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**Department of Industry,
Innovation and Science**

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Automotive Transformation Scheme

Customer Guideline 6 – Quarterley Returns

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 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 Automotive Tooling Producer, or Automotive Service Provider under the Scheme
P&E	Plant and equipment
R&D	Research and development
the Act	The <i>Automotive Transformation Scheme Act 2009</i>
the Order	The <i>Automotive Transformation Scheme Order 2010</i>
the Regulations	The <i>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> <ul style="list-style-type: none">1 January 2011 – 31 December 20111 January 2012 – 31 December 20121 January 2013 – 31 December 20131 January 2014 – 31 December 20141 January 2015 – 31 December 20151 January 2016 – 31 December 20161 January 2017 – 31 December 20171 January 2018 – 31 December 20181 January 2019 – 31 December 20191 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 <i>Automotive Transformation Scheme Order 2010</i>.</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 ATS participants in completing Quarterly Returns that must be provided to AusIndustry.

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 the [ATS page](http://business.gov.au) at business.gov.au.

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

2. The Quarterly Return

Participants registered under the Scheme are required by regulation 3.1 of the *Automotive Transformation Scheme Regulations 2010* to lodge Quarterly Returns within 45 days after the end of each quarter. The Quarterly Return will allow AusIndustry to determine the amount of ATS assistance that is payable. The amount of assistance payable will be calculated by AusIndustry in accordance with the Act, the Regulations and the Order.

Please note that in accordance with regulation 3.2 of the *Automotive Transformation Scheme Regulations 2010*, the provision of a Quarterly Return under the Scheme does not, by itself, confer an entitlement on an ATS participant to assistance. Under subregulation 3.13(1) of the *Automotive Transformation Scheme Regulations 2010*, an ATS participant is entitled to a quarterly payment of assistance if the ATS participant has:

- made an eligible investment or undertaken eligible production in accordance with regulations 1.15 to 1.25 of the *Automotive Transformation Scheme Regulations 2010*; and
- made a Quarterly Return for a quarter within the time permitted under subregulation 3.1 (1) of the *Automotive Transformation Scheme Regulations 2010*; and
- complied with the conditions of registration set out in regulations 2.20 to 2.27 of the *Automotive Transformation Scheme Regulations 2010*.

Under subregulation 3.15(1) of the *Automotive Transformation Scheme Regulations 2010*, a payment of assistance to an ATS participant may only be made on the condition that all or part of the payment may be offset or recovered by the Commonwealth as set out in the Scheme.

Under subregulation 3.15(1) of the *Automotive Transformation Scheme Regulations 2010*, a payment of assistance may be refused if the ATS participant has failed, or is likely to fail, to comply with the conditions of registration.

After AusIndustry processes a Quarterly Return, payment is made directly into the participant's bank account. Any Scheme debt that may have been raised may be offset against a payment.

3. When must a Quarterly Return be submitted?

An *ATS Quarterly Return* form must be submitted within 45 days after the end of a quarter in an ATS year in which the participant is registered. A quarter is a period of three months commencing on 1 January, 1 April, 1 July or 1 October of a year. That is:

Quarter 1	1 January to 31 March
Quarter 2	1 April to 30 June
Quarter 3	1 July to 30 September
Quarter 4	1 October to 31 December

4. Applying for an extension of time to submit a Quarterly Return

In special circumstances, AusIndustry may allow a participant an extension of time to submit an *ATS Quarterly Return* form. AusIndustry will determine whether special circumstances, referred to in subregulation 3.1(1) of the *Automotive Transformation Scheme Regulations 2010*, exist on a case by case basis. Participants should refer to the fact sheet at *Attachment A* for details on circumstances which AusIndustry is likely to accept an application in writing for an extension of time to lodge a return more than 45 days after the end of the quarter, and what is required in the application.

As a first step, participants are advised to contact their Customer Service Manager to discuss their circumstances.

A request for an extension of time must be received by AusIndustry **within** 45 days after the end of a quarter. It must be signed by the participant's authorised primary contact for the scheme and can be sent as an email attachment to ats@industry.gov.au or post to:

Automotive Section
AusIndustry
GPO 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*).

5. How is a Quarterly Return submitted?

ATS participants may submit *ATS Quarterly Return* forms either in hard copy or online by logging into AusIndustry online and following the instructions on screen. An investment summary is required as an attachment to the *ATS Quarterly Return* form and must be posted, hand delivered or emailed to AusIndustry.

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

Automotive Section
AusIndustry
GPO 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*).

It is recommended that the investment summary is forwarded on the same date as the *ATS Quarterly Return* form. If the investment summary is received by AusIndustry at a date later than the date than the *ATS Quarterly Return* form is received, AusIndustry will treat the *ATS Quarterly Return* form 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 C* 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 Quarterly Return 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. General guide to Quarterly Returns

Claims in Quarterly Returns must be in respect of claims of allowable production (MVPs only), and eligible investment in P&E and R&D.

In providing sales, production and investment data:

- values must be provided on a per quarter basis, not 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 the Scheme, participants should use accrual accounting methods in accordance with the Australian Accounting Standards (AAS).

An ATS participant must maintain its registration by meeting the conditions of registration outlined in the Regulations in order for a Quarterly Return to be accepted for payment of assistance under the Scheme as follows:

Condition of Registration	Legislative Reference
General compliance requirements	Regulation 2.20 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Condition of MVP registration	Regulation 2.21 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Condition of ACP registration	Regulation 2.22 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Condition of AMTP registration	Regulation 2.23 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Condition of ASP registration	Regulation 2.24 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Conditions related to Ministerial permission to apply for registration in the national interest	Regulation 2.8 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Conditions related to Ministerial permission to continue registration in the national interest	Regulation 2.25 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Creation and maintenance of documentation that evidence all of the particulars contained in each Quarterly Return	Regulation 2.26 of the <i>Automotive Transformation Scheme Regulations 2010</i>
Business Plan Update	Regulation 2.27 and subregulation 2.12(3) of the <i>Automotive Transformation Scheme Regulations 2010</i>

8.1 Non-arms length transactions

The amounts of 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 investment claimed by the ATS participant using a method set out in regulation 1.33 of the *Automotive Transformation Scheme Regulations 2010* 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* one of the following must occur:

- acceptance of the certification of the valuation by the ATS participant's valuer;

- 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;
- 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.

