

RESEARCH + DEVELOPMENT TAX INCENTIVE

Is RDTI right for your business?

The RDTI offers a 15% tax credit on eligible R&D expenditure. You can use this to reduce the amount of income tax you pay. In some circumstances, your tax credit can be refunded to you.

The RDTI is about encouraging R&D that pushes beyond existing scientific and technological barriers and does this in a way that is systematic and with a specific goal in mind.

What work is covered by RDTI?

There are two types of eligible activities: Core R&D and Supporting R&D

CORE R&D ACTIVITIES



Seek to resolve scientific or technological uncertainty



Follow a systematic approach



Seek to create new knowledge, or new or improved processes, services or goods

Core R&D Activity could include

- In digital technology, the development of new algorithms for predictive modelling, or new functionality in firmware
- In primary production, the development of new cultivars, or harvesting technologies
- In food and beverage, going above the existing knowledge base to develop new products or recipes
- In manufacturing, going above the existing knowledge base to develop new products or processes

SUPPORTING R&D ACTIVITIES

Supporting R&D Activities are activities not meeting the definition of a Core R&D Activity but:



Support Core R&D Activity as their only or main purpose, and



Are required for and integral to the Core R&D Activity

Supporting R&D Activity could include

- Literature searches for existing solutions
- Project management of R&D activities
- Bug testing newly developed software
- Developing equipment for testing or analysis
- Dismantling testing equipment or prototypes and/or managing waste materials

ELIGIBLE R&D EXPENDITURE

The types of expenditure you can claim under RDTI are as follows:

**Salary & wages
(R&D related)**

**Contractor
costs
(R&D related)**

**Direct costs
(materials /
consumables)**

**Indirect costs
(R&D related
overheads)**

**Depreciation
(R&D assets)**

How to claim for the RDTI

1 REGISTER (VIA myIR)

Confirm that your business is eligible. Key aspects of eligibility include that you carry on a business in NZ through a fixed establishment, and that you own, or can freely use, the results of your R&D activity

2 APPLY (VIA myIR)

Confirm that your R&D is eligible by submitting a **General Approval (GA) application** by the due date

3 KEEP RECORDS

Track your eligible expenditure on eligible R&D activities, and your R&D project and supporting information

4 CLAIM (VIA myIR)

Tell Inland Revenue what your expenditure was by filing an **RDTI Supplementary Return (SR)** by the due date

GENERAL APPROVAL (GA)

- Most businesses apply for the RDTI using a GA application. The application shows how your R&D project meets the RDTI eligibility criteria.
- If you are doing more than one R&D project, you can submit multiple GA applications.
- A GA can cover one or more core R&D activities and any associated supporting R&D activities for a 3 year period. There is lots of flexibility - many businesses prefer to do their RDTI applications on a yearly basis, and that's fine too.
- Remember, the RDTI is not dependent on you being successful in your R&D. It is enough that you are trying to solve those hard technological or scientific problems facing your business.
- Applying as Significant Performer is an alternative option to a GA for businesses spending over \$2 million a year on R&D. It's better suited to those with robust R&D systems and multiple projects.

Our team of experts provide free tailored support.

Get in touch to find out more about our services.
Email: RDTIhelp@mbie.govt.nz

rdti.govt.nz

