




About these instructions

An automated Excel worksheet version of the Research and development tax concession schedule 2008 is also available with accompanying instructions explaining how to complete the worksheet.

Last updated 30 June 2008

These instructions will help you use and complete the Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  (the R&D schedule) and the research and development (R&D) items on the [Company tax return 2008](#).

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 - Adjustments to aggregate R&D amount of company



Part C - Government grants and recoupments other than CRC program grants



Parts D&E - Australian owned & foreign owned R&D incremental tax concession



Part F - R&D tax offset (eligible Australian owned expenditure only)



How to lodge the R&D schedule



Abbreviations



Definitions




What to read/do next



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Overview

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These instructions will help you use and complete the Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) , which in turn will help you complete the items for expenditure on research and development (R&D) on the [Company tax return 2008](#).

For more information about the R&D tax concession, see the joint AusIndustry - Tax Office publication [Guide to the R&D tax concession](#).

Who must complete the research and development tax concession schedule?

You must complete and lodge the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  if you make a claim on your company tax return for expenditure on 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 Innovation Australia through AusIndustry for the 2007-08 year of income, or
- the head company of a consolidated group where at least one of the subsidiary companies in the group is an eligible company and has registered its research and development activities with Innovation Australia through AusIndustry for the 2007-08 year of income (section 73BAB of the 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 the ITAA 1936).

On whose behalf are the R&D activities conducted?

For income years commencing after 30 June 2007, eligible companies may be able to claim expenditures under the R&D tax concession that are:

- incurred in respect of eligible research and development activities, as defined, that are carried out by or on behalf of the claimant company and not on behalf of any other person (Australian owned R&D), and/or
- incurred in respect of Australian-centred research and development activities, as defined, that are carried out on behalf of a foreign company (foreign owned R&D).

The **Definitions** list defines 'research and development activities', 'foreign company' and 'Australian-centred research and development activities'.

Generally, an eligible company that incurs expenditure on R&D activities in its capacity as a trustee or nominee, other than in its capacity as the trustee of a public trading trust, cannot claim the concession (subsection 73B(3) of ITAA 1936) for expenditure incurred in its trustee or nominee capacity. This does not apply where the trustee and trust are subsidiary members of a consolidated group.

You can only claim the tax concession for expenditure on research and development activities that are registered with Innovation Australia. Innovation Australia, supported by AusIndustry, determines whether activities are research and development activities and Australian-centred research and development activities.

You must lodge an application for registration of the activities with Innovation Australia within 10 months of the end of your income year.

You must register before you make a claim for the R&D tax concession on the company's tax return, including the choice for the R&D tax offset.

Who administers the R&D tax concession?

The R&D tax concession is jointly administered by AusIndustry, part of the Department of Innovation, Industry, Science and Research (DIISR), 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 research and development tax concession schedule

Before you start to use the Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) , 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.

Seven items on the [Company tax return 2008](#) relate to the R&D tax concession:

At page 3 item 7 Reconciliation to taxable income or loss

- **D** Accounting expenditure in item 6 subject to R&D tax concession
- **L** Australian owned R&D tax concession - not including label M
- **J** Foreign owned R&D tax concession - not including label K
- **M** Australian owned R&D - extra incremental 50% deduction
- **K** Foreign owned R&D - extra incremental 75% deduction
- **Y** R&D tax offset, if chosen.

At page 6 Calculation statement

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

General

- At item **7 Reconciliation to taxable income or loss** on the [Company tax return 2008](#), complete **D Accounting expenditure in item 6 subject to R&D tax concession**. For information about how to complete this item, see 'Preliminary calculation - Add-back of research and development expenditure'.

Using parts A and B of these instructions, calculate your aggregate research and development amount to determine whether:

- the company can deduct an amount of research and development expenditure (other than contracted expenditure paid to an RRA) under subsection 73B(14) of the ITAA 1936; that is, an aggregate research and development amount of more than \$20,000, and
 - the company's expenditure qualifies for the 100% or 125% deduction under subsections 73B(4D), 73B(4E), 73B(15), 73B(23), 73B(24A) and 73BA(3) of the ITAA 1936.
- The Definitions list defines aggregate research and development amount.
 - Using Parts A and B of these instructions, calculate your expenditure on foreign owned R&D to determine if you have incurred the required amount for claiming under section 73B(14C) of the ITAA 1936: that is, more than \$20,000.
 - The Definitions list defines expenditure on foreign owned R&D.
 - Calculate how much has been spent in each category that qualifies for a deduction under section 73B of the ITAA 1936.

Consolidated groups

The amounts used in the calculation of the R&D tax concession for consolidated groups must be worked out on a consolidated basis, with all intra-group transactions eliminated. They must not be calculated on an aggregated basis, by simply adding together the expenditure of each company in the group.

Only one research and development tax concession schedule is required for a consolidated group.

Clawback

Section 73C of the ITAA 1936 can operate to claw back the additional 25% concession for expenditure on a project of Australian owned R&D for companies that have received a government grant (other than a 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 grant or recoupment in respect of any amounts claimed under the R&D tax concession.

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

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

Note that the receipt of a grant can also directly affect the calculations for the Australian owned R&D - extra incremental 50% deduction and the foreign owned R&D - extra incremental 75% deduction.

Prepayments

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

Intra-group markup

Determine any portion of the expenditure that represents an intra-group markup (subsections 73B(14AA) - (14AD) of the ITAA 1936) that is

- ineligible for the additional 25% component in accordance with the intra-group markup provisions (relevant to expenditure on Australian owned R&D only), and
- excluded from the definition of incremental expenditure for the purposes of Australian owned R&D and foreign owned R&D expenditure.

Overseas expenditure

Companies wishing to claim a deduction under sections 73B, 73BA, 73BH or 73QA of the ITAA 1936, or a tax offset under section 73I of the ITAA 1936, for overseas research and development activities, must have an overseas provisional certificate from Innovation Australia before they can make a claim. Sections 39EC and 39ED of the *Industry Research and Development Act 1986* (IR&D Act) cover the application requirements and decisions on applications for overseas provisional certificates.

Depreciating assets/plant

Determine amounts that are available in relation to depreciating assets or plant under sections 73BA and 73BH of the ITAA 1936, in relation to Australian owned research and development activities.

For more information, see the [Guide to depreciating assets 2008](#) (NAT 1996).

Core technology

Determine how much core technology expenditure is deductible in accordance with subsections 73B(12A) to 73B(12B) of the ITAA 1936 in respect of Australian owned R&D.

Extra incremental deductions - Australian owned and foreign owned R&D

Determine whether the company is eligible for the extra 50% deduction for expenditure on Australian owned R&D activities or the extra 75% deduction for expenditure on foreign owned R&D activities by referring to subsections 73QA(1) and 73QB(1) of the ITAA 1936.

Grouping rules

If you are claiming:

- the R&D Tax Offset
- the extra deductions for Australian owned and/or foreign owned R&D
- for expenditure paid to associates (intra-group markup), or

- an associate has received a grant in relation to research and development activities you are claiming (clawback)

you need to determine which entities are in the company group in accordance with sections 73L and 73R of the ITAA 1936.