9. Content of a Quarterly Return

The contents of Quarterly Returns are described in regulations 3.3 to 3.6 of the *Automotive Transformation Scheme Regulations 2010* and include:

- particulars of the sales of ATS goods and services;
- particulars of motor vehicle, engine and engine component production of MVPs;
- particulars of automotive components, tools or tooling production or services provided;
- particulars of expenditure on eligible investment in plant and equipment;
- particulars of expenditure on eligible investment in R&D;
- particulars of any other Commonwealth assistance paid on the basis of production or investment;
- details of any sale of P&E or R&D that has not been claimed previously within the same ATS year;
- an investment summary that must be provided separately as an attachment; and
- any other particulars as required by the form.

10. Relevant terms and phrases

The following definitions will assist in completing the *ATS Quarterly Return* form:

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"> • 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 • that has the essential character of a component to which paragraph (a) 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> <ul style="list-style-type: none"> • that are designed and built to be used solely for: • the production of motor vehicles, engines, engine components or automotive components or • facilitating the provision of automotive services or • that, when used with interchangeable tooling, are used solely or mainly for a function mentioned in paragraph (a). <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>
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>

Relevant term or phrase	Definition and legislative reference
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>
Indirect tax	<p>Any tax except a direct tax or import charge, and includes each of the following:</p> <p>GST or value-added tax;</p> <ul style="list-style-type: none"> • 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>

Relevant term or phrase	Definition and legislative reference
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: • a subheading of heading 8702 or 8703 (other than 8703.10.00) of Schedule 3 of the <i>Customs Tariff Act 1995</i> (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>
Motor vehicle producer	<p>A person who undertakes the production of motor vehicles or engines.</p> <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
MVP	<p>A person registered as a motor vehicle producer under the Scheme. (Not all motor vehicle producers are eligible for registration as MVPs.)</p> <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>
MVP production	<p>In relation to a quarter and to an MVP and means the completion in that quarter by the MVP of the production of:</p> <ul style="list-style-type: none"> • motor vehicles or • engines or • engine components. <p>Subregulation 1.5(1) of the <i>Automotive Transformation Scheme Regulations 2010</i>.</p>

Relevant term or phrase	Definition and legislative reference
One kind of automotive component	This is clarified in section 10.1 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> .
Production of goods and provision of services in Australia	<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. Subregulation 1.6(1) of the <i>Automotive Transformation Scheme Regulations 2010</i> . <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. Subregulation 1.6(2) 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 - cont.</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>, and 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> <p><i>production of engine components</i></p> <ul style="list-style-type: none"> • subject to subregulations (1) and (2) of the <i>Automotive Transformation Scheme Regulations 2010</i>, and 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>

Relevant term or phrase	Definition and legislative reference
<p>Production of goods and provision of services in Australia - cont.</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) and (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> <p>an automotive service is taken to have been provided in Australia if:</p> <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>
<p>Production value for an MVP</p>	<p>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>.</p>
<p>Production value for an ACP</p>	<p>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>.</p>
<p>Production value for an AMTP</p>	<p>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>.</p>

Relevant term or phrase	Definition and legislative reference
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 quarter	<p>In relation to an ATS participant to whom the transitional arrangements under Part 7 of the <i>Automotive Transformation Scheme Regulations 2010</i> 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 <p>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 of the <i>Automotive Transformation Scheme Regulations 2010</i>:</p> <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>
Sales value	<p>The value of automotive goods or services produced or provided in Australia by an ATS participant.</p> <p>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>Where sale of goods or services is taken <u>not</u> to occur – cont.</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>

10.1 One kind of automotive component and production value for ACP's

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.

11. Plant and equipment

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.

11.1 Allowable plant and equipment

11.1.1 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.

11.1.2 What may not be 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.

11.2 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.

11.2.1 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 Quarterly Return 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:
 - 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);
 - 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:
 - the Customs value. The P&E is claimable from the time of entry into Australia;
 - (C) for allowable P&E **built by the claimant**:
 - 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:
 - 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 quarterly return:

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 Quarterly Return 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:

- any amount included in the purchase price to cover installation costs for the P&E that is separately itemised;
- 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:

- freight charges;
- insurance costs;
- import charges;
- clearance charges; and
- 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 Quarterly Return 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 Quarterly Return 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 quarterly return, 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 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:

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 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
3. 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 quarterly return, 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.

11.2.2 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 C* for information about the documentation that is required to be maintained in relation to investment claims to comply with the Act, Regulations and Order.

12. Research and development

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.

12.1 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*.

12.2 Allowable research and development

12.2.1 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 are 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.

12.2.2 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.

12.3 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:

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 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 R&D.

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 R&D.

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:

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 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 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 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 R&D, 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 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.

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 R&D;

- 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 R&D, 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 R&D, 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 C* for information about the documentation that is required to be maintained in relation to investment claims to comply with the Act, Regulations and Order.

12.3.1 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 R&D;
 - 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 R&D, 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 R&D.

Note 1 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.

13. Part 4 – How is Commonwealth Assistance determined?

ATS participants must report on other Commonwealth assistance that may have been received in relation to investment or, in the case of MVPs, production.

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)

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 C* 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.

14. Quarterly Return form questions

14.1 Participant details

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part A1

Enter the full name of the participant as registered in the Scheme. For group participants, enter the details of the principal entity.

The trading name should only be completed if the participant trades or operates under a different name to the registered name.

14.2 Group information (if applicable)

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part A3

This section only applies to participants who are registered as groups.

In the case of an ATS group registration, a *YES/NO* answer is required to the question about whether or not there has been a sale or purchase of an entity that changes the membership of the ATS registered group. If the answer is *YES*, AusIndustry will seek information about the change in membership of the group entities and resulting composition of sales, production and investment claimed. Any impact of this change on the investment claimed for the quarter and sales and production values, and on the current business plan forecasts will be evaluated and addressed accordingly.

