

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 36

Topic: Research & Development Tax Concession

Hansard Page: Written

Senator EGGLESTON asked:

1. The ATO audits companies claiming the current R&D tax concession. How many claims and companies has the ATO audited over each of the last 3 years?
2. What is the total value of all claims for the last 3 years?
3. What is the value of claims the ATO has audited over each of the last 3 years.
4. Of those claims audited how many claims were found not to qualify as eligible R&D in each of the last 3 years.
5. What was the value of the claims found not to qualify as eligible R&D in each of the last 3 years.
6. What input did the ATO have in developing the policy contained in the draft Exposure Bill?
7. Can you provide details of the manner in which that input was provided and the nature of that input.

Answer:

1. The number of companies audited in relation to R&D expenditure claims over the last three income years is provided in the table below. These audits examined the R&D claims made by these companies over the years which are the subject of the audit.

	2006-07	2007-08	2008-09
No. of companies audited	67	86	102

Note: The figures are for audits conducted within the income year but may involve R&D claims for multiple years.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

2. The table below shows the total value of all R&D claims over the last three years.

	2005-06 \$m	2006-07 \$m	2007-08 \$m
R&D concession (not including additional increment)	9,620	12,310	14,870
R&D incremental concession (additional increment)	820	1,230	1,250
R&D refundable tax offset	290	310	390

Note:

- Data for the 2008-09 financial year is incomplete, therefore figures are not yet available for claims during this period.
 - Sourced from *Taxation Statistics 2007-08*.
3. The table below shows the value of R&D expenditure claims audited by the ATO over the last three years. As audits conducted generally review a number of years' returns rather than one, the values shown are the aggregated R&D claims made over the years' returns audited.

2006-07 \$m	2007-08 \$m	2008-09 \$m
56.15	242.63	297.38

4. Determining eligibility of R&D is not within the responsibility of the ATO.

By way of background, the R&D tax concession is jointly administered by the Commissioner of Taxation and Innovation Australia, administratively assisted by officers of the Department of Innovation, Industry, Science and Research (DIISR).

The ATO's responsibility in conducting audits is on the allowability of claims by companies for R&D expenditure, not on the question of 'what is eligible R&D'. DIISR has responsibility for determining the eligibility of R&D activities and for registration of these activities and the ATO is bound by the outcomes of these reviews.

In the course of conducting ATO audits, some questions around eligibility may emerge, in which case these are referred to DIISR for their determination or re-examination.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

In relation to the R&D expenditure claims reviewed by the ATO in each of the last three years, the table below shows the audit results.

	2006-07	2007-08	2008-09
No of companies audited	67	86	102
No of cases where R&D claims were adjusted	39	49	41

5. DIISR is responsible for determining the eligibility of R&D activities.
6. The ATO has provided advice and assistance where required in the development of the new R&D Incentive Draft Exposure Bill. This advice and assistance takes the form of advice to Government and as such is confidential.
7. Input was provided both verbally and in writing in response to requests made by Treasury and DIISR.