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**Department of Industry,
Innovation and Science**

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Automotive Transformation Scheme

Customer Guideline 5 – Business Plans

2015

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List of shortened terms

Term	Description
ACP	A person registered as an Automotive Component Producer under the Scheme
AMTP	A person registered as an Automotive Machine Tool or Automotive Tooling Producer under the Scheme
ASP	A person registered as an Automotive Service Provider under the Scheme
ATS	The Automotive Transformation Scheme
MVP	A person registered as a Motor Vehicle Producer under the Scheme
non-MVP	A person registered as an Automotive Component Producer, Automotive Machine Tool or Tooling Producer, or Automotive Service Provider under the Scheme
P&E	Plant and equipment
R&D	Research and development
the Act	<i>The Automotive Transformation Scheme Act 2009</i>
the Order	<i>The Automotive Transformation Scheme Order 2010</i>
the Regulations	<i>The Automotive Transformation Scheme Regulations 2010</i>
the Scheme	The Automotive Transformation Scheme

Glossary

Term	Description
ATS stage	<p>ATS Stage 1 means the period beginning on 1 January 2011 and ending on 31 December 2015, and the first three months of 2016.</p> <p>ATS Stage 2 means the period beginning on 1 January 2016 and ending on 31 December 2020, and the first three months of 2021.</p>
ATS year	<p>A year identified below for which eligible investments or eligible production may be claimed by an ATS participant:</p> <p>1 January 2011 – 31 December 2011</p> <p>1 January 2012 – 31 December 2012</p> <p>1 January 2013 – 31 December 2013</p> <p>1 January 2014 – 31 December 2014</p>

Term	Description
	1 January 2015 – 31 December 2015
	1 January 2016 – 31 December 2016
	1 January 2017 – 31 December 2017
	1 January 2018 – 31 December 2018
	1 January 2019 – 31 December 2019
	1 January 2020 – 31 December 2020
 modulation rate	<p>The modulation rate for a quarter for MVPs is used to modulate an amount, in relation to an MVP, to ensure that the funding for the relevant ATS year and relevant ATS stage is not exceeded, and is worked out in accordance with division 3.2 of the Automotive Transformation Scheme Order 2010.</p> <p>The modulation rate for a quarter for ACPs, AMTPs and ASPs is used to modulate an amount, in relation to a non-MVP, to ensure that the funding for the relevant ATS year and ATS stage is not exceeded, and is worked out in accordance with division 3.4 of the <i>Automotive Transformation Scheme Order 2010</i>.</p>
 third quarter	<p>The three month period commencing on 1 July of an ATS year.</p>

1. Introduction

The object of the Automotive Transformation Scheme (the Scheme) is to encourage competitive investment and innovation in the Australian automotive industry and place it on an economically sustainable footing. The object is to be achieved in a way that improves environmental outcomes and promotes the development of workforce skills.

The objective of these guidelines is to assist participants in completing Business Plans that must be provided to AusIndustry by:

new applicants for registration under the Scheme;

new applicants for registration in the national interest under the Scheme; and

registered ATS participants as an annual update.

References in this guideline are made to the *Automotive Transformation Scheme Act 2009* (the Act), the *Automotive Transformation Scheme Regulations 2010* (the Regulations) and the *Automotive Transformation Scheme Order 2010* (the Order) in these guidelines. It is strongly recommended that applicants download copies of these documents from business.gov.au at the [ATS page](#).

In this document, a reference to a specific regulation or subregulation specifically refers to the *Automotive Transformation Scheme Regulations 2010*.

2. The Business Plan

Subregulation 2.12(3) of the *Automotive Transformation Scheme Regulations 2010* requires all applicants for registration under the Scheme to provide a Business Plan that must include:

- details of the strategies that will enable the applicant to carry on sustainable operations in the Australian automotive industry for a five year period starting on 1 January of the year of registration;
- operational plans, details of financial commitment and controls, financial projections and assumptions on which forecasts are based;
- details about how the applicant will meet the object of the *Automotive Transformation Scheme Act 2009*, particularly economic sustainability, in a way that will improve environmental outcomes and promote the development of workforce skills;
- current employment information (new requirement);
- such other particulars as are required by the form in respect of the period or periods specified in the form. research and development

Other particulars required by the relevant forms include:

- five year forecasts of sales, production, plant and equipment (P&E) investment, and research and development (R&D) investment.

New applicants for registration under the Scheme must also provide:

- details of sales, production, P&E investment, and R&D investment for the previous two years.

3. How is the Business Plan used?

Data in Business Plans provides the Government with:

- information to demonstrate how the Scheme is meeting the object of the *Automotive Transformation Scheme Act 2009*; and

- sales, production and investment data to assist in ensuring the caps on funding available are not exceeded.

The amounts of capped assistance available under the Scheme are limited by subsection 8(1) of the *Automotive Transformation Scheme Act 2009*. To ensure these limits are not exceeded, a process of modulation of the amounts to be paid is conducted. Divisions 3.1 to 3.5 of the *Automotive Transformation Scheme Order 2010* provide the formulae for calculating modulation and quarterly assistance. Briefly, these formulae include quarterly historical, production and investment details from participants' Quarterly Returns or applications for registration. They also include forecast quarterly historical, production and investment details from Business Plans and annual updates of Business Plans.

To ensure that the modulation rates accurately reflect demand for assistance, it is very important that the estimates provided in the Business Plans are realistic.

All information provided by participants will be treated as Commercial-In-Confidence.

For information about how the modulation rates and quarterly assistance for ATS participants will be calculated under the Scheme, please refer to divisions 2.1 to 3.5 of the *Automotive Transformation Scheme Order 2010*.

4. When must a business plan update be submitted?

The instances where Business Plans must be provided are as follows:

For new applicants for registration	As an attachment to the ATS Application for Registration form
For new applicants for registration in the national interest	As an attachment to the ATS Registration in the National Interest form
For registered ATS participants	As an attachment to the ATS Third Quarter Business Plan Update form

Subregulation 2.12(3) of the *Automotive Transformation Scheme Regulations 2010* requires all applications for registration under the Scheme to include a Business Plan.

Subregulation 2.27(1) of the *Automotive Transformation Scheme Regulations 2010* states that it is a condition of registration that an ATS participant provides an update of the Business Plan in accordance with the approved form. Subregulation 2.27(3) of the *Automotive Transformation Scheme Regulations 2010* requires the Business Plan update to be provided within 45 days after the end of the third quarter of each ATS year in which the participant is registered.

Each Business Plan update must cover the five year period starting on 1 January of the following year. For example, if the participant is completing the *Third Quarter Business Plan Update* form in Quarter 3, 2012 the update must cover the period Quarter 1, 2013 to Quarter 4, 2017.

A Business Plan that includes reporting on progress in meeting the object as set out in section 3 of the *Automotive Transformation Scheme Act 2009* must be submitted with the *ATS Third Quarter Business Plan Update* form as an attachment to the *ATS Third Quarter Business Plan Update* form. The reporting criteria for meeting the object of the Act are provided in Schedule 1 of the *Automotive Transformation Scheme Order 2010*.

5. How is the business plan submitted?

New applicants for registration under the Scheme must provide the Business Plan as an attachment to the *ATS Application for Registration* form or the *ATS Registration in the National Interest* form by post, hand delivery or email to AusIndustry.

ATS participants may submit an *ATS Third Quarter Business Plan Update* form either in hard copy or online by logging into ATS online and following the instructions on screen. The Business Plan is required as an attachment to the *ATS Third Quarter Business Plan Update* form and must be posted, hand delivered or emailed to AusIndustry.

Hard copy forms are available on the website business.gov.au at the [ATS page](#) and can be sent by email to ats@industry.gov.au or by post to:

Automotive Section
AusIndustry
PO Box 85
Melbourne VIC 3001

A hard copy may also be left during business hours at any AusIndustry office during business hours (see *Appendix 1*).

For new applicants for registration under the Scheme, it is recommended that the Business Plan is forwarded on the same date as the *ATS Application for Registration* form or the *ATS Registration in the National Interest* form. If the Business Plan is received by AusIndustry at a date later than the date that the application form is received, AusIndustry will treat the application as received on the later date.

6. What records must be kept?

ATS participants are required under regulation 2.26 of the *Automotive Transformation Scheme Regulations 2010* to maintain, or create and maintain documents that evidence all the particulars contained in each Quarterly Return provided by the participant. These documents are to be retained by the participant for five years after lodgement of the return concerned. *Attachment B* provides guidance on appropriate documentation that may be used to substantiate claims made in Business Plans.

Regulation 6.4 of the *Automotive Transformation Scheme Regulations 2010* imposes a condition on a person who is no longer an ATS participant to retain these records in accordance with regulation 2.26 of the *Automotive Transformation Scheme Regulations 2010*.

Under Division 3 of the *Automotive Transformation Scheme Act 2009*, ATS participants' records to support claims made under the Scheme may be subject to an audit by, or on behalf of, AusIndustry.

7. Privacy and confidentiality

The confidentiality of information provided to AusIndustry, a division of the Department of Industry, Innovation and Science (the Department), by applicants for the Scheme is protected by the relevant provisions and penalties of the *Automotive Transformation Scheme Act 2009*, the *Automotive Transformation Scheme Regulations 2010*, the *Public Service Act 1999*, the *Public Service Regulations*, the *Privacy Act 1988*, the *Crimes Act 1914*, the *Criminal Code* and general law.

Subregulation 6.5(1) of the *Automotive Transformation Scheme Regulations 2010* allows the Minister to publish the following information about an ATS participant or a person who was an ATS participant:

- (a) that the person is, or was, an ATS participant and the period of the person's participation in the Scheme;
- (b) the amount of assistance paid to the person in an ATS year.

Subregulation 6.5(2) of the *Automotive Transformation Scheme Regulations 2010* requires the Minister to publish a notice that the Minister has given a person named in the notice permission to:

- (a) apply for registration as an ATS participant or
- (b) continue registration as an ATS participant

on the basis that the registration would be in the national interest.

Detailed confidential information contained in applications and Business Plans may be disclosed for audit purposes to contractors engaged by the Department and to other Commonwealth agencies for audit, reporting and law enforcement purposes. Further, the Department may release confidential information if it obtains the applicant's consent or is required or permitted by law to do so. This could happen, for example, if the Department is required to respond to a resolution of the Parliament, or the order of a court.

8. Relevant terms and phrases

The following definitions will assist in preparing the Business Plan:

Relevant term or phrase	Definition and legislative reference
Automotive component	<p>Any component (whether its construction or assembly has been completed or not):</p> <ul style="list-style-type: none"> a) that is for use in any type of vehicle that, if it were imported, would be classified to Chapter 87 of Schedule 3 to the Tariff or b) that has the essential character of a component to which paragraph 1.7(1)(a) of the <i>Automotive Transformation Scheme Regulations 2010</i> applies. <p>Regulation 1.7 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
Automotive machine tools	<p>Machine tools of a kind:</p> <p>(a) that are designed and built to be used solely for:</p> <ul style="list-style-type: none"> • the production of motor vehicles, engines, engine components or automotive components or • facilitating the provision of automotive services or <p>(b) that, when used with interchangeable tooling, are used solely or mainly for a function mentioned in paragraph 1.8(1)(a) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p>Automotive machine tools of a kind mentioned above, include machine tools for handling physical inputs that are integral to the production process (eg. a robotic arm that loads blanks onto a stamping machine) and the following functions:</p> <ul style="list-style-type: none"> • cutting, welding or forming materials • casting, forging, moulding and extrusion • heat treatment • surface finishing • assembly • measuring or testing. <p>Regulation 1.8 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
Automotive services	<p>Design, development, engineering or production services for motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling that constitute:</p> <ul style="list-style-type: none"> • design, development, engineering or production, including normal design functions or • development activities, including the manufacture of prototypes and testing or • the development and installation of purpose-designed systems for quality assurance and process control or • the layout design of production equipment. <p>Regulation 1.9 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
Automotive tooling	<p>Interchangeable tooling used, with automotive machine tools, solely for:</p> <ul style="list-style-type: none"> • the production of motor vehicles, engines, engine components or automotive components or • facilitating the provision of automotive services or • the production of other interchangeable tooling for the above purpose. <p>Automotive tooling of the kind mentioned above, includes tooling for handling physical inputs that are integral to a relevant production process.</p> <p>Regulation 1.10 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
Engine	<p>An engine that:</p> <ul style="list-style-type: none"> • is designed to propel a motor vehicle and • has been fitted by its producer with a crankshaft <p>whether that engine is a dressed or undressed engine, whether it is a short or long engine and whether it is a finished or unfinished engine.</p> <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
Engine components	<p>Goods that, if imported, would be classified to Schedule 3 of the Tariff as one of the following:</p> <ul style="list-style-type: none"> • parts for engines classified to heading 8409 • balance shafts, camshafts, crankshafts, plain shaft bearings, flywheels and pulleys classified to heading 8483 • oil pumps, fuel pumps and water pumps classified to heading 8413 • starter motors, alternators and ignition equipment classified to heading 8511 • engine management systems classified to heading 8537 or 9032 • automatic voltage regulators classified to heading 9032 • ignition wiring sets classified to heading 8544. <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
Indirect tax	<p>Any tax except a direct tax or import charge, and includes each of the following:</p> <ul style="list-style-type: none"> • GST or value-added tax; • luxury car tax; • sales tax; • excise tax; • turnover tax; • franchise tax; • stamp tax or duty; • transfer tax or duty; • inventory or equipment tax; and • border tax. <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
Interchangeable tooling	<p>Interchangeable tooling includes the following:</p> <ul style="list-style-type: none"> • patterns and core boxes; • moulds for plastic components; • dies, including dies for forging, die casting, powder metallurgy processes and press work; • bending and swaging tools; • jigs; • fixtures, including check fixtures; • cutting tools; • gauges and checking devices for dimensional confirmation and quality control; • models from which tooling is produced, including hard models and rapid prototypes; and • aids that are physical representations of product geometry prior to tool manufacture. <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
Motor vehicle	<p>Any vehicle (other than a used vehicle):</p> <ul style="list-style-type: none"> • that has a gross vehicle weight of not more than 3.5 tonnes; and • that, if imported, would be classified to: <ul style="list-style-type: none"> ○ a subheading of heading 8702 or 8703 (other than 8703.10.00) of Schedule 3 of the Customs Tariff Act 1995 (the Tariff); or ○ subheading 8704.21, 8704.31 or 8704.90 of Schedule 3 of the Tariff. <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
Motor vehicle producer	A person who undertakes the production of motor vehicles or engines. Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i> .
MVP	A person registered as a motor vehicle producer under the Scheme. (Not all motor vehicle producers are eligible for registration as MVPs.) Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i> .
MVP production	In relation to a quarter and to an MVP and means the completion in that quarter by the MVP of the production of: <ul style="list-style-type: none"> • motor vehicles or • engines or • engine components. Regulation 1.5 of the <i>Automotive Transformation Scheme Regulations 2010</i> .
One kind of automotive component	This is clarified in section 8.1 of this Guideline.
Operating lease	Has the meaning given by the Australian Accounting Standards. Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i> .
Original equipment (OE)	An automotive component: <ul style="list-style-type: none"> • for use in the production of a motor vehicle or an engine by a motor vehicle producer; or • designed to the specifications of a motor vehicle producer and purchased by that producer for post assembly fitment to a motor vehicle. Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i> .

