



# Research & Development Tax Incentive (RDTI)

Deciding if the RDTI is right for you  
and your business

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# Introducing the Research and Development Tax Incentive (RDTI)

**The Research and Development Tax Incentive (RDTI) is designed to drive New Zealand business innovation, building a stronger, more productive economy for all New Zealanders.**

By lowering the business cost of R&D it incentivises firms to do more, and encourages others to start. With the RDTI now in place, it allows a 15% tax credit on eligible expenditure. This guide will help you understand the framework around eligible R&D and what you can claim.

## Navigating the R&D ecosystem

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**The RDTI is part of an ecosystem of products designed to support your R&D activity. It's worth being aware that while many of these can be claimed alongside the RDTI, some may restrict you from claiming certain expenditure, or even altogether.**

Callaghan Innovation offers a range of grants to fund various project development stages and enhance your R&D capability. Our grants include the Project Grant, Student Grant, and Getting Started Grant.

Incubators and accelerators can also help you access funding, business networks, and expertise for growth.

NZTE offers a capability vouchers scheme to offset the costs of approved training (up to \$5,000) and a low-fee business mentor service for access to expert knowledge and guidance. Additionally, investment funds such as the Seed Co-investment Fund and the New Zealand Venture Fund (NZVIF) can provide extra capital to start-up and early stage businesses.

## CALLAGHAN INNOVATION GROWTH GRANT

The RDTI takes the place of the Callaghan Innovation Growth Grant as the Government's major form of R&D funding support for businesses. The Growth Grant has been retired in the 2020/21 income year. Different eligibility criteria apply for the RDTI.

You can't claim the RDTI if you receive or are associated with an entity already receiving a Growth Grant<sup>1</sup>.

## OTHER GOVERNMENT GRANTS AND INCENTIVES

You may be able to claim the RDTI if you receive other government or local authority grants. However, you can't claim against the expenditure they fund. Expenditure paid for by co-funding, where you or a third party contributes funds as a condition of obtaining a grant, is also ineligible.

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1. A limited exception exists in the 2021 income year for late balance date taxpayers—check page 24 of the detailed [RDTI guide](#) (on Inland Revenue's website) for more information.

## R&D LOSS TAX CREDIT

Some companies can offset their R&D costs via the R&D loss tax credit scheme (up to \$476,000). The RDTI can also be claimed in conjunction with the existing R&D loss tax credit. These products complement, but don't impact on, each other.

## R&D TAX DEDUCTIBILITY

Expenditure that is eligible for the RDTI may also be deductible under the existing tax rules. Claiming the incentive does not affect your ability to deduct R&D expenses under the tax deductibility rules and vice versa.

## Is the RDTI right for me?

If your business is using a systematic approach with an aim to both resolve scientific or technological uncertainty and create new knowledge or things, the RDTI may be right for you.

## What do I get?

The RDTI offers most New Zealand-based businesses a 15% tax credit on money spent on R&D in New Zealand. You can use the credit to reduce your income tax bill. It is generally available to businesses who spend more than \$50,000 on eligible R&D in a given year, but if you spend less than \$50,000 you might be eligible if you use [an approved research provider](#) for your R&D. You can be eligible whether your businesses is in profit or loss. Special rules apply to allow you to include some overseas R&D in your claim if you meet certain criteria.



During the first year of the scheme (2019/2020), the RDTI is refundable to qualifying businesses currently in tax loss, or without enough income tax payable to use up all their tax credits. This can help smaller businesses with cashflow challenges. Businesses can choose between two different sets of refundability rules for Year 1 (up to a cap based on labour-related taxes (the broader refundability rules), or up to a maximum limit of \$255,000 (the limited refundability rules)). Note that only the broader refundability rules are available for Year 2 (2020/2021) and for future years.

Read the [RDTI Refundability fact sheet](#) for further details.

## Entity eligibility

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You're eligible to apply for the RDTI if you:

- perform a core R&D activity in New Zealand yourself or through an R&D contractor in New Zealand, and
- conduct business through a fixed establishment in New Zealand. A fixed establishment is a fixed place of business in which you carry on substantial business, like a shop, factory or workshop. You are likely to have a fixed establishment in New Zealand if you're doing core R&D yourself in New Zealand (rather than through a contractor).