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 the ITAA 1936 to any expenditure for which the company was not at risk, or section 73CB of the ITAA 1936 to any expenditure incurred to a tax-exempt body that was not at risk (relevant to expenditure on Australian owned R&D only).

Roll-over relief

See sections 73E to 73G of the ITAA 1936 to determine expenditure that may qualify for roll-over relief.


Goods and services tax (GST)

Adjust expenditure amounts to exclude any GST input tax credits to which you are entitled (see Division 27 of the ITAA 1997).

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How to complete the schedule

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Complete all items on the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  that apply to your company, including Yes or No items. If an item or label (other than a Yes or No item) does not apply, leave it blank unless otherwise instructed.

Original or amended claim

If the company has already lodged a research and development tax concession schedule for the 2007-08 year of income, 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**.

Company name

Enter the name of the company. The name entered on the research and development tax concession 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 - Innovation Australia number

Enter the AusIndustry - Innovation Australia 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 subsidiary member company in the consolidated group that has been registered.

Australian business number (ABN)

Enter the company's ABN.

Signature as prescribed on tax return

The person who is required to sign and who signs the company tax return must also sign the research and development tax concession schedule.

Preliminary calculation - Add-back of research and development (R&D) accounting expenditure

At **D Preliminary calculation** enter the add-back of R&D accounting expenditure for the amounts you have included at the expenditure labels at item **6 Calculation of total profit or loss** on the [Company tax return 2008](#) which relate to amounts that are subject to the R&D tax concession (Australian owned or foreign owned R&D).

The amount entered at **D** on the research and development tax concession 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 **D Preliminary calculation** on the research and development tax concession schedule and **D** item **7 Accounting expenditure in item 6 subject to R&D tax concession** on the company tax return.

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Part A – Calculation of R&D deduction

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Important notes on Part A of the research and development tax concession schedule


 **Attention: The 'Claimable at 150%' column has been removed. The general concessional rate of deduction for expenditure on R&D was reduced from 150% to 125% in 1996. Since that time, only certain amounts which fall within the 1996 transitional rules may be deducted at the former rate. The 'Claimable at 150%' column therefore had a very limited application. If you believe you are entitled to deduct any amount of expenditure at the rate of 150%, please**

contact the Innovation segment
(InnovationTax@ato.gov.au).

For items **1** to **14** in part A, 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. This column includes expenditures incurred on Australian owned R&D and foreign owned R&D.

 **Attention: Do not include the amount of the additional concession at any item in the 'Base amount' column. This is automatically calculated at item 16.**

Claimable at 100% column


The 'Claimable at 100%' column is for expenditure on Australian owned R&D that includes, but is not limited to, expenditure that:

- is subject to the application of clawback(section 73C of the ITAA 1936)
- represents an intra-group markup (subsections 73B(14AA) to (14AD) of the ITAA 1936)
- is subject to the operation of section 73CA of the ITAA 1936 (expenditure not at risk).
- is deductible only at the 100% rate.

Do not enter expenditure on foreign owned R&D in this column. These amounts must be entered in the 'Foreign owned R&D expenditure' column.

Claimable at 125% column


The 'Claimable at 125%' column is for expenditure on Australian owned R&D that is eligible for deduction at the rate of 125%. Where there is a shaded area instead of a box, the additional concession (that is, the extra 25%) does not apply to that item of expenditure.

 **Do not include the amount of the additional concession at any item in the 'Claimable at 125%' column. This is automatically calculated at item 16.**

Foreign owned R&D expenditure column

Enter in the 'Foreign owned R&D Expenditure' column all expenditures incurred on foreign owned R&D activities which are eligible for a deduction under subsection 73B(14C) of the ITAA 1936. This expenditure is claimable at the rate of 100%. Where there is a shaded area instead of a box, no deduction is available under subsection 73B(14C) for that item of expenditure.

A deduction for expenditure on foreign owned R&D activities may only be claimed for amounts incurred on Australian-centred research and development activities carried out wholly or primarily on behalf of certain grouped foreign companies. The eligibility criteria for claiming this type of expenditure are set out in subsection 73B(14C) of the ITAA 1936. These criteria include the requirement for a written agreement between the company and the foreign company, the requirement that all eligible company group members be registered for the year in respect of their relevant Australian-centred research and development activities, and the requirement for a minimum expenditure of \$20,000 on foreign owned R&D in the year.

 **Threshold for expenditure on foreign owned R&D**
Where you have incurred expenditure on foreign owned R&D that is less than or equal to \$20,000 in your tax accounting period, you may need to adjust this amount for the purposes of applying the threshold test in paragraph 73B(14C)(f) of the ITAA 1936 (ie the expenditure on foreign owned R&D by the

eligible company for the year of income is greater than \$20,000). The reasons for this might include:

- section 716-850 of the ITAA 1997 applies, because the company is a member of a consolidated group, but has a non-membership period for the year of income; or
- the amounts reported in column 4 of Part A are for a period greater or lesser than 12 months, as they relate to the company having a transitional substituted accounting period. The amount calculated in such a case, for the purposes of paragraph 73B(14C)(f) of the ITAA 1936, is for expenditure incurred on foreign owned R&D in the 12 months ending at the end of this transitional period.

In these circumstances, you will need to lodge your schedule and returns using the paper form available. Prior to doing this, you will need to email the Innovation segment for additional instructions at innovationtax@ato.gov.au.

Refer to the [Research and development tax incentive](#) for more information on eligibility for this type of deduction.

If you are claiming amounts in this column, you will also need to consider other taxation implications in regard to your related party international dealings. For further information, see *Schedule 25A Instructions 2008* and the taxation rulings referred to within that publication.

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 and pilot plant deductions –
pre 29 Jan 2001 (including disposal
losses)**



Item 8 pre-29 Jan 2001 disposal profits



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



Item 10 Post 29 Jan 2001 balancing losses



Item 11 Post 29 Jan 2001 balancing profits



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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(relevant to Australian owned and foreign owned R&D)

Enter at this item expenditure incurred by an eligible company to an RRA for the performance by the RRA of research and development activities on behalf of the company or wholly or primarily on behalf of a grouped foreign company.

The RRA must not be an associate of the eligible company, and must have been registered with Innovation Australia in respect of the class of activities on which the expenditure was incurred.

Expenditure on Australian owned R&D cannot be contracted expenditure unless, when 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 the ITAA 1936). This restriction does not apply to expenditure incurred on foreign owned R&D.


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

At **A** enter the total amount of eligible contracted expenditure (the base amount).

At **B** enter any amount of the contracted expenditure on Australian owned R&D claimable at 100%.

At **C** enter any amount of the contracted expenditure on Australian owned R&D claimable at 125%.

At **D** enter any amount of the contracted expenditure on foreign owned R&D .

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

More information

For more information see:

- subsections 73B(1) and 73B(1A) of the [ITAA 1936](#)
- [Research and development tax incentive](#)

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Item 2 Salary expenditure

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(relevant to Australian owned and foreign owned R&D)

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

You may need to apportion the expenditure incurred between R&D and non-R&D activities.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

This item does not include:

- salary expenditure incurred in the construction of R&D plant, depreciating assets, structural improvements and buildings
- salary expenditure of R&D support staff not directly connected with the research activity - include those at item **3 Other R&D expenditure**
- salary expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- salary expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.
- the amount of salary expenditure claimed in accordance with the prepayment provisions (sections 82KZL to 82KZMF of the


ITAA 1936).

