R&D Tax Incentive

How to set your business up for success

At a Glance

- The New Zealand R&D tax incentive was introduced in 2019 and provides a 15% tax credit on eligible expenditure.
- Requires a minimum spend of $50K and is capped at $120m (limited exceptions apply).
- 10% of the claim can relate to expenditure where R&D is conducted overseas (subject to being required for a core activity that occurs in NZ).
- Cash refundability and in year payments available (subject to conditions).
- If you receive other government support for your R&D activities, all funding under the agreement including any co-funding required, will need to be backed out of the expenditure being claimed.

Who from your team should be involved

Deciding if there is an opportunity for your business to claim - STOP/GO

CTO / Project team leads - they will be able to identify what activities may be eligible and have an understanding of the resources used - staff, contractors, consumables etc.

CFO / Financial Controller - they will be able to estimate the spend and help determine whether expenditure can be accurately tracked against activities.

Stop/Go decisions can be achieved through an initial meeting with your PwC team. In larger organisations a workshop is often helpful where the R&D is occurring throughout various departments.

When decision made to claim

All staff who work on activities that you intend to claim under the RDTI should have training so they can correctly identify eligible core, supporting and ineligible activities. Their ongoing involvement with the claims process will be determined by the individual business requirements.

CTO/Project team leads - will generally be responsible for ensuring compliance requirements with regard to identification of activities, documenting activities and capture of staff time against approved activities meet the legislative requirements.

CFO / Financial Controller - will generally be responsible for extracting the expenditure details and ensuring that all eligible expenditure has been identified.

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How to make a claim

The below relates to claims made through the General Approval Process. Where you spend over $2m on eligible expenditure annually and you have multiple activities, accessing the RDTI through the Significant Performer regime may be more efficient. Talk to your PwC team if you think this applies to you.

1

First you need to get approval of your activities - General Approval

This is achieved by submitting a General Approval for each project you are undertaking and may be made up of one or more core and supporting activities. This part of the claim will require most input from your technical team.

The deadline to file for approval of your activities is the 7th day of the second month following your year end.

2

Next you claim your expenditure - Supplementary Return

The Supplementary return sets out the expenditure you are claiming against the activities you have received approval for. This part of the claim will require most input from the financial team.

The deadline to file your expenditure claim is 30 days after the due date to file your Income Tax Return but can be filed anytime after your year end.

Deadlines for balance dates (assumes tax agent extension of time)

General Approval				Supplementary Return
March 7 May	June 7 August	September 7 November	December 7 February	All balance dates 30 April

Compliance

Things to consider

- Where will records be kept and can you retrieve them when required
- What is your expected eligible expenditure? Should you consider the significant performer regime.
- How will the date, searcher and conducted searches be captured to satisfy the uncertainty test?
- How will you demonstrate when Core R&D starts and ends?
- How will you ensure that your finance and technical teams understand compliance requirements?
- Are you clear on compliance timelines?
- How will staff time be captured? Timesheets? Project Meeting Minutes?
- How will expenses be correctly apportioned? Will you need to consider more than one?
- Do you know to get in touch with your PwC team if you have any queries no matter where on the journey you are?

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Four Tests of Eligibility

What you will need to be able to demonstrate for a successful claim

1 Entity

To be an eligible entity you must carry on business in New Zealand through a fixed establishment and will perform a core R&D activity in New Zealand or engage an R&D contractor to perform the activity in NZ (this assumes all compliance requirements are met also).

Exclusions apply if

- You are a R&D Contractor
- A Crown Research institute
- A district health board
- A tertiary education organisation.

2 R&D Activity

To be a Core Activity

it must occur in NZ and:

- Be conducted using systematic approach
- Have a material purpose of creating new knowledge or new or improved processes, services or goods
- Have a material purpose of resolving scientific or technological uncertainty.

An activity is excluded if the knowledge required to resolve the uncertainty is:

- Publicly available; or
- Deducible by a competent professional in the relevant scientific or technological field.