The RDTI is intended to reward businesses investing in R&D, so it excludes R&D contractors whose business is doing R&D for others. Find more information on page 27 of the [detailed RDTI guide](#).

To be eligible to claim:

- you must own the results of your R&D, or
- another company in your corporate group must own the results of the R&D and must also be tax resident of New Zealand or a jurisdiction with which New Zealand has a double tax agreement, or
- your joint venture or partnership (if you are in one) must own the results of the R&D.

Partnerships, look-through companies and joint ventures are eligible for the incentive if they meet certain conditions. Refer to page 29 of the [detailed RDTI guide](#) for more information.

## INELIGIBLE ENTITIES

You cannot claim the RDTI if you:

- receive—or are directly or indirectly controlled by, or associated with—a person receiving a Callaghan Innovation Growth Grant for the same income year,
- are a Crown Research Institute, district health board or tertiary education organisation, an associate of one of these organisations, or are majority-owned or effectively controlled by one of these organisations or their associates,
- are performing the R&D activity on behalf of another person who carries on a business through a fixed establishment in New Zealand, and/or
- are a member of a joint venture, a partner in a partnership, or an owner of a look-through company, and not a New Zealand tax resident for the whole tax year.

Refer to page 24 in the [detailed RDTI guide](#) for more information on exclusions.



## What R&D activities are eligible for the RDTI?

For the purposes of the RDTI, there is a specific statutory definition of 'R&D' which is not the same as the commercial, engineering or accounting definitions. The tax credit is not just for scientific research but also for development activity that meets the eligibility criteria.

There are clear criteria around what does and doesn't qualify as eligible R&D for claiming the RDTI and these should be considered in detail before launching a project.

## What R&D qualifies for the RDTI?

Your business must be undertaking an eligible R&D activity to claim the RDTI. New guidance has been released on [Inland Revenue's website](#) (March 2021) to help you understand what qualifies as eligible R&D for the purposes of claiming.

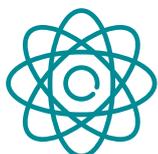
Here is an overview of the key definitions.

### AT A GLANCE

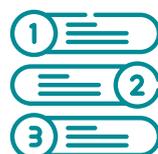
A core R&D activity must:



Occur in  
New Zealand



Seek to resolve scientific or  
technological uncertainty



Follow a systematic  
approach



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

## SCIENTIFIC AND TECHNOLOGICAL UNCERTAINTY

An R&D activity is eligible for the tax credit if its purpose is to **resolve scientific or technological uncertainty**.

Scientific or technological uncertainty is a gap in the available scientific or technological knowledge.

### What is science?

Science is the systematic study of the nature and behaviour of the physical and material universe. Work in the arts, humanities and social sciences, including economics, is not science for the purpose of the RDTI. Mathematics is the language of all sciences and can be both a science and method of applying the science.

## What is technology?

Technology is the practical application of scientific principles and knowledge, where 'scientific' is based on the definition of science above. Examples of technology include the application of:

- Physics in engineering, product development and manufacturing process improvement
- Chemistry and biology in medical or food industries
- Computer science in information technology including software development, software engineering and hardware development

## Resolving scientific or technological uncertainty

Scientific or technological uncertainty exists when knowledge of whether something is scientifically possible or technologically feasible, or how to achieve it in practice, **is not publicly available or deducible by a competent professional working in the field.**

Scientific or technological uncertainty includes the following:

- A problem of a scientific or technological nature, whether an objective is scientifically or technologically possible or how it can be achieved.
- An uncertainty of a scientific or technological nature using the adaptation of knowledge or capability:
  - within the same field of science or technology; or
  - from another field of science or technology.
- Where limitations in the current state of technology hinder the development of a new or improved capability.
- A technological constraint that needs to be overcome, uncertainty arising in relation to:
  - Whether the output will meet desired specifications such as response time, reliability or cost; or
  - How the desired specifications can be achieved amongst possible alternative methodologies or solutions.
- The use of known processes, technologies and methodologies where the result or outcome is unknown.
- System uncertainty, wherein the components of a system and their interactions are known, but the outcome/result of the system cannot be deduced from the outset.
- Technological uncertainty may also arise where something has already been shown to be possible but needs further work to make the technology more cost-effective, reliable or reproducible.