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

At **F** enter any amount of R&D salary expenditure on Australian owned R&D claimable at 100%.

At **G** enter any amount of R&D salary expenditure on Australian owned R&D claimable at 125%.

At **A** enter any amount of salary expenditure on foreign owned R&D.

 **Attention: The total of the amounts at F, G and A must equal the base amount at E 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 the [ITAA 1936](#)
- [Taxation Ruling TR 2002/1](#)
- [Research and development tax incentive](#)

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Item 3 Other R&D expenditure

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(relevant to Australian owned and foreign owned R&D)

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

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

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.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

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

'Other R&D expenditure' does **not** include:


- core technology expenditure
- interest expenditure
- feedstock expenditure (show eligible feedstock expenditure and residual feedstock expenditure (Australian owned R&D only) as separate items)
- expenditure incurred acquiring or constructing tangible assets, plant, pilot plant (including certain prototypes) or a building, or extending, altering or making improvements to a building
- expenditure incurred acquiring or constructing a section 73BA depreciating asset
- other expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- other expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000

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

At **I** enter any amount of other R&D expenditure on Australian owned R&D claimable at 100%.

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

At **K** enter any amount of other R&D expenditure on foreign owned R&D.

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

More information

For more information, see:

- subsections 73B(1) and 73B(1A) of the [ITAA 1936](#)
- [Research and development tax incentive](#)

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Item 4 Contract – other

Last updated 30 June 2008

(relevant to Australian owned and foreign owned R&D)

Item **4** is a component of paragraph (c) of the definition of research and development expenditure in subsection 73B(1) of the ITAA 1936 'Other R&D expenditure'. It covers any expenditure incurred under a contract to another party (other than an RRA) that is directly in respect of relevant R&D activities carried on, by or on behalf of the company, or wholly or primarily on behalf of a grouped foreign company.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

This item excludes:

- contracted expenditure carried out by an RRA (enter this at item 1)
- expenditure under a contract that is, in substance, for the acquisition of plant and not for the receipt of services
- other expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- other expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000

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

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

At **O** enter any amount of the contract-other expenditure on Australian owned R&D claimable at 100%.

At **P** enter any amount of the contract-other expenditure on Australian owned R&D claimable at 125%.

At **Q** enter any amount of the contract-other expenditure on foreign owned R&D.

The total of the amounts at **O**, **P** and **Q** must equal the base amount at **N** 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 the [ITAA 1936](#)
- [Research and development tax incentive](#)

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Item 5 Plant leasing

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(relevant to Australian owned R&D only)

Item **5** is a component of paragraph (c) of the definition of research and development expenditure in subsection 73B(1) of the ITAA 1936. You will need to include any eligible expenditure incurred in the hire or leasing of an item of plant that is directly in respect of Australian owned R&D activities.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

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 expenditure incurred on plant leasing for Australian owned R&D (the base amount). Only include plant leasing in respect of Australian owned R&D if your aggregate R&D amount is greater than \$20,000.

At **S** enter any amount of the plant leasing expenditure on Australian owned R&D claimable at 100%.

At **T** enter any amount of the plant leasing expenditure on Australian owned R&D claimable at 125%.

The total of the amounts at **S** and **T** must equal the base amount at **R** 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 the [ITAA 1936](#)
- [Research and development tax incentive](#)

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Item 6 Eligible feedstock expenditure

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(relevant to Australian owned and foreign owned R&D)

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 73B(1A) of the ITAA 1936 for related Australian owned or foreign owned 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 for Australian owned R&D can attract the additional 25% concession component.

You cannot claim this type of expenditure in respect of Australian owned R&D unless your aggregate R&D amount is greater than \$20,000.

You cannot claim this type of expenditure in respect of foreign owned R&D unless your expenditure on foreign owned R&D is greater than \$20,000.

For Australian owned R&D only, 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 the ITAA 1936).

This item excludes:


- other expenditure in respect of Australian owned R&D where your aggregate R&D amount is less than or equal to \$20,000
- other expenditure in respect of foreign owned R&D where your expenditure on foreign owned R&D is less than or equal to \$20,000.

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

At **W** enter any amount of eligible feedstock expenditure on Australian owned R&D claimable at 100%.

At **X** enter any amount of the eligible feedstock expenditure on Australian owned R&D claimable at 125%.

At **Z** enter any amount of the eligible feedstock expenditure on foreign owned R&D.

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

More information

For more information, see:

- subsections 73B(1) and 73B(1A) of the [ITAA 1936](#)
- [Research and development tax incentive](#)

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Item 7 Plant and pilot plant deductions – pre 29 Jan 2001 (including disposal losses)

Last updated 30 June 2008

(relevant to Australian owned R&D only)

Item 7 includes plant and pilot plant deductions and balancing loss adjustments for a unit of plant that was 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 the ITAA 1936, include this profit amount at item 8.

Each of the types of deduction under this heading is considered separately in the following paragraphs.


If your aggregate R&D amount is less than or equal to \$20,000, you cannot claim the additional 25% deduction in respect of this expenditure.


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 73B(5) of the 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

subsections 73B(1) and 73B(1C) of the ITAA 1936). The company must also have satisfied the actual exclusive-use tests contained in subsections 73B(4) and 73B(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 the 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 the ITAA 1936).

 **Attention** If the company can claim plant expenditure under subsection 73B(15) of the 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 the 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 the ITAA 1936).

At **A** enter one-third of qualifying plant expenditure on Australian owned R&D, if a deduction for that expenditure is allowable under subsection 73B(15) of the 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%.

 **Attention** The total of the amounts at **B** and **C** must equal the base amount at **A** 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, being 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 the ITAA 1936).


You can claim a deduction for expenditure in acquiring or constructing such an item of pilot plant only 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 73B(4E) of the ITAA 1936.

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


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


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

At **A** enter the qualifying annual deduction percentage of pilot plant expenditure on Australian owned R&D (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%.

 **Attention: The total of the amounts at B and C must equal the base amount at A 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 the 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 the 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 the ITAA 1997.

Such balancing adjustments are covered under subsections 73B(23), 73B(24) and 73B(24B) of the 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 the ITAA 1936). If this balancing adjustment is a loss, record it at this item.


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 the ITAA 1936). If the pilot plant was acquired before 23 July 1996, refer to subsection 73B(24) of the ITAA 1936 to calculate the amount that can be deducted as a balancing adjustment loss (if applicable).

At **A** enter the amount of any eligible 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 base amount at A 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(1C), 73B(4), 73B(4A), 73B(4B) to 73B(4J), 73B(5), 73B(5AA), 73B(5AB), 73B(15), 73B(15A) 73B(15AA), 73B(15AB), 73B(18), 73B(20), 73B(21A), 73B(23), 73B(24), 73B(24A), 73B(24B) and section 73BAF of the [ITAA 1936](#)
- Subdivision 42-C and section 42-18 of the [ITAA 1997](#)
- [Taxation Ruling TR 2002/1](#)
- [Research and development tax incentive](#)

QC 21104

Item 8 pre-29 Jan 2001 disposal profits

Last updated 30 June 2008

(relevant to Australian owned R&D only)

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 the 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.

