



An Australian Government Initiative

AusIndustryTM

BUILDING BUSINESS · POWERING PRODUCTIVITY

R&D Tax Incentive

Research Service Providers

**Linking business
with research**

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What are Research Service Providers (RSPs)?

Most companies appreciate that research & development (R&D) plays a crucial role in economic growth, and that for many companies large and small, R&D is the key to profitability and success in new markets. Yet for many reasons R&D can seem to lie beyond the reach of many. Small-to-Medium Enterprises (SMEs) can find it difficult to acquire and cost-justify the skills and equipment needs to carry out new research. Even large companies can find R&D resourcing daunting, especially if the proposed innovations fall outside the core business.

That's where Research Service Providers (RSPs) come in. RSPs are specialist organisations registered with AusIndustry to undertake R&D on behalf of, and under contract to other companies. RSPs exist to help companies get started with new R&D, to meet short term specialist resource needs in a cost effective way, and/or to minimise the risk of innovating in new fields. The registration process helps provide confidence to companies engaging RSPs that the service providers have demonstrated capability in their fields.

This brochure explains

- ▶ how to use an RSP if you're considering undertaking R&D, and
- ▶ how to become an RSP if you would like to offer specialist R&D services to companies.

RSP's offer:

- ▶ Rapid access to specialist skills and resources, without long term commitment to potentially expensive staff, plant and equipment
- ▶ All eligible R&D expenses can be claimed without the usual \$20,000 minimum limit
- ▶ Removes many of the barriers that hold companies back from fully developing their intellectual property and maximising their competitive position.

The R&D Tax Incentive

The *R&D Tax Incentive* is the Australian Government's principal measure to encourage industry to invest in R&D, and innovate. It is a targeted, generous and easily accessed entitlement program that helps companies offset some of the risks and costs of doing R&D. The *R&D Tax Incentive* aims to boost company competitiveness, improve productivity and deliver economy-wide benefits to Australia.

As a broad-based entitlement program, the *R&D Tax Incentive* is open to companies of all sizes in all sectors who are conducting eligible research & development. It provides more generous support for companies, especially SMEs, than the previous R&D Tax Concession that it replaced from 1 July 2011.

AusIndustry together with the Australian Taxation Office are responsible for delivering the *R&D Tax Incentive*. We work closely together and are available to help you. Contact details and further resources are available at ausindustry.gov.au.

The financial boost provided by the R&D Tax Incentive has been vital to the success of my business. SSRS as a micro business simply could not have progressed its product range and begun international exports without the aid of the R&D Tax Incentive and the help of our RSP.

Douglas Lumsden, Managing Director, Space Saver Rowing Systems (ACT)

Is your company innovative and looking to grow?

Research shows that innovative companies are more profitable, more productive and more competitive. R&D is a proven driver of innovation and can help businesses:

- ▶ develop new products and services to strengthen market position
- ▶ improve business processes
- ▶ solve problems, remove business impediments, and improve efficiency.

To help make R&D more affordable, the Australian government as part of its commitment to nationwide innovation offers eligible businesses of various sizes generous tax incentives:

- ▶ a 45% refundable tax offset (equivalent to a 150% deduction) to eligible small-to-medium enterprises (where aggregated turnover is less than \$20 million p.a.)
- ▶ a non-refundable 40% tax offset (equivalent to 133% deduction) to all other eligible entities.
- ▶ a cash refund is available for eligible firms in tax loss
- ▶ quarterly credits of refundable R&D tax offset amounts may be available for eligible entities from 1 January 2014.

The essentials

If you are:

- ▶ undertaking R&D or considering investing in R&D,
- ▶ an Australian company, or a foreign company resident in Australia for income purposes,
- ▶ or foreign corporation undertaking R&D through a permanent establishment in Australia,

then you should look closely at the *R&D Tax Incentive*. More information about the program is available available at ausindustry.gov.au.

Why do R&D? And how?

Australian companies are experiencing unprecedented competitive pressures. Globalisation, lower barriers to entry for foreign firms and the rapid rise of new producers of goods and services in Asia, Europe, Africa and the Middle East all present new challenges. But these factors also create new markets and opportunities.

Australians pride themselves on their spirit and resilience: as they say, necessity is the mother of invention. This is borne out by the international successes of local firms in sectors such as mining, construction, wine, education, agriculture, tourism, medical research and technology.

