

Frequently asked questions – R&D Tax Incentive Discussion Document

April 2018

Why is the R&D tax incentive happening?

- The Government wants to build a diverse, sustainable and productive economy, and has announced a target of increasing R&D expenditure to 2% of GDP by 2027. An R&D tax incentive, in the form of a tax credit, will be implemented by 1 April 2019
- This R&D tax incentive will fuel innovation, and support the government's broader goals for an inclusive, sustainable, and productive economy.
- The R&D tax incentive will be an important addition to the research, science and innovation (RSI) system. It will incentivise business R&D, so the economy can benefit from the broader social returns to business R&D.

What is being consulted on and when is this happening?

- Before the R&D tax incentive is implemented there will be a consultation period from 19 April until 1 June.
- MBIE, Inland Revenue and Callaghan Innovation have designed an R&D tax incentive proposal and are seeking your input into the design process. We've developed a discussion document outlining the main features of our proposal and would like you to submit feedback on it. Your views will help us to develop policy options for the final design of the R&D tax incentive.
- The discussion document describes the design proposals. These include: the R&D tax credit rate, business eligibility, types of R&D activities and expenditure eligible, minimum R&D expenditure threshold, how businesses in tax loss will be treated, maximum cap on R&D expenditure, and accountability measures

I want to submit feedback, how do I do that?

- The Discussion Document is available on MBIE's website where you will be able to submit feedback online, via email or post [[link](#)]
- We encourage anyone with feedback on the discussion document to make a submission.

What happens after I submit my feedback?

- After the consultation period closes, MBIE, Inland Revenue, the Treasury and Callaghan Innovation will provide to the Government policy options, which will take into account your views for inclusion in legislation to implement the Tax Incentive.
- We will publish the main themes that come out of the consultation along with our response.
- Subject to Cabinet approval, legislation will be introduced in September 2018
- Officials are working on an approach for the transition arrangements. Grant recipients will be consulted on this proposed approach independently of the R&D tax incentive consultation process. This will ensure that all grant recipients, whether they are loss-making

or profit-making, are provided a smooth and efficient transition which does not disrupt growth in R&D.

What is happening to Callaghan Innovation's R&D Growth Grants?

- The Government is committed to supporting companies, including Growth Grants recipients, to continue to grow their investment in R&D.
 - Businesses with an active Growth Grant on 31 March 2019 will continue receiving their grant until 31 March 2020
 - A temporary grant scheme mirroring the R&D Tax Incentive will be implemented to provide support for Growth Grant recipients with insufficient tax liability to use an R&D tax credit immediately.
 - The Growth Grant scheme will be closed to new applicants on 31 March 2019.

What is happening with Callaghan Innovation other services and grants?

- All of Callaghan Innovation's other services and products, including R&D Project Grants and R&D Student Grants are not affected by this initiative.

Why is the proposed rate of 12.5% much lower than Australia's rate of 43.5% for SMEs?

- The Australian scheme is a tax offset not a tax credit. The numbers describe different things and can't be compared