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



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.

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 the 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**.

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



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) and 73B(24B) of the [ITAA 1936](#)
- [Research and development tax incentive](#)

QC 21104

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

Last updated 30 June 2008

(relevant to Australian owned R&D only)

Enter at item **9** deductions for depreciating assets (section 73BB of the ITAA 1936), including certain capital works, used in carrying on Australian owned 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 the ITAA 1997, subject to certain assumptions. These are set out in section 73BC of the 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 the ITAA 1936. The remainder of the deduction is determined under Division 40 of the ITAA 1997.

If a taxpayer under the former simplified tax system (STS), 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 the ITAA 1936, **not** the STS (Subdivision 328-D of the ITAA 1997) or low-value pool provisions (Subdivision 40-E of the 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.

If your aggregate R&D amount is less than or equal to \$20,000, you cannot claim the additional 25% deduction in respect of this expenditure.

You may need to complete the [Capital allowances schedule 2008](#).

For more information, see the [Guide to depreciating assets 2008](#).

You cannot claim a deduction under section 73BA of the ITAA 1936 for any period if, for any earlier period, the company was entitled to a deduction for the asset under the former STS provisions (Subdivision 328-B of the ITAA 1997) or a Division 40 low-value pool (section 40-440 of the ITAA 1997).

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

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

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

More information

For more information, see:

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

QC 21104

Item 10 Post 29 Jan 2001 balancing losses

Last updated 30 June 2008

(relevant to Australian owned R&D only)

Notes on balancing adjustments

If a balancing adjustment event (within the meaning of section 40-295 of the ITAA 1997) occurs in relation to a 73BA depreciating asset, you may be entitled to a deduction under section 73BF of the ITAA 1936 (for a balancing loss) or required under that section to include an amount in your assessable income (a balancing profit). Generally, where an asset's termination value (worked out under section 40-300 of the ITAA 1997) is more than its adjustable value (worked out under section 40-85 of the ITAA 1997) just before a balancing adjustment event, an amount is included in your assessable income (balancing profit) under section 40-292 of the ITAA 1997. Where an asset's termination value is less than its adjustable value immediately before a balancing adjustment event, you can deduct an amount for the income year in accordance with that section (balancing loss).

If the section 73BA depreciating asset has never attracted deductions under Divisions 42 or 40 of the 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 the ITAA 1997.

Enter the amount of this balancing adjustment at item **10** for a loss or at item **11** for a profit (negative).

 Further Information

Before starting item **10** see the [Guide to depreciating assets](#) and the [Research and development tax incentive](#).

If the company is entitled to deduct an amount under section 40-292 of the ITAA 1997 following a balancing adjustment event (such as disposal), include at item **10** the part of the balancing adjustment


amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D. The part of the balancing adjustment amount claimable at 125% is worked out using the formula in subsection 40-292(4) of the ITAA 1997. The remaining part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D is claimable at 100%. Any amount relating to use of the asset for another taxable purpose is not shown on the Research and development tax concession schedule.

If the company is entitled to deduct an amount under section 73BF of the ITAA 1936 following a balancing adjustment event, include the amount of the balancing adjustment at item **10**. The part of the balancing adjustment that the company is entitled to claim at 125% is worked out using the formula in subsection 73BF(3) of the ITAA 1936. The remaining part is claimable at 100%.

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 base amount at K 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 the [ITAA 1997](#)
- section 73BF of the [ITAA 1936](#)
- [Research and development tax incentive](#)

Item 11 Post 29 Jan 2001 balancing profits

Last updated 30 June 2008


(relevant to Australian owned R&D only)

Notes on balancing adjustments

If a balancing adjustment event (within the meaning of section 40-295 of the ITAA 1997) occurs in relation to a 73BA depreciating asset, you may be entitled to a deduction under section 73BF of the ITAA 1936 (for a balancing loss) or required under that section to include an amount in your assessable income (a balancing profit). Generally, where an asset's termination value (worked out under section 40-300 of the ITAA 1997) is more than its adjustable value (worked out under section 40-85 of the ITAA 1997) just before a balancing adjustment event, an amount is included in your assessable income (balancing profit) under section 40-292 of the ITAA 1997. Where an asset's termination value is less than its adjustable value immediately before a balancing adjustment event, you can deduct an amount for the income year in accordance with that section (balancing loss).

If the section 73BA depreciating asset has never attracted deductions under Divisions 42 or 40 of the 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 the ITAA 1997.

Enter the amount of this balancing adjustment at item **10** for a loss or at item **11** for a profit (negative).

 Further Information

Before starting item **11** see the [Guide to depreciating assets](#) and the [Research and development tax incentive](#).

If the company is required by section 40-292 of the ITAA 1997 to include an amount in its assessable income following a balancing adjustment event (such as disposal), include at item **11** the part of the balancing adjustment amount that relates to the use of the asset for the purpose of the carrying on of Australian owned R&D. The part of the balancing adjustment amount assessable at the rate of 125% is


worked out using the formula in subsection 40-292(4) of the ITAA 1997. The remaining part of the balancing adjustment amount that relates to the use of the asset for the purpose of carrying on Australian owned R&D is assessable at the rate of 100%. Any assessable amount relating to use of the asset for another taxable purpose is not shown on the Research and development tax concession schedule.

If the company is required by section 73BF of the ITAA 1936 to include an amount in its assessable income following a balancing adjustment event, include at item **11** the amount of the balancing adjustment. The part of the balancing adjustment amount assessable at the rate of 125% is worked out under the formula in subsection 73BF(3) of the ITAA 1936. The remaining part is assessable at the rate of 100%.

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) assessable at 100%.

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

 **Attention: The total of the amounts at Q and R must equal the base amount at P 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 the [ITAA 1997](#)
- section 73BF of the [ITAA 1936](#)
- [Research and development tax incentive](#)
- [Guide to depreciating assets](#)

Item 12 Core technology – deductible amount

Last updated 30 June 2008


(relevant to Australian owned R&D only)

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


Subsection 73B(12A) of the 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 the 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 the ITAA 1936).

 **Attention** If core technology expenditure is deductible under subsection 73B(12A) of the ITAA 1936 and, as a result of the company joining a consolidated group, the tax cost of the core technology asset is 'set' (see sections 701-10 and 701-55 of the 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 the 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 the ITAA 1936).

 **Attention** The amount at **S** must equal the base amount at **T** 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(1AB), 73B(12), 73B(12A), 73B(12B), 73B(27A), 73B(27B) and 73B(27C) of the 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.

QC 21104

Item 13 Interest or amounts in the nature of interest

Last updated 30 June 2008


(relevant to Australian owned R&D only)

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

You may need to adjust the amount of interest expenditure claimed in accordance with the prepayment provisions (sections 82KZL to

82KZMF of the ITAA 1936) or the debt and equity rules (section 26-26 of the ITAA 1997).

