

BusinessPlus+ Newsletter



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Export Market Development Grant Applications Now Open!

Are you exporting or proposing to export goods and services to other countries excluding Russia, Belarus and New Zealand?

If your businesses turnover is under \$20,000,000 you could be eligible to apply for an Export Market Development Grant.

Grant applications for the second year of the new format of Export Market Development Grants is now open and closes on **Wednesday, 17 August 2022**.

Grant applications in respect of 2022/23 could cover expenditure that you anticipate incurring relating to:

- ✚ Short trips to a foreign country to undertake market research.
- ✚ Engaging a consultant to undertake this research or promotional activities for your business.
- ✚ Short trips within Australia relating to export activities.
- ✚ Foreign buyer visits that you are committed to pay their costs.
- ✚ Costs for soliciting for businesses in a foreign country.
- ✚ Costs of providing and delivering free samples of your products to overseas residents.
- ✚ Providing promotional and advertising material.
- ✚ Maintaining a representative in a foreign country.
- ✚ Export readiness training.



The new format of the grant process is that applications are submitted in advance (by 17 August 2022), these applications will be assessed by Austrade who will then contact successful applicants to finalise a “Grant Funding Agreement”.

If you would like assistance on the preparation of the Grant Application Form please do not hesitate to contact the accountant in our organisation who you normally deal with.

Export Market Development Grant – Agreement Responsibilities

If your business was approved for an Export Market Development Grant during 2021/22 you will probably have received the Commonwealth Grant Agreement for your business. There are different Grant Agreements for each of the three (3) tiers that comprise the Export Market Development Grant.

The Grant Agreement sets out the amount of funding that the Australian Trade and Investment Commission trading as Austrade has agreed to provide to your business.

It is a condition of the grant that the recipient agrees to pay a matching amount to what the financial support being made available by the government.

The Agreement sets out the activity commencement date and the activity completion date which in respect of Tier 1 applications appears to be around (2) years.

The period of the Grant Agreement could vary for Tiers 2 and 3.

The Agreement provides reporting requirements for the recipient to submit and the due date for those reports to be submitted are specified in the Agreement.

In the “Milestone report” you have to state the amount of expenditure that the business has expended on the activities covered by the Agreement and you have to supply an invoice that your business has received for the “largest expenditure item relating to the claim amount covered by this report”.

The business is required to maintain appropriate records relating to expenditure that Austrade are reimbursing 50% of the cost of.

Austrade may request an auditor to conduct an audit and submit a separate report.

If you have any questions relative to the reporting obligations to Austrade or you require assistance on the preparation of the report please do not hesitate to contact us.

Early Stage Innovation Company New Investor Report

A reminder that if your company via self-assessment or a written document from the Australian Taxation Office that your company qualified as an Early Stage Innovation Company that the company is required to lodge a “Early-Stage Innovation Company Report” summarising the names and addresses and shares allocated to new shareholders during the year ended 30 June 2022 by **31 July 2022**.

If you require assistance in the preparation of this form please do not hesitate to contact the accountant you normally deal with.

Want To Know About Incentives For Investors?

A few years ago the Australian Government created the Early-Stage Innovation Company legislation as the government was aware that young Australian businesses were having trouble in attracting funding.

For companies that had developed new innovations the government introduced a unique concept – for investors who invested in eligible Early Stage Innovation Companies there will be an immediate tax offset created based on the amount of money invested in the company as well as an exemption from Capital Gains Tax when the investor sells those shares if the sale is made longer than twelve months and less than ten years after the shares were allocated to the investor.

The ability to earn this incentive appears to be a “well-kept secret”.

The tax offset is calculated on the initial investment. For an investor who is classified as a “sophisticated investor” the tax offset is calculated at 20% of the investment with a maximum offset of \$200,000. However, there is no maximum investment limit for a “sophisticated investor”.







Retail investors can obtain a tax offset calculated 20% of their investment with a maximum tax offset of \$10,000. (The maximum investment that a retail investor can make in an Early Stage Innovation Company is \$50,000).

If you are interested in gaining a more detailed understanding of how Early Stage Innovation Company investors can benefit from their investment in a qualifying company please do not hesitate to contact the accountant in our organisation who you deal with.

Reminder – Reportable Payment Reports Lodgement is Due in August

Reports are required to be submitted to the Australian Taxation Office by **28 August 2022**

The industries that are required to lodge these reports are:

-  Building and construction industries
-  Couriers services
-  Cleaning services
-  Information technology
-  Road freight
-  Security, investigation and surveillance services

If you would like assistance in the preparation of these reports please do not hesitate to contact us.



Minimum Wage Increase

(This article is based on a newsletter from Employsure)

Each year the Fair Work Commission reviews award minimum wages and sets the “National Minimum Wage” for award free employees (employees not covered by an award or an Enterprise Agreement) in a decision that is called the “National Minimum Wage Order”.

This year the “National Minimum Wage Increase of 5.2%” will take place from the start of the first full pay period on or after 1 July 2022 for “award free employees”.





