



R&D Tax Incentive & Government Grants

Manufacturing

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.

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 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.

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 manufacturing

The Federal Government's 2020-21 Budget has announced a significant support package targeted at the manufacturing sector, coined the 'Modern Manufacturing Strategy' (MMS).

The MMS is a **\$1.5 billion program designed to strengthen Australia's manufacturing sector** helping Australia achieve recognition as a high-quality and sustainable manufacturing nation, ultimately helping to deliver a strong, modern and resilient economy for all Australians.

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 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	<ul style="list-style-type: none"> 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
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
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

Other budget measures supporting Australia's manufacturing sector include:

Advanced Manufacturing Growth Centre	Road maps to recovery & beyond	Skills & Training 'Boosting Apprenticeship Commencements'
<ul style="list-style-type: none"> \$50 million allocated to continue to support projects and build capability and competitiveness of the manufacturing sector in alignment with National Manufacturing Priorities. 	<ul style="list-style-type: none"> Government facilitated expert industry-led teams to develop road maps against each of the National Manufacturing Priorities and work together to identify road blocks to growth. 	<ul style="list-style-type: none"> Builds on the JobTrainer policy, with the aim of funding 100,000 additional apprentices through a \$1.2 billion wage subsidy. capped at \$7,000 per quarter and paid to businesses of any size who take on new or recommencing apprentices from 5 October 2020 to 30 September 21.

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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November 2020. 577136846ENT