



HOW TO  
**UNLOCK**  
**GOVERNMENT**  
**FUNDING**  
TO GROW  
YOUR  
BUSINESS

# INTRODUCTION

Are you an Australian business owner who is looking for new sources of funding to help grow your business?

Are you keen to meet the challenges facing your industry but can not afford the risk of investment?

If this is you, there is an answer.

In fact, you could be missing out on readily available government investment to aid the future of your business.

The R&D Tax Incentive is the principal way our government rewards Australian companies for their commitment to new ideas and technical innovation

Companies with a turnover of AUD \$20 million or less, are eligible for the 45% Refundable R&D Tax Offset. For each dollar spent on claimable

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“I HEAR TALK ABOUT THE NEED FOR NEW TECHNOLOGIES AND INDUSTRIES TO BE BUILT IN AUSTRALIA. I HAVE IDEAS AND EXPERIENCE SOLVING PROBLEMS BUT I CAN’T FUND IT ON MY OWN.”

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R&D, you can save 15 cents in tax. If you are in tax loss, you will receive a cash payment of 45 cents in the dollar on all R&D expenditure.

That’s right. A tax incentive for research and development that supports your net profit.

“COMPANIES WITH A TURNOVER OF AUD \$20 MILLION OR LESS CAN **REGISTER** FOR THE INCENTIVE AND RECEIVE A **REDUCTION IN THEIR COMPANY TAX** [REFUNDABLE R&D TAX OFFSET].”





## **“WHY DOES THE GOVERNMENT OFFER THIS SCHEME?”**

Innovation is risky but the best economies need privately owned businesses to bring new and better processes and products to the marketplace. It is these companies who are focusing on the future and what's possible.

## **“ISN'T IT UP TO SCIENTISTS AND ACADEMICS TO PROVIDE RESEARCH AND CREATE NEW INDUSTRIES?”**

The CSIRO and Australian universities conduct much of the basic and applied research that has shaped Australia's economy but there is another vital level of research called 'experimental development.' This is what businesses do.

If you are taking knowledge about nutrition and delivering new food lines to the supermarket shelf or inventing a safer, more effective way of administering life saving therapies or using a new recycling technique to create sustainable building supplies, then you are part of the R&D community.

## **“I HAVE THOUGHT ABOUT LOOKING INTO BUSINESS GRANTS. AREN'T THERE GOVERNMENT GRANTS FOR RESEARCH? AREN'T THEY A BETTER WAY TO GO?”**

The R&D Tax Incentive is offered by the Australian Government as a fairer and more cost effective way of providing government support for R&D. Grant submissions take a lot of preparation and you could be waiting months for a result. Meanwhile, competitors with bigger bank balances are able to get ahead.

The R&D Tax Incentive supports companies that build research and development into their ongoing business activity. Your annual net profit will be improved as a result of any investment you make in new ideas.

## “WHAT DO I HAVE TO DO? HOW DOES IT WORK?”

The R&D Tax Incentive operates on a financial year basis through self-assessment. Each year you need to register. There is an R&D expenditure schedule to include in your tax return and you have a ten month window to report on your R&D activities for the previous year.

In registering with AusIndustry, you provide a description of your R&D projects and identify the relevant eligible activities under each project heading.

The best news about the R&D Tax Incentive is that it discriminates in favour of you, the small business operator.

For companies with a group turnover of less than \$20 million per annum, the R&D Tax Incentive offers a generous 45% refundable tax offset on eligible activities.

In a simple example, if you are in tax loss and you spend \$100,000 on a new or improved product, you will receive a cheque for \$45,000 from the ATO if you claim the R&D Tax Incentive. If you are in tax profit, you reduce the tax owing to the ATO by \$15,000.

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“SOMETIMES I GET THE IMPRESSION THAT THE BIG GUYS ARE REAPING THE BENEFIT OF SMALL GUYS LIKE ME SOLVING THEIR TECHNICAL PROBLEMS FOR THEM. I LIKE WORKING SMARTER. IT GIVES ME SATISFACTION. BUT I WONDER WHEN DO I GET A REWARD AND RECOGNITION?”

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## **“WHAT IF MY EXPERIMENTS FAIL? WHAT IF, AT THE END OF THE DAY, I HAVE NOTHING TO TAKE TO THE MARKETPLACE?”**

Juggling risk and reward is a constant challenge for small business owners. The R&D Tax Incentive is the Government's way of partnering with small companies and sharing the risk.