Relevant term or phrase	Definition and legislative reference
<p>Production of goods and provision of services in Australia</p>	<p><i>assembly of components can be production</i></p> <ul style="list-style-type: none"> • a person is taken to produce a thing even if the process of production consists entirely of assembling the thing from component parts and the person does not produce any of those component parts. <p>Subregulation 1.6(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p><i>no production unless sale has occurred</i></p> <ul style="list-style-type: none"> • a person is taken to produce a thing only at the time when the person sells the thing produced. <p>Subregulation 1.6(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p><i>production of engines</i></p> <ul style="list-style-type: none"> • subject to subregulations (1) and (2) of the <i>Automotive Transformation Scheme Regulations 2010</i>, an engine is taken to have been produced in Australia if: <ul style="list-style-type: none"> ○ the fitting of the crankshaft into the engine is carried out in Australia and ○ the engine has passed final quality control at the end of a production line in Australia <p>Subregulation 1.6(3) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p><i>production of motor vehicles</i></p> <ul style="list-style-type: none"> • subject to subregulations (1) and (2) of the <i>Automotive Transformation Scheme Regulations 2010</i>, a motor vehicle is taken to have been produced in Australia if the motor vehicle: <ul style="list-style-type: none"> ○ has undergone a process of colour coated painting in Australia and ○ has passed final quality control at the end of a production line in Australia <p>Subregulation 1.6(4) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
<p>Production of goods and provision of services in Australia - cont.</p>	<p><i>production of engine components</i></p> <ul style="list-style-type: none"> • subject to subregulations 1.6(1) and 1.6(2) of the <i>Automotive Transformation Scheme Regulations 2010</i>, an engine component is taken to have been produced in Australia if: <ul style="list-style-type: none"> ○ at least one substantial process in the manufacture of the component is carried out in Australia and ○ the component has passed final quality control at the end of a production line in Australia <p>Subregulation 1.6(5) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p><i>production of automotive components, automotive machine tools or automotive tooling</i></p> <ul style="list-style-type: none"> • subject to subregulations 1.6(1) and 1.6(2) of the <i>Automotive Transformation Scheme Regulations 2010</i>, an automotive component, an automotive machine tool or automotive tooling is taken to have been produced in Australia if: <ul style="list-style-type: none"> ○ at least one substantial process in the manufacture of the automotive component, automotive machine tool or automotive tooling is carried out in Australia and ○ the automotive component, automotive machine tool or automotive tooling, as the case requires, has passed final quality control at the end of a production line in Australia <p>Subregulation 1.6(6) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p> <p><i>provision of automotive services</i></p> <ul style="list-style-type: none"> • an automotive service is taken to have been provided in Australia if: <ul style="list-style-type: none"> ○ the design, development, engineering or production work comprising that service is carried out predominantly in Australia and ○ payment has been received for carrying out the service. <p>Subregulation 1.6(7) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
Production value for an MVP	Under regulation 1.5 of the <i>Automotive Transformation Scheme Regulations 2010</i> , the value of production, automotive components, tools, tooling, or a service worked out in accordance with regulation 1.25 of the <i>Automotive Transformation Scheme Regulations 2010</i> .
Production value for an ACP	Under regulation 1.5 of the <i>Automotive Transformation Scheme Regulations 2010</i> , the total revenue from sales of automotive components for use as original equipment, (excluding indirect tax) worked out in accordance with subregulations 2.5(3) or 2.22(3) of the <i>Automotive Transformation Scheme Regulations 2010</i> .
Production value for an AMTP	Under regulation 1.5 of the <i>Automotive Transformation Scheme Regulations 2010</i> , the total revenue from sales of automotive tools or tooling (excluding indirect tax) worked out in accordance with subregulations 2.6(3) or 2.23(3) of the <i>Automotive Transformation Scheme Regulations 2010</i> .
Production value for an ASP	Under regulation 1.5 of the <i>Automotive Transformation Scheme Regulations 2010</i> , the total revenue from sales of automotive services (excluding indirect tax) worked out in accordance with subregulations 2.7(3) or 2.24(3) of the <i>Automotive Transformation Scheme Regulations 2010</i> .

Relevant term or phrase	Definition and legislative reference
Relevant quarter	<p>In relation to an ATS participant to whom the transitional arrangements under Part 7 of the Regulations do not apply and who provides a return for a particular quarter under regulation 3.1, each of the quarters included within the period comprising:</p> <ul style="list-style-type: none"> • if the quarter is the first quarter in an ATS year after an application for registration is granted, the 8 quarters before the quarter; and • if the quarter is the second quarter in an ATS year after an application for registration is granted, the 9 quarters before the quarter; and • if the quarter is the third quarter in an ATS year after an application for registration is granted, the 10 quarters before the quarter; and • if the quarter is the fourth quarter in an ATS year after an application for registration is granted, or any later quarter, the 11 quarters before the quarter; and • in relation to a participant in ACIS whom becomes an ATS participant and who provides a return for a particular quarter under regulation 3.1: <ul style="list-style-type: none"> • until the end of ATS year 3, each of the quarters included within a period set out in column 3 of Schedule 2; and • after the end of ATS year 3, the 11 quarters before the particular quarter. <p><i>Note</i> Schedule 2 of the <i>Automotive Transformation Scheme Order 2010</i> sets out the number of quarters under ACIS that may be treated as eligible investment under the Scheme.</p> <p>Section 1.3 of the <i>Automotive Transformation Scheme Order 2010</i>.</p>
Sales value	<p>The value of automotive goods or services produced or provided in Australia by an ATS participant. Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
<p>Where sale of goods or services is taken to occur</p>	<p>Where title to the goods or services passes from the seller to the buyer for the first time, and the seller:</p> <ul style="list-style-type: none"> • has received cash or other consideration for the goods or services or • has an enforceable claim against the buyer in respect of the goods or services. <p>A sale of a motor vehicle or engine owned by an MVP is taken to have occurred if the motor vehicle or engine is transferred by the MVP to an associate of the MVP to be sold or leased, or in the case of a sale of a motor vehicle, where it is retained for use by employees of the MVP or at a site owned or controlled by the MVP and is included in the MVP's register of assets or inventory account.</p> <p>Regulation 1.11 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
<p>Where sale of goods or services is taken <u>not</u> to occur</p>	<p>A sale of goods is taken not to have occurred if:</p> <ul style="list-style-type: none"> • the goods are lent by a person to another person with the intention that they be returned to the lender; and • the lender retains title to the goods. <p>A sale of goods or services is taken not to have occurred if a corresponding credit for the goods or services is subsequently issued.</p> <p>A sale of goods or services is taken not to have occurred if the goods or services have previously been treated as sold for the Regulations.</p> <p>A sale of goods or services is taken not to have occurred if the transaction relating to the goods or services is between two or more companies in a group registered under regulation 2.9 of the <i>Automotive Transformation Scheme Regulations 2010</i> as a single entity.</p> <p>Regulation 1.12 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

8.1 One kind of automotive component and production value for ACPs

An ACP may be registered on the basis of one of two options. First, by:

- producing in Australia at least one kind of automotive component for use as original equipment in at least 30,000 motor vehicles or in at least 30,000 engines and that the production value of the component was at least \$500,000 as required by subparagraph 2.5(1)(a)(i) or 2.5(1)(b)(i) of the *Automotive Transformation Scheme Regulations 2010*.

Under this option, the phrase, one kind of automotive component, is a broader concept than simply one part number. An ACP could meet this condition by supplying the same kind of component for fitment in different makes or models of vehicles (for example, by producing rear view mirrors for different makes of cars). If the one kind of automotive component that has been nominated is a set of components for one vehicle (for example, five wheels make one set), the number of sets produced will indicate the number of vehicles for which that nominated component is produced.

The second option is that the ACP;

- achieves a production value of the automotive components produced in Australia as original equipment of at least \$500,000 and comprising at least 50 per cent of the production value of all automotive components produced by that ACP as required by subparagraph 2.5(1)(a)(ii) or 2.5(1)(b)(ii) of the *Automotive Transformation Scheme Regulations 2010*.

Under this option, the production value of the automotive components produced in Australia as original equipment may be in respect of one or more components.

The production value of automotive components produced by an ACP is the actual, or likely, total revenue from sales of automotive components (excluding GST) as described in regulation 2.5 of the *Automotive Transformation Scheme Regulations 2010*.

It is recommended that applicants refer to:

- regulation 1.7 of the *Automotive Transformation Scheme Regulations 2010* for the meaning of production of automotive component;
- regulation 1.5 of the *Automotive Transformation Scheme Regulations 2010* for the meaning of original equipment; and
- regulation 1.6 of the *Automotive Transformation Scheme Regulations 2010* for the meaning of motor vehicles and engines.

9. Eligible start-up period

Hard Copy Form	Part Reference
<i>ATS Third Quarter Business Plan Update</i> form	Part A4

This section only applies to participants who are in an eligible start-up period.

Under subregulation 3.11(2) of the *Automotive Transformation Scheme Regulations 2010* a payment of assistance to an ATS participant in an eligible start-up period must not exceed 15 per cent of the eligible start-up investment amount of the ATS participant. Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010* an eligible start-up period, for an ATS participant, means the period that:

- starts on the day the ATS participant first enters into a financial commitment to carry on business as an MVP, ACP, AMTP or ASP not having previously carried on business as an MVP, ACP, AMTP or ASP; and
- ends on the day 12 months after the ATS participant first begins production of goods or delivery of services.

Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010* eligible start-up investment amount means the total expenditure on investment incurred by the ATS participant on the acquisition of land, buildings, structure, plant, equipment, materials or other assets for carrying on business as an MVP, ACP, AMTP or ASP for the first time.

ATS participants in an eligible start-up period must indicate:

- the date that production of goods or delivery of services is expected to commence;
- expected eligible start-up investment amount for the next four quarters; and
- an attachment that includes details of the expected eligible start-up investment including details of when the investment is expected to occur.

These details can be sent by email to ats@industry.gov.au, by post to the address on the front of this form or hand delivered to an AusIndustry office during business hours.

10. Business Plan: meeting the object of the Act

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Part H
<i>ATS Registration in the National Interest form</i>	Part I
<i>ATS Third Quarter Business Plan Update form</i>	Part B

The Business Plan must be provided as an attachment to the relevant form and must contain the following:

1. details of the strategies that will enable the applicant to carry on sustainable operations in the Australian automotive industry for a five year period starting on 1 January of the year of registration;
2. operational plans, details of financial commitment and controls, financial projections and assumptions on which forecasts in are based; and
3. details about how the applicant will meet the object of the Act, particularly economic sustainability, in a way that will improve environmental outcomes and promote the development of workforce skills: and
4. current employment information (new requirement):

	No. of Employees	No. of Contract staff
Total number in organisation		
Total number of manufacturing employees in organisation		

The Business Plan must support the five year sales and investment forecasts and address how the applicant or participant will meet the object of the Act. These requirements form part of the formal requirements for the content of applications for registration in subregulation 2.12(3) of the *Automotive Transformation Scheme Regulations 2010*, and updates of Business Plans for participants in regulation 2.27 of the *Automotive Transformation Scheme Regulations 2010*.

When providing details about how the object of the Act is being met it is suggested that the ATS participant refer to these criteria using the following headings:

- Economic Sustainability Outcomes;
- Improved Environmental Outcomes;
- Development of Workforce Skills; and
- Current Employment Data.

10.1 Reporting progress on meeting the object of the Act

Hard Copy Form	Part Reference
<i>ATS Third Quarter Business Plan Update form</i>	Parts B2, B3 and B4

In addition to the Business Plan that must be attached to the *ATS Third Quarter Business Plan Update* form, ATS participants must answer the questions in parts B2, B3 and B4 of the form. These questions reflect the reporting criteria for meeting the object of the Act as provided in Schedule 1 of the *Automotive Transformation Scheme Order 2010*. The questions are as follows:

B2 Economic sustainability outcomes

B2.1 Innovation

An ATS participant **must** report against **each** of the following items:

R&D expenditure (\$A)

Capability development:

(1) Have you participated in change management processes?