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

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

More information

For more information, see:

- subsections 73B(1) and 73B(14A) of the [ITAA 1936](#)
- [Research and development tax incentive](#)

QC 21104

Item 14 Residual feedstock expenditure

Last updated 30 June 2008

(relevant to Australian owned R&D only)

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 Australian owned R&D activities in the year of income.


If feedstock inputs are:

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

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

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


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

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

QC 21104

Item 15 Total of allocated base amounts


Last updated 30 June 2008

The Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  will automatically total each column.

QC 21104

Item 16 Claims including concession

Last updated 30 June 2008

The Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  will automatically total each column by multiplying the labels at item **15** by the appropriate concessional percentage.


QC 21104

Item 17 Total claim

Last updated 30 June 2008

Label L

The amount at **L** item **17** is the total of the amounts at **E** and **F** item **16** - the Excel spreadsheet version of the [Research and development tax](#)


[concession schedule 2008 \(XLS, 138KB\)](#)  automatically calculates the value for **L**.

Transfer this amount to **L Australian owned R&D tax concession - not including label M** at item **7 Reconciliation to taxable income or loss** on the [Company tax return 2008](#).

If this amount is negative, transfer the amount and code **L** to **L Australian owned R&D tax concession - not including label M** at item **7 Reconciliation to taxable income or loss** on the [Company tax return 2008](#).

For more information see the instructions for **L Australian owned R&D tax concession - not including label M** in the [Company tax return 2008 instructions](#).

Label J

The amount at **J** item **17** is equal to the amount at **G** item **16** - the Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  automatically calculates the value for **J**.

Transfer this amount to **J Foreign owned R&D tax concession - not including label K** at item **7 Reconciliation to taxable income or loss** on the [Company tax return 2008](#).

For more information see the instructions for **J Foreign owned R&D tax concession - not including label K** in the [Company tax return 2008 instructions](#).

QC 21104

Part B – Adjustments to aggregate R&D amount of company

Last updated 30 June 2008

Item 1 Adjustments required to the company's aggregate R&D amount, for

example, building expenditure, consolidated group adjustments, expenditure on foreign owned R&D

 **Only complete this item if the company has incurred expenditure on Australian owned R&D.**

Include at **X** item **1** other amounts that are not included in the second and third columns in part **A** relating to Australian owned R&D, that are needed to calculate the company's aggregate R&D amount. These amounts form part of the aggregate R&D amount even though they may not be deductible under section 73B of the ITAA 1936 or may not be related to Australian owned R&D. 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 the ITAA 1997
- 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 R&D amount calculated in accordance with section 716-850 of the ITAA 1997

and may also include some expenditures on foreign owned R&D.

Also include at **X** item **1** any positive or negative adjustments that may need to be made to the aggregate R&D amount where a company has a transitional substituted accounting period in the year of income, and where the amounts reported in columns 2 and 3 of part **A** relate to a period that is less or greater than 12 months. The aggregate R&D amount is calculated by reference to the 12-month period that is the tax offset year or year of income.

QC 21104


Part C – Government grants and recoupments other than CRC

program grants

Last updated 30 June 2008

Item 1 Entitlement to government grants and recoupments for the financial year that relate to activities and projects claimed above

At P item 1 enter the total amount of relevant Australian government recoupments of, or grants received in respect of, expenditure on R&D for which the company is claiming the R&D tax concession (for Australian owned and foreign owned R&D) in the 2008 year of income. Exclude amounts received under CRC programs.

 **Attention** The clawback provisions (section 73C of the ITAA 1936) may operate on these amounts to reduce your entitlement to the additional 25% concession for relevant expenditure on Australian owned R&D.

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 should be entered in the 'Claimable at 100%' column in Part A of the research and development tax concession schedule for Australian owned R&D activities (column 2). Include any income from grants in the Company Tax Return 2008 at Income, Q 'Assessable government Industry payments' item 6 Calculation of total profit or loss.

Item 2 Grants and recoupments attributable to incremental expenditure on Australian owned R&D

At **A** item 2 enter the total amounts of government grants and recoupments attributable to incremental expenditure on Australian owned R&D.

Item 3 Grants and recoupments attributable to expenditure on foreign owned R&D

At **F** item 3 enter the total amounts of government grants and recoupments attributable to expenditure on foreign owned R&D.

 **Attention** The amounts entered at **A** item 2 and **F** item 3 are used to calculate the relevant expenditure to be used in determining entitlement to the Australian owned R&D - extra 50% deduction and the Foreign owned R&D - extra 75% deduction. If you are not claiming any of these deductions, you do not need to complete **A** item 2 or **F** item 3. For more information about the effect of grants on the calculation of your entitlement to either of these deductions, see the [Guide to the R&D tax concession](#).

QC 21104

Parts D&E – Australian owned & foreign owned R&D incremental tax concession

Last updated 30 June 2008

Calculation instructions

Before starting this section, determine whether the company is eligible under subsection 73QA(1) of the ITAA 1936 to claim the Australian

owned incremental tax concession (Part D) and/or under 73QB(1) of the ITAA 1936 to claim the foreign owned incremental tax concession (Part E), as relevant.

The steps below will assist you to calculate the amount of the extra deductions (extra 50% deduction on Australian owned R&D activities and/or extra 75% deduction on foreign owned R&D activities) that a company may be eligible to claim.


Definitions of the terms used throughout these instructions are available at [Definitions](#).

If you do not wish to claim either of these deductions, do not complete these steps and go to Part F - R&D tax offset (eligible Australian owned expenditure only).

Year abbreviations

Y₀	the current year of income for which the company tax return is being completed - for most companies the current year is 2007-08.
Y₋₁	the 2006-07 year of income (if 2007-08 is the current year of income).
Y₋₂	the 2005-06 year of income (if 2007-08 is the current year of income).
Y₋₃	the 2004-05 year of income (if 2007-08 is the current year of income).

Note for early balancers

Parts D & E of these instructions apply only to assessments for years of income beginning after 30 June 2007. For years of income beginning before this date, you need to calculate any additional deduction that you are entitled to under section 73Y of the ITAA 1936 by referring to part D of the Research and development tax concession schedule instructions 2007. Write the amount calculated at D in table 14 (page 18) of those instructions at M item 3 at part D of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) . You must lodge your schedule and return using the paper forms available. Electronic lodgment cannot be used.

Step 1 - Is the company a member of a group for the purposes of the R&D tax concession?


(Parts D&E)

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 the ITAA 1936 for the current year of income and the previous three years of income ('the four years'). The 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).


Step 1.1 (Part D)

If you incurred incremental expenditure, as defined in subsection 73P(2) of the ITAA 1936, on Australian owned R&D activities and are eligible for and wish to claim the Australian owned R&D incremental tax concession, you will need to complete part D of the [Research and development tax concession schedule 2008](#) .


The schedule will **automatically** populate the company's name and TFN at **a** item **1** in Part D. Enter the name and TFN of all group members that have incurred incremental expenditure on Australian owned R&D activities in a group membership period in any of the four years at item **1** in part D of the Research and development tax concession schedule 2008.


In addition, enter the name and TFN of all group members that have incurred expenditure on foreign owned R&D, as defined in subsection 73B(14C) of the ITAA 1936, in a group membership period in any of the four years at item **1** in part E of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) . The schedule will **automatically** populate the company's name and TFN at **a** item **1** in Part E.