14.3 Eligible start-up period

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	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 amount of eligible start-up investment amount incurred in the quarter;
- whether production of goods or delivery of services commence during the quarter; and
- if production of goods or delivery of services commenced during the quarter the date it commenced.

14.4 Change of contact details

Hard Copy Form	Part Reference
<i>ATS Quarterly Return</i> form	Part A5

This question must be answered by all participants. The declaration in a Quarterly Return lodged by a participant must be signed (or submitted electronically) by a person who is identified by AusIndustry as the primary or secondary contact for ATS matters. If a new contact person within the entity (or consultant) is to be authorised to provide information on the content of the return and other ATS matters, an *ATS Change of Details* form must be completed and forwarded to AusIndustry and accepted before a return for the quarter is processed.

15. Part B – MVP sales, production and investment

Part B is to be completed by MVPs only.

15.1 Sales and production values for the quarter

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B1

In answering this question, please refer to the definitions of motor vehicles, engines or engine components provided in section 10 of this Guideline.

15.1.1 Total volume of motor vehicles or engines, or engine components that the MVP produced in Australia

Total volume is the total number of units of **motor vehicles** or **engines** or **engine components** produced during the specified quarter.

15.1.2 Sales value

Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010*, *sales value* is the value of automotive goods or services produced or provided in Australia by an ATS participant. Please ensure that all sales values included in this field are net of all indirect taxes. The amount of sales reported should be for the specified quarter only.

The sales value will be used to calculate the sales based cap for each participant.

15.1.3 Production Value

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B1

Please refer to the definitions provided in section 10 of this Guideline.

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, as well as 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.

Note: Regulation 1.28 of the *Automotive Transformation Scheme Regulations 2010* provides that whenever it is necessary to determine the production value of any motor vehicles, engines or engine components sold by an ATS participant to another person, that production value is to be determined on the basis that the ATS participant and the other person are at arm's length.

Note: MVPs must 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 above should be reported by MVPs.

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.

For production values, regulation 3.7 of the *Automotive Transformation Scheme Regulations 2010* allows an MVP to include in the Quarterly Return production that was achieved in the same ATS year, but had not been reported in the quarter that it was achieved. Such missed production must be added to the production value for the specified quarter and detailed separately at question B4.

MVPs must indicate the entire amount of other Commonwealth assistance in respect of production that has been received during the quarter. AusIndustry will calculate the maximum claimable value for production.

15.2 P&E investment claims for the quarter

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B2.1

If you undertook any P&E investment (excluding operating leases) this quarter, please enter the claimable value. Refer to section 11.2.1 of this Guideline for the method for determining the total claimable value excluding operating leases.

If you undertook any P&E investment through operating leases for this quarter, please enter the claimable value. Refer to section 11.2.2 of this Guideline for the method for determining the total claimable value of operating leases.

MVPs must indicate the entire amount of other Commonwealth assistance in respect of investment that has been received during the quarter. AusIndustry will calculate the maximum claimable value for this type of investment. MVPs 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.

15.3 Sale of P&E previously claimed

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B2.2

Under regulation 1.27 of the *Automotive Transformation Scheme Regulations 2010*, allowable P&E that is sold by, or on behalf of, an ATS participant, is to be treated, for the purposes of the Scheme, with effect from the start of the quarter in which that sale took place, as if it had never occurred. As such, participants must declare in Quarterly Returns all sales of P&E that is sold within three years of being purchased; that is, during the *rolling average* period in which assistance is being paid on it.

Participants must declare the amount of investment that had been originally claimed, the quarter in which it was claimed and provide the amount of any other Commonwealth assistance that may have been paid in respect of that investment. AusIndustry will remove the claimable amount from the calculation of assistance.

A description of the P&E that was sold should be provided in a separate document to AusIndustry.

15.4 R&D investment claims for the quarter

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B3.1

If you undertook any R&D investment, excluding in contracted and overseas R&D, for this quarter, enter the claimable value. Please refer to section 12 and, in particular, subsection 12.2, of this Guideline for the method for determining the total claimable value of Australian based R&D (excluding contracted and offshore R&D).

If you undertook any R&D investment in Australian contracted R&D, for this quarter, enter the claimable value. Please refer to section 12 and, in particular, subsection 12.2, of this Guideline for the method for determining the total claimable value of contracted R&D.

Note: Claims for contracted R&D should take into consideration the requirement that investment must reflect values that represent transactions between parties at arm's length as discussed in subsection 8.1 of this Guideline.

If you undertook any R&D investment in offshore R&D, for this quarter, enter the claimable value in this field. Please refer section 12 and, in particular, subsection 12.3, of this Guideline for the method for determining the total claimable value of offshore R&D.

MVPs 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. MVPs 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 MVP in relation to eligible investment.

15.5 Sale of R&D previously claimed

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B3.2 for R&D

Under regulation 1.27 of the *Automotive Transformation Scheme Regulations 2010*, allowable R&D that is sold by, or on behalf of, an ATS participant is to be treated, for the purposes of the Scheme, with effect from the start of the quarter in which that sale took place, as if it had never occurred. As such, participants must declare in Quarterly Returns all sales of allowable R&D that is sold within three years of being purchased; that is, during the *rolling average* period in which assistance is being paid on it.

Participants must declare the amount of investment that had been originally claimed, the quarter in which it was claimed and provide the amount of any other Commonwealth assistance that may have been paid in respect of that investment. AusIndustry will remove the claimable amount from the calculation of assistance.

A description of the R&D that was sold should be provided in a separate document to AusIndustry.

