R&D Tax Incentive – benefits reloaded
Changes to the R&D Tax Incentive announced as part of the 2020-21 Federal Budget offer increased benefits and an end to uncertainty around the foreseeable future of the program.

The Federal Government has committed an additional $2 billion to an exciting new growth phase for the R&D Tax Incentive, providing net benefits of up to 18.5%.

When compared to the changes foreshadowed, almost all claimants will be better off under the revised program. Companies with high R&D intensity will see benefit rates increase by up to 90%, reaffirming the R&D Tax Incentive’s role as a key driver of innovation in Australia.

How will my R&D claim change?
For income years commencing on or after 1 July 2021*, a variable intensity premium will enable access to higher R&D tax offsets for larger companies incurring more than 2% R&D expenditure. For smaller companies, the R&D premium will increase to 18.5%.

Larger Companies
For companies with aggregated turnover of $20 million or more, the intensity premium will scale upwards based on R&D intensity.

<table>
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<tr>
<th>Intensity Premium on expenditure up to 2% R&amp;D intensity</th>
<th>Intensity Premium on expenditure over 2% R&amp;D intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.5%</td>
<td>16.5%</td>
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</table>

Smaller companies
For companies with aggregated turnover below $20 million, the R&D premium will be fixed.

<table>
<thead>
<tr>
<th>R&amp;D premium</th>
<th>Maximum cash refund</th>
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<tbody>
<tr>
<td>18.5%</td>
<td>43.5%</td>
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</table>

*R&D Intensity
Eligible R&D expenditure as a proportion of total company expenditure.

Intensity Premium
The R&D tax offset rate above the company tax rate, comprising of two tiers for larger companies.

Government grants for renewable energy

The Federal Government’s 2020-21 Budget has support for economic growth as its top priority. Some significant funding programs relevant to the energy sector are outlined below.

Investment in new energy technologies

As previously announced, the Government will make available a $1.9 billion investment package available over the next 12 years to lower emissions and improve the reliability of energy supply. As part of this, ARENA and the CEFC will be able to invest in a wider range of technologies in energy and emissions intensive sectors, including

- Agriculture
- Manufacturing and heavy industry
- Cement, steel and aluminium production and
- Transport.

ARENA and the CEFC will also now support technologies such as soil carbon sequestration, carbon capture and storage, production of green steel, and industrial processes to reduce energy consumption.

Modern Manufacturing Strategy (MMS)

The Government will provide $1.5 billion over five years to support the Modern Manufacturing Strategy (MMS), focused on building competitiveness, scale and resilience in six areas of national manufacturing priority, including recycling and clean energy.

Funding under the MMS will be delivered via the following key initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Funding available</th>
<th>Funding ratio</th>
<th>Status</th>
<th>Considerations</th>
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</table>
| Manufacturing Modernisation Fund (MMF) | $100,000 to $1M ($52.8M total) | 3:1 | round 2 to open before Dec 2020 | • SMEs in manufacturing seeking technology upgrades  
• <200 employees |
| Modern Manufacturing Initiative (MMI) (Collaboration Stream) | ~$80M ($1.3B total) | 1:2 | commencing first half 2021 | • Long-term, large-scale production or R&D facilities  
• Very large collaborative projects (B2B & B2Research), delivering economies of scale |
| MMI (Translation/Integration Streams) | ~$4M ($1.3B total) | 1:1 | commencing first half 2021 | • Industry-led projects translating research and bringing new products to market  
• Manufacturers seeking to translate good ideas into commercial outcomes and encourage investment in non-R&D innovation |

Other commitments

- **Regions**
  - Extensions to the Building Better Regions Fund, increased and ongoing support for community and economic recovery.

- **Fuel**
  - $203.7 million has been set aside to support the construction of a new diesel storage facility

- **Electric vehicles**
  - $5.0 million is allocated to support the South Australian electric vehicle-to-grid trials.
Why KPMG
Accelerating Business Growth with confidence and efficiency

Unrivalled expertise
With one of Australia’s largest team of government incentives specialists, KPMG’s Accelerating Business Growth (ABG) practice is unrivalled in experience, resource flexibility, performance and efficiency.

In touch with regulators
We meet regularly with the ATO and AusIndustry to keep in touch with the latest guidance and requirements. Our proven methods will help you navigate the complexities of the R&D Tax Incentive with confidence.

Claim preparation simplified
Our real time R&D identification and recording processes integrate with your existing systems to allow for preparation of robust claims in a transparent and efficient way, capturing all eligible activities and costs with minimal disruption to your operations.

Not just R&D Tax
Our specialists take a holistic view of your business and the full range of government funding opportunities that align with your plans for the future. We provide strategic advice and hands-on assistance in preparing strong applications for grants and other discretionary funding.

Contact us to discuss funding opportunities available.

Alex Demetriou
Partner
Adelaide/Perth
T: +61 8 8236 3233
E: ademetriou1@kpmg.com.au

David Gelb
Partner
Melbourne
T: +61 3 9288 6160
E: dgelb@kpmg.com.au

Kristina Kipper
Partner
Sydney
T: +61 2 9335 7847
E: kkipper1@kpmg.com.au

Ramanie Naidoo
Partner
Brisbane
T: +61 7 3225 6988
E: rnaidoo2@kpmg.com.au

Alun Needham
Principal Director
Melbourne
T: +61 3 8663 8886
E: aneetham@kpmg.com.au

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