

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry and Science Portfolio
2015-16 Budget Estimates
4 June 2015

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY AND SCIENCE

TOPIC: R&D Tax

REFERENCE: Question on Notice (Hansard, 4 June 2015, page 55)

QUESTION No.: BI-53

Senator KIM CARR: I understand what the legislative restrictions are on the program. The nub of the question I am trying to get to here is: what happens if you have given a preapproval and it involves an expenditure in excess of \$100 million? Does the retrospectivity of the legislation that has been carried impact on that preapproval?

Mr D Wilson: I understand from my review of the Hansard from last time of my manager Mr Lewis that he explained that the advanced finding really relates to a decision by Innovation Australia regarding the eligibility of the R&D. It does not go to how much expenditure is associated with that R&D. The responsibility of Innovation Australia is to make a determination around: is this eligible according to the definition in the legislation? And the advanced finding pertains to those activities. It does not go to: what is the associated expenditure with those activities?

Senator KIM CARR: So what happens if you give the approval and the company has spent more than \$100 million?

Ms Beauchamp: We would have to get that advice from Treasury in terms of how they are rolling out that new measure.

Senator KIM CARR: Can you take that on notice.

Ms Beauchamp: Yes, and we will refer it to the Treasury.

Senator Ronaldson: We will refer it to Treasury.

ANSWER

An advance finding states whether all or part of an activity undertaken by an R&D entity is: a core R&D activity; a supporting R&D activity; or neither a core nor a supporting R&D activity. Where the advance finding is for activities yet to be completed, the finding binds the Commissioner of Taxation for the purposes of assessments of the R&D entity for the income year and the next two income years. However, an advance finding does not determine the tax treatment that applies to the expenditure associated with those activities.

Treasury has advised that a company with eligible R&D expenditure in excess of \$100 million, that is eligible for the 40 per cent non-refundable tax offset, would claim a non-refundable tax offset of \$40 million for the first \$100 million of eligible R&D expenditure and a non-refundable tax offset at the company tax rate for the amount of R&D expenditure in excess of \$100 million. These changes apply in relation to assessments for income years commencing on or after 1 July 2014.