If *YES*, have your change management processes included:

management and leadership?

performance benchmarking?

customer relationships?

supply chain integration?

quality assurance?

strength, weakness, opportunity and threat (SWOT) analysis programs?

financial management systems?

other?

(2) Have you participated in government (federal, state or territory) or business programs designed to help businesses develop their strategic capability?

If *YES*, have government (federal, state or territory) or business programs designed to help businesses develop their strategic capability included:

Enterprise Connect?

Business Enterprise Centres?

the Automotive Supplier Excellence Australia (ASEA) Program?

Automotive Supply Chain Development Program?

other?

B2.2 Improved business performance

An ATS participant **must** report against **one or more** of the following items:

Have you achieved:

improved profitability?

increased value of production?

new customers?

increased sales?

increased productivity?

other activities resulting in the development of the participant's capability?

B2.3 Other activities

An ATS participant **may** report other activities undertaken by the participant that would contribute to placing industry on an economically sustainable footing.

Have you conducted other activities that would contribute to placing industry on an economically sustainable footing?

B3 Environmental outcomes

An ATS participant **must** report against **one or more** of the following items:

Have you improved environmental outcomes, as demonstrated by, but not limited to:

- (1) A reduction in the environmental impact of the ATS participant's manufacturing process?

If **YES**, have you reduced your environmental impact through:

more efficient and sustainable energy sources for the manufacturing process?

recycling measures for waste products?

environmental upgrades of plant and equipment?

use of sustainable materials?

other?

- (2) Input into the development or manufacture of more environmentally sustainable cars?

If **YES**, has your input into the development or manufacture of more environmentally sustainable cars included:

alternative fuels?

hybrid vehicles?

reduced greenhouse gas emissions?

Have you improved environmental outcomes, as demonstrated by, but not limited to:

- mass reduction, including components?
- environmentally sustainable materials?
- increased fuel efficiency, including fuel management?
- other?

- (3) Participation in government (federal/state or territory) environmental programs?

If *YES*, which government (federal/state or territory) environmental programs have you participated in:

- re-tooling for climate change?
- Green Car Innovation Fund?
- other?

- (4) Compliance with national/international automotive environmental standards?

- (5) Other activities resulting in improved environmental outcomes?

B4 Workforce skills outcomes

An ATS participant **must** report against **one or more** of the following items:

- (1) The number of people within the individual workforce with applicable post-school qualifications:

Australian Qualification Framework (AQF) Certificate I & II

AQF Certificate III & IV

Trade qualifications

Advanced Diploma, Diploma

Bachelor Degree

Postgraduate/Graduate Diploma

- (2) The number of apprentices in the workforce
- (3) The number of apprentices within the workforce successfully completing their apprenticeships
- (4) Participation in government (federal, state or territory) or commercial training programs designed to help businesses more effectively train their workforce:

If *YES*, which government (federal/state or territory) or commercial training programs designed to help businesses more effectively train their workforce have you participated in:

the provision of training under the Automotive Training

Package or other applicable training package
registered training providers providing flexible on-the-
job recognised training

(5) Improved productivity in the workplace

(6) Other activities resulting in the development of the workforce

The information provided by the participant may be included in the Department's annual report of progress towards achieving economic sustainability of the Australian automotive industry.

Receipt of the business plan attachment and completion of sections B2, B3 and B4 of the form is required before the Third Quarter Business Plan Update will be processed.

11. Sales, production and investment data

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Part I for MVPs Part J for ACPs, AMTPs and ASPs
<i>ATS Registration in the National Interest form</i>	Part J for MVPs Part K for ACPs, AMTPs and ASPs
<i>ATS Third Quarter Business Plan Update form</i>	Part C for MVPs Part D for ACPs, AMTPs and ASPs

11.1 General guide

In providing sales, production and investment data:

- values must be provided on a per quarter basis, not on a per year basis;
- insert a zero ('0') if no investment, production or sales for a particular quarter applies;
- all amounts included should be whole numbers expressed in Australian dollars;
- all values should exclude GST; and
- in determining any values for the purposes of ATS, participants should use accrual accounting methods in accordance with the Australian Accounting Standards (AAS).

Non arms length transactions

The amounts of forecast production value, sales value and investment must reflect values that represent transactions between parties at arm's length.

Regulation 1.28 of the *Automotive Transformation Scheme Regulations 2010* requires production value, sales value or investment amounts to be determined as if they represent transactions between parties at arm's length. Subregulation 1.29(1) of the *ATS Regulations 2010* requires transactions to be treated as not being at arm's length if the parties are related or associated parties. Under subregulation 1.29(2) of the *Automotive Transformation Scheme Regulations 2010* parties are taken to be related or associated parties if:

- they are a group of related bodies corporate; or
- one party controls the other within the meaning of section 50AA of the Corporations Act 2001; or
- the parties are involved in a cartel or other price-fixing arrangement.

Under regulation 1.33 of the *Automotive Transformation Scheme Regulations 2010* the value of transactions that are not at arm's length parties must be determined using a method that involves:

- referring to the value of another transaction (a comparable transaction), between parties who are not related or associated parties, that:
 - is of the same kind as the relevant transaction; and
 - takes place about the same time as the relevant transaction; and

- involves the same or similar terms as the relevant transaction; and
- working out an adjusted value by adding to, or subtracting from, the value of another transaction referred to above any necessary adjustment to take into account any difference between the relevant transaction and the comparable transaction; and
- determining the value the relevant transaction would have been, based on the adjusted values, had the parties been at arm's length;

or

- a method, or combination of methods, that can accurately assess the value in the particular case and which takes into account the following:
 - the kind of transaction;
 - the terms of the transaction;
 - the business structure, strategy and processes of the ATS participant;
 - the market conditions at the time of the transaction;
 - other commercial and economic realities at the time of the transaction;
 - whether the method, or combination of methods, produces the highest degree of comparability in the particular case.

If the value of P&E investment estimated by the ATS participant using a method set out in regulation 1.33 and described above is \$500,000 or more, subregulation 1.32(3) of the *Automotive Transformation Scheme Regulations 2010* requires the ATS participant to obtain a certification of the valuation from an independent valuer who is professionally qualified to make a certification in relation to investments in plant and equipment.

Under subregulation 1.32(4) of the *Automotive Transformation Scheme Regulations 2010* the following must occur:

- (a) acceptance of the certification of the valuation by the ATS participant's valuer;
- (b) rejection of the certification by the ATS participant's valuer and arrange, with the agreement of the ATS participant, for a second independent valuer to make a certification;
- (c) if the Secretary and the ATS participant do not agree on appointment of a second independent valuer — appoint an independent valuer of the Secretary's own choosing to make a valuation.

If action is taken under paragraph 1.32(4)(b) or (c) of the *Automotive Transformation Scheme Regulations 2010*, AusIndustry will accept the value certified by the second valuer as the value that would have been the value of investment in P&E had the parties been at arm's length.

11.2 Sales value of participants ATS goods and services - all participants

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Table I1 for MVPs Table J1 for ACPs, AMTPs and ASPs

Hard Copy Form	Part Reference
<i>ATS Registration in the National Interest form</i>	Table J1 for MVPs Table K1 for ACPs, AMTPs and ASPs
<i>ATS Third Quarter Business Plan Update form</i>	Table C1 for MVPs Table D1 for ACPs, AMTPs and ASPs

Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010*, sales value is the value of goods or services produced or provided in Australia by an ATS participant.

For new applicants for registration under the Scheme, the *ATS Application for Registration form* requires actual sales values for the eight quarters that precede the first quarter in the ATS year for which registration is sought. The sales values for previous quarters should be actual sales figures. The values should be net of GST and all sales taxes. Forecast sales values for all quarters in the five year period starting from quarter 1 of the ATS year for which registration is sought must also be provided.

The sales value will be used to calculate the sales based cap for each participant. Under regulation 3.11 of the *Automotive Transformation Scheme Regulations 2010*, no participant, other than those in an eligible start-up period, may be permitted to receive assistance exceeding 5 per cent of the value of its sales value for the preceding year. No participant in an eligible start-up period, as defined in subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010*, may be permitted to receive assistance exceeding 15 per cent of its eligible start-up investment.

11.3 Production Value – MVPs

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Table I1
<i>ATS Registration in the National Interest form</i>	Table J1
<i>ATS Third Quarter Business Plan Update form</i>	Table C1

Under regulation 1.24 of the *Automotive Transformation Scheme Regulations 2010*, MVPs may claim the production of motor vehicles, engines and engine components as allowable production. MVPs must report allowable production separately for:

- sales in Australia and New Zealand; and
- sales to other countries.

MVPs must report the maximum claimable value for allowable production for each quarter in which they undertake production according to the formula provided in regulation 1.25 of the *Automotive Transformation Scheme Regulations 2010*. **Please do not apply any uplift factor to production value. An uplift factor will be applied by AusIndustry. That is, only the result of (A-B) in the formula below should be reported.** The formula in regulation 1.25 of the *Automotive Transformation Scheme Regulations 2010* is as follows:

Maximum claimable value for allowable production for an MVP

1. For an MVP, the method of working out the maximum claimable value for allowable production is worked out in accordance with subregulation 1.25(2).

2. The maximum claimable value of MVP production achieved by an MVP in a quarter is:

$$(A - B) \times 1.1$$

where:

A is the total revenue from sales from MVP production in the quarter.

B is the sum of the following amounts:

- (a) the amount (based on recorded invoice prices) incurred by the MVP in the quarter for the purchase of any engines or engine components:
 - i. contributing to the MVP's production of motor vehicles; and
 - ii. manufactured by another MVP;
 - (b) the amount of any MVP payments to dealers made by the MVP in the quarter in respect of MVP production;
 - (c) the amount of any payments made by the MVP directly to end consumers in the quarter in respect of MVP production, and not deducted from the sales invoice price;
 - (d) the amount of any ex-factory transport, freight, delivery or insurance charges included in the sales invoice price;
 - (e) the amount of any indirect taxes incurred by the MVP in respect of MVP production in the quarter, and not recoverable by the MVP.
3. For the purpose of working out, for the quarter, total revenue from sales from MVP production, the sale price of a vehicle, engine or engine component is taken to be:
- (a) if an invoice has been issued for the sale in the quarter — the invoice price; or
 - (b) if a sale is taken to have occurred but no invoice has been issued — the average invoice price, in the quarter, for a vehicle, engine or engine component of that kind;

excluding the amount of any indirect tax in relation to the sale that would otherwise be included in the calculation.

4. For subregulation 1.25(1), all amounts are to be expressed in Australian dollars.

5. In this regulation:

dealer means a dealer in motor vehicles.

MVP payment to a dealer, in relation to a sale from MVP production to a dealer, means a payment (whether by way of a hold-back payment, discount, bonus or otherwise) by the MVP to a dealer that is not deducted from the invoice price and results in a reduction of the price paid by the dealer, but does not include a warranty payment.

Regulation 1.6 of the *Automotive Transformation Scheme Regulations 2010* describes the meaning of production of goods in Australia as follows:

Meaning of production of goods and provision of services in Australia

Assembly of components can be production

1. A person is taken to produce a thing even if the process of production consists entirely of assembling the thing from component parts and the person does not produce any of those component parts.

No production unless sale has occurred

2. A person is taken to produce a thing only at the time when the person sells the thing produced.

Production of engines

3. Subject to subregulations 1.6(1) and (2), an engine is taken to have been produced in Australia if:
 - (a) the fitting of the crankshaft into the engine is carried out in Australia; and
 - (b) the engine has passed final quality control at the end of a production line in Australia.

Production of motor vehicles

4. Subject to subregulations 1.6(1) and (2), a motor vehicle is taken to have been produced in Australia if the motor vehicle:
 - (a) has undergone a process of colour coated painting in Australia; and
 - (b) has passed final quality control at the end of a production line in Australia.

Production of engine components

5. Subject to subregulations 1.6(1) and (2), an engine component is taken to have been produced in Australia if:
 - (a) at least one substantial process in the manufacture of the component is carried out in Australia; and
 - (b) the component has passed final quality control at the end of a production line in Australia.

12. P&E investment – all participants

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Table I2 for MVPs Table J1 for ACPs, AMTPs and ASPs
<i>ATS Registration in the National Interest form</i>	Table J2 for MVPs Table K1 for ACPs, AMTPs and ASPs

Hard Copy Form	Part Reference
ATS Third Quarter Business Plan Update form	Table C2 for MVPs Table D1 for ACPs, AMTPs and ASPs

Subregulation 1.15(1) of the *Automotive Transformation Scheme Regulations 2010* requires investment in P&E to be *allowable* investment in order to be eligible. Paragraph 1.15(2)(a) of the *Automotive Transformation Scheme Regulations 2010* limits allowable P&E to the maximum claimable value.

Allowable P&E is defined in regulation 1.17 of the *Automotive Transformation Scheme Regulations 2010*. *Maximum claimable value for allowable P&E* is defined in regulation 1.18 of the *Automotive Transformation Scheme Regulations 2010* for MVPs and in regulation 1.19 of the *Automotive Transformation Scheme Regulations 2010* for ACPs, AMTPs and ASPs.

12.1 Allowable plant and equipment

What may be included in allowable plant and equipment?