15.6 Adjustments for 'missed' sales, production or investment

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B4 Part B4.1

Regulation 3.7 of the *Automotive Transformation Scheme Regulations 2010* allows an MVP to include, in the Quarterly Return, allowable production achieved (for MVPs), or investment undertaken in a previous quarter in the current ATS year that has not been claimed in a previous quarter. Further, sales or eligible start-up investment that was achieved or undertaken and not

reported in a previous quarter in the current ATS year may be included in the Quarterly Return.
That is:

In Q2 of the current ATS year	<p>an MVP may claim allowable production and investment that was achieved or undertaken in Q1 of the current ATS year and was not claimed in Q1 of the current ATS year</p> <p>an MVP may report sales or eligible start-up investment that was achieved or undertaken in Q1 of the current ATS year and was not reported in Q1 of the current ATS year</p>
In Q3 of the current ATS year	<p>an MVP may claim allowable production and investment that was achieved or undertaken in Q1 or Q2 of the current ATS year and was not claimed in Q1 or Q2 of the current ATS year</p> <p>an MVP may report sales or eligible start-up investment that was achieved or undertaken in Q1 or Q2 of the current ATS year and was not reported in Q1 or Q2 of the current ATS year</p>
In Q4 of the current ATS year	<p>an MVP may claim allowable production and investment that was achieved or undertaken in Q1 or Q2 or Q3 of the current ATS year and was not claimed in Q1 or Q2 or Q3 of the current ATS year</p> <p>an MVP may report sales or eligible start-up investment that was achieved or undertaken in Q1 or Q2 or Q3 of the current ATS year and was not reported in Q1 or Q2 or Q3 of the current ATS year</p>

MVPs that claim allowable production, sales achieved, P&E, R&D or eligible start-up investment undertaken in a previous quarter in the current ATS year must indicate the quarter in which it was achieved or undertaken and provide the amount of any other Commonwealth assistance that may have been paid in respect of that production or investment. AusIndustry will remove the claimable amount from the calculation of assistance.

In the cases of sales and eligible start-up investment that was achieved or incurred in the year prior to the year to which the Quarterly Return pertains, participants may contact their Customer Service Manager at AusIndustry and request that an appropriate adjustment is made. Supporting information may be requested by AusIndustry.

Please note that **only missed** sales, production and investment may be indicated in this question. If you have discovered that investment was OVERCLAIMED in a previous quarter, you must not deduct the over claimed amount in a current or future quarter. Please notify your Customer Service Manager if you need to reduce a previous claim.

15.7 Non-arms length transactions

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part B5

As indicated above in section 8 of this Guideline, amounts of production value, sales value and investment must reflect values that represent transactions between parties at arm's length.

If the answer to this question is Yes the details must be provided in the text box in the form or provided as a separate document to AusIndustry.

16. Part C – ACP, AMTP and ASP sales, production and investment

Part C is to be completed by ACPs, AMTPs and ASPs only.

16.1 Sales and production values

Hard Copy Form	Part Reference
ATS <i>Quarterly Return</i> form	Part C1 or Part C2

All amounts reported should be for the specified quarter only. Please complete only one of the following sets of questions as appropriate.

Participants registered in the National Interest under regulation 2.8 of the *Automotive Transformation Scheme Regulations 2010* must enter relevant data into whichever of the question sets is most applicable.

16.1.1 Question C1: Total production value and volume of the nominated component

ACPs registered on the basis of production in Australia of at least one kind of nominated automotive component for use as original equipment in at least 30,000 motor vehicles, or at least 30,000 engines, and the production value of the component was at least \$500,000 must answer the questions at C1.

In answering this question, do not include in your response the production value for any components that are not produced as original equipment.

The key factor in meeting the condition of registration, as described in paragraph 2.11(1)(a) of the *Automotive Transformation Scheme Regulations 2010*, is the number of vehicles fitted with your automotive component. If you produce an automotive component that is used more than once as original equipment in a motor vehicle, please regard that as a set of components (for example, five wheels comprise one *set*).

16.1.2 Question C1: Sales value

Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010*, *sales value* is the value of automotive goods or services produced or provided in Australia by an ATS participant. Please ensure that all sales values included in this field are net of all indirect taxes. The amount of sales reported should be for the specified quarter only.

The sales value will be used to calculate the sales based cap for each participant.

16.1.3 Question C2: Total production value

ACPs registered on the basis of production in Australia of automotive components as original equipment with a production value of at least \$500,000 and comprising at least 50 per cent of the production value of all automotive components produced by the customer, AMTPs and ASPs must answer the questions at C2.

16.1.4 Question C2: Sales value

Under subregulation 1.5(1) of the *Automotive Transformation Scheme Regulations 2010*, *sales value* is the value of automotive goods or services produced or provided in Australia by an ATS participant. Please ensure that all sales values included in this field are net of all indirect taxes. The amount of sales reported should be for the specified quarter only.

16.2 P&E investment claims for the quarter

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part C3.1

If you undertook any P&E investment (excluding operating leases) this quarter, please enter the claimable value. Refer to section 11.2.1 of this Guideline for the method for determining the total claimable value excluding operating leases.

If you undertook any P&E investment through operating leases for this quarter, please enter the claimable value. Refer to section 11.2.2 of this Guideline for the method for determining the total claimable value of operating leases.

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.

16.3 Sale of P&E previously claimed

Hard Copy Form	Part Reference
<i>ATS Quarterly Return form</i>	Part C3.2 for P&E

Under regulation 1.27 of the *Automotive Transformation Scheme Regulations 2010*, allowable P&E that is sold by, or on behalf of, an ATS participant, is to be treated, for the purposes of the Scheme, with effect from the start of the quarter in which that sale took place, as if it had never occurred. As such, participants must declare in Quarterly Returns all sales of P&E that is sold within three years of being purchased; that is, during the *rolling average* period in which assistance is being paid on it.

Participants must declare the amount of investment that had been originally claimed, the quarter in which it was claimed and provide the amount of any other Commonwealth assistance that may have been paid in respect of that investment. AusIndustry will remove the claimable amount from the calculation of assistance.

A description of the P&E sold should be provided in a separate document to AusIndustry.

16.4 R&D investment claims for the quarter

Hard Copy Form	Part Reference
<i>ATS Quarterly Return</i> form	Part C4.1

If you undertook any R&D investment, excluding in contracted and overseas R&D, for this quarter, enter the claimable value. Please refer to section 12 and, in particular, subsection 12.2.1, of this Guideline for the method for determining the total claimable value of Australian based R&D (excluding contracted and offshore R&D).

