
- the R&D entity did not provide information regarding total R&D expenditure.

Figures in this report have generally been rounded, which may result in differences between totals and sums of components in the charts and text compared to that in the data report.

R&D population overview

Data by expenditure and business population.

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Reported entities

Reported population

Total expenditure

Business population

Top 10 highest claims

Reported entities

There are 11,545 companies in the *Report of data about research and development tax incentive entities 2021–22*, with expenditure totalling $11.2 billion in R&D claims in the 2021–22 income year.

However, the *Report of data about research and development tax incentive entities* 2021–22 report doesn't include approximately 850 companies that made R&D expenditure claims in the 2021–22 income year as they have a substituted accounting period beginning before 1 July 2021.

Reported population

The *Report of data about research and development tax incentive entities* population includes:

- companies with an eligible expenditure greater than $20,000, and turnover of less than $20 million, who are eligible for the refundable offset
- companies with an eligible expenditure greater than $20,000, and turnover greater than $20 million, who are eligible for the non-refundable offset

- both Australian-owned and foreign-owned companies which are Australian residents for income tax purposes.

Total expenditure

Public and multinational businesses claimed the most on R&D in the 2021–22 income year with a total of $4.9 billion, followed by privately owned and wealthy groups with $4.1 billion, and lastly small businesses with $2.2 billion in R&D expenditure claimed.

Total R&D expenditure in the 2021–22 income year

Business population

The business population makeup of companies in the 2021–22 transparency report is:

- 48% (5,574) small businesses (companies that are carrying on a business with an aggregated turnover of less than $10 million)
- 38% (4,370) privately owned and wealthy groups (companies and their associated subsidiaries with an annual turnover of more than $10 million that aren't public groups or foreign owned)
- 14% (1,598) public and multinational businesses (publicly listed Australian and multinational companies).

R&D entities by business population

The average claim per entity in each business population is:

- public and multinational businesses – $3,095,496
- privately owned and wealthy groups – $931,824
- small businesses – $395,191.

Not-for-profit organisations aren't included in the breakdown and analysis as only 3 claimed the R&DTI in the 2021–22 income year. This

number is too small to be evaluated.

Top 10 highest claims

The table below details the top 10 entities across all industries according to their R&D claims in the 2021–22 income year.

Top 10 highest claims of R&D expenditure in the 2021–22 income year (in order)

Company name	Company ABN	Total R&D expenditure ($)
ATLASSIAN AUSTRALIA 1 PTY LTD	98166799542	200,460,127
CSL LIMITED	99051588348	129,243,465
COCHLEAR LIMITED	96002618073	115,602,553 (amended to 120,376,749)
RESMED HOLDINGS PTY LTD	28003765133	78,600,592
FORTESCUE LTD	57002594872	77,885,564
CLEANAWAY WASTE MANAGEMENT LIMITED	74101155220	56,309,397
TASSAL GROUP LIMITED	15106067270	55,821,520
TECHNOLOGY ONE LIMITED	84010487180	54,201,233
GRINDING MEDIA PTY LTD	47615611759	51,676,649
FIRMUS GRID PTY LTD	31638040534	50,889,715

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Industry overview

Data about the R&DTI according to industry and business population.

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Industry classification

Top 5 industries overall

Top 5 industries – public and multinational businesses

Top 5 industries – privately owned and wealthy groups

Top 5 industries – small businesses

Industry classification

The R&DTI is available to eligible R&D entities in any industry. Industry types are based on Australian and New Zealand Standard Industrial Classification (ANZSIC) divisions. Entities self-classify when they lodge their company tax return. The ANZSIC divisions reflect the industry of the main business activity undertaken by the entity and may not be the industry in which the R&D activity is undertaken.

Top 5 industries overall

The top 5 industries that claimed R&D expenditure in the 2021–22 income year (in order) are:

1. **Professional, scientific and technical services** – covering a broad range of businesses within those fields. The report includes scientific research, computer system design and accounting services within this industry.

2. **Manufacturing** – including businesses mainly engaged in the physical or chemical transformation of materials, substances or components into new products (except agriculture and construction). The report contains entities in furniture, metal, wood and chemical manufacturing.
3. **Wholesale trade** – including businesses mainly engaged in purchase and on-selling, commission-based buying, and commission-based selling of goods, without significant transformation, to other businesses. The report contains grocery, machinery and vehicle wholesale traders.
4. **Information media and telecommunications** – covering a variety of businesses engaged in the creation, enhancing and storing of information products in the media, transmitting information products and providing transmission services. The report includes internet service providers, publishers and telecommunication service providers.
5. **Financial and insurance services** – including businesses mainly engaged in financial transactions. The report includes finance, insurance and superannuation companies.

The graph below provides a breakdown of the top 5 industries that claimed R&D expenditure by number and percentage total of overall claims.

Top 5 industries by number of claimants

The graph below provides an overview of the main industries that claimed R&D expenditure in the 2021–22 income year and their total claim amount.