## Let's consider some other situations when eligible 'uncertainty' may exist:

An uncertainty may be encountered during the course of ordinary work. For example, ordinary design and prototyping for the purpose of product development may encounter an unanticipated technological uncertainty. In this case, a systematic approach to resolve the identified technological uncertainty may be eligible, but the ordinary work that preceded this is not.

In product development, there will be times when a solution needs to meet commercial constraints. Commercial constraints do not themselves create scientific or technological uncertainty, but trying to meet them might. For example, commercial constraints may require that technologically uncertain paths be attempted, although proven alternatives exist.

Your R&D also doesn't have to be successful – even if resolving the scientific or technological uncertainty is not achieved or not fully realised, R&D may have still taken place and you could be eligible for the RDTI.

## How do I demonstrate that scientific or technological uncertainty exists?

Your business needs to consider whether the knowledge required to resolve the uncertainty is publicly available, or deducible by a competent professional in the relevant field.

Let's break this down:

- **The 'knowledge required to resolve the uncertainty'** essentially means the solution to the problem. If this knowledge is publicly available or deducible by a competent professional in the relevant field, then this is not an eligible scientific or technological uncertainty.
- **Publicly available knowledge** that resolves the uncertainty is knowledge that is reasonably accessible. This may include knowledge published in professional journals, on the internet, or in published patents.
- **'Reasonably accessible'** does not mean the knowledge must be available for free. Knowledge that is reasonably accessible on commercial terms is considered publicly available. Some knowledge may not be reasonably accessible through commercial means. For example, knowledge may be disclosed in a granted patent, but cannot be licenced from the patent owner on reasonable terms.
- **Deducible by a competent professional in the relevant field.** The 'competent professional' is a hypothetical person with ordinary knowledge and experience in the relevant scientific or technological field. The competent professional possesses relevant skills and experience and/or relevant qualifications, and understands common practices for solving common problems in the field.

'Deducible by a competent professional' means that a competent professional, faced with the scientific or technological uncertainty in question, could resolve the uncertainty without undertaking a systematic course of investigation. They do not have to be able to resolve the uncertainty off the top of their head, but can use their knowledge and abilities to resolve the uncertainty without undertaking a systematic course of investigation.

Conversely, an uncertainty is considered not deducible by a competent professional if the competent professional would need to undertake a systematic course of investigation to resolve the uncertainty (having identified the scientific or technological uncertainty). The competent professional may be confident they can resolve the uncertainty, and may even see a number of options to do so, however the question is not one of confidence. The question is whether they can in fact resolve the uncertainty without undertaking a systematic course of investigation.

## SYSTEMATIC APPROACH

To be eligible for the RDTI a core R&D activity must also follow a systematic approach. A systematic approach involves a planned, logical investigation to solve the problem (for example through testing, experimentation or prototyping). A systematic approach can be flexible and adaptive, changing in response to results, but the approach remains logical and focused on solving the problem.

Random or unplanned trial and error is not a systematic approach, regardless of whether this produced something useful.

An accidental discovery is not disqualified from meeting this test provided it was produced while undertaking a systematic approach.

## PURPOSE OF CREATING NEW KNOWLEDGE, OR NEW OR IMPROVED PROCESSES, SERVICES, OR GOODS

To be eligible for the RDTI your business needs to identify 'why' you are undertaking your R&D activities.

Your R&D must have a material (important or significant) purpose of seeking to create new knowledge, or to create new or improved processes, services or goods.

New or improved processes, services or goods are created when something is changed or adapted to the point where it is "better" than the original.

## Supporting R&D activities

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There may be activities related to your core R&D activity that, although not meeting the definition of a core R&D activity, are required for you to conduct the core activity.

To qualify for the RDTI, a supporting activity must:

- support the core R&D activity as its only or main purpose, and
- be required for and integral to the core R&D activity.

More information can be found on page 38 in the [detailed RDTI guide](#).



## Excluded activities

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There are some exclusions, so make sure you've checked them to determine if your goals fall within the scope of the RDTI.