Step 1.2 (Part E)

If you incurred expenditure on foreign owned R&D and are eligible for and wish to claim the foreign owned R&D incremental tax concession, you will need to complete part E of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) .

The schedule will **automatically** populate the company's name and TFN at **a** item **1** in Part E. Enter the name and TFN of all group members that have incurred expenditure on foreign owned R&D, as

defined in subsection 73B(14C) of the ITAA 1936, in the group membership period in the Y₀ year of income at item **1** in part E of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) , if not already completed.

In addition, enter the name and TFN of all group members that have incurred incremental expenditure on Australian owned R&D in a group membership period in any of the four years at item **1** in part D of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#) , if not already completed. The schedule will **automatically** populate the company's name and TFN at a item **1** in Part D.

Ensure that you insert only the name of the head company (and not the subsidiary companies) for a consolidated group.

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

Step 2 - Calculate the reduced expenditure on Australian owned R&D for each year - that is, the total incremental expenditure for the company and grouped company members adjusted to take into account any grants or recoupments attributable to that incremental expenditure.

(Part D)

The Excel spreadsheet version of the Research and development tax concession schedule 2008 asks the question: 'Are you eligible for the Australian owned incremental tax concession under section 73QA(1) of the Income Tax Assessment Act 1936 (ITAA 1936) and do you wish to claim it? (Yes or No?)'.

If you are eligible under section 73QA(1) of the ITAA 1936 and wish to claim the Australian owned incremental tax concession, ensure that you click 'Yes'.

If you are ineligible under section 73QA(1) of the ITAA 1936 or do not wish to claim the Australian owned incremental tax concession, ensure that you click 'No'.

If your company is ineligible for the Australian owned R&D incremental tax concession but eligible for the foreign owned R&D incremental tax concession, you must still complete the steps below in order to

calculate the company's entitlement to the foreign owned R&D incremental tax concession.

Step 2.1.1

Incremental expenditure is a subset of R&D expenditure as defined in subsection 73B(1) of the ITAA 1936, and includes contracted expenditure, salary expenditure and other expenditure incurred directly in respect of R&D activities.

For these purposes, incremental expenditure only includes amounts of expenditure deductible under subsections 73B(13) and 73B(14) of the ITAA 1936 (or would be so deductible ignoring the operation of the \$20,000 limit in paragraph 73B(14)(b)), in respect of registered, Australian owned R&D activities.

It excludes the following:

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

The following labels in **Part A** relate to the expenditure items that may form part of incremental expenditure in the Y_0 year of income:

- **B** and **C** in item **1**
- **F** and **G** in item **2**
- **I** and **J** in item **3**
- **O** and **P** in item **4**
- **W** and **X** in item **6**

The schedule will **automatically** populate the company's Y_0 incremental spend at **a** item **1 Part D**.

Step 2.1.2

Although Y_0 is automatically populated from the information contained in **Part A** of the R&D schedule, you may need to make adjustments if **any** of the following circumstances apply.

- An intra-group markup 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 the ITAA 1936) (Note: If no other amounts are included at row **f** insert this amount as a negative).

- Where the company has a transitional substituted accounting period in the claim year, make adjustments (positive or negative) in rows **f** and **g** 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) in rows **f** and **g**. For more information. See sections 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 the ITAA 1936. If none of the expenditure is apportionable, do not include the expenditure as incremental expenditure (subsection 73P(4) of the ITAA 1936).
- If you are claiming the foreign owned R&D incremental tax concession (and not the Australian owned R&D incremental tax concession) but you have also incurred expenditure on Australian owned R&D and your aggregate R&D amount is \$20,000 or less, you will need to include the amount of any salary expenditure, other R&D expenditure, contract - other expenditure and eligible feedstock expenditure that you have incurred in relation to Australian owned R&D in row **f**.

Row **f** is used to adjust the incremental expenditure claimed at 100%.
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 **Y₀** amount may also affect the amounts reported in respect of the **Y₀**, **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₋₁**, **Y₋₂** and **Y₋₃**) and the incremental expenditure for all other entities with group membership periods for the **Y₀**, **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 2.1.3

Ensure that you have entered the total amount of government grants and recoupments attributable to incremental expenditure on Australian owned R&D at **A** item **2** in Part C. The schedule will **automatically** adjust the company's incremental expenditure to take into account government grants and recoupments entered at **A** item **2** in Part C and calculate the company's reduced expenditure on Australian owned R&D.

Step 3 - Calculate the reduced expenditure on foreign owned R&D for the Y₀ year and reduced notional expenditure on foreign owned R&D for the previous three years.

(Part E)

The Excel spreadsheet version of the Research and development tax concession schedule 2008 asks the question: 'Are you eligible for the foreign owned incremental tax concession under section 73QB(1) of the ITAA 1936 and do you wish to claim it? (Yes or No?)'.

If you are eligible under section 73QB(1) of the ITAA 1936 and wish to claim the foreign owned incremental tax concession, ensure that you click 'Yes'.

If you are ineligible under section 73QB(1) of the ITAA 1936 or do not wish to claim the foreign owned incremental tax concession, ensure that you click 'No'.

If your company is ineligible for the foreign owned R&D incremental tax concession but eligible for the Australian owned R&D incremental tax concession, you must still complete the steps below in order to calculate the company's entitlement to the Australian owned R&D incremental tax concession.

Step 3.1.1

Reduced expenditure on foreign owned R&D for the company is the expenditure on foreign owned R&D for the company and grouped company members adjusted to take into account any grants or recouplements attributable to that expenditure on foreign owned R&D.

For these purposes, expenditure on foreign owned R&D for the Y₀ year is equal to the amount shown at **J** item **17** in **Part A** of the Research and development tax concession schedule 2008.

The schedule will **automatically** populate the company's Y₀ expenditure on foreign owned R&D at **a** item **1 Part E**.

Step 3.1.2

Although Y₀ is automatically populated from the information contained in **Part A** of the R&D schedule, you may need to make adjustments if **any** of the following circumstances apply.

- Where the deduction amounts reported in Part A of the Research and development tax concession schedule relate to a period that is greater or less than 12 months, you must make adjustments (positive or negative) in row **f** to reflect the expenditure on foreign owned R&D 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) in row **f**. For more information, see sections 73BAC and section 73BAD of the ITAA 1936 and the [Guide to the R&D tax concession](#).
- If you are claiming the Australian owned R&D incremental tax concession (and not the foreign owned R&D incremental tax concession) but you have also incurred expenditure on foreign owned R&D of \$20,000 or less, you will need to include the amount of this expenditure in row **f**.

Row (**f**) is used to adjust the expenditure on foreign owned R&D.

You will need to calculate the reduced expenditure on foreign owned R&D for all other entities with group membership periods for the Y₀ year of income. The types of adjustments you may be required to make to the Y₀ amount for the company may also affect the amounts reported in respect of the Y₀ year of income for the other group members.

The amount calculated at row **f** is applied to the expenditure on foreign owned R&D in step 3.1.1. This amount is used for calculating the

reduced notional expenditure for the Y-1, Y-2 and Y-3 years of income in step 3.2.2 below (for companies that do not have a nil expenditure year).

