



Media release

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ATO confirms approach to Research and Development Tax Incentive

The Australian Taxation Office (ATO) is aware of the [announcement](#) by the Commonwealth Bank of Australia regarding their research and development (R&D) tax incentive disputes with the ATO and Innovation and Science Australia (ISA). ISA has legislative oversight of the (R&D) tax incentive, which is administered jointly by the ATO and AusIndustry in the Department of Industry, Innovation and Science (DIIS).

Deputy Commissioner Rebecca Saint said this is an important development in ensuring that the R&D Tax Incentive is working for innovative Australian businesses as it was designed.

“While we cannot comment on specific taxpayer-related matters due to confidentiality laws, this development sends a strong signal that digital transformation and software development costs do not automatically qualify for the R&D tax incentive.

“The ATO is committed to supporting innovation of Australian businesses, however, activities must meet strict legal criteria to qualify for the R&D tax incentive. Just because a project is large, expensive or risky does not mean it necessarily qualifies as R&D for the purposes of the tax incentive.

“The ATO and DIIS work together to ensure that the R&D tax incentive supports innovation activities of Australian businesses as intended. Our ongoing joint efforts in this area will ensure the continued strength of the program.

We are continuing our joint focus on helping companies get their claims right by providing guidance, including flagging areas of concern and common mistakes. Companies and their advisors should consider how this guidance applies to their circumstances to be confident that their claims are correct.

DIIS has recently published guidance material on [software activities](#) and the R&D tax incentive. The guidance provides detailed information to assist taxpayers determine whether their software development activities are, or are not, eligible for the program and common errors.

“We encourage companies who are seeking greater certainty about their R&D tax incentive to seek advice from us and DIIS directly in relation to their specific facts and circumstances,” Ms Saint said.

Companies should seek help from the agency that administers the aspect of the program that relates to the query. Further information on where to get help can be found on our [website](#).

Background

The R&D tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. Companies are responsible for self-assessing whether they, the activities they are conducting and the expenditure incurred for those activities meet the eligibility requirements of the R&D tax incentive.

The ATO and DIIS jointly administer the R&D tax incentive. DIIS is responsible for determining eligibility of R&D Tax Incentive registrations. The ATO determines whether or not the expenditure claimed as relating to those activities is sufficiently related to those activities to obtain the incentive.