

## *How to get paid to innovate*

In small business, you often need to innovate to survive. Despite this, the level of research and development (R&D) claims by the small business community is minuscule. While small business employs about half of the workforce, it only represents just over 10% of all R&D claimed.

But many SMEs complete research and development work in their business without recognising that this is what they are doing. If your business is undertaking R&D work, then you could be eligible for additional tax concessions or even a cash refund from the Government. So, what's holding everyone back?

Let's call it the scientist syndrome. R&D is often thought of as being something that people in lab coats do with test tubes in a fairly clinical environment. The reality however is that where a business seeks out innovation, is testing and trialling processes, and where there is an inherent risk that the test might fail then it is likely the work being carried out is R&D. It's all about developing new products or product variations that can be commercialised to add value to your business. Your testing might be carried out in your factory, office, or warehouse. You don't need a research laboratory and a science degree to qualify.

There is a government incentive program for R&D work carried out by business. This is administered through [Ausindustry](#) but your claim is made through your tax return. To make a claim you need to be registered prior to lodging your tax return. Once your claim is submitted to Ausindustry, they will provide you with a claim number and this is included in your tax return. Your application to Ausindustry must be made by no later than 10 months after the end of the financial year. So, assuming you have a 30 June balance date, you need to have submitted your application by 30 April. This only gives you limited time to act.

The two main concessions currently are:

**125% R&D Tax Concession** - This is a general concession allowing eligible companies to deduct 125% of eligible R&D expenditure incurred on eligible Australian-owned R&D activities in their annual tax returns. The basic eligibility requirements must be satisfied to access this tax concession.

**R&D Tax Offset** - This tax offset allows small companies who are in a tax loss to cash out their tax concession entitlements. The tax offset is paid at the rate of 30 cents for each dollar of deduction that would have otherwise been claimable. For early stage companies (or where you are in a tax loss position), this can be a valuable boost to your cash flow. You can cash-out the tax losses that have been incurred in your R&D work.

To be eligible for the R&D tax concession, you must meet all of the eligibility requirements. It is important that you have assessed your eligibility for a specific claim. The basic requirements to be satisfied to access the R&D tax concessions are:

The entity must be a company incorporated in Australia, not acting in the capacity as a trustee.

The activities must qualify as R&D activities. R&D activities are activities which are either 'systematic, investigative and experimental activities involving innovation or high levels of technical risk' (SIE activities), or activities which are directly related to carrying on the SIE activities.

A R&D plan and adequate R&D records are maintained.

A minimum of \$20,000 R&D expenditure was incurred unless the R&D is contracted to an approved Registered Research Agency.

There are some additional requirements for claiming the tax offset and premium.

If you think your business might be eligible for the concessions, speak to us today. You are likely to need advice in this area and assistance to prepare your claim. Like most other tax areas, you self-assess your R&D claim but need to be able to substantiate it if it is queried or subject to audit. Where you are undertaking R&D activities you should take advantage of these additional assistance programs as they will help defray some of your costs and provide a cash flow boost. You lose nothing by asking us to check your likely eligibility – but do it before 30 April!

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### *We look forward to being of Service – helping you towards Prosperity & Peace of Mind*

Please do not hesitate to contact us if you would like to review & discuss your current property & tax situation, your asset protection strategy, structuring your next investment property, planning to legally minimise your tax position or just to prepare your next tax return.

We look forward to being of service. We also look forward to your referrals.

To improve our service we welcome all constructive comments on this newsletter and other materials.

For help contact **Shukri Barbara** at Property Tax Specialists at [Shukri@propertytaxspecialists.com.au](mailto:Shukri@propertytaxspecialists.com.au)

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#### **Disclaimer**

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

Acknowledgement - parts of this newsletter have been taken from KnowledgeShop Pty Ltd client newsletters. Barbara & co – Property Tax Specialists is a member of the Knowledge Shop and Hayes Knight Network

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Kind Regards  
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