If you undertook any R&D investment in Australian contracted R&D, for this quarter, enter the claimable value. Please refer to section 12 and, in particular, subsection 12.2.2, of this Guideline for the method for determining the total claimable value of contracted R&D.

Note: Claims for contracted R&D should take into consideration the requirement that investment must reflect values that represent transactions between parties at arm's length as discussed in subsection 8.1 of this Guideline

If you undertook any R&D investment in offshore R&D, for this quarter, enter the claimable value in this field. Please refer section 12 and, in particular, subsection 12.2.3, of this Guideline for the method for determining the total claimable value of offshore R&D.

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.

16.5 Sale of R&D previously claimed

Hard Copy Form	Part Reference
<i>ATS Quarterly Return</i> form	Part C4.2 for R&D

Under regulation 1.27 of the *Automotive Transformation Scheme Regulations 2010*, allowable R&D that is sold by, or on behalf of, an ATS participant is to be treated, for the purposes of the Scheme, with effect from the start of the quarter in which that sale took place, as if it had never occurred. As

such, participants must declare in Quarterly Returns all sales of allowable R&D that is sold within three years of being purchased; that is, during the *rolling average* period in which assistance is being paid on it.

Participants must declare the amount of investment that had been originally claimed, the quarter in which it was claimed and provide the amount of any other Commonwealth assistance that may have been paid in respect of that investment. AusIndustry will remove the claimable amount from the calculation of assistance. A description of the R&D sold should be provided in a separate document to AusIndustry.

16.6 Adjustments for ‘missed’ sales, production or investment for ACPs, AMTPs and ASPs

Hard Copy Form	Part Reference
<i>ATS Quarterly Return</i> form	Part C5 Part C5.1

Regulation 3.7 of the *Automotive Transformation Scheme Regulations 2010* allows an ACP, AMTP or ASP to include, in the Quarterly Return, investment undertaken in a previous quarter in the current ATS year that has not been claimed in a previous quarter. Further, sales or eligible start-up investment that was achieved or undertaken and not reported in a previous quarter in the current ATS year may be included in the Quarterly Return. That is:

In Q2 of the current ATS year	<p>an ACP, AMTP or ASP may claim allowable investment that was undertaken in Q1 of the current ATS year and was not claimed in Q1 of the current ATS year</p> <p>an ACP, AMTP or ASP may report sales or eligible start-up investment that was achieved or undertaken in Q1 of the current ATS year and was not reported in Q1 of the current ATS year</p>
In Q3 of the current ATS year	<p>an ACP, AMTP or ASP may claim allowable investment that was undertaken in Q1 or Q2 of the current ATS year and was not claimed in Q1 or Q2 of the current ATS year</p> <p>an ACP, AMTP or ASP may report sales or eligible start-up investment that was achieved or undertaken in Q1 or Q2 of the current ATS year and was not reported in Q1 or Q2 of the current ATS year</p>

In Q2 of the current ATS year	<p>an ACP, AMTP or ASP may claim allowable investment that was undertaken in Q1 of the current ATS year and was not claimed in Q1 of the current ATS year</p> <p>an ACP, AMTP or ASP may report sales or eligible start-up investment that was achieved or undertaken in Q1 of the current ATS year and was not reported in Q1 of the current ATS year</p>
In Q4 of the current ATS year	<p>an ACP, AMTP or ASP may claim allowable investment that was undertaken in Q1 or Q2 or Q3 of the current ATS year and was not claimed in Q1 or Q2 or Q3 of the current ATS year</p> <p>an ACP, AMTP or ASP may report sales or eligible start-up investment that was achieved or undertaken in Q1 or Q2 or Q3 of the current ATS year and was not reported in Q1 or Q2 or Q3 of the current ATS year</p>

ACPs, AMTPs and ASPs that claim allowable, sales achieved, P&E, R&D or eligible start-up investment undertaken in a previous quarter in the current ATS year must indicate the quarter in which it was achieved or undertaken and provide the amount of any other Commonwealth assistance that may have been paid in respect of that production or investment. AusIndustry will remove the claimable amount from the calculation of assistance.

In the cases of sales and eligible start-up investment that was achieved or incurred in the year prior to the year to which the Quarterly Return pertains, participants may contact their Customer Service Manager at AusIndustry and request that an appropriate adjustment is made. Supporting information may be requested by AusIndustry.

Please note that **only missed** sales and investment may be indicated in this question. If you have discovered that investment was OVERCLAIMED in a previous quarter, you must not deduct the over claimed amount in a current or future quarter. Please notify your Customer Service Manager if you need to reduce a previous claim.

16.7 Non-arms length transactions for ACPs, AMTPs and ASPs

Hard Copy Form	Part Reference
<i>ATS Quarterly Return</i> form	Part C6 for ACPs, AMTPs and ASPs

As indicated above in subsection 8.1 of this Guideline, amounts of sales value and investment must reflect values that represent transactions between parties at arm's length.

If the answer to this question is Yes the details must be provided in the text box in the form or as a separate document to AusIndustry.

17. Part D – Investment summary

All ATS participants are required to provide a summary of all P&E and R&D investment incurred in the quarter. The investment summary must correlate with claims made in this form against each of the types of investment. That is, for example, if the claimable value for R&D investment, excluding in contracted and overseas R&D, for a quarter is \$20,000, a list of relevant activities, projects and costs that add up to \$20,000 and with a relevant reference to your records for substantiation purposes must be provided.

The investment summary can be sent by email to ats@industry.gov.au or by post to

Automotive Section
AusIndustry
GPO Box 85
Melbourne VIC 3000

A hard copy may also be left during business hours at any [AusIndustry office](#).

18. Part E – Declaration

Please ensure that the signatory is authorised to sign and provide information on behalf of the principal entity and any group members (where relevant).

Please complete all details for the authorised signatory.

If the authorised signatory is not an employee of the customer please also complete questions E2.2 and E2.3. The person signing the application for registration must be able to respond on behalf of the principal applicant. If the signatory is an external entity, please indicate whether a letter of authorisation to act on behalf of the ATS participant has been provided to AusIndustry.

