



R&D Tax Incentive & Government Grants

Life Sciences

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%.

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.

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 life sciences

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

Funding for medical research

In addition to the direct funding for COVID vaccine research, manufacturing and supply that has already been announced, the Federal Budget includes some new pools of funding for future projects:

- Investment of \$41.6 million over four years to create the Strategic University Reform Fund (SURF). This program will encourage universities to undertake projects that enhance collaboration between universities and business to improve commercialisation of applied research in key regional communities.
- An additional \$42 million over two years will be provided to support medical research and vaccine development in response to the COVID-19 pandemic. \$32 million of this funding will be made available through the Medical Research Future Fund (MRFF).

Modern Manufacturing Strategy

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 **medical products**.

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

Initiative	Funding available	Funding ratio	Status	Considerations
Manufacturing Modernisation Fund (MMF)	\$100,000 to \$1M (\$52.8M total)	3:1	round 2 to open before Dec 2020	<ul style="list-style-type: none">SMEs in manufacturing seeking technology upgrades<200 employees
Modern Manufacturing Initiative (MMI) (Collaboration Stream)	~\$80M (\$1.3B total)	1:2	commencing first half 2021	<ul style="list-style-type: none">Long-term, large-scale production or R&D facilitiesVery large collaborative projects (B2B & B2Research), delivering economies of scale
MMI (Translation/Integration Streams)	~\$4M (\$1.3B total)	1:1	commencing first half 2021	<ul style="list-style-type: none">Industry-led projects translating research and bringing new products to marketManufacturers seeking to translate good ideas into commercial outcomes and encourage investment in non-R&D innovation
Supply Chain Resilience Initiative	TBA (\$107.2M)	TBA	open from 1 Jul 2021	<ul style="list-style-type: none">Businesses seeking support to establish/ scale capability that addresses supply chain vulnerability
Advanced Manufacturing Growth Centre	\$50M	TBA	TB	<ul style="list-style-type: none">Advanced Manufacturing Growth Centre and other Industry Growth Centres, including MTPConnect, to continue to support projects and build capability and competitiveness of the manufacturing sector in alignment with National Manufacturing Priorities.

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.



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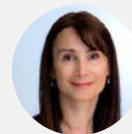
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