- **Pre-production activities**  
Pre-production activities include tooling up and trials undertaken to test commercial viability. If eligible R&D is being conducted alongside pre-production activities, the pre-production activities are ineligible, but the activity directed towards resolving the remaining uncertainty may be eligible.
- **Prospecting for, exploring for, drilling for minerals, petroleum, natural gas or geothermal energy**  
These activities resolve uncertainty relating to geography or location, rather than scientific or technological uncertainty and are not eligible.
- **Supporting or making minor improvement to existing computer software, using known methods, routine debugging of existing computer software and routine software and computer maintenance**  
'Existing' has the dictionary definition and is used to describe something already present, available, or in operation. A process, service or good is not existing if it is being developed for the first time. Routine has its normal dictionary meaning.
- **Ineligible internal software development such as payroll, accounting and invoicing systems**  
This covers software development undertaken for the only or main purpose of the internal administration of your business or the business of your associate(s).
- **Market research, market testing, market development, or sales promotion, including consumer surveys**  
Even where such activities may occur within the same overall project as core R&D activity, they support commercial objectives rather than resolving scientific or technological uncertainty.
- **Commercial, legal and administrative aspects of patenting licensing or other similar activities and activities involved with statutory requirements or standards for pre-existing processes, services or goods.**
- **Management studies and activities related to organisational design**  
Management studies and organisational design are not in the intended scope of the RDTI and as such are completely excluded.

The following activities are excluded as core R&D as they don't meet the test of resolving scientific or technological uncertainty—however they may be eligible if they directly support an eligible activity:

- **Minor adaptations, cosmetic or stylistic changes or improvements, including to software**  
An activity that involves making cosmetic or stylistic changes may be eligible as a supporting R&D activity if the work meets the definition. That is, if the cosmetic or stylistic activities have the only or main purpose of supporting the core activity and are required for and integral to the core R&D activity.
- **Quality control and routine testing**  
Routine testing and testing for quality control purposes are excluded as a core R&D activity because they do not test possible solutions to an unknown.
- **Data mapping and data migration testing**  
Although these activities may use a systematic process, they do not themselves resolve scientific or technological uncertainty.

- **Social science, arts, humanities, organisational design and management studies**  
Regardless of whether there is scientific or technological uncertainty, research in the social sciences is not eligible as a core R&D activity.  
If your core R&D activity is in an eligible field and requires social science research, this research may be eligible, but it must be only or mainly for, required for, and integral to the core activity.
- **Routine collection of information and routine operations on data including presentation**  
Routine collection of information could be eligible as a supporting R&D activity, however if it would have occurred in the absence of the R&D, it is unlikely to meet the test of being for the only or main purpose of supporting the core R&D activity. Where there is an eligible core R&D activity, the manipulation or presentation of data relating to the systematic approach of testing or prototyping may be eligible as a supporting R&D activity.
- **Bug testing, beta testing, systems requirement testing, user acceptance testing, data integrity testing, testing security protocols or arrangements, testing or comparing the efficiency of algorithms that are already known to work, and converting or integrating existing systems with new platforms.**  
For the avoidance of doubt these activities are ineligible as core R&D activities because they do not aim to resolve scientific or technological uncertainty. If there is eligible core R&D, these activities may be eligible as supporting activities provided they meet the supporting activity definition.

More information can be found on page 51 of the [detailed RDTI guide](#).

## Eligible expenditure

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To claim the RDTI you must be able to identify which expenditure is directly connected to R&D activities and meets the eligibility criteria. It must be greater than \$50,000 in the year, unless it is for a contract with an approved research provider. The maximum eligible expenditure in any year is \$120m unless you receive approval for a higher limit.

Amounts you spend can generally only be claimed to the extent they relate to R&D. A special rule applies for R&D done in commercial production environment, such as a manufacturing line. For more information on the commercial production rule, refer to page 66 of the [detailed RDTI guide](#).

## TYPES OF ELIGIBLE EXPENDITURE

### Depreciation

You can't claim the RDTI on assets you acquire and use in your R&D activity, but you can claim depreciation on them. Depreciation is calculated using the same rates and methods you use to calculate your income tax deductions.

Where assets are used for eligible activities and other purposes, the depreciation must be reasonably apportioned between them. This would normally be based on the time used for each, ignoring any downtime.

Special rules apply for amounts you spend creating new assets. For more information on these rules, please refer to page 76 of the [detailed RDTI guide](#).