Under subregulation 1.17(1) of the *Automotive Transformation Scheme Regulations 2010*, allowable P&E includes:

- P&E for the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- P&E directly supporting the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling (for example, P&E for build sequencing and process control, supply of materials to an assembly line, movement of components or sub-assemblies from process to process, quality assurance testing and monitoring, or painting or other final preparation of the product as a saleable product);
- P&E required to comply with a law of the Commonwealth, a State or a Territory (eg. vehicle emission standards or environmental controls on production) relating directly to the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- P&E for the activation of manufacturing processes for the production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling (eg. motor vehicle ordering and inventory control systems);
- P&E facilitating the provision of automotive services or allowable R&D; and
- P&E indirectly supporting functions that are integral to the production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling (eg. purchasing systems for goods or services or for costing systems).

Allowable P&E may also include:

- P&E installed on a site that is not owned or controlled by the ATS participant;
- computer hardware and software to the extent that it is used for a function or process mentioned in subregulation 1.17(1) of the *Automotive Transformation Scheme Regulations 2010*;
- a facility having a special functional role (eg. reinforced flooring for heavy items of plant, or a paint room or other controlled environment) relating to a function or process mentioned in subregulation 1.17(1) of the *Automotive Transformation Scheme Regulations 2010* and is not

used solely for housing or sheltering a production process or the provision of automotive services; and

- any spare or replacement part for the P&E in accordance with subregulation 1.17(6) of the Automotive Transformation Scheme Regulations 2010 which:
 - is only able to be used in conjunction with allowable P&E that is the subject of a claim under the Scheme;
 - is not used in the day to day servicing of allowable plant and equipment;
 - will be recognised in the ATS participant's accounts as an asset in accordance with the *Australian Accounting Standards*.

What is not included in allowable plant and equipment?

Under subregulation 1.17(3) of the *Automotive Transformation Scheme Regulations 2010*, allowable P&E does not include the following:

- P&E not in Australia;
- P&E not for use in Australia;
- land;
- a building that is not a facility referred to in paragraph 17(2)(b) of the Automotive Transformation Scheme Regulations 2010;
- P&E that has a value of less than \$300 when new;
- P&E that has previously been owned and used in Australia;
 - Under subregulation 1.17(3) of the *Automotive Transformation Scheme Regulations 2010*, P&E is not taken to have previously been owned and used in Australia if:
 - the investment in the P&E is undertaken by the ATS participant by way of acquiring the P&E under a sale and leaseback arrangement, and:
 - the P&E has been owned in Australia only by the ATS participant before the sale and leaseback arrangement; or
 - if the previous investment is a deemed investment — the P&E has been owned in Australia only by the original investor and the ATS participant before the sale and leaseback arrangement; or
 - the investment in the P&E is undertaken by the ATS participant by way of acquiring the P&E under a finance lease, and:
 - the lessor has not been, and is not, an ATS participant; and
 - the P&E has been owned in Australia only by the lessor; and
 - the P&E has not been used in Australia before the acquisition; or
 - the investment in the P&E is undertaken by the ATS participant by way of acquiring the P&E under an operating lease, and:
 - the lessor has not been, and is not, an ATS participant; and
 - the P&E has been owned in Australia only by the lessor; and
 - the P&E has not been used in Australia, or has been used in Australia only by the ATS participant under another operating lease immediately before the acquisition;

- P&E acquired by an ATS participant under a finance lease for an initial term of less than 12 months; and
- for an MVP — P&E mentioned in subregulation 1.17(5) of the *Automotive Transformation Scheme Regulations 2010*. Under subregulation 1.17(5) of the *Automotive Transformation Scheme Regulations 2010*, an MVP may not claim P&E used:
 - to produce automotive components (other than engines or engine components) for the MVP's own use; or
 - to produce automotive machine tools or automotive tooling for the MVP's own use; or
 - to facilitate the provision of automotive services for the MVP's own use.

Despite anything in subregulations 1.19(2) to (6) of the *Automotive Transformation Scheme Regulations 2010*, if an expenditure, however described, is to be taken into account in working out the maximum claimable value for allowable P&E and the expenditure includes an amount of GST payable on the supply to which the expenditure relates, the expenditure to be reported in a quarterly return is to be reduced by the amount of GST for the purpose of working out the maximum claimable value for allowable plant and equipment.

If an investment involves the ATS participant entering into a transaction with another person, regulation 1.28 of the *Automotive Transformation Scheme Regulations 2010* states that the value of the investment is to be determined on the basis that the ATS participant and the other person are at arm's length.

12.2 How is maximum claimable value for allowable P&E determined?

The maximum claimable value for allowable P&E includes investment excluding operating leases and including operating leases.

P&E excluding operating leases

The method for determining the maximum claimable value of P&E (apportioned to the extent that the P&E is used in automotive related production) excluding operating leases to be reported in a business plan is:

- 1 determine that the type of investment undertaken in the specified quarter is allowable P&E under regulation 1.17 of the *Automotive Transformation Scheme Regulations 2010*;
- 2 determine the maximum claimable value in relation to each form of P&E expenditure undertaken in the specified quarter. The claimable amounts of investment in allowable P&E that can be included (apportioned to the extent that the P&E is used in automotive related production) are:
 - (a) for allowable P&E purchased and recognised in the participant's accounts:
 - i. the arm's length purchase price (as per the arm's length guidelines reproduced above) plus freight charges, import duties, clearance charges, insurance, sales or similar taxes (but exclusive of GST);
 - ii. where the price of an item of allowable P&E embodies a bundled amount to cover installation costs (such as computer software) the full amount of the expenditure (including the installation cost) is claimable;

- (b) for allowable P&E **purchased overseas and imported** for use in Australia:
 - i. the Customs value. The P&E is claimable from the time of entry into Australia;
- (c) for allowable P&E **built by the claimant**:
 - i. additions to the asset register value each quarter. Additions to the asset register greater than \$500,000 will need to be substantiated by an independent valuation in a manner similar to that set out in the arm's length guidelines;
- (d) for allowable P&E leased under a finance lease (leveraged or otherwise) the equipment must have been acquired under a finance lease for an initial term of more than 12 months to be claimable:
 - i. the capital value of the asset shown on the lease agreement. Deposits paid on leased equipment and subsequently reimbursed should be removed from the amount of investment entered for that piece of allowable plant and equipment.

3 Use the following calculation to determine the total claimable value for this field in the business plan:

TOTAL CLAIMABLE P&E INVESTMENT (excluding operating leases) FOR THE SPECIFIED QUARTER = (a) + (b) + (c) + (d)

Maximum claimable value for allowable P&E acquired by purchase

If the P&E is acquired by purchase, the maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) to be reported in a business plan for allowable P&E is:

$$(A - B) + C$$

where:

A is the purchase price for the plant and equipment.

B is the sum of the following:

- (a) any amount included in the purchase price to cover installation costs for the P&E that is separately itemised;
- (b) any amount included in the purchase price to cover maintenance costs for the plant and equipment.

C is the sum of each of the following that relates to the purchase and that has not been included in the purchase price:

- (a) freight charges;
- (b) insurance costs;
- (c) import charges;
- (d) clearance charges; and
- (e) sales taxes.

Note: MVPs are not required to include any uplift factor to the maximum claimable value for allowable plant and equipment. An uplift factor will be applied by AusIndustry to the maximum claimable value for allowable P&E for MVPs. That is:

for P&E acquired by purchase, only the result of $[(A-B) + C]$ in the formula described above should be reported.

For further clarity, the claimable amounts of investment in allowable P&E (excluding operating leases) that can be included (apportioned to the extent that the P&E is used in automotive related production) are:

- for allowable P&E purchased and capitalised in the participant's accounts:
 - the purchase price, or value of investment when the parties to the transaction are not at arm's length in accordance with regulation 1.32 of the Automotive Transformation Scheme Regulations 2010, plus freight charges, insurance costs, import charges, clearance charges and sales or similar taxes (but exclusive of GST)
 - minus any amount included in the purchase price, or value of investment when the parties to the transaction are not at arm's length in accordance with regulation 1.32 of the Automotive Transformation Scheme Regulations 2010, to cover installation costs for the P&E that is separately itemised or to cover maintenance costs
- for allowable P&E purchased overseas and imported for use in Australia:
 - the Customs value.

Maximum claimable value for allowable P&E acquired under a finance lease

A *finance lease* means a lease under which the lessor effectively transfers to the lessee substantially all the risks and rewards incident to ownership of the leased asset and where legal ownership may or may not eventually be transferred. The effective passing of substantially all the risks and rewards incident to ownership from a lessor to a lessee is normally presumed where both of the following criteria are satisfied:

- the lease is a non-cancellable lease (eg cancellation incurs significant penalty); and
- either one or both of the following tests are met:
 - the lease term is for 75 per cent or more of the remaining economic life of the leased asset; or
 - the present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 per cent of the fair value of the leased asset at the inception of the lease.

If the P&E is acquired under a finance lease (other than under a sale and leaseback arrangement), the maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) for allowable P&E to be reported in a business plan is

- the capital value of the asset shown on the lease agreement (provided the P&E has not been previously owned, leased or used, either in whole or in part by the participant or a company related to the participant).

Deposits paid on leased equipment and subsequently reimbursed should be removed from the amount of investment entered for that piece of P&E acquired under a finance lease.

If the P&E is acquired under a sale and leaseback arrangement, the maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) for allowable P&E to be reported in a business plan is:

- the amount claimed for the previous investment; or
- if the previous investment has not been covered in a previous return — the maximum claimable value, worked out under subregulation 1.19(2) or (6) of the Automotive Transformation Scheme Regulations 2010, for the P&E in relation to the previous investment.

Note: MVPs are not required to include any uplift factor to the maximum claimable value for allowable plant and equipment. An uplift factor will be applied by AusIndustry to the maximum claimable value for allowable P&E for MVPs. That is:

for P&E acquired under a finance lease, only the value described above should be reported.

Maximum claimable value for allowable P&E built or made by the ATS participant

If the P&E is built or made by the ATS participant, the maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) for allowable P&E to be reported in a business plan, for a quarter, is:

- the value of the plant or equipment recorded in the ATS participant's accounts or register of assets; or
- if the P&E (the new plant and equipment) is part of an existing P&E — the total net increase, recorded in the ATS participant's accounts or register of assets for that quarter, in the value of the existing plant or equipment as a result of the building and making of the new plant and equipment.

Note: MVPs are not required to include any uplift factor to the maximum claimable value for allowable plant and equipment. An uplift factor will be applied by AusIndustry to the maximum claimable value for allowable P&E for MVPs. That is:

for P&E built or made by the MVP, only the value described above should be reported.

Maximum claimable value for allowable P&E under operating leases

The method for determining maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) of P&E investment under operating leases is:

determine that the type of investment undertaken in the specified quarter is allowable P&E under regulation 1.17 of the *Automotive Transformation Scheme Regulations 2010*;

determine if the investment is through an operating lease. An operating lease has the meaning given by Accounting Standard AASB 117, issued by the Australian Accounting Standards Board; and

determine the maximum claimable value for investment in operating leases during the specified quarter.

The maximum claimable value (apportioned to the extent that the P&E is used in automotive related production) for allowable P&E to be reported in a business plan, for a quarter, is:

- the total amount paid as rent under the lease in that quarter for any period within the period:
 - starting:

- at the beginning of the period of two years before the ATS year for the ATS participant; or
 - if the P&E is not in Australia at the beginning of the period of two years before the ATS year for the ATS participant — on the day when the P&E is imported into Australia; and
- ending at the end of 31 December 2020; or
- if the P&E is imported into Australia in that quarter — the total amount paid as rent under the lease before the end of that quarter for any period within the period:
 - beginning on the day when the P&E is imported into Australia; and
 - ending at the end of 31 December 2020.

P&E must be new or leased continuously from new by the participant. Deposits paid on leased, rented or hired equipment and subsequently reimbursed, should be removed from the amount of investment entered for that piece of allowable plant and equipment.

Additional considerations for plant and equipment

The following items can also form part of the claimable value for P&E and should be included in the values provided in the relevant parts of the Business Plan:

- Computer hardware is allowable P&E only to the extent that the hardware or software is used for an integral function or process mentioned in at least one of the purposes described in the definition of allowable P&E in subregulation 1.17(1) of the Automotive Transformation Scheme Regulations 2010. The full cost of expenditure on computer hardware wholly dedicated to manufacturing or an associated integrated activity is claimable. However, where computer hardware is not wholly dedicated to manufacturing or associated integrated activity (such as processing salaries and wages or warehousing of parts used for both manufacturing and distribution), only that proportion of expenditure which can be reasonably attributed to allowable production, allowable R&D, or an approved associated integrated activity is claimable.
- Computer software that has been capitalised in the participant's accounts and which is wholly dedicated to allowable production, allowable R&D or an approved associated integrated activity is claimable. The same pro-rata principle relating to computer hardware applies also to any software that is not wholly dedicated to approved production, approved R&D or an approved associated integrated activity such as Enterprise Management System software.
- Purpose-built facilities are claimable if they can be shown to have a special functional role in approved production, allowable R&D or an approved associated integrated activity rather than merely providing a convenient housing or shelter for the production process or the provision of automotive services. An example of a purpose built facility would be a reinforced floor to house a particularly heavy item of plant or controlled environments such as a paint room.
- P&E purchased offshore to support either allowable own R&D conducted offshore or approved own production offshore is claimable when imported into Australia for use by a participant in accordance with at least one of the purposes included in the definition of allowable P&E in subregulation 1.17(1) of the Automotive Transformation Scheme Regulations 2010.
- Second-hand P&E purchased for use by a participant in accordance with at least one of the purposes included in the definition of P&E in subregulation 1.17(1) of the Automotive Transformation Scheme Regulations 2010 is claimable provided such P&E has not previously been used in Australia.

