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### **BRITE Project series: Spotlight on the R&D Tax Concession**

Thursday, 22 February 2007

**CONSTRUCTION companies considering investing in research and development, specifically in becoming more innovative, have access to a Commonwealth Government initiative that can help them improve their bottom line.**

This issue of the **BRITE** Project series will look at the R&D (Research and Development) Tax Concession and how it can be used to assist construction companies become more innovative.



AusIndustry and the Australian Taxation Office jointly administer the tax concession, which allows companies to deduct 125% of eligible expenditure incurred on R&D activities from their assessable income when lodging their tax returns.

A 175% deduction is also available for expenditure that exceeds a three-year rolling average.

The tax concession impacts directly on the bottom line and is therefore very visible to senior management.

According to the **BRITE** Project team, it generates a positive attitude and strategic approach to R&D, and certainly helps in the short-term cost-benefit analysis of proposed R&D activities.

The tax concession is not just for activities that fit the classic understanding of research – laboratories and people in white coats – it applies more broadly to innovation and the activities necessary to develop and test innovations.

To claim the concession a company must be incorporated in Australia, and have prepared and maintained an R&D plan.

The R&D plan needs to include systematic, investigative and experimental activity which involves innovation – containing an appreciable element of novelty – or high levels of technical risk; and must be carried out for the purpose of acquiring new knowledge or creating new or improved materials, products, devices, processes or services.

A company can also claim for activities that are directly related to the undertaking of R&D.

Further eligibility requirements include:

- Maintaining contemporaneous records to substantiate the R&D activities;
- Bearing both the financial and technical risk associated with the R&D activities;
- Controlling the R&D project and effectively owning the results; and
- Intending to exploit the results of the R&D activity on normal commercial terms to the benefit of the Australian economy.

If the R&D activities are for the development of computer software, the software must be intended for multiple sale to non-associates of the company.

Further details of how the R&D Tax Concession works are provided on the AusIndustry website at [www.AusIndustry.gov.au](http://www.AusIndustry.gov.au)

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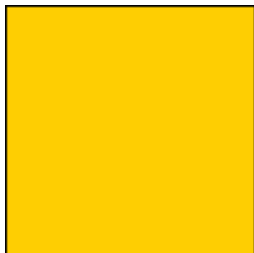
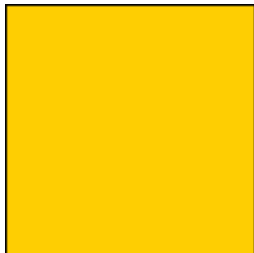
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**This information was compiled by John Holland Group knowledge manager Gerry Shutt in association with the **BRITE** Project of the CRC for Construction Innovation.**

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