In 2010-11 around 10,000 diverse organisations registered R&D activities with AusIndustry, with total investment in registered research activities topping \$17 billion. The Australian Government wants more firms doing more R&D.

At the same time, the Australian government recognises that many businesses, especially SMEs, do not have access to specialist know-how or the plant and equipment needed to support scientifically sound research planning and experimentation. This is why the RSP program was created: to encourage even more Australian businesses, especially SMEs, to do research & development, with the help of contracted specialist services.

We greatly value our participation in the RSP program. We routinely promote its value and the flow on tax benefits to all our current and potential clients. Our RSP status provides significant competitive advantage. Ultimately the value of using an RSP is that a client company is more certain of getting quality R&D and a reliable, robust and internationally competitive result.

Peter Lewis, Director, Hydrix (Victoria)

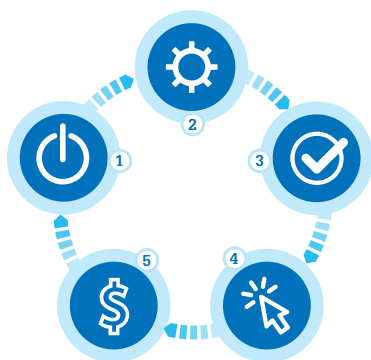
RSPs – the benefits

Research Service Providers (RSPs) are organisations registered by AusIndustry on behalf of Innovation Australia as capable of providing scientific or technical expertise and resources to perform R&D on behalf of other companies. RSPs must satisfy stringent criteria set out in the *R&D Tax Incentive* legislation, regarding staffing, facilities, capability and capacity to provide R&D services, as well as pricing structures that suit the real world needs of their clients. RSPs are registered in specified fields of research, and can be contracted by companies intending to claim the *R&D Tax Incentive*.

- ▶ RSPs help SMEs identify and gain access to expert R&D resources in particular fields, to help grow their intellectual property and their competitive strength.
- ▶ Collaborating with RSPs enables businesses to start conducting R&D activities without having to establish specialist staff or infrastructure.
- ▶ When conducting R&D for the first time, or when innovating in new market segments, RSPs allow businesses to check their new ideas in a measured way, and to stage their innovation investment
- ▶ Companies can contract R&D activities to RSPs with confidence since all RSPs must meet a set of criteria to qualify for registration.
- ▶ If a company engages a RSP to perform R&D activities, they can claim the *R&D Tax Incentive* for eligible expenditure on registered R&D activities, even where their total claim is less than the usual threshold of \$20 000 in one income year.
- ▶ RSPs are helping to improve the overall effectiveness of Australia's R&D and innovation effort.

How to work with an RSP

The basic process for working with an RSP is represented in the following diagram:



1. Engage RSP

- ▶ Search ausindustry.gov.au
- ▶ Discuss your needs and agree on an R&D contract
- ▶ RSP can also review your R&D plan and help ensure activities are eligible

2. Conduct eligible R&D activities

- ▶ Your RSP will work closely with you
- ▶ Review early research results
- ▶ Keep your R&D plan current and relevant

3. Register with AusIndustry

- ▶ Fill out online registration form
- ▶ Register within 10 months of end of your income year
- ▶ Track all claimable expenses
- ▶ With your RSP, maintain R&D records

4. Lodge company tax return with the ATO

- ▶ Check claimable amounts on the ATO website
- ▶ Use the ATO R&D Tax Incentive Calculator
- ▶ Claim eligible expenses in your company tax return

5. Grow your business

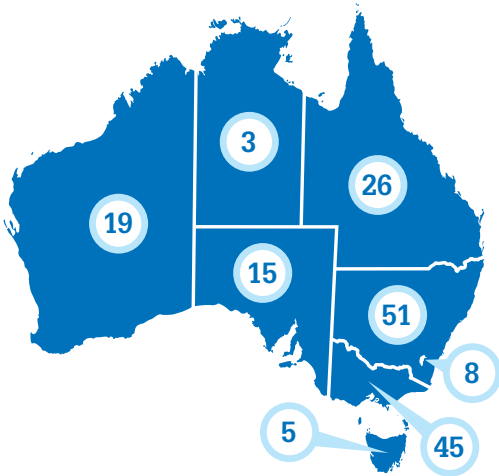
- ▶ Pay less tax
- ▶ Enjoy new revenues, competitive advantages, productivity and/or efficient improvements
- ▶ Improve your bottom line
- ▶ Reinvest in further R&D

How to find the right RSP for your company

A public register of RSPs is available on the AusIndustry website and published each year in the Innovation Australia annual report. The public register provides:

- ▶ details of each RSP
- ▶ the fields of research in with the RSP is registered to perform contracted R&D services (based on Australian and New Zealand Standard Research Classification ANZSRC codes)
- ▶ contact details.