- P&E purchased for performing allowable R&D (including computer hardware and software) is claimable as P&E investment. The exception is P&E purchased solely for allowable R&D purposes and destroyed within 12 months as a result of that process and is claimable as allowable R&D expenditure provided it is shown in the books of account as a consumable.

Participants are advised to refer to the substantiation guidelines at *Attachment B* for information about the documentation that is required to be maintained in relation to investment claims to comply with the Act, Regulations and Order.

13. R&D investment

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Table I3 for MVPs Table J2 for ACPs, AMTPs and ASPs
<i>ATS Registration in the National Interest form</i>	Table J3 for MVPs Table K2 for ACPs, AMTPs and ASPs
<i>ATS Third Quarter Business Plan Update form</i>	Table C3 for MVPs Table D2 for ACPs, AMTPs and ASPs

Subregulation 1.15(1) of the *Automotive Transformation Scheme Regulations 2010* requires investment in R&D to be *allowable* investment in order to be eligible. Paragraph 1.15(2)(b) of the *Automotive Transformation Scheme Regulations 2010* limits allowable R&D to the maximum claimable value.

Allowable R&D is defined in regulation 1.20 of the *Automotive Transformation Scheme Regulations 2010*. *Maximum claimable value for allowable R&D* is defined in regulation 1.21 of the *Automotive Transformation Scheme Regulations 2010* for MVPs and in regulation 1.22 of the *Automotive Transformation Scheme Regulations 2010* for ACPs, AMTPs and ASPs.

13.1 Apportionment of allowable R&D costs

Paragraph 1.23(3)(a) of the *Automotive Transformation Scheme Regulations 2010* limits R&D claims to costs related to allowable R&D.

For example, if an employee transfers from the area of the company responsible for sales to the area responsible for R&D, leave payments for any leave accrued while the employee was with the sales area cannot be included in the labour costs in respect of the employee for the purposes of working out the maximum claimable value for allowable R&D under regulation 1.21 or 1.22 of the *Automotive Transformation Scheme Regulations 2010*.

13.2 Allowable research and development

What may be included in allowable research and development?

Under subregulation 1.20(1) of the *Automotive Transformation Scheme Regulations 2010*, allowable R&D includes:

- activities that are directly related to the design, development, engineering or production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- activities that are undertaken for the purpose of:
 - acquiring new knowledge; or
 - creating new or improved materials, products, devices, production processes or services.

Under subregulation 1.20(2) of the *Automotive Transformation Scheme Regulations 2010*, allowable R&D includes the following activities:

- basic and strategic research;
- industrial and engineering design;
- production engineering;
- development activities relating to the building and testing of prototypes;
- re-engineering and modification of existing products and processes;
- development and installation of purpose-designed systems for:
 - quality assurance and process control; or
 - materials or movement control;
- testing and modification of new production systems (either purpose-built or interchangeable) to achieve repeatability within specified tolerances;
- obtaining industrial property rights, including:
 - the preparation and lodging of applications and other documents that are required to be lodged, in Australia or elsewhere, for the initial grant or registration of the rights; and
 - the initial grant or registration of the rights, in Australia or elsewhere;
- activities conducted at the ATS participant's own expense that is aimed at improving a product or process of an engine or component supplier to the ATS participant.

Please note that the *Automotive Transformation Scheme Act 2009*, the *Automotive Transformation Scheme Regulations 2010* and the *Automotive Transformation Scheme Order 2010* do not provide for AusIndustry to provide rulings on allowable investment prior to claims being made. A number of supply chain scenarios, and the types of activities each participant can claim under ATS, are outlined in *Attachment A* to assist participants in determining expenditure that may be allowable investment under ATS.

What R&D conducted under contract is allowable?

Under paragraphs 1.20(4)(a) and 1.20(4)(b) of the *Automotive Transformation Scheme Regulations 2010*, allowable R&D conducted by another person on behalf of the ATS participant under a contract with the ATS participant only if:

- the R&D is Australian-based R&D;
- the ATS participant contributes to the direction and management of the R&D;
- the ATS participant has a proportionate share in any intellectual property resulting from the R&D; and
- the ATS participant is not required to conduct the R&D on behalf of:
 - another person under a contract with the other person; or

- if the ATS participant is an MVP — another ATS participant under a contract with the other ATS participant.

What offshore R&D is allowable?

Under paragraph 1.20(4)(d) of the *Automotive Transformation Scheme Regulations 2010*, offshore R&D is eligible investment only if:

- it is conducted by an ATS participant and;
- the requirements mentioned in subregulation 1.20(5) of the *Automotive Transformation Scheme Regulations 2010* are met; and
- the ATS participant is not required to conduct the R&D on behalf of:
 - another person under a contract with the other person; or
 - if the ATS participant is an MVP — another ATS participant under a contract with the other ATS participant.

The requirements mentioned in subregulation 1.20(5) of the *Automotive Transformation Scheme Regulations 2010* are:

- offshore R&D is necessary to tailor the ATS participant's Australian-based R&D to a particular market; or
- all of the following:
 - the offshore R&D is necessary to lever the ATS participant's Australian-based R&D of an offshore R&D program;
 - the offshore R&D contributes directly to the offshore R&D program; and
 - the ATS participant contributes to the direction and management of the offshore R&D program, and has a proportionate share in any intellectual property resulting from the program.

What is not included in allowable research and development?

Under subregulation 1.20(3) of the *Automotive Transformation Scheme Regulations 2010* allowable R&D does not include the following activities:

- the design of buildings (whether or not the buildings are to be used to house a R&D activity);
- the design and installation of financial management systems;
- market research, market testing, market development or sales promotion (including customer surveys);
- routine quality control;
- management studies or efficiency surveys;
- routine collection of information (other than for the purpose of R&D);
- the acquisition from another ATS participant of technology or the rights to use technology;
- the protection of industrial property rights by legal action; or
- for an MVP — R&D mentioned in subregulation 1.20 (6) of the *Automotive Transformation Scheme Regulations 2010*. Under subregulation 1.20(6) of the *Automotive Transformation Scheme Regulations 2010*, an MVP may not claim R&D that is directed:
 - at the production of automotive components (other than engines or engine components) for the MVP's own use; or

- at the production of automotive machine tools or automotive tooling for the MVP's own use; or
- at facilitating the provision of automotive services for the MVP's own use.

What R&D conducted under contract is not allowable?

Under paragraph 1.20(4)(c) of the *Automotive Transformation Scheme Regulations 2010*, R&D conducted by an ATS participant on behalf of:

- another person under a contract with the other person; or
- if the ATS participant is an MVP — another ATS participant under a contract with the other ATS participant;

is not allowable R&D and may not be claimed.

13.3 How is maximum claimable value for R&D determined?

The maximum claimable value for allowable R&D includes investment in:

- Australian based R&D excluding contracted and offshore R&D;
- Australian based contracted R&D; and
- offshore R&D.

Maximum claimable value for allowable Australian based R&D excluding contracted and offshore research and development

The method for determining the maximum claimable value of Australian-based R&D excluding contracted and offshore R&D to be reported in a quarterly return is:

- 1 determine that the type of investment undertaken in the specified quarter is allowable R&D under regulation 1.20 of *the Automotive Transformation Scheme Regulations 2010*;
- 2 determine the maximum claimable value in relation to Australian-based R&D expenditure undertaken in the specified quarter.

The claimable amounts that can be included (apportioned to the extent that the R&D is used in automotive related production) are the sum of each of the following amounts of expenditure that has been recognised, in that quarter in the ATS participant's accounts, in accordance with the Australian Accounting Standards:

- labour costs, within the meaning of subregulation 1.23 (1) of the *Automotive Transformation Scheme Regulations 2010* (as discussed below), in respect of employees carrying out, or directly supporting, the R&D;

For example:

Engineers, researchers and technical staff.

Examples of employees directly supporting R&D:

Skilled or unskilled craftspersons, secretarial and clerical staff, and executive staff involved in the management of scientific or technical aspects of the R&D.

- the cost, within the meaning of subregulation 1.23 (2) of the *Automotive Transformation Scheme Regulations 2010*, of training and developing employees referred to in the previous paragraph;

- if the R&D covers an activity that has been carried out by a person under a contract for services with the ATS participant, the amount payable, under the contract, to the person for the activity;
- the cost of purchasing, for the purposes of the R&D, any P&E that is consumed or tested to destruction within 12 months after its purchase; and
- the cost of purchasing, for the purposes of the R&D, any work order materials.

For example:

Materials used in manufacturing prototypes of automotive components.

Note The acquisition of allowable P&E for R&D that is recognised, in the ATS participant accounts, as an asset in accordance with Australian Accounting Standards is dealt with in regulation 1.17 of the Automotive Transformation Scheme Regulations 2010.

Under regulation 1.21 of the *Automotive Transformation Scheme Regulations 2010* for MVPs and regulation 1.22 of the *Automotive Transformation Scheme Regulations 2010* for non-MVPs, the amounts of investment in allowable R&D that can be included are:

- internal labour costs for those persons carrying out eligible R&D activities such as engineers, researchers, and technical staff or persons directly supporting eligible R&D activities such as skilled or unskilled craftspersons, secretarial and clerical staff, and executive staff involved in the management of scientific or technical aspects of the R&D;
 - Appropriate time and project records must be kept for all persons whose labour costs are apportioned and included in R&D expenditure claimed under ATS.
 - Management fees are not allowable R&D.

Labour expenses include salaries or wages, allowances, bonuses, overtime and penalty rate payments, leave payments (annual, sick, long service), superannuation fund contributions, payroll tax, workers' compensation insurance premiums and the cost of providing any vehicle or other benefits included in the employee's remuneration. It does not include any fringe benefits tax payable in respect of the benefits referred to in the cost of providing any vehicle or other benefits included in the employee's remuneration;

- Management and recruitment costs are not allowable R&D.
- *Leave payments* (annual, sick, long service) are to be recorded on an accrued basis with only those expenses incurred during the performance of R&D activity being claimable. For example, if a person transferred from sales to R&D with an accrued long service provision relating to the time that person was in sales, such an accrued expense would not be claimable as eligible R&D labour expenses;
- the cost of training and developing employees involved in directly carrying out or directly supporting eligible R&D activities including costs of graduate development programs, costs of training to use software specifically related to the participant's R&D activity and costs of the employees directly supporting or assisting, or directly involved in the training and development of the employee;
- the amount payable to a person who is under a contract for services with the participant that is brought in to work on a particular R&D activity. The amount payable under the contract to the person for the activity should be used; and
- the cost of work order material and consumable expenses incurred in conducting the R&D. P&E purchased for R&D purposes and tested to destruction within 12 months after its purchase

is claimable as R&D expenditure provided it is shown in the book of accounts as a consumable (ie. the expenditure is not posted to the asset register).

MVPs should not include any uplift factor to the maximum claimable value for allowable R&D. An uplift factor will be applied by AusIndustry to determine the maximum claimable value for allowable R&D for MVPs.

Maximum claimable value for allowable Australian based contracted research and development

The method for determining the maximum claimable value of Australian-based contracted R&D to be reported in a quarterly return is:

Determine that the type of investment undertaken in the specified quarter is allowable R&D under regulation 1.20 of *the Automotive Transformation Scheme Regulations 2010*;

Determine the maximum claimable value in relation to Australian-based contracted R&D expenditure undertaken in the specified quarter.

If the R&D is Australian-based R&D conducted by another person (other than a Cooperative Research Centre) on behalf of the ATS participant under a contract with the ATS participant, the maximum claimable value for allowable R&D to be reported in a quarterly return, for a quarter, is the total amount of claims, enforceable by the other person against the ATS participant, that arise, in that quarter, for any work done in relation to the research and development.

If the R&D is Australian-based R&D conducted by a Cooperative Research Centre under a contract with the ATS participant, the maximum claimable value for allowable R&D to be reported in a quarterly return, for a quarter, is the total amount of contribution made, in that quarter, by the ATS participant to the Centre in relation to the research and development.

Maximum claimable value for allowable offshore research and development

The method for determining the maximum claimable value of offshore R&D to be reported in a quarterly return is:

Determine that the type of investment undertaken in the specified quarter is allowable R&D under regulation 1.20 of *the Automotive Transformation Scheme Regulations 2010*;

Determine the maximum claimable value in relation to offshore R&D expenditure undertaken in the specified quarter.

The maximum claimable value for offshore R&D to be reported in a quarterly return, for a quarter, is

- the lesser of sum A and sum B worked out:
 - under subregulations 1.20 (6) and (7) of the Automotive Transformation Scheme Regulations 2010 for MVPs; or
 - subregulations 1.21 (6) and (7) of the Automotive Transformation Scheme Regulations 2010 for ACPs, AMTPs and ASPs.

Sum A is the sum of each of the following amounts of expenditure that has been recognised, in that quarter in the ATS participant accounts, in accordance with the Australian Accounting Standards:

- labour costs, within the meaning of subregulation 1.23 (1) of the *Automotive Transformation Scheme Regulations 2010*, in respect of employees carrying out, or directly supporting, the research and development;

For example

Engineers, researchers and technical staff.

Examples of employees directly supporting research and development

Skilled or unskilled craftspersons, secretarial and clerical staff, and executive staff involved in the management of scientific or technical aspects of the research and development.

- the cost, within the meaning of subregulation 1.23 (2) of the *Automotive Transformation Scheme Regulations 2010*, of training and developing of employees referred to in the previous paragraph;
- if the R&D covers an activity that has been carried out by a person under a contract for services with the ATS participant, the amount payable, under the contract, to the person for the activity;
- the cost of acquiring, for the purposes of the research and development, any P&E that is consumed or tested to destruction within 12 months after its acquisition; and
- the cost of purchasing, for the purposes of the research and development, any work order materials.