### Employee costs

You can claim your costs for employees involved in eligible activities, including:

- salaries, wages, overtime, bonuses, sick, annual and long service leave,
- the cost of shares issued to employees.

If employees are performing other duties, their costs must be reasonably apportioned and documented with time sheets, project plans, or other documents giving a clear breakdown.

### Goods and services

You can claim the RDTI on the cost of acquiring goods and services (other than assets) you use in your R&D. This includes overheads, materials used, and paying contractors performing R&D for you.

## SPECIAL CASES

### Associated persons

If you acquire goods, services, property, or a right to use property from an associate, you can only claim the cost they incurred to acquire the property or service, or the market value of your right to use it.

### Contracted expenditure

If you contract out your R&D, you must deduct any ineligible expenditure incurred by the contractor from the expenditure you claim. For example, if your payment to the contractor includes an amount for them to purchase specialised equipment (depreciable property for the contractor), you can't include the cost of that equipment (eligible expenditure might include an amount for depreciation loss on the item while it was being used in your R&D).

### Production expenditure

If you perform your R&D in the course of normal commercial production, you can only claim the employee and additional costs related to the actual R&D. This means that costs like rent, rates, insurance and maintenance won't qualify.

### Foreign expenditure

If you carry out R&D activities outside New Zealand which are not integral to a core R&D activity you conduct in New Zealand, the expenditure on those activities is ineligible.

Expenditure on supporting R&D activities conducted outside New Zealand might be eligible for the RDTI, but can't exceed 10% of your total eligible expenditure.

Special rules mean that amounts you pay non-resident contractors and employees to do R&D in New Zealand are considered foreign expenditure, and come within the 10% cap. For more information on this, refer to page 70 of the [detailed RDTI guide](#).

### Ineligible expenditure

You can't claim the RDTI on the following:

- The GST input portion of expenditure
- Someone else's eligible expenditure
- Amounts in excess of \$120m unless you have approval for a higher amount (this includes any amounts spent by your associates on R&D)

- Expenditure incurred in acquiring depreciable property
- Expenditure that contributes to the cost of depreciable tangible property (other than prototypes)
- Depreciation on property to the extent the cost of the property is eligible expenditure
- Depreciation on pooled property where an item in the pool is not used solely in performing R&D
- Depreciation when an asset is written off or sold below its adjusted tax value
- Certain amounts of depreciation when property is acquired from an associate
- Profits on R&D services and property provided by associates
- Amounts in excess of market value for leasing assets from associates
- Expenditure to purchase land
- Interest and other financing costs
- Professional fees for determining your entitlement to the RDTI
- Expenditure to acquire an interest in intangible property other than software
- Expenditure on bespoke software
- Internal software development expenditure in excess of \$25m (this includes any amounts spent by your associates on R&D)
- Expenditure on goods or services in excess of market value
- Gifts
- The cost of acquiring technology that is used as a basis for further R&D activities
- Expenditure to commercialise the results of R&D activity
- Expenditure that relates to a government or local authority grant
- Expenditure on inputs used, or subject to a process or transformation, to the extent the expenditure does not exceed the value of the output from that expenditure (feedstock rule).
- Expenditure for which you have received an R&D tax credit from another country
- If your eligible expenditure is less than \$50k, expenditure or loss that is not for an approved research provider.

More information on ineligible expenditure can be found from page 74 of the [detailed RDTI guide](#).



## How do I claim the RDTI?

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The RDTI is a tax credit, so it must be claimed through Inland Revenue in your income tax return. You'll also need to file a separate R&D supplementary return. You must meet the deadlines for filing your R&D supplementary return and your income tax return as outlined in the later section of this How-To guide.

The RDTI claim process will be linked to your myIR account, so that it is easy to find and manage in one place. The process varies between the 2019/2020 income year and any later years. There is also a different claim process if you are eligible to be recognised as an RDTI Significant Performer. The ["What are the steps involved to claim?"](#) page of the RDTI Hub provides detailed information so you can learn about the RDTI claim process that is right for your business.

## Record-keeping requirements

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The RDTI operates on a self-assessment basis. So you're responsible for determining whether your activities and expenditure meet the legislation's requirements, and maintaining records to support your claim.

