

Frequently asked questions – Managing the transition from Growth Grants to the R&D Tax Incentive

April 2018

When will I find out what the final Growth Grant to R&D Tax Incentive transition approach is?

- When the consultation period closes the Ministry of Business, Innovation and Employment (MBIE), Callaghan Innovation, Inland Revenue, and the Treasury will provide the Government with options for the transition, which will take into account the feedback you provide through the submission process. The Government will announce the finalised transitional approach as soon as possible once it is confirmed.

How do I submit feedback?

- You can submit your response in a number of ways: by using our online submission form, email, or posting us your submission. Visit the website for details <http://www.mbie.govt.nz/info-services/science-innovation/rd-tax-incentive>

- You can email your submission to: RDincentive@MBIE.govt.nz

- You can post your submission to:

Ministry of Business, Innovation & Employment

R&D Tax Incentive Team

PO Box 1473

Wellington 6140

New Zealand

- Please send your submissions by 5:00pm on Friday 1 June 2018.

Can I contact my account manager to discuss the transitional approach?

- Yes, you can contact your customer manager or business innovation advisor if you have any questions about the transitional approach. Please be advised that your account manager only has access to the same public information as you.
- We advise you to submit a formal submission using the form provided should you wish to provide feedback on the approach.

When will my existing Growth Grant contract end?

- The proposed date is 31 March 2020. Following the end of your Growth Grant, you can submit an R&D Tax Incentive claim through the tax system as part of your tax return.

My existing contract runs past 31 March 2020. How can the government end this early?

- Growth Grant agreements include a clause that permits Callaghan Innovation to terminate contracts should the funding allocated to us by government be terminated or altered. Callaghan Innovation must give two months' notice to each grant recipient.

Can I continue to make claims for my Growth Grant?

- Yes, under the proposed approach, you can continue to make claims for any eligible R&D expenditure incurred between now and 31 March 2020.
- Currently, Growth Grant recipients are given six months to submit final claims, reports and associated documentation. We anticipate a similar timeframe, which would mean final claims would need to be submitted by 30 September 2020 if your contract finishes on 31 March 2020.

Will the definition of eligible of R&D activity and expenditure change for my Growth Grant between now and 31 March 2020?

- No, the definition of eligible R&D activity and expenditure won't change. For the purposes of Growth Grants, the rules for eligibility of R&D activity and expenditure as defined in the current Ministerial Direction and guidance material will not be affected by the R&D Tax Incentive.

Do I need to apply for a Growth Grant extension if my current one expires before 2020?

- You will be contacted about the status of your Growth Grant following final Government decision on the transitional approach.

I currently have a Transitional Growth Grant – what does this mean for me?

- The Transitional Growth Grant product and how it may be affected by the transition to the R&D Tax Incentive is still being worked on. Until the final transitional approach is agreed, the existing policy applies.

How and when do I cancel my agreement if I want to be able to apply for the R&D Tax Incentive in the 2019/20 tax year?

- You will be contacted about the status of your Growth Grant following final Government decision on the transitional approach. You will be able to cancel your agreement at any time as per current processes.

The 31 March 2020 date does not align to the end of my financial year, will I be required to submit a review certificate to evidence a partial year?

- We are still working through the process and will let you now as soon as it is confirmed.

Do I need to have maintained or increased my eligible R&D expenditure to be eligible for an extension to 31 March 2020 under the proposed approach?

- The extension policy and criteria in the Ministerial Direction and how they may be affected by the transitional approach are still being worked on. Until the Ministerial Direction is changed, the existing criteria apply.

Will there be any changes in the way I need to make claims for funding in the transition period?

- No, you can continue to make claims for Growth Grant funding using existing processes unless otherwise informed.

Can I be supported on my Growth Grant until its current end date if it ends after 31 March 2020?

- No. Under the proposed approach all contracts will end on 31 March 2020. After this date you can submit an R&D Tax Incentive claim through the tax system as part of your income tax return.

What are the benefits of an R&D Tax Incentive over the current Growth Grants?

- A broader set of firms will be able to access the R&D Tax Incentive than those that can currently access the Growth Grants.
- Tax credits offer a greater element of certainty to businesses as they do not have to apply separately for grant funding and can apply for the tax credit as part of doing their income tax return.
- Tax credits don't favour certain types of business, driving innovation throughout the economy.
- The Government's broader \$1.6 billion support for research, science and innovation will continue to function alongside the R&D Tax Incentive.

Will I be better or worse off? How can I work out how the R&D Tax Incentive affects me?

- There are differences in the definition of eligible expenditure between the Growth Grant and the proposed R&D Tax Incentive (for instance, overseas expenditure on R&D).
- The proposed R&D Tax Incentive has no R&D intensity threshold, a much higher cap and lower minimum R&D expenditure threshold than the Growth Grant.
- Some firms may get less money, but others might get more.

I don't make a profit. How will the R&D Tax Incentive affect me following transition?

- The government is committed to supporting all firms including businesses in tax loss. An appropriate policy to support these businesses will be in place by April 2020.

Will my customer manager help me to work out whether I should remain on my Growth Grant or transition early?

- No. Your account manager will not be able to calculate the benefit that you'll receive on the R&D Tax Incentive. Each business will be impacted differently by the change. You will need to consider how the design features of the R&D Tax Incentive affect your business.
- As an existing grant recipient or applicant you will receive information about the status of your Growth Grant following decisions regarding the final approach and be asked to make decisions about your grant funding.

Can I be in receipt of the R&D Tax Incentive and a Growth Grant?

- No. Under the proposed approach you will have to decide whether to continue your Growth Grant contract until 2020, or transition onto the R&D Tax Incentive for eligible R&D expenditure occurring in the 2019/20 tax year. Once you have made a Growth Grant claim for expenditure occurring from 1/04/2019 you will not be eligible for the R&D Tax Incentive in the 2019/20 tax year.

Where can I find the R&D Tax Incentive discussion document?

- The R&D Tax Incentive discussion document can be found on MBIE's website. Here is a link <http://www.mbie.govt.nz/RDincentive>

Will I, as a Growth Grant recipient, continue to be supported by Callaghan Innovation?

- Yes. Callaghan Innovation will continue to provide all of its existing services. R&D Project Grants and R&D Student Grants are not affected by the R&D Tax Incentive.

Can I get a Project Grant?

- The introduction of the R&D Tax Incentive does not change Project Grants in their current form. Currently you are not eligible for a Project Grant if you are eligible for or are in receipt of a Growth Grant.

Can I still apply for a Growth Grant?

- Yes, applications can continue to be submitted. We are still working through when final applications can be started and submitted. At the latest a Growth Grant will need to be contracted by 31 March 2019, which means application close dates will need to be before this. More information will be provided when the process is finalised.

When is the last date I can qualify for a Transitional Growth Grant?

- We will inform you of the application process and key dates as soon as decisions are made by the Government.