The "Award Minimum Rate" will increase by 4.6% or \$40 extra per 38 hour week (whichever is higher) across all awards. The new award minimum will come into effect across two periods: 1 July, and 1 October.

You will need to check the commencement date for the awards that apply to your team members.

This increase can also affect other payments such as penalty rates, over time and allowances.

"The large increase to minimum wage has left business operators with increasing anxiety and pressure to cut costs".

Employsure has reported that *"from their recent survey, respondents told them that they plan to mitigate rising costs as a result of the minimum wage increase by:*

-  Passing costs onto customers – 75.82%
-  Reducing headcount – 44.23%
-  Absorbing costs – 28.02%
-  Considering closing the business – 18.68%

If you would like to discuss strategy relative to the ongoing operations of your business, please do not hesitate to discuss these issues with the accountant in our organisation who you normally deal with.

Setting Up A Research and Development System

The Research and Development Tax Offset System that is offered by the Australian Government is only available to companies.

Whilst the tax offset varies based on the annual turnover of a company the system recording requirements are basically the same for SMEs as they are for very large corporations.

The turnover border is \$20,000,000.

- For companies with turnover less than \$20,000,000 the refundable research and development tax offset is calculated at the company's applicable taxation rate percentage plus the research and development premium of 18.5%. This means that for most SME companies with turnovers under \$20,000,000 the research and development tax offset is 43.5% of "eligible research and development expenditure".

Companies in this category that are trading at a loss are able to elect to receive a cash payment of up to the calculated research and development tax offset amount if that calculated amount is the same or larger than the trading loss for the company.

Companies receiving the cash payment of the research and development tax offset amount will have that amount deducted from the company's carry forward losses for income tax purposes.

- For companies with annual turnover in excess of \$20,000,000 the non-refundable research and development tax offset is the company's corporate tax rate plus an incremental premium.

The premium increments are based on the company's "research and development intensity". The intensity is a percentage of the company's eligible research and development expenditure as a proportion of the company's total expenditure for the year.

All eligible research and development expenditure up to 2% of research and development intensity will receive a non-refundable research and development tax offset equal to the company's corporate tax rate +8.5% premium.

All eligible research and development expenditure above the 2% research and development intensity will receive a non-refundable research and development tax offset of the company's corporate tax rate +16.5% premium.

- Research and development system recording requirements:
 - There are two components of the eligible research and development expenditure:
 - ❖ Core research and development activities
 - ❖ Supporting research and development activities (i.e. to support core research and development activities)
- Core research and development activities are "experimental activities". There must be a "core research and development process" in every research and development tax offset claim.

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:

- is based on principles of established science; and
- proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions; and
- 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 determining eligibility of “core research and development activities” companies need to consider the following questions:
 - Was an experiment (or set of related experiments) carried out?
 - Could the outcome of the experiment be known or determined in advance?
 - Did the experimental activities employ the scientific method of conducting research?
- A company would start this process to determine “New Knowledge”

Normally someone would have had an idea – this could be a manager or could be a junior or senior team member.

Following discussion an agreement would have been reached with management for a “project” to be commenced.

It is very important that full documentation is maintained recording:

- What was the idea?
- What is the project?
- Who were the team that explored this project?
- What was the result of preliminary investigations?
- Does it appear that no one else in the world has undertaken this type of research?

If that is the case, the team then needs to document the research that they took to reach the conclusion that no one else in the world has undertaken and published this type of research because the Australian Taxation Office will not accept the research and development claim unless the company is able to subsequently prove if called upon to do so that the activity which is known as “prior art search/literature search” was undertaken and that appropriate records have been maintained of the results of that research.

- The team can then identify what the “core activities” are going to be for the project.
- The team can also identify what is the “new knowledge” intended to be produced.
- This will require the identification of the “hypothesis or hypotheses” to be undertaken.
- It is also a requirement that the company’s team members should contact other “experts” for their input as to whether another organisation has already undertaken this type of research and published the results somewhere in the world.
- It is then a good idea to produce a “Research and Development Plan” which highlights the approach that will be taken to this task. However, this is not a requirement for a company with a turnover under \$20,000,000 but we strongly recommend that a Research and Development Plan is produced.
- A Research and Development Budget should then be prepared which will highlight the cost of the team to be involved in the project, details of any external people to be hired to assist and the estimated cost of material supplies and the cost of hiring specialised equipment for undertaking the research activities.
- The Research and Development Plan and the Budget should then be submitted to the company’s Board of Directors for review and approval for the company’s team to undertake the research and development project.
- This is the first stage of the “research and development system requirements” if the company is going to be able to claim the research and development expenditure that is incurred as part of the research and development tax offset.

Another very important point, it does not matter whether the research activity was successful or not for the company to be able to claim the research and development tax offset. What is required to claim the research and development tax offset is that the research and development process has been undertaken in a systematic manner similar to what is summarised above as being the first part of the “creation of new knowledge”.

Next month we will continue with the research and development journey by considering “Getting Ready”.

If you are contemplating conducting a research and development activity within your company, please do not hesitate to have a discussion with us relative to the establishment of an appropriate system to ensure that your company will be able to claim the research and development tax offset.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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