



# Manufacturing

R&D Tax Incentive  
Industry Info Guide





# A guide to R&D eligibility for Manufacturing industries.

Manufacturing in Australia is a rapidly expanding industry for both domestic and international consumers. As such an expansive and high-revenue sector, industry players are constantly looking for new ways to innovate their processes in order to stay competitive. This means that many companies within the manufacturing industry have been or plan to undertake activities that may classify as R&D eligible.

In order to assist manufacturers to access their eligible funds, this guide aims to inform and encourage operations managers to seek further guidance regarding R&D claims.



## Who this guide is for

This guide is intended to provide a general overview of R&D eligibility for companies in the manufacturing industry. Through defining key eligibility criteria, as well as outlining specific exclusions and common errors, we aim to facilitate a basic understanding of the Tax Incentive requirements.

## What this guide is not

This guide is not a manual explaining how to submit your registration application. It does not contain complete information regarding the requirements of the R&D Tax Incentive application and should not be your sole point of information should you choose to coordinate your application without professional assistance.

# What are eligible R&D activities?

Before applying to register for the R&D Tax Incentive, businesses are required to assess their eligibility. As stipulated by the ATO, eligible activities must fall under one of two categories: Core R&D Activities and Supporting R&D Activities.

## What are Core R&D Activities?

Core R&D Activities are defined as experimental activities:

“ (a) whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that:

- (i) is based on principles of established science; and
- (ii) proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions; and

(b) that are conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved materials, products, devices, processes or services). ”

### IN A NUTSHELL

Essentially, Core R&D Activities must apply a systematic approach to experimental activities without a known outcome. The experiment must be based on established science with the objective of generating new knowledge. New knowledge may include new or improved materials, products, devices, processes or services.

## What are Supporting R&D Activities?

Supporting R&D Activities are activities directly related to Core R&D Activities. They are not a part of the R&D experiment; however, they must directly support the experiment. Supporting R&D Activities can include things like wages, contractor fees, rent, utilities, equipment and apparatus.

## Eligible activities

To help determine whether your R&D activities might satisfy eligibility requirements, peruse the list below of possible eligible activities.

- ✓ Designing and developing new strategies for manufacturing production, particularly those that are safer, more effective or more efficient
- ✓ Improving traditional processes in a new and innovative manner
- ✓ Enhancing output through specialised equipment, processes or additives
- ✓ Developing new technologies to enhance manufacturing industry processes
- ✓ Implementation of automation to enhance productivity

## Excluded activities

To help determine which activities won't satisfy eligibility requirements, peruse the list below of excluded activities.

- ✓ Market related research, testing or development
- ✓ Management studies or efficiency surveys
- ✓ Testing and modification of existing production lines
- ✓ Development that doesn't relate to functionality
- ✓ Commercial, legal and administrative aspects of patenting, licensing or other activities
- ✓ Research funded by a third party



# Common application and claim errors

## AS PROVIDED BY GOVERNING BODIES

Through analysing a range of applications within the manufacturing industry, a number of common errors have been observed by the ATO and the Department of Industry, Innovation and Science. Some of these common errors include:

- ✓ No R&D activities are being conducted

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- ✓ The activities form part (or all) of the entity's ordinary business activities

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- ✓ The activities involve the application of established products and existing methodologies that a competent professional could have worked out the outcome without conducting an experiment

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- ✓ The activities address a commercial rather than a technical risk

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- ✓ The scale of R&D activities is disproportionate with the scale of any data collection, observation and evaluation

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- ✓ The method employed to apportion overhead expenses allocates an unreasonably large amount to R&D

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- ✓ It is uncertain whether the activities are being conducted by the company on its own behalf or for the entity carrying on the agricultural business

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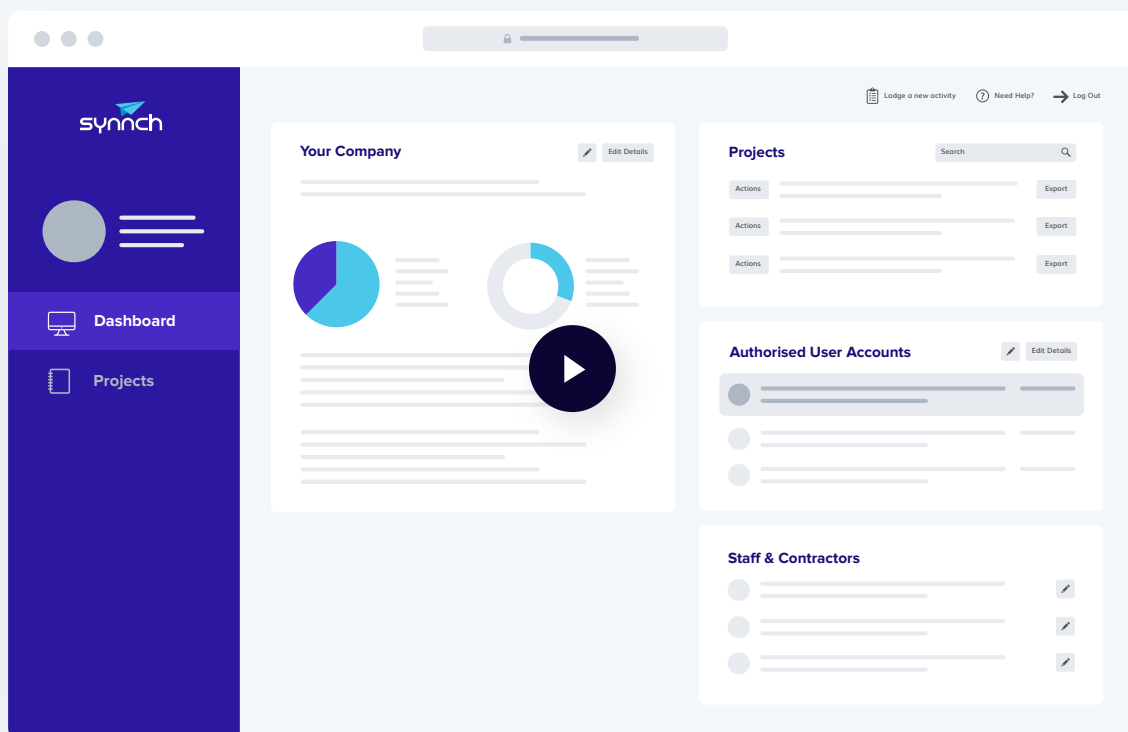
- ✓ It is uncertain whether amounts billed to related parties are paid

# Maximise your R&D Claim with Synnch

At Synnch, we empower our clients to manage their R&D expenditure to improve their productivity and maximise their R&D tax return.

With an innovative platform to help you record your activities and monitor budgets, weekly progress reminders and monthly check-ins with your dedicated Synnch expert, we ensure you're meeting ATO & AusIndustry compliance standards throughout the entire year.

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**We'd love to talk to you about how we can work with your R&D team to maximise your claim.**

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