



R&D Tax Incentive & Government Grants

Renewable Energy

R&D Tax Incentive Summary

The R&D Tax Incentive (RDTI) remains the Federal Government's primary program to support Australian industry based R&D.

The structural changes to the RDTI announced as part of the October 2020 Budget come into effect for income years commencing on or after 1 July 2021 and provide **net benefit of up to 18.5%**.

Almost all claimants will be better off and larger high R&D intensity companies may see their benefit **increase by up to 90%**.

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.

How will my R&D tax offset 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.

8.5%

Intensity premium on expenditure **up to 2% R&D intensity**

16.5%

Intensity premium on expenditure **over 2% R&D intensity**

Smaller companies

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

18.5%

R&D premium

43.5%

Maximum cash refund

*Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Act 2020

Government grants for Renewable Energy

The Federal Government's 2021-22 Budget includes a significant spend on Renewable Energy across a range of areas and industries as outlined below.

Technology Investment Roadmap: First Low Emissions Technology Statement

The Government will invest **\$1.2 billion** in a technology co-investment facility to support the Technology Investment Roadmap, which is a strategy to accelerate development and commercialisation of low emissions technologies in Australia. In particular the Government's investment will be directed to the initiatives outlined below. The mechanism for distributing the funding (i.e. competitive grants or direct investment) has not yet been announced.

Initiative	Investment total	Details
Hydrogen Hubs	\$275.5M	The Government is investing in the development of four additional clean hydrogen hubs in regional Australia and implementation of a clean hydrogen certification scheme.
Carbon Capture, Use and Storage Development (CCUS)	\$263.7M	This funding will be set aside for investment in CCUS projects. This will seek to reduce emissions across energy generation, natural gas or hydrogen production and heavy industries.
International Low Emissions Technology Research	\$565.8M	This funding has been set aside for investing in research partnerships with other countries for new technology, soil carbon and green steel. The partnerships will leverage \$3 to \$5 of co-investment for every dollar investment.

Modern Manufacturing Strategy (MMS)

Building on announcements in the previous budget, 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 programmes throughout FY22, along with others that may be launched throughout the year:

Programme	Funding available	Funding ratio	Status	Considerations
Manufacturing Modernisation Fund (MMF)	\$100,000 to \$1M (\$52.8M total)	3:1	Round 3 to be announced	<ul style="list-style-type: none"> SMEs in manufacturing seeking technology upgrades <200 employees
Modern Manufacturing Initiative (MMI) (Collaboration Stream)	~\$80M	1:2	Round 1 to be announced – to be in 2021	<ul style="list-style-type: none"> Long-term, large-scale production or R&D facilities Very large collaborative projects (B2B & B2Research), delivering economies of scale

Additional funding initiatives

ARENA

A \$50 million initiative was announced for ARENA to establish an early-stage seed capital financing function. This will be funded from ARENA's existing budget.

ARENA will also continue to be funded as announced in the prior year budget.

National Product Stewardship Fund

A \$5.9 million increase was announced for the National Product Stewardship Investment Fund. The fund aims to increase the number of product stewardships and rates of recycling in Australia.

Why KPMG

Accelerating Business Growth with confidence and efficiency



Specialist Knowledge

With one of Australia's largest team of government incentives specialists, KPMG's Accelerating Business Growth (ABG) group is highly experienced and offers 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 experience and 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 will facilitate the preparation of robust claims in a transparent and efficient way, capturing your 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.



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