TD 94/D21 - Income tax: does 'expenditure on research and development activities' include expenditure on core technology?

This cover sheet is provided for information only. It does not form part of *TD 94/D21 - Income tax: does 'expenditure on research and development activities' include expenditure on core technology?*

This document has been finalised by TD 98/1.

Australian Taxation Office

Taxation Determination TD 94/D21

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: does 'expenditure on research and development activities' include expenditure on core technology?

1. Yes. Any amounts an eligible company receives as a result of having incurred expenditure on core technology for which a deduction is allowable under section 73B may constitute assessable income of the company under subsection 73B(27A). If the amount received can be categorised as a non-assessable grant or recoupment, deductions allowable under section 73B, as affected by sections 73C, 73CA and 73CB, for the year of income in which the amount was received (and, if necessary, earlier years of income) would be reduced (under section 73D) by the amount received.

2. It has been claimed that expenditure on research and development activities does not include core technology expenditure on the basis that core technology expenditure is expressly excluded from the definition of 'research and development expenditure' in subsection 73B(1).

3. 'Research and development' expenditure is defined for the purposes of subsection 73B(14) which provides a deduction of up to 150% where such expenditure exceeds $20000. Core technology expenditure is expressly excluded from that definition because the deduction for this expenditure is limited to 100% under subsection 73B(12).

Commissioner of Taxation
3/3/94

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