Step 3.1.3

Ensure that you have entered the total amount of government grants and recoupments attributable to expenditure on foreign owned R&D at **F** item **3** in Part C. The schedule will **automatically** adjust the company's expenditure on foreign owned R&D to take into account government grants and recoupments entered at **F** item **3** in Part C and calculate the company's reduced expenditure on foreign owned R&D.

Step 3.2

Work out, for each of the Y-1, Y-2 and Y-3 years of income, the reduced notional expenditure on foreign owned R&D by the company in its group membership period for the year of income, using either step 3.2.1 or step 3.2.2 below for each of these years.

Step 3.2.1 is the transitional method for calculating the notional expenditure on foreign owned R&D and only applies to the 2008 year of income. For instructions on how to calculate the notional expenditure on foreign owned R&D for future income years, see the specific instructions for those years.

If the company has incurred an amount of expenditure on foreign owned R&D in its group membership period for the Y₀ year (worked out at step 3.1.1) and each of the Y-1, Y-2 and Y-3 years of income is a nil expenditure year (concerning the establishment of a new presence in Australia - see subsection 73QB(2) of the ITAA 1936), use step 3.2.1 to calculate the notional expenditure on foreign owned R&D and do not complete step 3.2.2.

If the company has incurred an amount of expenditure on foreign owned R&D in its group membership period for the Y₀ year including all or part of the year of income starting after 30 June 2007 and before 1 July 2008 (worked out at step 4.1.1) and any of the Y-1, Y-2 and Y-3 years of income is not a nil expenditure year (concerning the establishment of a new presence in Australia - see subsection 73QB(2) of the ITAA 1936), use step 3.2.2 to calculate the notional expenditure on foreign owned R&D and do not complete step 3.2.1.

The Definitions list defines 'nil expenditure year'.

Step 3.2.1

(companies with a nil expenditure year for the Y-1, Y-2 and Y-3 years)

If your company and all of its group members have established a new presence in Australia, enter 0 at each line of item 1 in part E of the Research and development tax concession schedule 2008 (for which you have inserted a company name) for the Y-1, Y-2 and Y-3 years of income.

Step 3.2.2

(companies under the transitional rules)

Companies that do not have a nil expenditure year will be deemed (under the transitional rules) to have deducted an amount in the three years prior to the Y₀ year of income. This deemed expenditure history is worked out by reference to an eligible company's expenditure on foreign owned R&D in the Y₀ year of income (expenditure on foreign owned R&D (from step 3.1.1 above) plus any adjustments to expenditure on foreign owned R&D (from step 3.1.2 above)).

For the company and each other eligible group member, calculate the notional expenditure on foreign owned R&D as follows:

Y-1 year of income:

Multiply your expenditure on foreign owned R&D for the Y₀ year of income from step 3.1.1 by 90%. Enter this result at each line of item 1 in part E of the Research and development tax concession schedule 2008 (for which you have inserted a company name) for the Y-1 year of income.

Y-2 year of income:

Multiply your expenditure on foreign owned R&D for the Y₀ year of income from step 3.1.1 by 80%. Enter this result at each line of item 1 in part E of the Research and development tax concession schedule 2008 (for which you have inserted a company name) for the Y-2 year of income.

Y-3 year of income:

Multiply your expenditure on foreign owned R&D for the Y₀ year of income from step 3.1.1 by 70%. Enter this result at each line of item 1 in part E of the Research and development tax concession schedule 2008 (for which you have inserted a company name) for the Y-3 year of income.

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

Step 4 - Calculation of adjustment amounts, adjustment balances and entitlement to the Australian owned and foreign owned R&D incremental tax concessions.

(Parts D & E)

The schedule will automatically populate the total R&D spend (Australian owned and foreign owned R&D) 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 Australian owned R&D 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' in item **2** of Part D for the relevant year, in answering the question 'Indicate whether the company, or any of its group members, was eligible, or deemed to be eligible, to claim the incremental tax concession (under sections 73Y, 73QA or 73QB of the ITAA 1936) in the specified years.'

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 in Part D (at **M** item **3**) the extra 50% deduction which the company is entitled to (if eligible) under the Australian owned R&D incremental tax concession. Transfer this amount to **M - Australian owned R&D - extra incremental 50% deduction** item **7** on the [Company tax return 2008](#).

The schedule will also automatically calculate in Part E (at **K** item **2**) the extra 75% deduction which the company is entitled to (if eligible) under the foreign owned R&D incremental tax concession. Transfer this amount to **K - Foreign owned R&D - extra incremental 75% deduction** item **7** on the [Company tax return 2008](#).

More information

For more information, see:

- sections 73L to 73Z of the [ITAA 1936](#)
- sections 73BAC and 73BAD of the [ITAA 1936](#)
- [Guide to the R&D tax concession](#)

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Part F – R&D tax offset (eligible Australian owned expenditure only)

Last updated 30 June 2008

Calculation instructions


An eligible company cannot deduct any amount under section 73B (except subsection 73B(14C)), 73BA, 73BH or 73QA of the ITAA 1936 for the tax offset year, if it chooses the R&D tax offset for that year. The R&D tax offset does not apply to deductions under subsection 73B(14C) of the ITAA 1936 (deduction for expenditure on foreign owned R&D) and under section 73QB of the ITAA 1936 (extra deduction for increase in expenditure on foreign owned R&D).

The company can choose to take the R&D tax offset in its company tax return (which includes the research and development tax concession schedule), or by notice in writing to the Commissioner. See [Guide to the R&D tax concession](#) for information about the time periods for giving this notice.

The company must be registered with Innovation Australia before it makes its choice.

The company cannot choose to take the R&D tax offset if, at any time during the R&D tax offset year, 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 the ITAA 1936).

The Excel spreadsheet version of the [Research and development tax concession schedule 2008 \(XLS, 138KB\)](#)  asks the question: 'Do you wish to claim 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 Research and development tax concession schedule 2008.

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 the ITAA 1936, at item **1 R&D tax offset - (eligible Australian owned expenditure only)** in **Part F**.
4. Enter the amount of each entity's aggregate R&D amount, as defined in subsection 73B(1) of the ITAA 1936, 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 1. (This requires building expenditure, consolidated group adjustments, expenditure on foreign owned R&D and other adjustments required to calculate the company's aggregate R&D amount to be included at **Part B** item **1**). The aggregate R&D amount of each of the entities grouped with the company must also be calculated with reference to this instruction.

5. Complete an additional schedule if there is insufficient space for all group members.
6. Ensure that the **aggregate R&D** amounts and turnover **from the additional schedule** are summed and the totals placed in row **e** item **1** of Part **F** 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 the ITAA 1936).

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

7. The amount at **Y** is the company's entitlement to the R&D tax offset. Transfer this amount to **Y - R&D tax offset, if chosen** at Item **7**, on the [Company tax return 2008](#). Transfer the amount calculated at Label **U** (30% of Label **Y**) to **U - R&D tax offset** in the **Calculation Statement** on the [Company tax return 2008](#).
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 claim the R&D tax offset?' to 'No'. Ensure that **Y - R&D tax offset, if chosen**, at Item **7** of the [Company tax return 2008](#) and **U - R&D tax offset** in the Calculation Statement on the [Company tax return 2008](#) are not completed.

