

Financial opportunities for the building sector – Grants and incentives

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R&D Tax Concession – current law

- 125% concession
 - Additional 25% tax deduction
 - 7.5% after tax benefit
- 175% premium deduction
 - 3 yr history
 - 22.5% after tax benefit
- R&D Cash offset < \$5m turnover & \$2m cap on spend
 - Additional 25% tax deduction
 - 7.5% after tax benefit
 - 37.5% cash refund when in tax losses

Key Changes – Small Company (< \$20m turnover)

Refundable 45% Tax Credit for companies with less than \$20m group turnover

- 15% permanent tax saving, double current benefit
 - Tax loss companies to ‘cashout’ the credit
 - No cap on spend!
 - \$5m turnover threshold raised to \$20m
- Example – R&D spend of \$1,000,000

Tax Credit of 45% = \$450,000*

Subtract tax deductible costs @ 30% = \$300,000

Benefit = \$150,000 (15%)

* \$450,000 is refundable in cash for companies in tax losses (similar to current cash-offset)

Key Changes – Large Company (> \$20m turnover)

Refundable 40% Tax Credit for companies with over than \$20m group turnover

- 10% permanent tax saving up from 7.5%
- R&D undertaken in Australia where IP is owned offshore may now be eligible

- Example R&D spend of \$100,000

Tax Credit of 40% = \$40,000

Subtract tax deductible costs @ 30% = \$30,000

Tax savings = \$10,000 (10%)

- *Expected to 'carry forward' benefit if company in tax losses*
- A tax rate drop may increase the net benefit

R&D Credit – Tighter definition?

- New words around concept of R&D
- Identification of ‘core’ and ‘supporting’ activities
- Core: R&D activities:
 - Experimental activities, outcome cannot be known (technical risk)
 - Established science – Hypothesis, experiment, observation; and
 - The purpose of generating new knowledge (innovation)
 - Including – new or improved materials, products, devices, processes or services

Grants

A Golden Opportunity

- Over \$40-50 billion dollars per annum for grants.
- 500 > grant programs –federal and state level.
- Where are they? – KPMG list.
- Corporate good governance.
- Grants = income stream & strategic source of funds.
- Be vigilant

Think Broadly

Some areas of funding include:

- Research & Development
- Innovation and Commercialisation
- Environmental
- Industry Specific
- Building and Facilities Improvements

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