Financial opportunities for the building sector –

Grants and incentives
1. Research & Development (R&D) current law

2. Proposed R&D tax credit

3. Grants
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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