**Example One (A)**

**Biotech Company**

- less than $100 million R&D expenditure
- less than $2 million aggregated turnover
- tax liability position

**Income Year One**

- Company aggregated turnover in year one is $1.5 million
  - Less than $20 million aggregated turnover - Company entitled to a 43.5% refundable tax offset
  - Eligible R&D $2 million X 43.5% refundable tax offset = $870,000
  - Company entitled to refundable tax offset of $870,000

**Income Year Two**

- Assessable income $1.5 million
- Less total expenses $3 million
- Adjusted assessable income -$1.5 million
- Add back R&D expenses $2 million
- Taxable income $500,000
- Tax liability at 28.5% company tax rate* = $142,500

* The company tax rate may be different depending on individual circumstances

**Company Register R&D Activities Undertaken in Year One with AusIndustry**

**Company Lodges Income Tax Return for Year One**

**Company Benefit**

- Company’s refundable tax offset reduces tax liability to $0
- The remaining refundable tax offset $727,500 ($870,000 -$142,500) is paid to the company by the ATO
**Example One (B) - Refundable Tax Offset**

**Biotech Company**
- Less than $100 million R&D expenditure
- Less than $20 million aggregated turnover
- Tax liability position

### Income Year One
- Company undertakes R&D project

### Income Year Two
- Company registers R&D activities undertaken in Year One with AusIndustry
- Company lodges income tax return for Year One

**Company Benefit**
- Assessable income $5 million
- Less total expenses $14 million
- Adjusted assessable income -$9 million
- Add back R&D expenses $10 million
- Taxable income $1 million
- Tax liability at 30% nominal company tax rate = $300,000

**Company's refundable tax offset reduces tax liability to $0**
- The remaining refundable tax offset $4.05 million ($4.35M -$300,000) is paid to the company by the ATO

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**Company Turn Over in Year One is $5 million**

- Less than $20 million aggregated turnover - Company entitled to a 43.5% refundable tax offset
- Eligible R&D $10 million X 43.5% refundable tax offset = $4.35 million
- Company entitled to refundable tax offset of $4.35 million

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**$10 million R&D expenditure**

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**Refundable Tax Offset**
### Example Two

**Biotech Company**

- Less than $100 million R&D expenditure
- Less than $20 million aggregated turnover
- Tax loss position

#### Company Undertakes R&D Project

- **$10 million R&D expenditure**

#### Income Year One

- **Company Registers R&D Activities Undertaken in Year One with AusIndustry**

- **Company Lodges Income Tax Return for Year One**

#### Company Benefit

- **Company aggregated turnover in year one is $5 million**
  - Less than $20 million aggregated turnover - Company entitled to a 43.5% refundable tax offset
  - Eligible R&D $10 million x 43.5% refundable tax offset = $4.35 million
  - **Company entitled to refundable tax offset of $4.35 million**

<table>
<thead>
<tr>
<th>Assessable income</th>
<th>$5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less total expenses</td>
<td>$16 million</td>
</tr>
<tr>
<td>Adjusted assessable income</td>
<td>-$11 million</td>
</tr>
<tr>
<td>Add back R&amp;D expenses</td>
<td>$10 million</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$0</td>
</tr>
<tr>
<td>Tax liability at 30% nominal company tax rate</td>
<td>$0</td>
</tr>
</tbody>
</table>

- Company in **tax loss position**
- Company receives $4.35 million tax offset payment from ATO
**Example Three**

**Manufacturing Company**

- less than $100 million R&D expenditure
- more than $20 million aggregated turnover
- tax liability position