Attachment A - Fact Sheet: Extension of time to lodge a Quarterly Return

If an ATS participant is unable to lodge a Quarterly Return within 45 days after the end of a quarter, it may, in special circumstances, make a request to AusIndustry for an extension of time to lodge that Quarterly Return in accordance with subregulation 3.1(1) of the *Automotive Transformation Scheme Regulations 2010*.

A request for an extension of time must be made in writing and lodged prior to or within a reasonable time of the 45 day deadline in accordance with subregulation 3.1(1) of the *Automotive Transformation Scheme Regulations 2010*. The Regulations do not define the term 'special circumstances'.

AusIndustry will determine whether special circumstances exist on a case by case basis. AusIndustry is likely to accept that special circumstances exist in the circumstances described below.

Acceptable circumstances

AusIndustry may allow a longer period than 45 days to lodge a Quarterly Return if 'special circumstances' beyond the control of the customer are present.

'Special circumstances' include:

- extreme ill health/personal tragedy of the officer who prepares the ATS Quarterly Return for a customer;
- major disruption or damage to the relevant facilities of the customer or their representative that resulted in these facilities being disabled or evacuated for a prolonged period;
- hardware or software failure, data corruption or loss suffered by either a customer or AusIndustry;
- delivery delays, such as uncharacteristic postal delays outside a customer's control (eg. a postal strike); and
- an unforeseeable occurrence or a circumstance outside the control of the customer or its representative.

These circumstances are examples only and not exhaustive. Each request for an extension of time to lodge a Quarterly Return will be considered on its merits.

Requirements

A request for an extension of time to lodge a Quarterly Return must be in writing and should include:

- the name of the participant and the ATS Reference Number;
- the Quarterly Return period to which request for an extension relates;
- the reasons for the request and, preferably, documentary evidence in support of those reasons. (Documentary evidence may include but is not limited to receipts, dockets, email notifications, facsimile transmission reports and other records maintained by the customer or their representative.);
- the duration of the extension that is requested; and
- the name, position, and signature of the authorised contact person.

When may a request for an extension of time be made?

A request for an extension of time to lodge a Quarterly Return must be made prior to, or within a reasonable time, of the 45 day deadline.

If a request for an extension of time is approved, the duration of the extension will in most cases be no more than 30 days from the 45 day deadline.

Unsuccessful participants will be required to fulfil their obligations under the Regulations by completing the Quarterly Return within the 45 day period for lodging such returns. For this reason, requests for an extension of time to lodge a Quarterly Return should be made as early as possible within the 45 day period for lodgement.

Unacceptable Circumstances

AusIndustry will evaluate a request for an extension of time on the basis of its knowledge of the participant's management capabilities, past performances, and documentary evidence or any statutory declaration that may have been provided in support of the application.

AusIndustry will generally not consider that 'special circumstances' exist where:

- a customer or their representative has failed to prepare its Quarterly Return;
- a customer or their representative has prepared its quarterly return, but has failed to send it to AusIndustry within the 45 day deadline;
- there are routine delays in delivery;
- a participant or their representative posts an application less than four working days prior to the end of the 45 day deadline;
- the failure to lodge the Quarterly Return within the 45 day deadline is due to a participant's state of finances; or
- the failure to lodge the Quarterly Return within the 45 day deadline is due to advice given to a participant by their representative, agent or adviser.

These circumstances are examples only, and not exhaustive. Each request for an extension of time to lodge a Quarterly Return will be considered on its merits.

AusIndustry's response to a requests for an extension of time

AusIndustry will respond to all requests for an extension of time. AusIndustry's decision will contain the following information:

- the name of the participant, their *ATS* Reference Number and the date of the request;
- the approval or refusal of the requests and the reasons for it
- where the requests is approved, the period of the extension and in most cases a maximum of 30 days from the 45 day deadline
- where the requests is approved, a statement that no further extensions will be permitted beyond the approved extension date.

Reconsideration of a decision

The Regulations do not provide for the internal review of a decision refusing a request for an extension of time to lodge a quarterly return.

Attachment B - 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

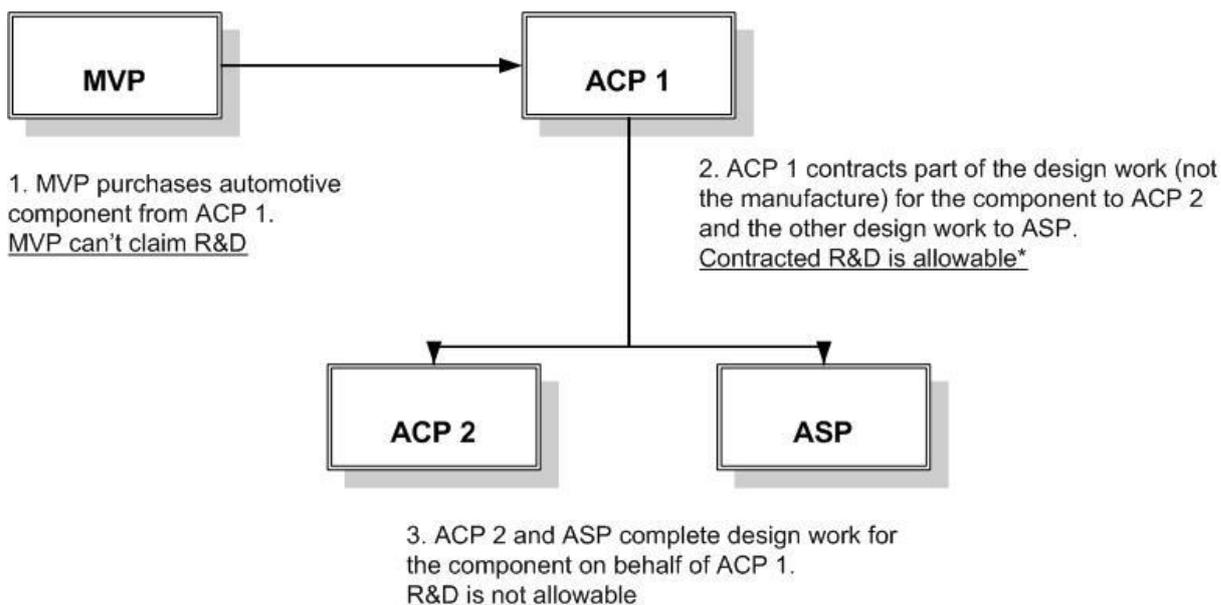
1. An MVP conducts R&D for its own purpose.
2. A supply chain firm is contracted by another party to undertake R&D activities which are not linked to the supply chain firm's ongoing business. This R&D is owned and controlled by, or in the future is expected to be owned and controlled by, the party which 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