3 R&D Expenditure

Salary, wages and other amounts paid to employees who carry out the R&D activity.

Depreciation on assets used for the R&D activity.

Expenditure or loss on acquiring goods and services used in performing R&D, Foreign expenditure capped at 10% of total spend.

Must not appear on schedule of excluded expenditure.

4 Compliance

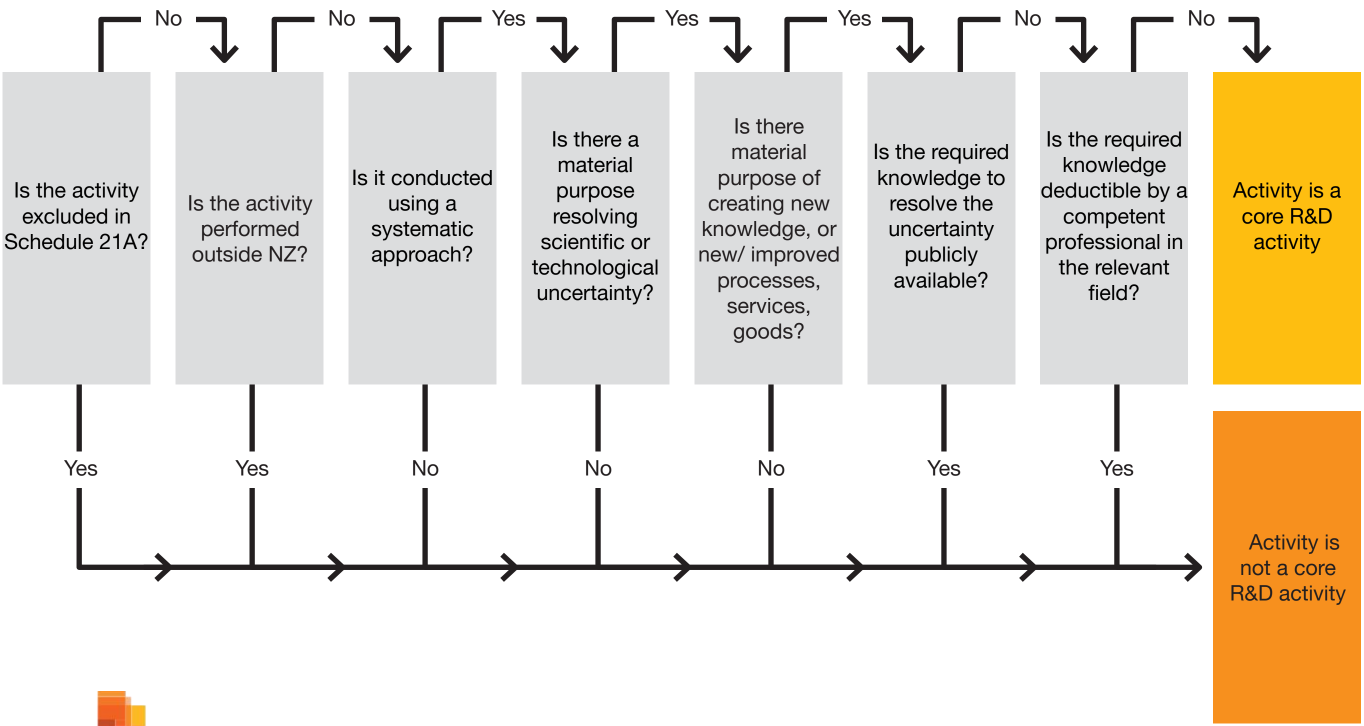
Documents to support claim must be created on contemporaneous basis.

Supplementary return must be filed within 30 days of your Income Tax return due date.

Income Tax return must be filed no later than 12 months after due date.

Identifying Core R&D Activity

Flowchart to support you identify eligible R&D Core Activity, Supporting Activity and Ineligible Activities.



Contact

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