### WHAT RECORDS SHOULD BE MAINTAINED?

Your business records must be sufficient to verify:

- the nature of the R&D activities,
- the amount of expenditure incurred on R&D activities,
- the relationship between the expenditure and the R&D activities.

Relevant records include those normally kept by businesses to support income tax and GST claims. Additional records will be required to cover the planning and processes of your R&D, and to isolate eligible expenditure. These records will vary depending on the nature of your business and R&D activities.

### RECORDS OF ELIGIBLE ACTIVITIES

Your records should establish that you meet all the eligible activity requirements. Ideally you should maintain a project summary document for each core R&D activity that summarises:

- The new or improved knowledge, product, process or service sought
  - The scientific or technological uncertainty or uncertainties that needed to be resolved
  - The state of knowledge or technology that existed when the R&D was undertaken
  - Evidence that the knowledge was not publicly available or deducible by a competent professional –this might include:
    - Literature reviews
    - Patent or other searches
    - Scientific or technological reviews and articles
    - Reports or opinions from experts
-

- Trade journal articles
- Evidence of the systematic approach to the R&D, such as project plans and records of testing and outcomes
- When the core activity commenced and ceased
- How your supporting activities relate to the core activity
- How you identify costs that relate to the eligible activity.

## RECORDS OF ELIGIBLE EXPENDITURE

You already keep records of your income and expenditure (e.g. contracts, invoices, wage records) in your accounting systems and financial statements. However, your existing expense classifications won't necessarily match up with the definitions of eligible and ineligible expenditure. You'll need to develop additional systems that make it clear which is eligible. Your records should be detailed enough to attribute the expenditure you are claiming to the relevant core or supporting activity.

## APPORTIONMENT

If your employees, business assets and other resources are used in both R&D and other activities, you will need to apportion the expenditure between them.

There are many ways of doing this, and you must use one that can be substantiated. This could include the use of time records for employees, floor space for rent, and hours of use for plant and equipment.

Whichever method you use, you should be able to show why it is appropriate.

## COMMERCIAL PRODUCTION

If you perform your R&D activity in conjunction with a commercial production activity (producing products or services for sale), you can only claim the RDTI on:

- expenditure on your employees' contribution to the R&D activity, and
- the additional expenditure you incur because of the R&D activity.

This means you have to keep records to substantiate the time and costs for employees working on the R&D activity, and any additional costs incurred.

## FEEDSTOCK RULE

Where any goods produced as a result of the R&D activities are sold, you must deduct the sale price or market value of the goods from your eligible expenditure. You will need to keep records of the production costs, volume and value of goods produced and sold, and the volume on hand at the end of the year.

## CONTRACTORS

If you engage a contractor to carry out your R&D activity, any contracts, reports and invoices should enable you to:

- identify the eligible R&D activities performed by the contractor and describe them as required

- by the R&D supplementary return (and from 2020/2021 the application for general approval),
- identify the cost of the eligible R&D activity and exclude expenditure on any other work carried out,
  - identify and exclude any ineligible expenditure incurred by the contractor,
  - identify when and where the contracted R&D was undertaken.

## Process

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### ENROLMENT

If you intend to claim the RDTI, the first step is enrolling with Inland Revenue website through myIR.

In your myIR account, you'll find the **I want to** tab and **RDTI enrolment**. You'll need to provide some basic information about your business, and contact details.

Your enrolment doesn't commit you to making a claim, it merely enables it. Once enrolled you'll have access to the R&D supplementary return and—from the 2020/2021 income year—the application form for general approval.

### SELF-ASSESSMENT

Before you complete a supplementary return and file your tax return, you must make a judgement that you meet the various requirements. The information we have provided in this document and in our [detailed RDTI guide](#) will help you make this assessment. For more information see 'Where do I go for help?' at the end of this document.

### R&D SUPPLEMENTARY RETURN IN THE 2019/2020 INCOME YEAR

The R&D supplementary return requires some information about your business, for example, if you are conducting the R&D as part of a partnership or joint venture, and information about your eligible R&D activities and expenditure.