For example

Materials used in manufacturing prototypes of automotive components.

*Note: The acquisition of allowable P&E for R&D that is recognised, in the ATS participant accounts, as an asset in accordance with Australian Accounting Standards is dealt with in regulation 1.17 of the **Automotive Transformation Scheme Regulations 2010**.*

Sum B is:

$$G \times 0.2$$

where:

G is the sum of the maximum claimable values for Australian-based R&D conducted by, or on behalf of the ATS participant, worked out under subregulations (2) to (4) of the *Automotive Transformation Scheme Regulations 2010* for that quarter.

ATS participants must indicate the entire amount of expenditure on offshore R&D during the quarter. AusIndustry will calculate the maximum claimable value for this type of investment.

Under subregulation 1.21(5) of the *Automotive Transformation Scheme Regulations 2010* for MVPs and under subregulation 1.22(5) of the *Automotive Transformation Scheme Regulations 2010* for non-MVPs, the maximum claimable value of offshore R&D for a quarter is the lesser of:

- 20 per cent of the total of Australian based R&D conducted by, or on behalf of the participant worked out under subregulations 1.21(2) and 1.21(4) of the *Automotive Transformation Scheme Regulations 2010* for MVPs, and subregulations 1.22(2) and 1.22(4) of the *Automotive Transformation Scheme Regulations 2010* for non-MVPs, for that quarter and
- the sum of each of the following amounts of expenditure that has been recognised, in that quarter in the participant's accounts, in accordance with the Australian Accounting Standards:
 - labour costs, within the meaning of subregulation 1.23(1) of the *Automotive Transformation Scheme Regulations 2010*, in respect of employees carrying out, or directly supporting, the research and development;

- the cost, within the meaning of subregulation 1.23(2) of the *Automotive Transformation Scheme Regulations 2010*, of training and developing of employees referred to above;
- if the R&D covers an activity that has been carried out by a person under a contract for services with the participant, the amount payable, under the contract, to the person for the activity;
- the cost of acquiring, for the purposes of the research and development, any P&E that is consumed or tested to destruction within 12 months after its acquisition; and
- the cost of purchasing, for the purposes of the research and development, any work order materials, for example, materials used in manufacturing prototypes of automotive components.

Please note that under subregulation 1.21(7) of the *Automotive Transformation Scheme Regulations 2010* for MVPs, and 1.22(7) of the *Automotive Transformation Scheme Regulations 2010* for non-MVPs, the maximum claimable value for *offshore R&D* is 20 per cent of the total of Australian based R&D conducted by or on behalf of the participant. **ATS participants must indicate the entire amount of expenditure on offshore R&D during the quarter. AusIndustry will calculate the maximum claimable value for this type of investment.**

Please refer to the substantiation guidelines at *Attachment B* for information about the documentation that is required to be maintained in relation to investment claims to comply with the Act, Regulations and Order.

Meaning of labour costs and costs of training and development

For the purpose of working out the maximum claimable value for allowable R&D for a quarter, labour costs in respect of an employee includes each of the following that applies to the employee:

- salary or wages;
- allowances, bonuses, overtime and penalty rate payments;
- leave payments for annual leave, sick leave and long service leave;
- superannuation fund contributions, payroll tax and workers' compensation insurance premiums; and
- the cost of providing any vehicle or other benefits included in the employee's remuneration package;

but does not include any fringe benefits tax payable in respect of the benefits referred to in paragraph (e). **fringe benefits tax** has the meaning given by subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986*.

Without limiting paragraphs 1.21(2)(b) and (6)(b) or 1.22(2)(b) and (6)(b) of the *Automotive Transformation Scheme Regulations 2010*, the cost of:

- training and developing an employee of an ATS participant; or
- training and developing an employee of an ACP, AMTP or ASP; includes the following:
 - costs of graduate development programs;
 - costs of training to use software specifically related to the research and development;
 - labour costs in respect of employees directly supporting or assisting, or directly involved in, the training and development of the employee.

Despite anything in regulation 1.21 or 1.22 of the *Automotive Transformation Scheme Regulations 2010*:

- if an amount referred to in either of those regulations relates to activities other than those covered by the allowable research and development, only the part of the amount that relates to the R&D is to be taken into account; and
- if an expenditure, however described, is to be taken into account in working out the maximum claimable value for allowable R&D and the expenditure includes an amount of GST payable on the supply to which the expenditure relates, the expenditure is to be reduced by the amount of GST for the purpose of working out the maximum claimable value for allowable research and development.

Note: If an investment involves the ATS participant entering into a transaction with another person, regulation 1.25 of the Automotive Transformation Scheme Regulations 2010 states that the value of the investment is to be determined on the basis that the ATS participant and the other person are at arm's length.

14. Commonwealth Assistance – all participants

Hard Copy Form	Part Reference
<i>ATS Application for Registration form</i>	Table I for MVPs Table J for ACPs, AMTPs and ASPs
<i>ATS Registration in the National Interest form</i>	Table J for MVPs Table K for ACPs, AMTPs and ASPs
<i>ATS Third Quarter Business Plan Update form</i>	Table C for MVPs Table D for ACPs, AMTPs and ASPs

The meaning of *Commonwealth Assistance* in the Scheme is provided in division 4.1 of the *Automotive Transformation Scheme Order 2010* as follows:

1. an ATS participant has received other Commonwealth assistance if the participant has received, and is entitled to, financial assistance (other than assistance under the Scheme) in relation to MVP production or eligible investment of a kind giving rise to an entitlement to an amount under the Scheme;
2. other Commonwealth assistance includes financial assistance an MVP is taken to have received, and to which the MVP was entitled, in relation to unsold motor vehicles, engines or engine components.

Other Commonwealth assistance that is not financial assistance is specified in division 4.2 of the *Automotive Transformation Scheme Order 2010*, as financial assistance received under:

- the income tax concession known as the R&D tax concession;
- the Commercialising Emerging Technologies (COMET);
- the Cooperative Research Centres Programs;
- Strategic Investment Coordination process;
- Structural Adjustment Fund for South Australia (SAFSA);

- the Automotive Industry Structural Adjustment Program (AISAP);
- Geelong Investment and Innovation Fund;
- the South Australia Innovation and Investment Fund (SAIIF); or
- the North East Tasmania Innovation and Investment Fund (NETIIF)

Applicants and ATS participants must indicate the entire amount of other Commonwealth assistance in respect of production or investment that has been received during the quarter. AusIndustry will calculate the maximum claimable value for this type of investment. ATS participants may refer to division 4.3 of the *Automotive Transformation Scheme Order 2010* for details on how AusIndustry will work out the amount of other Commonwealth assistance received by an ATS participant in relation to eligible investment, and for an MVP, in relation to allowable production.

Applicants and ATS participants are advised to refer to the substantiation guidelines at *Attachment B* for information about the documentation that is required to be maintained in relation to other Commonwealth assistance received to comply with the Act, Regulations and Order.

Appendix A – R & D examples and scenarios

This attachment sets out the general principles only that apply to R&D conducted under contract. It is not a definitive guide and participants should refer to the Act and Regulations to determine the eligibility of their investment.

The meaning of *allowable R&D* is defined in subregulation 1.20(1) of the *Automotive Transformation Scheme Regulations 2010* as:

- (a) activities that are directly related to the design, development, engineering or production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling
- (b) activities that are undertaken for the purpose of:
 - i. acquiring new knowledge or
 - ii. creating new or improved materials, products, devices, production processes or services

This is further clarified under paragraphs 1.20(4)(c) and 1.20(4)(d) of the *Automotive Transformation Scheme Regulations 2010* which limit allowable R&D to that which is conducted by the ATS participant only if the ATS participant is not required to conduct the R&D on behalf of:

- (a) another person under contract with the other person or
- (b) if the ATS participant is an MVP – another ATS participant under a contract with the other ATS participant.

The general rules regarding eligible R&D investment in relation to contracted R&D are as follows:

- An ACP, AMTP or ASP can claim its own investment in R&D that it undertakes to improve its own processes and products, whether it undertakes that R&D itself or contracts it out to another person to undertake on its behalf.
- An ACP, AMTP or ASP carrying out R&D under contract on behalf of another person may not claim any costs it incurs in carrying out that R&D.
- An MVP may not claim R&D that is directed at the production of automotive components (other than engines or engine components), automotive machine tools or automotive tooling or at facilitating the provision of automotive services for the MVP's own use.
- An MVP conducting R&D under a contract with a person who is not an ATS participant may claim costs it incurs in carrying out that R&D.

Please note that the *Automotive Transformation Scheme Act 2009*, the *Automotive Transformation Scheme Regulations 2010* and the *Automotive Transformation Scheme Order 2010* do not provide for AusIndustry to provide rulings on allowable investment prior to claims being made.

The following examples and scenarios represent some industry practices that have been found by AusIndustry to occur and are provided to clarify what expenditure may be allowable investment under ATS.

Examples of allowable R&D claims

1. A supply chain firm conducts an R&D activity for its own purposes, for example, to improve efficiency at its factory or attract future business.
2. An MVP conducts R&D under contract for a non-ATS party, possibly even its foreign parent company.
3. A supply chain firm is commissioned by another party to undertake work (such as to supply a part) which necessitates R&D being undertaken by the supply chain firm in order to complete

the work. This R&D is not owned by, and in the future is not expected to be owned by, the party which commissioned the work.

- Thus a supply chain firm that wins a contract to supply automotive components to another party may claim for the costs incurred for undertaking R&D activities to fulfil the component supply contract provided the supply chain firm owns the R&D. The contract would in such a case allude to the R&D ownership issue and such contractual arrangements would be subject to AusIndustry review.
 - In the event that R&D activities are conducted between the supply chain firm and another party and these activities are not linked to specific contractual arrangements, the supply chain firm is open to make reasonable claims under ATS in accordance with the Regulations and Order.
4. The development of a prototype tool or related activity where the prototype is conducted for the sole purpose of the ACP and is not conducted under a contract.

Examples of ineligible R&D claims

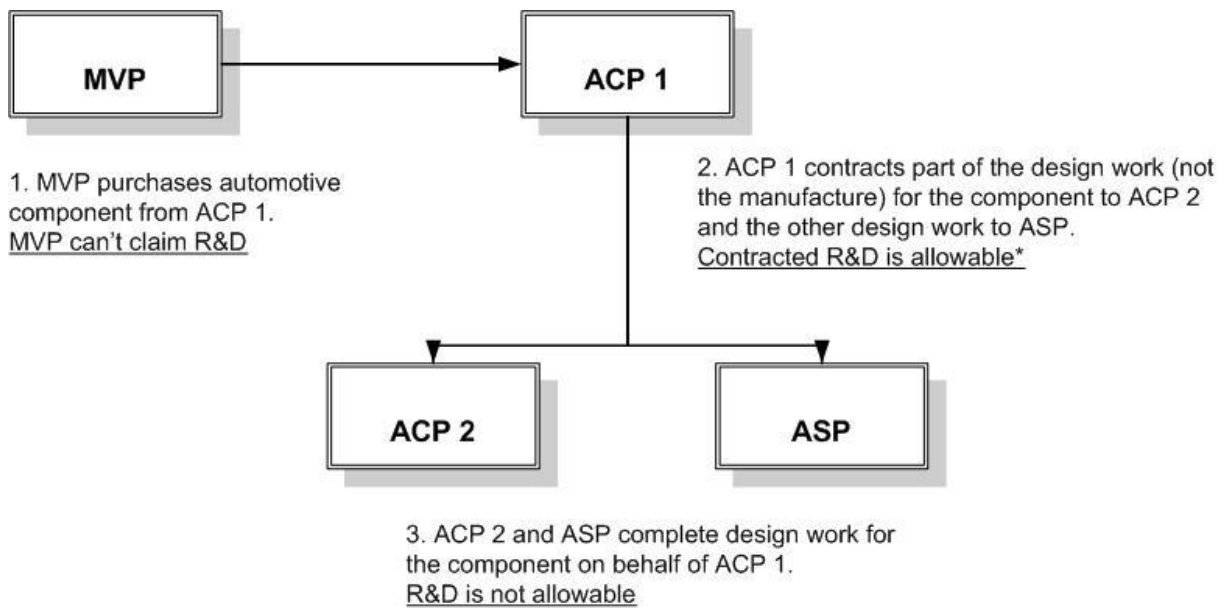
1. An MVP conducts R&D for its own purpose.
2. A supply chain firm is contracted by another party to undertake R&D activities which are not linked to the supply chain firm's ongoing business. This R&D is owned and controlled by, or in the future is expected to be owned and controlled by, the party which commissioned the work.
3. A supply chain firm is contracted by another party to work on developing an automotive tool (that might for example be used in the manufacturing automotive components). The contractual and legal ownership of the tool and the associated R&D is sometimes unclear, but the following types of claims would be disallowed:
 - A supply chain firm is contracted by another party to design and develop a prototype tool as a preliminary requirement of the final production of the tool, and the party initiating the contract will reimburse the supply chain firm for these specific R&D activities. The contract would in such a case allude to the reimbursement, and to the ownership of the prototype tool, and such contractual arrangements would be subject to AusIndustry review.
 - A supply chain firm is contracted by another party to design and develop a production process or an automotive tool and the party initiating the contract will reimburse the supply chain firm for these specific R&D activities. The contract would in such a case allude to the reimbursement, and to the ownership of the process or tool, and such contractual arrangements would be subject to AusIndustry review.

R&D scenarios

A number of supply chain scenarios, and the types of activities each participant can claim under the Scheme is set out below to assist ATS participants in determining the eligibility of their ATS R&D claims. It is assumed all activity takes place in one quarter.

