

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Innovation, Industry, Science and Research Portfolio
Budget Estimates Hearing 2011-12
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AGENCY/DEPARTMENT: INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

TOPIC: R&D Tax Credit

REFERENCE: Written Question - Senator Colbeck

QUESTION No.: BI-103

Given the Government's emphasis on supposedly improving access to its R&D Tax Credit to SMEs, what actions are being taken (and what wording has specifically been written into the legislation) to ensure that the new rules will not adversely impact those companies.

ANSWER

To improve access to the R&D Tax Credit for SMEs, a number of legislative provisions have been made such as: that SMEs will receive a 45 per cent refundable tax credit for R&D (equivalent to a 150 per cent concession); the turnover threshold is to be increased from \$5 million to \$20 million; and there is no cap on the level of R&D expenditures that can be claimed. In addition, the relevant part of the *Income Tax Assessment Act* has been revised to make it shorter, simpler and clearer to understand for all businesses and the existing requirement for companies to submit an R&D Plan has not been included in the new legislation.

As announced by the Government (joint media release by Senator the Hon Kim Carr and the Treasurer, the Hon Wayne Swan MP, 15 June 2011), actions are also being taken to improve access to the new R&D Tax Credit for SMEs by introducing quarterly tax credit payments from 1 January 2014.

Comprehensive guidance material is being prepared and educational sessions are being organised for companies, including the SMEs, to improve their understanding of the new rules for access to the tax incentive.

An advisory group will be established through the Innovation Australia Board to monitor the implementation and operation of the R&D Tax Credit to help ensure the new rules are not applied in a way that is inconsistent with the policy intent.