In the 2019/2020 income year, the R&D return will ask for the following information about your R&D activities<sup>2</sup>:

- The project name or names if you have more than one project.
- For each project, what new or improved thing are you trying to create?
- What scientific or technological uncertainty or uncertainties are you trying to resolve?
- What systematic activities did you undertake to test possible solutions to the uncertainty or uncertainties? This might be a process of experimentation, testing or prototyping etc.
- Information about any activities which, although they are not testing possible solutions to a scientific or technological uncertainty, are directly related to those activities and meet the tests to be a supporting R&D activity.

You'll be asked for a breakdown of your expenditure and depreciation loss on eligible R&D activities. In the supplementary return we ask for this information aggregated at the project level but we expect you that you would have records that show your claimed expenditure for each claimed core or supporting activity.

In addition, we will ask whether any of the expenditure in your claim relates to R&D conducted in a

2 . In 2020/2021 this information will be provided in the application for general approval.

context where additional rules apply, for example overseas R&D, or R&D in a production environment. Finally, there are questions intended to help the Government evaluate the success of the RDTI scheme. The R&D return must be filed electronically through myIR within 30 days after your income tax return due date.

A PDF of the questions asked in the R&D supplementary return is on the IR [website](#). If you are enrolled for the R&D tax credit you will be able to see the R&D supplementary return service in your myIR account after the end of your income year.

## Claiming the tax credit in your income tax return

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Your income tax return will have a single field for the value of the R&D credit you are claiming, this field will only appear in the electronic version of the income tax return so you will also need to file this electronically.

You should file your income tax return by the due date, including any extension. To be considered, the absolute last date for filing your income tax return is one year after its due date, but you should know that if you file late, interest and penalties may apply.



## Changed process in 2020/2021: general approval

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From the 2020/2021 income year, most businesses will need to get their R&D activities approved before they can claim the RDTI. This is known as obtaining general approval.

The general approval process will provide you with certainty that your activities are eligible, and reduce the work needed for the R&D supplementary return.

The questions about R&D activities in the general approval process from 2020/2021 will be similar to those included in the R&D supplementary return in 2019/2020.

If your R&D activities are approved, you will then complete an R&D supplementary return focussing on R&D expenditure and provide confirmation that your R&D activities are not materially different to those which have received a general approval.

You are encouraged to apply for general approval as early as possible in your income year as this will provide you with certainty that your activities qualify. You can update your application if something material changes or you start a new R&D project.

General approval applications are due by the 7th day of the 2nd month following the end of your income year. So, if you are a standard balance date (31 March) taxpayer, your general approval application will be due on the 7th of May in your following income year.

The due dates for filing your R&D supplementary return and income tax return will follow the same pattern as in the 2019/2020 year.

## Changed process in 2020/2021: significant performer regime

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An exception to the requirement to obtain general approval will exist for businesses that expect to have eligible R&D expenditure of more than \$2m in an income year. These businesses can apply through myIR to be recognised as a significant performer, however they must obtain general approval for their R&D activities if they do not obtain significant performer status.

More information about the processes for businesses which expect to have eligible R&D expenditure of more than \$2m in an income year appears on page 106 of the [detailed RDTI guide](#).

## Receiving your RDTI

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The RDTI produces R&D tax credits at a rate of 15% for every dollar of eligible R&D expenditure. These credits are subtracted from your income tax owing and reduce the amount of income tax you would otherwise have to pay.

Some businesses which make a loss, or have less income tax to pay than R&D tax credits, may be able to receive a refund of their RDTI. The full requirements for refundability in 2019/2020 are explained from page 115 of Inland Revenue's [detailed RDTI guide](#).

If you do not meet the criteria for refundability but have less income tax to pay than R&D tax credits, you can carry unused credits forward to your next year. If you are a company, you must meet shareholder continuity requirements to carry your tax credits forward.

## Where do I go for help?

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- Test your RDTI eligibility using [our guidance](#)
- Further written information—see [our guidance](#) or join our [online forum](#)
- For further information about R&D activities ask Callaghan Innovation [rdti@callaghaninnovation.govt.nz](mailto:rdti@callaghaninnovation.govt.nz)
- If you need more detailed information around applying for the RDTI, or eligible expenditure or entities, ask IR [r&dtiteam@ird.govt.nz](mailto:r&dtiteam@ird.govt.nz) or consult your tax advisor.