The scenarios do not cover the whole range of activities that may be considered allowable R&D under the scheme. They only cover arrangements that relate to contracted R&D (R&D that is carried out under contract for another party, or R&D that an ATS participant contracts another party to carry out on its behalf). The scenarios should be also considered against the principles outlined above.

Scenario One



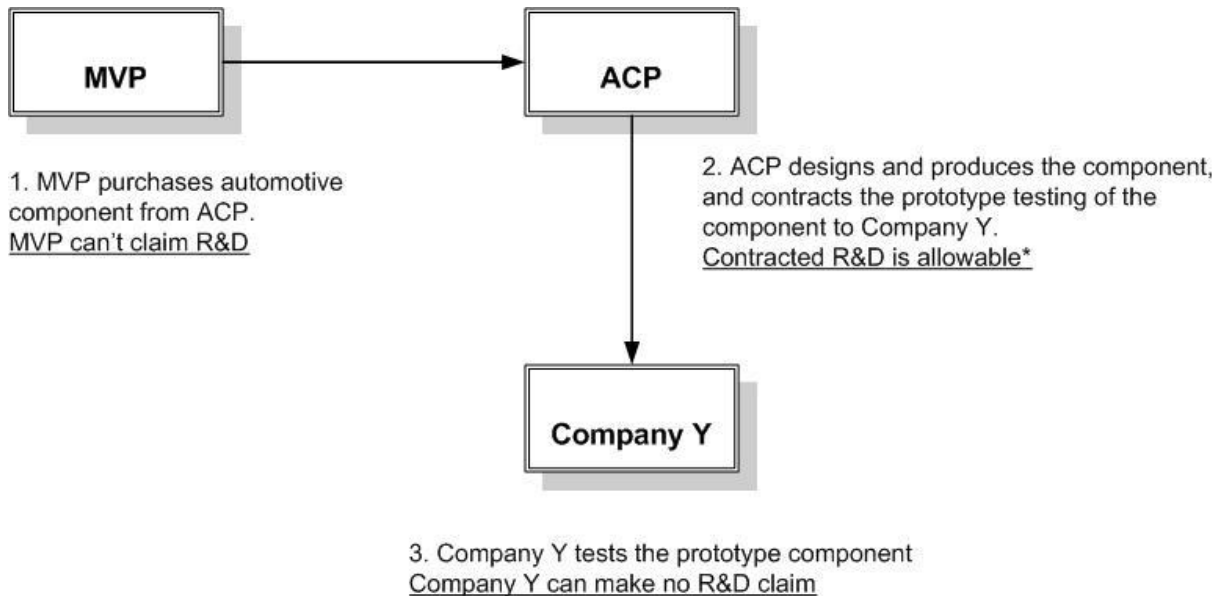
In this scenario an MVP purchases from ACP 1 an automotive component for fitment into its new model motor vehicle. The contract is worth \$1 million for 50,000 parts. The MVP can make no R&D claim in this scenario.

Should ACP1 contract part of the design work valued at \$50,000 (not the manufacture) for the component to ACP2, and contracts the other part of the design of the automotive component valued at \$100,000 to ASP, ACP1 may claim \$150,000 in contracted R&D under the Scheme provided that all of the requirements of paragraph 1.20(4)(a) of the *Automotive Transformation Scheme Regulations 2010* are met, as follows:

- (a) the R&D is Australian-based R&D
- (b) the ATS participant contributes to the direction and management of the R&D
- (c) the ATS participant has a proportionate share in any intellectual property resulting from the R&D
- (d) the ATS participant is not required to conduct the R&D as part of a chain of outsourcing of this R&D.

As ACP2 and ASP are both carrying out R&D on behalf of another firm in completing work as per the contract, neither ACP2 nor ASP is undertaking allowable R&D (subparagraph 1.20(4)(c)(i) of the *Automotive Transformation Scheme Regulations 2010*).

Scenario Two



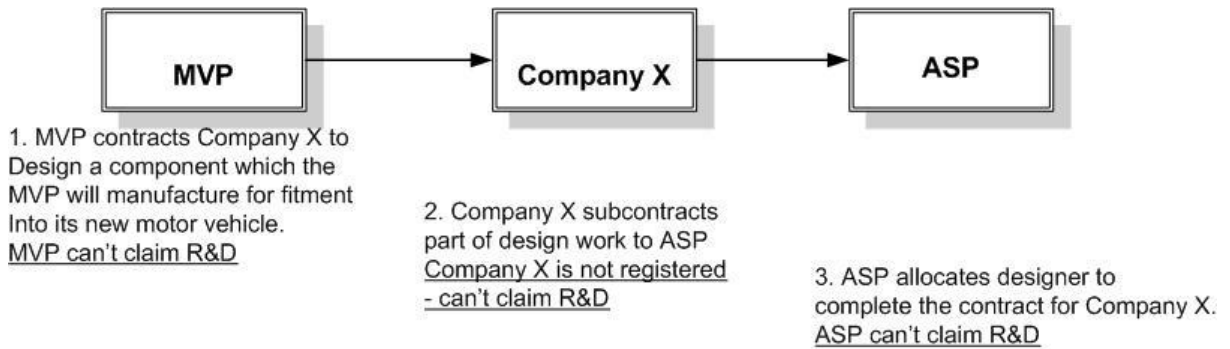
An MVP purchases from an ACP an automotive component for fitment into its new model motor vehicle. The contract is valued at \$600,000 for 60,000 parts. In this scenario, the MVP can make no R&D claim.

The ACP designs and produces the automotive component. Labour costs of design are \$50,000. The ACP then contracts Company Y to carry out prototype testing valued at \$20,000. The design of the component is allowable R&D so the ACP can claim the labour costs of the designers of \$50,000 as the R&D. Testing of prototypes is also allowable R&D and as the ACP has outsourced the work to Company Y, the ACP can claim the cost of the \$20,000 contract. The total R&D claim for the ACP is thus \$70,000 provided that all of the requirements of paragraph 1.20(4)(a) of the *Automotive Transformation Scheme Regulations 2010* are met, as follows:

- (a) the R&D is Australian-based R&D
- (b) the ATS participant contributes to the direction and management of the R&D
- (c) the ATS participant has a proportionate share in any intellectual property resulting from the R&D
- (d) the ATS participant is not required to conduct the R&D as part of a chain of outsourcing of this R&D.

However, Company Y is not an ATS participant and so can make no R&D claim in this scenario.

Scenario Three

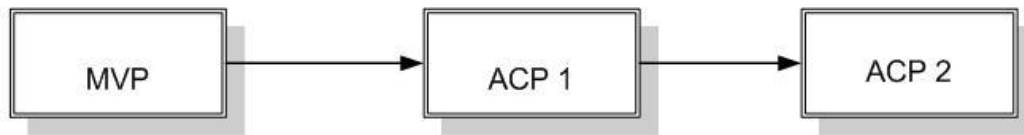


An MVP contracts Company X to design an automotive component which the MVP will manufacture for fitment into its new model motor vehicle. The contract is worth \$100,000. The MVP cannot claim R&D in this scenario. Although the MVP outsources the R&D, the R&D undertaken is for the MVP's own use and therefore is not claimable (subregulation 1.13(2) of the *Automotive Transformation Scheme Regulations 2010*).

Company X subcontracts part of the design of the automotive component to an ASP and the value of this contract is \$20,000. As Company X is not a registered ATS participant, the company is not able to claim R&D in this scenario.

The ASP allocates one designer to complete the \$20,000 contract for Company X at a cost of \$15,000. The ASP makes \$5,000 profit on the contract. The ASP cannot claim R&D for carrying out work on behalf of another firm (paragraph 120(4)(c) of the *Automotive Transformation Scheme Regulations 2010*).

Scenario Four



1. MVP purchases automotive component from ACP1.
MVP can't claim R&D

2. ACP1 subcontracts ACP2 to produce the component.
ACP1 can't claim R&D

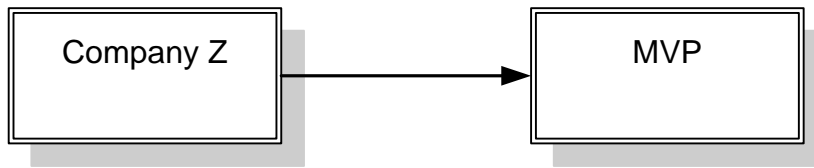
3. ACP2 contracts engineers to develop and test the component.
Contracted R&D is allowable

In this scenario an MVP purchases from ACP1 an automotive component for fitment into its new model motor vehicle. The contract is worth \$1,000,000. The MVP can make no R&D claim.

ACP 1 subcontracts ACP 2 to produce the automotive component. As ACP 1 is not carrying out or purchasing R&D in this scenario because it has outsourced the entire production contract to ACP2, it can make no R&D claim.

ACP 2 is carrying out R&D for itself by contracting four engineers for eight weeks each (at \$2,000 per week) to design, develop and test prototype versions of the component prior to ACP 2's production of the component. In the course of developing the component, \$5,000 of equipment was tested to destruction and ACP 2 spent \$3,000 on work order materials. ACP 2 can claim as allowable R&D the labour costs of employing the engineers to undertake the contract with ACP 1 and can also claim the costs of equipment tested to destruction and work order materials (subregulation 1.21(2) of the *Automotive Transformation Scheme Regulations 2010*). In this scenario, the total claim for ACP 2 is \$72,000.

Scenario Five



1. Company Z (an associated entity of the MVP) contracts MVP to design a component.
Company Z can't claim R&D

2. MVP carries out R&D on behalf of Company Z and R&D is not for MVP's own use.
Allowable R&D

Company Z (which may or may not be an associate entity of the MVP) contracts the MVP to design an automotive component for fitment into Company Z's motor vehicles to be produced overseas. The contract in this example is worth \$200,000. Company Z is not a registered ATS participant and can make no R&D claim under the Scheme.

The MVP employs two engineers to work full time on the project at a cost of \$150,000 and incurs work order material costs of \$25,000. The MVP is carrying out R&D on behalf of Company Z and the R&D is not for the MVP's own use (Subregulation 1.14(2) of the *Automotive Transformation Scheme Regulations 2010* does not allow an MVP to claim services used in production for its own use). Paragraph 1.20(4)(c) of the *Automotive Transformation Scheme Regulations 2010* allows the MVP to claim the \$175,000 of costs it has incurred to complete this contract because Company Z is not an ATS participant.

Attachment B - Substantiation guidelines for Business Plans

Compliance management under the Scheme will be based on the principles of self assessment complemented by a post-transaction audit regime designed to assess the integrity of participants' systems and procedures.

The substantiation guidelines are aimed at assisting in the process of self assessment and should be used in conjunction with the legislation and related guidelines. They are intended to represent the minimum records required to comply with the Act, Regulations and Order. They should not be viewed as constituting, on their own, the entire compliance picture for the Scheme. They will form part of a broader risk management strategy for the Scheme which covers, among other things, record keeping requirements for substantiating claims, audit procedures and other reporting or record keeping procedures for ensuring the integrity of the Scheme's administration. In addition, AusIndustry may publish *ATS Notices* to update, amend or clarify any information contained in these guidelines.

The guidelines and the legislation complement normal accounting standards set by the Australian Accounting Standards Board as they relate to the recording and treatment of activities as costs. Substantiation will, wherever possible, be based on an applicant's existing accounting systems and record keeping procedures.

The calculation of unmodulated and modulated payments will be undertaken on the basis of information provided by an applicant's application for registration under the Scheme, Quarterly Returns and third quarter Business Plan updates. AusIndustry seeks to assist applicants to ascertain for themselves the amounts that may be paid under ATS. For further information about the calculation of the three year rolling average, please consult [the Order](#) and the [ATS page](#).

Substantiation guidelines will apply to:

Registration: Establishing that the applicant's claims of eligibility for registration in the scheme are valid.

Quarterly Returns: Establishing that an ATS participant's P&E investment and R&D activities are allowable investment and that the amount of eligible investment claimed is valid.

Business Plans: The data requested in the *ATS Application for Registration* form and the *ATS Third Quarter Business Plan Update* form will be made up of actual data, applying to previous periods, and forward estimates, applying to future periods. Data relating to previous periods will be used, as part of the three year rolling average, in the calculation of credits issued to participants and is not collected on quarterly returns. Therefore, substantiation guidelines will apply to any Business Plan data that pertains to periods prior to lodgement of the *ATS Application for Registration* form.

Records of evidence are required to be maintained, or created and maintained, to substantiate all information provided under ATS. Such records must be kept for **five years** after lodgement of the relevant return, as required by subregulation 2.26(2) of the *ATS Regulations 2010*.

These guidelines are not intended to be overly prescriptive. Rather, the intention is to provide a general indication of the types of records that AusIndustry may request access to when an audit is conducted or as part of ongoing monitoring activities. Records which should be kept include commercial documents which provide a record of relevant transactions, or which enable these transactions to be traced and verified through the accounting system. It will also be necessary to keep records of all estimates and calculations made to prepare ATS quarterly returns, together with details of the basis and method used. All methods adopted by participants to record, calculate and

substantiate claims must be reasonable, fully justifiable and should be consistently applied in each ATS year unless otherwise authorised by AusIndustry.