Successful R&D brings great rewards and opportunities with the promise of increased revenue and benefits of being an industry leader and innovator. And it's claimable.

Equally, the R&D Tax Incentive is available for those projects that do not succeed as a result of technical failure.

## **DON'T MISS OUT!**

Over 12,000 companies already access the R&D Tax Incentive. It's one of the good things about a program offered through the tax system. It's far reaching.

And yet, many business owners are reluctant to apply. “I'm not eligible,” they say. “It's too complex”. “I'm already chasing my tail troubleshooting and keeping on top of government requirements”. “I can't afford to get it wrong. What if the taxman wants the money back?”

### **If this is you, consider these questions:**

Am I already doing R&D in the day-to-day running of my business? I could needlessly be sending money to the ATO.

Instead of spending money on minor product modifications, could I put it towards some R&D and use the R&D Tax Incentive to help my company grow?

Could I be missing out on doing business with larger companies by not adapting and innovating to new methods and ways of doing business?

“IF YOUR NEW COMPANY IS NOT MAKING A PROFIT, YOU CAN CLAIM YOUR TAX OFFSET AS A CASH BENEFIT. **FOR EVERY DOLLAR SPENT ON R&D YOU WILL RECEIVE A 45 CENT CREDIT** - CASH WHICH CAN BE USED FOR YOUR ONGOING OPERATING COSTS.”



The R&D Tax Incentive is there to reward dynamic companies and encourage good ideas at every level of the economy.

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“ENTREPRENEURS AND BUSINESS STARTUPS ARE HAVING HUGE SUCCESS IN AREAS OF NEW TECHNOLOGY... HOW DO THEY DO IT? WHERE DOES THE MONEY COME FROM WHEN THEY HAVEN'T GOT A PRODUCT TO SELL? I WISH I KNEW.”

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The R&D Tax Incentive makes special provision for companies in the startup phase.

If your new company is not making a profit, you can claim your tax offset as a cash benefit. For every dollar spent on R&D you will receive a 45 cent credit - cash which can be used for your ongoing operating costs.

In other words, a small company which has spent \$100,000 on research and development but recorded a loss for the financial year, will receive a refund of \$45,000 through the R&D Tax Incentive.

Between 4,000 and 5,000 small Australian companies are currently receiving this refund.



## WHAT QUALIFIES AS R&D?

R&D activities must be directed towards technical problem solving to qualify for the R&D Tax Incentive.

Its scope includes the generation of a technical idea, through proof of concept and the development of a prototype able to be commercialised.

Once you begin manufacture of your new product or implement the process, the R&D Tax Incentive will not cover final commissioning, quality control, correcting defects, market research, writing of the training manual or sales and marketing expenditure.

Nor does research into the arts and humanities qualify for the R&D Tax Incentive.

## PLAN TO SUCCEED

A great business plan is one of the bedrocks of commercial success. In the same way, a well thought through R&D program reaps rewards.

Planning ahead allows you to collect the documentary evidence required by the ATO. Predicting milestones, detailing progress and keeping track of expenses and timesheets will ease the workload of reporting at tax time.

If a question arises about the R&D projects in your claim, the ATO and AusIndustry can look back over the previous four years. The more detail you produce about your R&D activities and expenditure, the better.

## KEEN TO START?

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“I’VE BEEN IN BUSINESS FOR 15 YEARS AND I WANT IT TO BE HERE IN ANOTHER 15 YEARS FOR MY FAMILY’S FINANCIAL SECURITY. BUT I KNOW THINGS HAVE TO CHANGE OR WE’LL BE PART OF HISTORY.”

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If you are ready to go to the next level and explore the future for your business, here are some simple steps you can take today.

The website [www.business.gov.au](http://www.business.gov.au) has more information on the R&D Tax Incentive.

The Australian Tax Office works in partnership with AusIndustry to administer the R&D Tax Incentive. AusIndustry’s info line is **13 28 46**.

This online interactive guide will take you through the requirements and provide examples across industry categories  
[www.randdsnapshot.business.gov.au](http://www.randdsnapshot.business.gov.au).

## SPEAK TO AN R&D TAX SPECIALIST

Your tax agent can advise you on applying for the R&D Tax Incentive. However, not all tax agents have experience in this area of claims.

Some firms specialise in the R&D Tax Incentive and will visit your operations to help identify eligible activities.

An R&D Tax Incentive specialist like Michael Johnson Associates will provide guidance and a framework for tracking activities and expenditure - a valuable resource in the growth and development of your company.

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