

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Innovation, Industry, Science and Research Portfolio
Budget Estimates Hearing 2011-12
30 May 2011

AGENCY/DEPARTMENT: INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

TOPIC: R&D Tax Credit

REFERENCE: Written Question - Senator Colbeck

QUESTION No.: BI-104

Will small businesses without dedicated R&D facilities be able to satisfy both the dominant purpose test and the feedstock rules? And how is that possible, under the present wording of the legislation?

ANSWER

Yes.

There are no requirements in the legislation for any company to conduct R&D in a dedicated R&D facility in order to satisfy the definition of R&D activities or specifically for the dominant purpose test or the application of the feedstock rules.

The new provisions will support both research and experimental development.

The dominant purpose test does not apply to all R&D activities - it is only applied to activities undertaken to support core R&D activities, undertaken in a production environment or those on the list of activities excluded from being core R&D activities. The dominant purpose test does not apply to core R&D activities at all.

The feedstock provisions in the proposed legislation have the same scope as the feedstock rule in the existing legislation.