



Is your business eligible for R & D concessions? AusIndustry have many grants and programs for SME's. Go to www.ausindustry.gov.au. FBT is a complex area and this month's article makes it simpler, but if you have any questions please contact us. The Relay for Life event was a great success for the MA team. We are very proud to support it for the past 10 years.

Cheers Michelle and Richard



How to get paid to innovate

Small businesses often need to innovate to survive. Despite this, the level of research and development (R&D) claims by the small business community is minuscule. While small business employs about half of the workforce, it only represents just over 10% of all R&D claimed.

But many SMEs complete research and development work in their business without recognising that this is what they are doing. If your business is undertaking R&D work, then it could be eligible for additional tax concessions or even a cash refund from the Government.

What is R & D?

However, where a business seeks out innovation, is testing and trialling processes, and where there is an inherent risk that the test might fail, then it is likely the work being carried out is R&D. It's all about developing new products or product variations that can be commercialised to add value to your business. Testing might be carried out in your factory, office, or warehouse. You don't need a research laboratory and a science degree to qualify.

There is a government incentive program for R&D work carried out by business. This is administered through AusIndustry but the claim is made through the tax return. The application to AusIndustry must be made by no later than 10 months after the end of the financial year.

The two main concessions currently are:

125% R&D Tax Concession - This is a general concession allowing eligible companies to deduct 125% of eligible R&D expenditure incurred on eligible Australian-owned R&D activities in the annual tax returns. The basic eligibility requirements must be satisfied to access this tax concession. *(continued over page..)*



FBT: things you should know

The FBT year runs from 1 April to 31 March. FBT is one of those areas that many employers struggle

with; not because the tax is complex but because of the level of detail required to fulfil your obligations.

Reportable superannuation contributions need to be disclosed on employee payment summaries. The need to report superannuation contributions has been in place since 2010 but it is clear that employers are making mistakes.

Broadly, contributions made by an employer will be captured by these disclosure rules if the employee has had the ability to influence the amount of a super contribution or the manner in which it is contributed. The following are examples of situations in which employers would be required to disclose the contributions on payment summaries:

- Contributions made under an effective salary sacrifice arrangement in excess of the 9% super guarantee amount;
- Contributions in excess of the 9% super guarantee amount that are made in accordance with an employment contract or agreement;
- Contributions that exceed the 9% super guarantee amount and are made to family members who are employed by a family-owned business.

It is important to note that the \$2,000 threshold that normally applies to reporting fringe benefits on payment summaries does not apply to reportable super contributions. *(continued over the page..)*



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How to get paid to innovate *continued...*

R&D Tax Offset - This tax offset allows small companies in a tax loss to cash-out their tax concession entitlements. The tax offset is paid at the rate of 30 cents for each dollar of deduction that would have otherwise been claimable. For early stage companies (or where you are in a tax loss position), this can be a valuable boost to cash flow. The company can cash-out the tax losses that have been incurred in your R&D work.

To be eligible for the R&D tax concession, all requirements must be met. It is important that the eligibility for a specific claim is assessed. The basic requirements to be satisfied to access the R&D tax concessions are:

- The entity must be a company incorporated in Australia, not acting in the capacity as a trustee.
- The activities must qualify as R&D activities. R&D activities are activities which are either 'systematic, investigative and experimental activities involving innovation or high levels of technical risk' (SIE activities), or activities which are directly related to carrying on the SME activities.
- A R&D plan and adequate R&D records are maintained.
- A minimum of \$20,000 R&D expenditure was incurred unless the R&D is contracted to an approved Registered Research Agency.

There are some additional requirements for claiming the tax offset and premium.

You are likely to need advice in this area and assistance to prepare your claim. Like most other tax areas, you self-assess your R&D claim but need to be able to substantiate it if it is queried or subject to audit. Where your business is undertaking R&D activities you should take advantage of these additional assistance programs as they will help defray some of your costs and provide a cash flow boost. You lose nothing by asking us to check your likely eligibility – but do it before 30 April!

If you would like help with any the concessions please speak with us today.

FBT: things you should know



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Even though the employee will not be taxed on the amounts reported, they will be taken into account in determining entitlement to certain tax and Centrelink benefits as well as liability for certain tax liabilities such as Medicare levy surcharge.

Here are some key questions you should ask yourself:

- Do you make vehicles owned by the business available to employees for their personal use?
- Do you provide loans at reduced interest rates to employees?
- Have you released an employee from a debt they owed?
- Have you paid for, or reimbursed, an expense incurred by an employee?
- Do you provide a house or unit of accommodation to your employees?
- Do you provide employees allowances for living away from home?
- Do you provide entertainment - food, drink or a form of recreation to your employees?
- Do any of your employees have a salary package arrangement in place?
- Have you provided your employees with goods at a lower price than they are normally sold to the public?

Answer 'yes' to any of these and you are likely to be caught by FBT. *Please discuss with us your FBT issues.*



Did you know?

We have over 14 articles on Superannuation and retirement in the Article section on our webpage. Most are written by MA partner Michelle Gargar who has extensive experience in helping clients set up Self Managed Super Funds and manage them effectively.



Relay for Life April 2011 our 10th year

A collage of photos from the Relay for Life weekend which all the MA team and their families participated in by walking, camping over, selling raffle tickets and dressing up as nerdy accountants to help spread the word that MA are 'Accounting on a Cure'.



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