More information

For more information, see:


- sections 73H to 73M and 73B of the [ITAA 1936](#)
- [Guide to the R&D tax concession](#)

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How to lodge the R&D schedule

Last updated 30 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 2008 \(XLS, 138KB\)](#)  form.

Requests for amendments

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

Australian Taxation Office
GPO Box 5056
Sydney NSW 2001

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

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Abbreviations

Last updated 30 June 2008

AA	adjustment amount
ABN	Australian business number
CRC	cooperative research centre
DIISR	Department of Innovation, Industry, Science and Research
GST	goods and services tax
IR&D Act	<i>Industry Research and Development Act 1986</i>
ITAA 1936	<i>Income Tax Assessment Act 1936</i>

ITAA 1997	<i>Income Tax Assessment Act 1997</i>
R&D	research and development
RA	running average
RRA	registered Australian research agency
STS	simplified tax system
TFN	tax file number
Y ₀	the current claim year
Y ₋₁	the year before the claim year
Y ₋₂	the year two years before the claim year
Y ₋₃	the year three years before the claim year

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Definitions

Last updated 30 June 2008

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 amount

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

To claim the additional 25% concession, and some expenditures, this amount (or an annualised 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 group aggregate R&D amount must be \$1,000,000 or less.

Australian-centred R&D activities

The definition of 'Australian research and development activities' in subsection 73B(1) of the ITAA 1936 forms the basis of the definition of 'Australian-centred research and development activities'. It has the effect that expenditure deductible as 'expenditure on foreign owned R&D' is only expenditure for the purpose of carrying on R&D activities in Australia or in an external territory. The base 100% specific deduction is only allowed for directly related activities if they have a sole or dominant purpose directly related to the carrying on of a core R&D activity conducted in Australia or in an external territory.

Australian research and development activities

Subsection 73B(1) of the ITAA 1936 defines Australian research and development activities to mean research and development activities that are carried on in Australia or in an external territory.

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 (section 40-295 of the ITAA 1997).

Current year (Y₀)

The current year is the year of income for which the company tax return is being completed. For most companies the current year is

2007-08. Y₀ is the abbreviation used to denote the current year.

Expenditure on foreign owned R&D

This refers to expenditure on R&D incurred by an eligible company in respect of Australian-centred research and development activities carried on wholly or primarily on behalf of certain grouped foreign companies, that meets the tests set out in subsections 73B(14C) and 73B(14D) of the ITAA 1936 (concerning activities carried out pursuant to certain written agreements). Eligibility for claiming this type of expenditure is set out in subsection 73B(14C) of the ITAA 1936, and includes conditions such as: the expenditure for the year of income being greater than \$20,000; and the eligible company and all of its other eligible company group members being registered under section 39J of the IR&D Act for all of their relevant R&D activities (whether or not carried out in accordance with an R&D plan) in relation to the year of income.

Foreign company

Foreign company means a body corporate that:

- a. is incorporated under a law of a foreign country, and
- b. is a resident of a foreign country for the purposes of a double tax agreement that relates to that foreign country (subsection 73B(1) of the ITAA 1936).

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 receipt of services (subsection 73P(2) of the ITAA 1936), and
- can be taken into account in working out the amount of a deduction under subsection 73B(13) or 73B(14) of the ITAA 1936 or could be

taken into account in working out the amount of a deduction under subsection 73B(14) apart from paragraph 73B(14)(b) of the ITAA 1936.

Nil expenditure year

Foreign companies that establish a new presence in Australia after the commencement of the foreign owned R&D incremental tax concession have immediate access to this concession for additional expenditure on foreign owned R&D expenditure with a nil expenditure year for each of the three prior years. The conditions for a nil expenditure year are set out in subsection 73QB(2) of the ITAA 1936. These are that neither the eligible company nor any grouped eligible companies existed in Australia in that year or in the 10 preceding years; and that none of the following carried on business in Australia in the nil expenditure year or the 10 preceding years:

- a foreign company grouped under section 73L with the eligible company any time during Y₀, Y₋₁, Y₋₂ or Y₋₃ years of income
- a foreign company grouped under section 73L with any section 73R group member of the eligible company, or
- a person who was grouped under section 73L with the relevant foreign company.

For further information, see [Guide to the R&D tax concession](#).

Overseas research and development activities

Overseas research and development activities means research and development activities that are carried on outside Australia and the external territories (subsection 73B(1) of the ITAA 1936).

R&D spend

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

- the amounts worked out for the year of income as the reduced expenditure on Australian owned R&D by each eligible company in its group membership period for the year of income, and

- the amounts worked out for the year of income as the reduced notional expenditure on foreign owned R&D by each eligible company in its group membership period for the year of income (subsection 73P(2) of the ITAA 1936).

Registered Australian research agency (RRA)

An Australian research agency registered with Innovation Australia under section 39F of the IR&D Act.

Research and development (R&D) activities

Research and development activities means:

- systematic, investigative and experimental activities that involve innovation or high levels of technical risk and are carried on for the purpose of
 - acquiring new knowledge (whether or not that knowledge will have a specific practical application), or
 - creating new or improved materials, products, devices, processes or services, or
- other activities that are carried on for a purpose directly related to the carrying on of activities of the kind referred to in the paragraph above.

Running average (RA-1)

RA-1 means 'half the sum of the R&D spend of the eligible company and its group members for the Y-2 and Y-3 years of income' (subsections 73P(2) and 73U(2) of the ITAA 1936).

Section 73BA depreciating asset

A section 73BA depreciating asset of an eligible company is an asset for which the eligible company could (ignoring section 73BA) deduct

an amount under section 40-25 of the ITAA 1997 if the following assumptions were made:

- contrary to paragraph 40-30(1)(c) and subsection 40-30(2) of the ITAA 1997, all intangible assets were excluded from the definition of depreciating asset in section 40-30 of the ITAA 1997
- subsection 40-45(2) of the ITAA 1997 did not, except in the case of buildings, prevent Division 40 of the ITAA 1997 from applying to capital works to which Division 43 of the ITAA 1997 applies, or to which Division 40 would apply but for expenditure being incurred, or capital works being started, before a particular day
- the eligible company satisfied any relevant requirement for deductibility under Division 40.

Total group markup

The total group markup 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 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 the ITAA 1936).

Y-1

The year Y-1 is the year immediately before the current year of income. For the 2007-08 income year, Y-1 is the 2006-07 income year.

Y-2

The year Y-2 is the year immediately before the Y-1 year of income. For the 2007-08 current year of income, Y-2 is the 2005-06 year of income.

Y-3


The year Y-3 is the year immediately before the Y-2 year of income. For the 2007-08 current year of income, Y-3 is the 2004-05 year of income.

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What to read/do next

Last updated 30 June 2008

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

- [Company tax return 2008 instructions](#) (NAT 0669)
- [Guide to depreciating assets](#) (NAT 1996)
- [Income Tax Assessment Act 1936](#)
- [Income Tax Assessment Act 1997](#)
- [Industry Research and Development Act 1986](#) 

Taxation Ruling:

- [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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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.

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