

43.5% cash rebate for Australian Research & Development (R&D) costs

The 43.5 cent 'cash back' benefit is now available to some companies incorporated in the United States and Canada and who undertake R&D in Australia.

Who is eligible?

U.S and Canadian entities may be eligible where they have setup:

- an Australian resident company;
- a corporation that is an Australian resident for taxation purposes; or
- a permanent establishment in Australia.

What's it worth?

The following table provides a more specific overview:

Condition	Requirement
Group Turnover	All companies in group collectively have a turnover less than AU\$20 Million
Tax Position	Australian Company is in Tax Loss
Benefit	43.5 cents in the dollar refund

Example 1:

An Australian subsidiary company, may be eligible for the R&D tax incentive, where:

- the Australian company is wholly owned by its U.S parent company and qualifies as an R&D entity;
- The U.S Company controls the Australian Resident Company;
- The U.S Company, the Australian Company, and any other companies that the two companies are associated with, have a collective aggregated turnover of less than AU\$20 million;
- Under an agreement, the U.S Company agrees to undertake R&D activities in its Australian office solely for the benefit of the Australian Company;
- In the agreement, the Australian Company does not own any Intellectual Property (I.P.) generated out of the U.S Company, but is legally entitled to all I.P. arising from the R&D activities;

- The Australian Company incurs \$100,000 in R&D expenditure for the 2013 Financial Year;
- The consideration between the Australian and U.S companies is at arm's length and will be paid even if the R&D is not successful.

Example 1:	Expenditure
Australian Subsidiary Company's R&D expenditure	\$100,000
Australian Subsidiary Company's R&D Tax Incentive Benefit	\$43,500 Cash Refund

Requirements for setting up an Australian Company

Foreign companies will need to set up an Australian company, and expect the following:

- Costs to setup the company to not exceed AU\$1,500 (plus GST) to incorporate an eligible Australian entity in order to claim the R&D Tax incentive.
- Company incorporation within Australia can take between 2-3 days.
- Foreign entities will require the availability of an Australian resident director
- The Australian Financial year runs from 1 July to the 30 June, however foreign entities can submit an application to the ATO for a substitute financial year to align with their parent company's timeframes. was 'compliance ready' -- meaning if it was selected for an AusIndustry audit, it could present documentation to show the progression of its R&D work.

How do I claim my expenditure?

- Eligible Australian subsidiaries will need to register their activities with AusIndustry not later than 10 months after the Australian company's year end.
- R&D expenditure is claimed through the lodgement of an R&D Tax Incentive claim as part of their annual income tax return.

If you have a U.S entity and are interested in claiming the R&D Tax Incentive in Australia, [contact us](#) to determine your eligibility and discuss your options.

Contact Details



James Tng

Moore Stephens

Director

[Email me](#)



David Tomasi

Moore Stephens

Partner

[Email me](#)



Adam Rogers

Swanson Reed

R&D Tax Specialist

[Email me](#)

Phone No: +1 415.287.9555