

R&D Tax Incentive & Government Grants

Regional Australia

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 Regional Australia

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

Initiative	Details
Future Drought Fund	<ul style="list-style-type: none"> \$172.5 million in additional funding for Future Drought Fund initiatives. This funding contributes to the \$5 billion Future Drought Fund which provides secure, continuous funding for drought resilience initiatives. The fund aims to help Australian farms and communities prepare for the impacts of drought, enhancing the wellbeing of our farming communities and improving the sustainability and resilience of the natural resources on which agriculture depends.
Building Better Regions Fund (BBRF)	<ul style="list-style-type: none"> \$256.5 million for the sixth round of the Building Better Regions Fund (BBRF). To date, \$1.04 billion has been committed by the Federal Government to drive economic growth and build stronger regional communities. There have been five rounds to date with the Government recently announcing an additional \$256.5 million over four years from 2021-22 (and \$0.1 million in 2025-26) for round six to support investment in community infrastructure and capacity building in regional areas. This fund is open to incorporated not-for-profit organisations, local government agencies or bodies and non-distributing co-operatives. The program typically covers up to 50% of eligible project expenditure and offers grants of up to \$1 million (Community Investments Stream) or \$10 million (Infrastructure Stream).
Preparing Australia program	<ul style="list-style-type: none"> \$615.5 million for the Preparing Australia program to provide grants for projects that support public and private disaster risk reduction and resilience.
National Bushfire Recovery Fund	<ul style="list-style-type: none"> \$280.0 million over three years from 2021-22 for grants for projects in bushfire affected areas as part of the \$2.0 billion National Bushfire Recovery Fund.
Northern Australia Development Program	<ul style="list-style-type: none"> \$190 million in the 2021-2022 Federal Budget will go towards job creation, digital creativity and business growth in northern Australia. Of this package, \$111.9 million will be committed to the Northern Australia Development Program.
Regional Connectivity Program	<ul style="list-style-type: none"> \$84.8 million to support the delivery of reliable, affordable and innovative digital services and technologies in regional and remote Australia as a continuation of the Regional Connectivity Program.
Rebuilding Regional Communities	<ul style="list-style-type: none"> \$6.1 million over two years from 2021-22 to establish the Rebuilding Regional Communities program to assist community organisations and small enterprises in regional Australia to recover from the impacts of COVID-19.
Stronger Rural Health Strategy	<ul style="list-style-type: none"> \$80.9 million over five years from 2020-21 for initiatives to support the delivery of primary care and the health workforce in rural and remote Australia. This investment further supports the implementation of the Stronger Rural Health Strategy and includes \$65.8 million to increase the Rural Bulk Billing Incentive for rural and remote medical practices.

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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