

Research & Development Tax Concession – Record Keeping

Companies that undertake research and development (R&D) and claim the R&D Tax Concession should maintain adequate records. A company needs to be able to show that they carried out the R&D activities that they have claimed for.

Two types of records should be maintained:

- Records that support expenditure claims
- Records that monitor the technical progress of the R&D

Tax legislation requires adequate expenditure records are kept. These records must be kept in writing, in English (or convertible to English). These records must be kept for a period of five years after they were prepared or obtained or after the completion of the transaction, whichever is the latter.

Companies are required to prepare R&D Plans for R&D activities undertaken after 30 June 2002. A deduction is not able to be claimed for activities unless they are included in an R&D Plan.

R&D Plan Requirements

R&D Plans must be prepared in two parts.

Part A is the R&D Plan authorisation and includes the following:

- A list of all of the R&D projects to be undertaken by the by the company
- A description of the strategic business objective and a brief description of how each R&D project supports the objective.
- Signed statement of approval for the plan from within the company

Part B includes an R&D Project Plan for each project listed in Part A. A Project Plan must include:

- The title of the project
- The date when the plan was prepared or last updated
- Background information, including the reasoning for undertaking the project and a description of how the project will enhance the commercial success of the company
- A statement of the technical objective or specific technical aim of the project
- Timelines or Gantt charts which cover major activities and milestones forming part of the project
- A statement of the resources allocated to the project, including budgeted funding for people, facilities and plant necessary for the project.

If the company undertaking the R&D is a small company (fewer than 20 employees) and immediately before the R&D Plan is approved some of the above has not be determined, you must put a statement to that effect in the Plan prior to approval. If any of the missing information becomes available after the Plan has approval, the company must include the information in the Plan as soon as practicable.

Part B may also include the name of the project manager, brief description of any preliminary work undertaken prior to commencement of the project and a description of the steps involved in commercialising the results of the project activities.

If you have any questions, or would like further information please contact Robyn Tyler at SRJ on (07) 3490 9988.