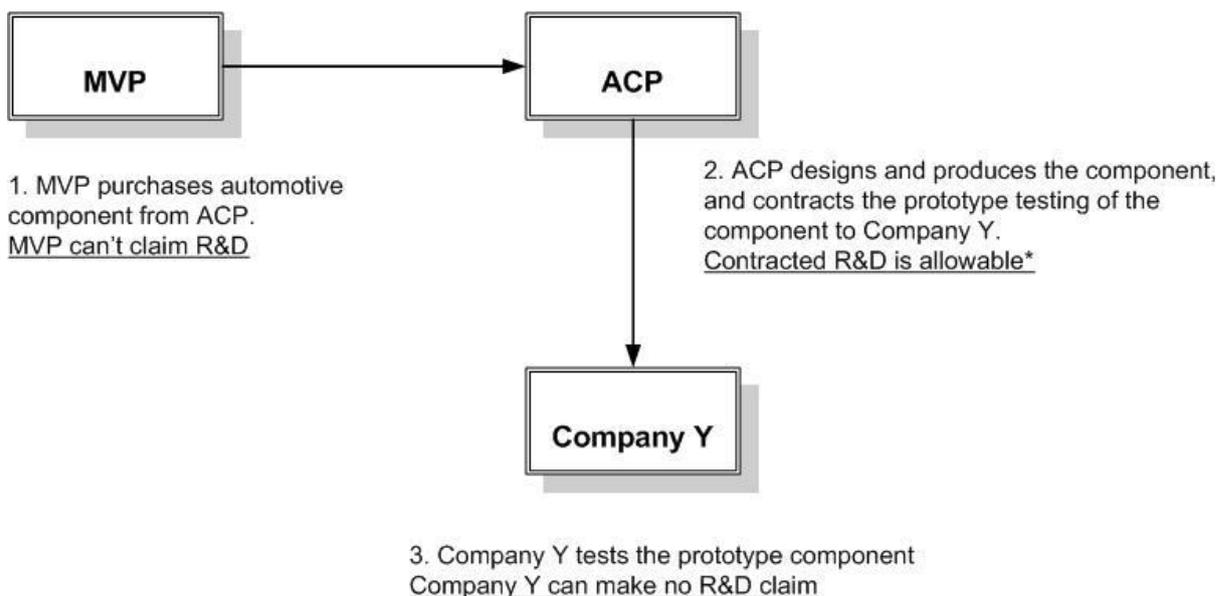
In this scenario an MVP purchases from ACP 1 an automotive component for fitment into its new model motor vehicle. The contract is worth \$1 million for 50,000 parts. The MVP can make no R&D claim in this scenario.

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:

- 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
- 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



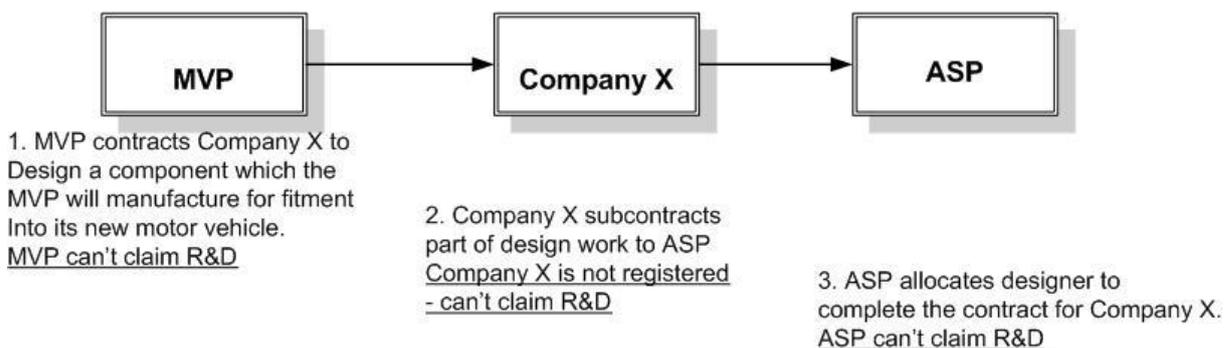
An MVP purchases from an ACP an automotive component for fitment into its new model motor vehicle. The contract is valued at \$600,000 for 60,000 parts. In this scenario, the MVP can make no R&D claim.

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:

- 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
- 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

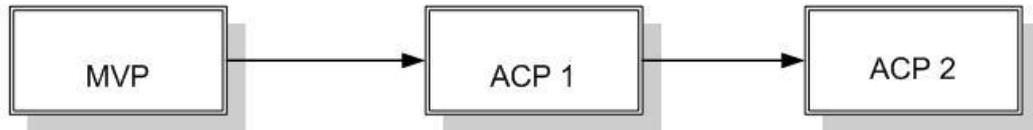


An MVP contracts Company X to design an automotive component which the MVP will manufacture for fitment into its new model motor vehicle. The contract is worth \$100,000. The MVP cannot claim R&D in this scenario. Although the MVP outsources the R&D, the R&D undertaken is for the MVP's own use and therefore 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 contact 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

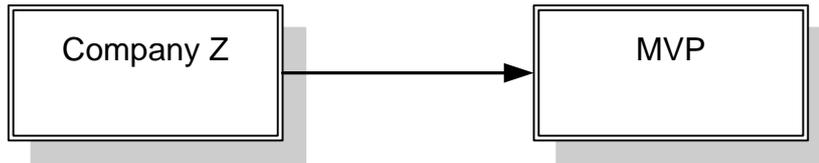
3. ACP2 contracts engineers to develop and test the component.
Contracted R&D is allowable

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 C - Substantiation guidelines for Quarterly Returns

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>Subregulation 1.5(1): Definition of sales value</p> <p>Subregulations 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>Subregulations 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</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) of the Automotive Transformation Scheme Regulations 2010: 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</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</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>
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Substantiation Requirements

(1) Books of account, invoices and other commercial documentation should be maintained, or created and maintained, in accordance with regulation 2.26 of the *Automotive Transformation Scheme Regulations 2010* 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:

- 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

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.

