

Placing your R & D with Furntech-AFRDI can earn tax offsets

As a manufacturer, are you involved in trial and error product development and experimentation where there is an unknown outcome and a high degree of technical risk? Are you involved in prototype development? If you can answer yes, you should be talking to Furntech-AFRDI[^] to see whether we can help you in your commercial product development process, and save you money at the same time.

Furntech-AFRDI has recently gained status as a registered research agency* (RRA), and appropriate work carried out by us on behalf of other companies may now attract the Federal Government's research and development taxation rebate through AusIndustry of up to 125% of R&D costs. Visit www.ausindustry.gov.au for further details, and Taxation** at www.ato.gov.au/randd

Furntech-AFRDI tests and certifies a range of commercial and domestic furnishing products, and has facilities and the technical expertise for life-cycle and durability testing and certification.

Contracting Furntech-AFRDI to assist with your R&D work has a number of advantages:

- Furntech-AFRDI is a NATA certified testing laboratory, lending validity to your research
- there is **no minimum threshold spending required** to attract the R&D taxation rebate (however, if a company does its own research, the threshold is \$20,000), and therefore
- testing by Furntech-AFRDI is attractive to small developers who may not wish to invest in capital equipment for research and development of their product
- Furntech-AFRDI has the expertise in-house to develop test procedures

What kind of work is eligible for the tax concession?

Any item which is submitted for trial and error developmental or prototype testing **where there is an unknown outcome** or a high degree of technical risk (but not certification to an existing standard, nor routine testing and analysis of materials). The R&D Tax Concession is a broad-based, market driven tax concession which allows companies to deduct up to 125% of qualifying expenditure incurred on R&D activities when lodging their corporate tax return. A 175% Incremental (Premium) Tax Concession and R&D Tax Offset are also available in certain circumstances.

Who is eligible?

Eligibility is limited to registered companies – the concession is not available to family trusts or a person acting as a trustee for a trust.

[^]AFRDI (the Australasian Furnishing Research and Development Institute) is a not-for-profit non-government organisation which tests and certifies furniture, and develops standards, working in close co-operation with other peak standards authorities such as Standards Australia. Furntech is a trading name of AFRDI.

An **RRA is an organisation approved by Innovation Australia which is capable of performing contracted R&D.*

***While a tax deduction of up to 125% of expenditure incurred on R&D activities is available, there is also an R&D Incremental Tax Concession (with deductions of up to 175%) for those companies increasing their R&D expenditure and who have a three-year history of registering and claiming the 125% tax concession, or of receiving grants for R&D under the Industry Research and Development Board's R&D Start program.*

CASE STUDY: Using R & D Tax Concessions and Tradex to boost Australian business
(information supplied by AusIndustry)

The Australian Government seeks to assist business through offering incentives for such things as developing export sales and spending on research and development.

Davey is an Australian-owned company whose products are well known to farmers and fire fighters. Around a fifth of Davey products – or \$30 million worth – are exported to more than 60 countries. Traditionally the company manufactured agricultural and firefighting pumps, but water shortages have created a new market for water saving, water treatment, and energy efficient devices – in Australia and overseas.

As an exporter, Davey uses the Australian Government's Tradex scheme, which exempts the company from paying customs duty and GST on imported goods that are intended for export. Tradex provides financial relief to import/export businesses through an up-front exemption from customs duty and GST. The exemption is on imported goods which are to be exported or to be used as inputs to exports.

Davey also makes use of the **R&D Tax Concession**, which allows companies to deduct 125% of their research and development expenditure when lodging their tax returns. An Incremental (175% Premium) Tax Concession and an R&D Tax Offset are also available. Companies need to register their activities with AusIndustry each year to claim a concession. AusIndustry is the Australian Government's business program delivery division.

Davey regards research and development as its strongest form of competition.

With competitors in other countries producing generic copies with inferior reliability and features the company needs to be five or six years ahead of its competition in terms of new products.

For information on how Furntech-AFRDI can assist with your R & D program through its status as a Registered Research Agency (RRA) call (03) 6326 6155 or email info@furntech.org.au

Visit www.ausindustry.gov.au, call **13 28 46** or email hotline@ausindustry.gov.au for more information.