Sales value: substantiation requirements

<p>Reporting Requirements of the <i>Automotive Transformation Scheme Regulations 2010</i></p> <p>3.3(c): Sales value of MVP’s ATS goods and services in the quarter</p> <p>3.4(b): Sales value of ACP’s ATS goods and services in the quarter</p> <p>3.5(b): Sales value of AMTP’s automotive machine tools and automotive tooling in the quarter</p> <p>3.5(c): Sales value of AMTP’s automotive services in the quarter</p> <p>3.6(b): Sales value of ASP’s automotive services</p>	<p>Key Provisions of the <i>Automotive Transformation Scheme Regulations 2010</i></p> <p>1.5(1): Definition of sales value</p> <p>1.11 and 1.12: Circumstances in which a sale of goods or services is taken to have occurred, and circumstances in which a sale of goods or services is taken not to have occurred</p> <p>1.28, 1.29, 1.30 and 1.33: Sales value of the goods or services to which the transaction relates had the parties been at arm’s length, and in circumstances where the parties had not been at arm’s length</p>
<p>Substantiation Requirements – Sales value</p> <p>(1) Invoices and other commercial documentation, including books of account should be maintained, or created and maintained, in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i>, to evidence details of relevant sales including:</p> <ul style="list-style-type: none"> • Purchaser • Selling price • Indirect taxes • Freight charges, insurance premiums and other selling and distribution costs for automotive components, machine tools and tooling <p>(2) Where a transaction involves a related or associated party, records should be maintained to substantiate all estimates and calculations used to arrive at an arm’s length amount, which must be in accordance with regulations 1.28, 1.29, 1.30 and 1.33 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>	

Production value for MVPs: substantiation requirements

<p>Reporting requirements (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>3.3(a): particulars of all MVP production achieved by the MVP in that quarter and the production value of that production</p>	<p>Key Provisions (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>1.5(1) and 1.25: Definition of production value in relation to MVP production</p> <p>1.5(1) and 1.24: Definition of MVP production and allowable production</p> <p>1.5(1): Definition of motor vehicle</p> <p>1.5(1): Definition of engine and engine components</p> <p>1.6: Meaning of production of goods and provision of services in Australia</p> <p>1.28, 1.29, 1.30, 1.33: Production value of the motor vehicles, engines or engine components to which the transaction relates had the parties been at arm's length, and in circumstances where the parties had not been at arm's length</p>
<p>Substantiation Requirements – Production value for MVPs</p> <p>(1) Invoices and other commercial documentation, including books of account should be maintained, or created and maintained, in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i>, to evidence details of relevant sales including:</p> <ul style="list-style-type: none"> • Invoice price of sales • Invoice price of relevant engines & engine components manufactured by another MVP • Purchaser • Indirect taxes • Freight and delivery charges • Insurance charges • Hold Back payments • Discounts provided • Bonuses paid • Eligible post-assembly fitment costs <p>(2) Production details may be substantiated by reference to production schedules and related records</p> <p>(3) Where a transaction involves a related or associated party, records should be maintained to substantiate all estimates and calculations used to arrive at an arm's length amount, which must be in accordance with regulations 1.28, 1.29, 1.30 and 1.33 of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>	

Production Value for ACPs, AMTPs and ASPs: substantiation requirements

<p>Reporting requirements (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>2.22: Annual production and production value of automotive components by the ACP</p> <p>2.23: Annual production value of automotive machine tools and automotive tooling by the AMTP</p> <p>2.24: Annual production value of automotive services provided by the ASP</p>	<p>Key Provisions (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>1.5(1), 2.5(3) and 2.22(3): Definition of, and production value in relation to, automotive components</p> <p>1.5(1), 2.6(3) and 2.23(3): Definition of, and production value in relation to, automotive machines tools and automotive machine tooling</p> <p>1.5(1), 2.7(3) and 2.24(3): Definition of, and production value in relation to, automotive services</p> <p>1.6: Meaning of production of goods and provision of services in Australia</p>
<p>Substantiation Requirements – Production value for ACPs, AMTPs and ASPs</p> <p>(1) Invoices and other commercial documentation, including books of account should be maintained, or created and maintained, in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i>, to evidence details of relevant sales including:</p> <ul style="list-style-type: none"> • Purchaser • Selling price • Indirect taxes • Freight charges, insurance premiums and other selling and distribution costs for automotive components, machine tools and tooling • Payment • Original equipment or aftermarket <p>(2) Production and service provision details may be substantiated by reference to production schedules and related records.</p>	

Investment in plant and equipment: substantiation requirements

<p>Reporting requirements (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>3.3(b): Particulars of eligible investment undertaken by the MVP in that quarter</p> <p>3.4(a): Particulars of eligible investment undertaken by the ACP in that quarter</p> <p>3.5(a): Particulars of eligible investment undertaken by the AMTP in that quarter</p> <p>3.6(a): Particulars of eligible investment undertaken by the ASP in that quarter</p>	<p>Key Provisions (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>1.15(1) and 1.17: Definition of eligible investment and allowable plant and equipment</p> <p>1.5(1): Definition of motor vehicle</p> <p>1.7: Meaning of an automotive components</p> <p>1.8 and 1.10: Meaning of automotive machine tools and automotive machine tooling</p> <p>1.9: Meaning of automotive services</p> <p>1.5(1): Definition of services</p> <p>1.5(1): Definition of eligible start-up investment amount and eligible start-up period</p> <p>1.32 and 1.33: Value of investment in P&E when parties treated as not being at arm's length, and methods for determining value of transactions in these circumstances</p>
<p>Substantiation Requirements – Plant and equipment</p> <p>(1) Books of account, invoices and other commercial documentation should be maintained, or created and maintained, in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i> to evidence details of relevant assets, capital works or lease and similar arrangements and related costs, including spare and replacement parts which are posted to the asset register, including:</p> <ul style="list-style-type: none"> • Ownership of assets • Payments made • Purchase price • Freight charges • Insurance premiums • Clearance charges • Import duties • Customs value • WST • Book value • Selling price • Lease, rental or hire arrangements • Depreciation schedule or fixed asset register <p>Such records should also be maintained, or created and maintained, to substantiate net additions to the asset register value of P&E built by the claimant.</p>	

Reporting requirements (of the *Automotive Transformation Scheme Regulations 2010*)

3.3(b): Particulars of eligible investment undertaken by the MVP in that quarter

3.4(a): Particulars of eligible investment undertaken by the ACP in that quarter

3.5(a): Particulars of eligible investment undertaken by the AMTP in that quarter

3.6(a): Particulars of eligible investment undertaken by the ASP in that quarter

Key Provisions (of the *Automotive Transformation Scheme Regulations 2010*)

1.15(1) and 1.17: Definition of eligible investment and allowable plant and equipment

1.5(1): Definition of motor vehicle

1.7: Meaning of an automotive components

1.8 and 1.10: Meaning of automotive machine tools and automotive machine tooling

1.9: Meaning of automotive services

1.5(1): Definition of services

1.5(1): Definition of eligible start-up investment amount and eligible start-up period

1.32 and 1.33: Value of investment in P&E when parties treated as not being at arm's length, and methods for determining value of transactions in these circumstances

Where any relevant costs are not separately identified in the books of account, estimates may be used. For example, estimates may be used to allocate costs between eligible and non-eligible activities. All such estimates must be fully justifiable and should be consistently applied in each ATS year unless otherwise authorised by the Secretary.

(2) Production and sales analyses, investment appraisals, expenditure approvals, production schedules, forward orders and other relevant documentation may be provided in support of claims for apportioning plant & equipment usage between eligible and non-allowable P&E investment.

In circumstances where it is considered necessary to maintain logbooks to substantiate the basis of apportioning costs between eligible and other activities, such records should be maintained for a minimum period of eight consecutive weeks. Estimates so derived may be applied to all ATS claims made within eighteen months of the period to which the estimates relate.

Where a transaction involves a related or associated party, records should be maintained to substantiate all estimates and calculations used to arrive at an arm's length amount, which must be in accordance with the *Automotive Transformation Scheme Regulations 2010* (refer to regulations 1.28 to 1.33 of the *Automotive Transformation Scheme Regulations 2010*). For items of plant & equipment purchased in a non-arms length transaction where the transaction value is greater than \$500,000, the claimed value should be supported by an independent valuation (subregulation 1.32(3) of the *Automotive Transformation Scheme Regulations 2010*).

(3) Details of eligible start-up investment amount

Invoices and other commercial documentation including books of account and commercial agreements must be available to substantiate investment claimed to have been incurred by the ATS participant on the acquisition of land, buildings, structure, plant, equipment, materials or other assets for carrying on business for the first time.

Investment in research and development: substantiation requirements

<p>Reporting requirements (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>3.3(b): Particulars of eligible investment undertaken by the MVP in that quarter</p> <p>3.4(a): Particulars of eligible investment undertaken by the ACP in that quarter</p> <p>3.5(a): Particulars of eligible investment undertaken by the AMTP in that quarter</p> <p>3.6(a): Particulars of eligible investment undertaken by the ASP in that quarter</p>	<p>Key Provisions (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>1.15(1) and 1.20: Definition of eligible investment and allowable R&D</p> <p>1.5(1): Definition of motor vehicle</p> <p>1.7: Definition of an automotive component</p> <p>1.8, 1.10: Meaning of automotive machine tools and automotive machine tooling</p> <p>1.9: Meaning of automotive services</p> <p>1.5(1): Definition of services</p> <p>1.5(1): Definition of eligible start-up investment amount and eligible start-up period</p> <p>1.31 and 1.33: Value of investment in R&D when parties treated as not being at arm's length, and methods for determining value of transactions in these circumstances</p>
<p>Substantiation Requirements – Research and development</p> <p>(1) Books of account, invoices and other commercial documentation should be maintained, or created and maintained, in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i> to evidence details of eligible costs, including:</p> <ul style="list-style-type: none"> • Salaries and wages • Allowances • Bonuses • Overtime and penalty rate payments • Leave payments or accruals • Superannuation fund contributions • Other direct salary-related expenses paid under contract to the employee • Training, development and recruitment expenses • Payroll tax • Workers' compensation insurance premiums • Sub-contracted labour and consultant expenses • Work order materials • Consumables • Supplier development expenses 	

(2) Project based costing methods, which identify, record and allocate costs to particular R&D projects, may also be used (e.g. where such costs are not separately identified in the books of account). Books of account and/or project based costing methods should also be maintained to substantiate claims in relation to contracted R&D expenditure.

(3) Where any allowable expenditure is not separately identified in either the books of account or project based costing methods, estimates may be used. For example, estimates may be used to allocate costs between eligible and non-eligible activities of R&D staff, and the cost of non-R&D staff supporting eligible R&D activities. All such estimates must be fully justifiable and should be consistently applied in each ATS year unless otherwise authorised by the Secretary.

Estimates involving time apportionment should be based on sound activity-based costing principles and any assumptions should be fully articulated.

Where time sheets, logbooks, and similar documentary evidence is maintained to substantiate the basis of apportioning costs between eligible R&D and other activities, such records should be maintained for a minimum period of **eight consecutive weeks**. Estimates so derived may be applied to all ATS claims made within eighteen months of the period to which the estimates relate.

(4) In relation to offshore R&D expenditure, evidence is required to substantiate the following claims. The type of evidence capable of substantiating such claims will depend on the nature of the offshore activity, but may include investment proposals and appraisals, contractual agreements and other commercial records:

- The offshore R&D is necessary to support the tailoring of Australian R&D to the purposes of a particular market. Where this activity involves employment of foreign citizens, evidence is also required to demonstrate that the R&D activity undertaken by them relates directly to current or planned Australian production of automotive goods and services, or
- The offshore R&D is necessary to lever Australian R&D off a foreign R&D program. In such cases evidence is required to demonstrate that the offshore expenditure contributes directly to the foreign program and that the Australian firm contributes to the direction and management of the foreign program and has a proportionate share in intellectual property resulting from the program.

Where a transaction involves a related or associated party, records should be maintained to substantiate all estimates and calculations used to arrive at an arm's length amount, which must be in accordance with the methods for determining value of transactions in subregulation 1.33 of the *Automotive Transformation Scheme Regulations 2010*.

(5) Details of eligible start-up investment amount

Invoices and other commercial documentation including books of account and commercial agreements must be available to substantiate investment claimed to have been incurred by the ATS participant on the acquisition of land, buildings, structure, plant, equipment, materials or other assets for carrying on business for the first time.

Commonwealth Assistance: substantiation requirements

<p>Reporting requirements (of the <i>Automotive Transformation Scheme Regulations 2010</i>)</p> <p>3.3(d) and 3.12(c) of the Regulations and Divisions 4.1 to 4.3 of the Order: Amount of other Commonwealth assistance received by the MVP in relation to MVP production, and eligible investment</p> <p>3.4(c) and 3.12(c) of the Regulations and Divisions 4.1 to 4.3 of the Order: Amount of other Commonwealth assistance received by the ACP in relation to eligible investment</p> <p>3.5(c) and 3.12(c) of the Regulations and Divisions 4.1 to 4.3 of the Order: Amount of other Commonwealth assistance received by the AMTP in relation to eligible investment</p> <p>3.6(c) and 3.12(c) of the Regulations and Divisions 4.1 to 4.3 of the Order: Amount of other Commonwealth assistance received by the ASP in relation to eligible investment</p>	<p>Key Provisions (of the <i>Automotive Transformation Scheme Order 2010</i>)</p> <p>Division 4.1 to 4.3 of the Regulations: Meaning and calculation of other Commonwealth Assistance</p>
<p>Substantiation Requirements – Commonwealth Assistance</p> <p>Books of account should be maintained, or created and maintained, for five years in accordance with regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i> to evidence details of Commonwealth financial assistance.</p>	

Appendix 1: AusIndustry Locations

For more information, visit the business.gov.au or call 13 28 46. More in depth face-to-face assistance is also available from AusIndustry's national network. AusIndustry's office hours are 8.30 am to 5.00 pm, Monday to Friday, public holidays excluded.

Address details for AusIndustry's State and Regional offices can be found at [business.gov.au contact page](http://business.gov.au/contact_page).