Total R&DTI expenditure by industry

Top 5 industries – public and multinational businesses

The Top 5 industries for public and multinational businesses (in order by number of entities) are:

- professional, scientific and technical services, with a total of $1,862 million in R&D expenditure across 688 entities
- manufacturing, with a total of $1,176 million in R&D expenditure across 294 entities
- mining, with a total of $470 million in R&D expenditure across 191 entities
- financial and insurance services, with a total of $241 million in R&D expenditure across 99 entities
- information, media and telecommunications, with a total of $356 million in R&D expenditure across 74 entities.

The graph below shows the breakdown of the top 5 industries for public and multinational businesses by number and percentage.

Top 5 industries – public and multinational businesses

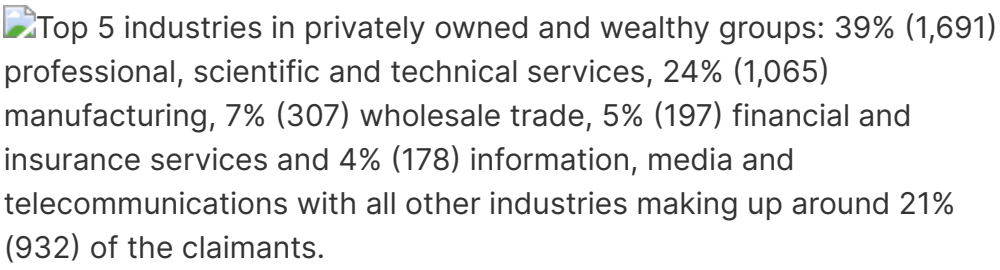
Top 5 industries – privately owned and wealthy groups

The Top 5 industries for privately owned and wealthy groups (in order by number of entities) are:

- professional, scientific and technical services, with a total of $1,708 million in R&D expenditure across 1,691 entities
- manufacturing, with a total of $907 million in R&D expenditure across 1,065 entities
- wholesale trade, with a total of $223 million in R&D expenditure across 307 entities
- financial and insurance services, with a total of $211 million in R&D expenditure across 197 entities
- information, media and telecommunications, with a total of $176 million in R&D expenditure across 178 entities.

The graph below shows the breakdown of the top 5 industries for privately owned and wealthy groups by number and percentage.

Top 5 industries – privately owned and wealthy groups



Top 5 industries – small businesses

The Top 5 industries for small businesses (in order by number of entities) are:

- professional, scientific and technical services, with a total of $1,128 million in R&D expenditure across 2,622 entities
- manufacturing, with a total of $386 million in R&D expenditure across 1,092 entities
- information, media and telecommunications, with a total of $128 million in R&D expenditure across 320 entities
- retail trade, with a total of $56 million in R&D expenditure across 244 entities
- wholesale trade, with a total of $69 million in R&D expenditure across 236 entities.

The graph below shows the breakdown of the top 5 industries for small businesses by number and percentage.

Top 5 industries – small businesses

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R&DTI compliance approach

How we engage with industry to ensure compliance with the R&DTI program.

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Compliance focus

R&D entity engagement

Compliance focus

We're focused on ensuring the integrity of the R&DTI program. We work closely with the Department of Industry, Science and Resources (DISR) on behalf of Industry Innovation and Science (IISA), to jointly administer the program.

The ATO and DISR regularly conduct compliance reviews and audits of R&D entities to ensure the ongoing integrity of the R&DTI program. While it is a self-assessment program, we have sophisticated systems in place to identify non-compliance. This includes a specific focus on larger businesses and high-expenditure claims, as well as those claims brought into focus through our risk-based approaches, including possible fraudulent claims.

In line with our general compliance approach for the tax and superannuation systems, we focus on making it easy for people to comply and hard for them not to.

R&D entity engagement

In continuing to ensure R&D entities get it right, we regularly engage with them through emails, the release of Taxpayer Alerts, updated web content and news articles related to the program.

We recently released 2 Taxpayer Alerts – **Taxpayer Alert TA 2023/4** and **Taxpayer Alert TA 2023/5** to warn entities and advisers about our concerns regarding incorrect R&DTI arrangements which were used to:

- claim the R&D tax offset in situations where it would not otherwise be available
- artificially increase the amount of the R&D tax offset claimed.

We encourage R&D entities and their advisers to read any of our new material or guidance and consider if they need to contact us or make a voluntary disclosure by amending their R&DTI claim.

Our specific compliance approaches across the entire R&D population include:

- high risk refund reviews
- focussing on anyone, including tax agents, who may be promoting arrangements to access the R&DTI to those who would be ineligible. We have information to **help you get R&D claims right** which includes details about promoter penalty laws
- the general anti-avoidance rule of Part IVA of the *Income Tax Assessment Act 1936* now includes R&D tax offsets as a tax benefit for Part IVA from 1 July 2021.

For assurance large corporations are complying with the R&DTI program, we engage with them through the:

- **Top 100 population**
- **Top 500 population**
- **Top 1,000 population**
- **Next 5,000 program**

We focus on assuring the **tax compliance of corporate populations** with more information on how we engage with them through our population programs at **Tax Avoidance Taskforce**.

Due to strict taxpayer privacy and secrecy information laws, the *Report of data about research and development tax incentive entities 2021–22* does not contain any information regarding our compliance activities.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into

account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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