RSPs are located in every state and territory, as shown below.



Many registered RSPs are currently situated in regional and rural areas. If unsure of how to select or contact an RSP, organisations wishing to do so can always contact AusIndustry staff for assistance.

How to become an RSP

If your organisation provides assistance to other organisations conducting R&D, you could consider becoming an RSP. R&D service provision leverages your experience and resources into new business opportunities. Registration with AusIndustry enables you to market your RSP status to other companies, connecting with companies looking to claim R&D expenses if they work with you.

AusIndustry encourages capable R&D organisations to become RSPs, as this will improve the quality of support provided to start-ups and new *R&D Tax Incentive* claimants and, in the longer term, enhance the quality of Australian R&D generally.

We registered as an RSP to assist our many small to medium sized client companies through the innovation process. The R&D Tax Incentive can make all the difference to getting a great product idea off the ground to become a commercial reality. AusIndustry provides many valuable free services to SMEs. We encourage all of our clients to utilise the benefits that are available to them.

**Tim Phillips, General Manager, Kennovations
(New South Wales)**

About the ANZSRC

The Australian and New Zealand Standard Research Classification (ANZSRC) is a joint product developed by the Australian Bureau of Statistics and Statistics New Zealand. For RSPs registered under the *R&D Tax Incentive*, the “Fields of Research” ANZSRC codes are used to identify which areas an RSP can undertake research on behalf of companies using the program. As an RSP may undertake research in a number of areas, it may be associated with multiple ANZSRC classifications.

The Fields of Research ANZSRC codes have three hierarchical levels as illustrated below:

Level	Code	Description
Division	02	Physical Sciences
▶ Group	0206	Quantum Physics
▶ Field	020603	Quantum Communication

The ANZSRC Fields of Research comprise the following divisions:

Code	Name
01	Mathematical Sciences
02	Physical Sciences
03	Chemical Sciences
04	Earth Sciences
05	Environmental Sciences
06	Biological Sciences
07	Agricultural and Veterinary Sciences
08	Information and Computing Sciences
09	Engineering
10	Technology
11	Medical and Health Sciences
12	Built Environment and Design
13	Education
14	Economics
15	Commerce, Management, Tourism and Services
16	Studies in Human Society
17	Psychology and Cognitive Sciences
18	Law and Legal Studies
19	Studies in Creative Arts and Writing
20	Language, Communication and Culture
21	History and Archaeology
22	Philosophy and Religious Studies

When registering, RSPs nominate research areas at the group level. However, by knowing the divisions of the ANZSRC, your company can quickly identify which RSPs may offer services in your area of R&D.

Next steps and Further Information

Further information can be obtained from:

- ▶ *R&D Tax Incentive Customer Information Guide*
- ▶ *Why Conduct R&D with a RSP – Information Sheet*
- ▶ *Application for Registration as a Research Service Provider*
- ▶ *Opportunities for Researchers – Information Sheet*

AusIndustry

- ▶ Visit the website · ausindustry.gov.au
- ▶ Call the AusIndustry Hotline · **13 28 46**
- ▶ Email the AusIndustry Hotline · hotline@ausindustry.gov.au

Australian Taxation Office

Contact the ATO for information on eligible entities and amounts you can claim

- ▶ Visit the website · ato.gov.au/randdtaxincentive
- ▶ Call the ATO · **13 28 66**
- ▶ Email the ATO · innovationtax@ato.gov.au

About AusIndustry

AusIndustry is a specialist program delivery division within the Department of Industry, Innovation, Science, Research and Tertiary Education · innovation.gov.au.

AusIndustry is supported in delivering the *R&D Tax Incentive* by Innovation Australia, an independent statutory body.

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