Where any relevant costs are not separately identified in the books of account, estimates may be

<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>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.</p> <p>(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.</p> <p>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.</p> <p>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 <i>Automotive Transformation Scheme Regulations 2010</i> (refer to regulations 1.28 to 1.33 of the <i>Automotive Transformation Scheme Regulations 2010</i>). 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 <i>Automotive Transformation Scheme Regulations 2010</i>).</p> <p>(3) Details of eligible start-up investment amount</p> <p>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.</p>	

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</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): 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): Amount of other Commonwealth assistance received by the ACP in relation to eligible investment</p> <p>3.5(c) and 3.12(c): Amount of other Commonwealth assistance received by the AMTP in relation to eligible investment</p> <p>3.6(c) and 3.12(c): Amount of other Commonwealth assistance received by the ASP in relation to eligible investment</p> <p>Reporting requirements (of the <i>Automotive Transformation Scheme Order 2010</i>)</p> <p>4.1 to 4.3: Amount of other Commonwealth assistance received by the MVP in relation to MVP production, and eligible investment</p> <p>4.1 to 4.3: Amount of other Commonwealth assistance received by the ACP in relation to eligible investment</p> <p>4.1 to 4.3: Amount of other Commonwealth assistance received by the AMTP in relation to eligible investment</p> <p>4.1 to 4.3: 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>4.1 to 4.3: Meaning and calculation of other Commonwealth Assistance</p>
<p>Substantiation Requirements</p> <p>(1) 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>	

Attachment D – Eight week study for apportioning allowable R&D labour costs

This attachment sets out the general principles only that apply to records that must be kept to substantiate expenditure on R&D labour costs that is claimed under ATS.

It may not be practicable for employees to maintain weekly time sheets over an entire ATS year to substantiate the apportionment of labour costs between eligible R&D and other activities. Participants may instead choose to implement a study over eight consecutive weeks by maintaining a log book over that period for all employees carrying out allowable R&D activities to record their time working on R&D activities and identifiable R&D projects.

Please note that the eight week study is only an acceptable method if the period is representative of the R&D being carried out over the following 18 months.

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.

What evidence needs to be provided of an eight week log book study?

The log book records for each employee must clearly show, for any given day, which eligible R&D projects were worked on, how many hours were spent on these projects, and identify the specific activities that were conducted. Generic project descriptions with no detailed descriptions of the R&D activities undertaken are not adequate to verify that the activities meet the requirements of allowable R&D in regulation 1.20 of the *ATS Regulations 2010*.

At the end of the eight week study the log book records must be analysed for each employee that participated in the study before the results are collated for all employees that participated in the study. A summary worksheet should be available that shows how R&D labour costs are to be calculated each quarter based on the proportion of time spent on allowable R&D activities, the actual hours worked during the period and hourly labour costs for each employee that participated in the study.

The detailed logbooks, and summary worksheets showing the calculations as the basis of apportioning labour costs comprised in the quarterly claim records, payroll details and books of account to substantiate the expenditure, must be retained in accordance with the participant's document retention obligations in regulation 2.26 of the *ATS Regulations 2010*.

Can materials or consumables be apportioned in a similar way to R&D labour costs?

No. Records must be kept to substantiate expenditure on materials used in undertaking allowable R&D activities including product trials and the construction of prototypes. Expenditure on materials claimed as allowable R&D must be able to be substantiated as for use identified R&D projects rather than in the production of goods and services.

How long can the results of the study be used for?

R&D labour cost estimates derived from an eight week study may be applied to all ATS claims made within 18 months of the completion of the eight week study. A new study must be undertaken 18 months after the previous study, and R&D labour cost estimates updated to form the basis for investment claims in the following 18 months.

Can a new log book study be carried out within 12 months?

If there are significant fluctuations in R&D activity at different times throughout the year, it is recommended that weekly timesheets are used by all employees involved in R&D activities to record actual activity throughout the year. If an eight week study was undertaken less than 12 months previously, and new supply arrangements mean that eligible R&D activities are about to substantially change, or major R&D projects are coming to an end, the ATS participant must seek advice from AusIndustry on the conditions under which estimates arising from a new log book study may replace a study that was undertaken less than 18 months ago.

There have been some changes in key R&D personnel. Is a new log book study required?

If a new engineer replaces an existing engineer and there is no change to the job description and R&D activities, then the apportionment of labour costs for the engineer that participated in the last eight week log study may be used for the engineer who has replaced him/her. However, if the new engineer is undertaking different work and the level of engagement in R&D activities has changed, then it is expected that the new engineer will use a weekly timesheet to record the amount of time worked on specific R&D projects and activities until such time that a new eight week log study is conducted by all employees engaged in allowable R&D activities.

If an engineer is brought in to the company to work on the premises as a contract employee, it is expected that the contract employee will use weekly timesheets which identify the hours worked daily on specific R&D projects and activities.

What happens if R&D personnel are on leave during part or all of the eight week study period?

If an eight week study is conducted by a participant over an eight week period and several personnel take leave during this time, then these personnel would keep weekly log books for the period that they are at work and record leave for the days that they are not at work during the eight consecutive weeks. The log book study must be conducted during the same eight weeks for all R&D personnel.

If an employee is on leave for the duration of the eight week period, it is suggested that the employee use a weekly timesheet on their return to work to record the amount of time worked on specific R&D projects and activities until such time that a new eight week study is conducted across the company.

Appendix 1: AusIndustry Locations

For more information, visit 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](#).