### Income Year One

- **Company undertakes R&D Project**

### Income Year Two

- **Company registers R&D activities undertaken in Year One with AusIndustry**

### Company Lodges Income Tax Return for Year One

- **Company benefit**

<table>
<thead>
<tr>
<th>Company aggregated turnover in year one is $50 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $20 million aggregated turnover - Company entitled to a 38.5% non-refundable tax offset</td>
</tr>
<tr>
<td>Eligible R&amp;D $10 million at 38.5% non-refundable tax offset = $3.85 million</td>
</tr>
<tr>
<td>Company entitled to non-refundable tax offset of $3.85 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assessable income</th>
<th>$50 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less total expenses</td>
<td>$40 million</td>
</tr>
<tr>
<td>Adjusted assessable income</td>
<td>$10 million</td>
</tr>
<tr>
<td>Add back R&amp;D expenses</td>
<td>$10 million</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$20 million</td>
</tr>
</tbody>
</table>

**Tax liability** at 30% nominal company tax rate = $6 million

**Company’s tax liability reduced to $2.15 million ($6M - $3.85M)**
Company aggregated turnover in year one is $50 million

More than $20 million aggregated turnover - Company entitled to a 38.5% non-refundable tax offset

Eligible R&D $10 million at 38.5%

Company entitled to non-refundable tax offset of $3.85 million

Company’s non-refundable tax offset reduces tax liability to $0

The remaining $850,000 ($3.85M - $3M) non-refundable tax offset is carried forward to future income years
Company aggregated turnover in year one is $50 million
More than $20 million aggregated turnover – Company entitled to a 38.5% non-refundable tax offset
Eligible R&D $10 million at 38.5% non-refundable tax offset = $3.85 million
Company entitled to non-refundable tax offset of $3.85 million

Assessable income $50 million
Less total expenses $70 million
Adjusted assessable income -$20 million
Add back R&D expenses $10 million
Taxable income $0
Tax liability at 30% nominal company tax rate = $0

Company in a tax loss position
$3.85 million non-refundable tax offset is carried forward to future income years
MINING COMPANY

- more than $100 million R&D expenditure
- more than $20 million aggregated turnover
- tax liability position

Income Year One

Company undertakes R&D project

Company aggregates turnover in one is $500 million

More than $20 million aggregated turnover - Company entitled to a 38.5% non-refundable tax offset

Eligible R&D up to $100 million at 38.5% non-refundable tax offset = $38.5 million

Remaining $20 million at 30% nominal company tax rate = $6 million

Company entitled to non-refundable tax offset of $44.5 million

Income Year Two

Company registers R&D activities undertaken in year one with AusIndustry

Company lodges income tax return for Year One

Company benefit

Assessable income $500 million
Less total expenses $520 million
Adjusted assessable income -$20 million
Add back R&D expenses $120 million
Taxable income $100 million

Tax liability at 30% nominal company tax rate = $30 million

Company's non-refundable tax offset reduces tax liability to $0

The remaining $14.5 million ($44.5M - $30M) non-refundable tax offset is carried forward to future income years

Non-refundable tax offset carried forward
# Example Six (B)

**Income Year One**
- Company undertakes R&D project
- Company aggregated turnover in year one is $500 million
  - More than $20 million aggregated turnover - Company entitled to a 38.5% non-refundable tax offset
  - Eligible R&D up to $100 million at 38.5% non-refundable tax offset = $38.5 million
  - Remaining $20 million at 30% nominal company tax rate = $6 million
  - Company entitled to non-refundable tax offset of $44.5 million

**Income Year Two**
- Company registers R&D activities undertaken in year one with AusIndustry
- Company lodges income tax return for year one

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessable income</td>
<td>$500 million</td>
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<tr>
<td>Less total expenses</td>
<td>$520 million</td>
</tr>
<tr>
<td>Adjusted assessable income</td>
<td>-$20 million</td>
</tr>
<tr>
<td>Add back R&amp;D expenses</td>
<td>$120 million</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$100 million</td>
</tr>
</tbody>
</table>

**Company Benefit**
- Tax liability at 30% nominal company tax rate = $30 million
- Company's non-refundable tax offset reduces tax liability to $0
- The remaining $14.5 million ($44.5M -$30M) non-refundable tax offset is carried forward to future income years

**Non-Refundable Tax Offset Carried Forward**

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**Biotech Company**
- More than $100 million R&D expenditure
- More than $20 million aggregated turnover
- Tax liability position