

RESEARCH AND DEVELOPMENT TAX INCENTIVE SCHEME

Some of the red-tape binding together the federal government's Research and Development Tax Incentive (RDTI) scheme is enough to make your head spin.

As a concept, these tax incentives are great; no one's disputing that.

However, while the RDTI can make the costs of creating local innovations a lot less painful, the maze involved in even getting to the starting gate of a claim, is often enough for SMEs and their advisors to throw their hands in the air and dump the whole thing in the 'too hard' basket.'

It seems the problem with AusIndustry, the ATO and their political masters is that they're tinkerers. They frequently change the rules governing claims. What was legitimate last year, may not be looked on quite so favourably this year. It can be hard to stay ahead of the game.

Despite that, Research & Development Tax Incentives are just what this country needs.

The scheme encourages Australian companies, both large and small, to get serious about research activities, so they can create and produce innovative products and develop new markets around the world.

To qualify for RDTI, a company's R&D process must be focussed on solving a technical problem, where the outcome isn't known in advance.

In other words, this research has to be a genuine risk that's targeted at a technical outcome, not a commercial one.

A company can legitimately research non-trivial software or hardware, with the aim of developing a product, process or service that can be engineered or manufactured.

For those eligible companies prepared to invest in R&D, and brave enough to tackle the claims process, there are significant benefits.

Under RDTI, companies can receive a 43.5% cash refund on their eligible R&D expenditure, if their annual turnover is less than \$20-million.

We all know that many companies engaged in R&D operate at a loss during their initial development phase.

If a company does have large enough tax losses, then on, say, a million dollars of eligible R&D expenditure, they'd see the ATO paying \$435,000 into their account within four to eight weeks.

Claims for companies turning over more than \$20-million annually are limited to 38.5% of eligible expenditure.

To make a claim, a company must invest at least \$20,000 in eligible R&D expenses during the tax year.

But, when it comes to making a claim, let's face it.

Most SME companies are going to need the help of a trusted advisor to guide them through all that red-tape, if the claim is going to be successful.

In turn, those advisors, presumably accountants, will need access to well-researched and reliable information to bring them up to speed on the processes involved.

There is a comprehensive package available to help SMEs and their accountants understand who's eligible for the R&D tax incentives, which deductions are acceptable and which have to be excluded.

This package uses easy-to-understand graphics that cover every aspect of the RDTI process and help ensure your claims are accurate and no expenses get missed.

This Research & Development Tax Incentive package is the result of 12 months of research from the accountancy information-specialists, ESS BIZTOOLS.

By working through a series of flowcharts, the person preparing the claim is able to see graphically each step they need to take and whether the claimed expenditure items meet the current guidelines.

For further information, please contact Peter Towers at ESS BIZTOOLS – 0418 190 181 or email peter@essbiztools.com.au.