



Research and development supplementary return guide

This factsheet explains what the Research and development (R&D) supplementary return is, who needs to complete it and how to complete it.

For more information about the Research & Development Tax Incentive refer to the **Research and Development Tax Incentive: Guidance - IR1240** on our website at ird.govt.nz

What is the R&D supplementary return?

The R&D supplementary return is how you supply us the details of your eligible expenditure on your approved activities. The information you'll enter on the return includes:

- your R&D expenditure breakdown
- if any of your activities have changed since they were approved
- how you would like to receive your tax credit.

Who has to file?

All eligible entities with an approved general approval or criteria and methodologies approval must file an R&D supplementary return every income year they want to claim R&D tax credits.

Return due date

Your supplementary return is due 30 days after the due date for your income tax return. If you have a standard balance date of 31 March, you have until 7 July to file your income tax return and 6 August to file the supplementary return. If you have a balance date other than 31 March, this date may be different.

If you have a tax agent, you may have an extension of time to file your income tax return. The due date for your supplementary return will be 30 days after this extended due date. If this applies, contact your agent.

Please note that your supplementary return is due 30 days after the income tax return due date. Filing your income tax return early will not affect the due date for your supplementary return. Likewise, you can file your income tax return up to a year late and still claim the R&D tax credit, but your supplementary return must still be filed within 30 days of the due date of your tax return. Late submissions of your supplementary return will not be accepted.

Important: To claim the tax credit, you need to file your income tax return.

Filing the supplementary return alone is not enough.

Filing for R&D performed as part of a partnership or joint venture

When claiming R&D performed as part of a partnership, joint venture or look-through company, each party in these entities must individually submit a supplementary return. When you file your supplementary return, you'll be asked who the other parties in the R&D project were, and what their share of the eligible expenditure was. If you are filing as part of a look-through company you must tick the **partnership** button and add in the details of the other look-through company shareholders.

Make sure that your claim reflects **your share** of the R&D expenditure in the partnership or joint venture (based on your interest % in the partnership or joint venture), as 2 parties cannot claim for the same expenditure.

Before you file this return

Before you can file your supplementary return, you will need to enrol online for the R&D tax incentive. Log in to your entity's myIR account and enrol at ird.govt.nz

You'll need provide some basic information about your business and R&D project when you enrol. We encourage you to enrol as early as possible.

You'll need approval of your R&D activities during the income year. You'll either use the:

- general approval process - if your R&D expenditure will be less than \$2 million during the year
- general approval process **and/ or** the criteria and methodology approval process - if your R&D expenditure will be \$2 million or more during the year.

Criteria and methodology approval is most suited to businesses that perform a large number of R&D projects. Both forms of approval can be applied for online and granted for up to 3 years. It is important to note that your activity will need to be approved before you can claim the tax credit.

You should also make sure you have filed, or are preparing to file, your income tax return for the year. It is not necessary to file your income tax return before you file your supplementary return, but we will not be able to

process your R&D tax credit claim until we have both returns on file.

How do I file?

The R&D supplementary return must be filed electronically in your myIR account. You are required to file a R&D supplementary return each year in order to claim your R&D tax credit.

Important: To claim the tax credit you must file both your R&D supplementary return and your income tax return electronically.

Completing the return

The rest of this factsheet guides you through the process of completing the R&D supplementary return.

A **i** icon is found throughout the return. This icon informs you of relevant criteria and definitions of key terms.

You can save the return at any time by using the **Save draft** button.

Project information

In the **Project information** screen, you will indicate if the project is being undertaken as a partnership or joint venture. If you select **Yes** for either, you'll be need to provide further details on this later in the return.

Note: If the project is being undertaken via a look through company, select **Yes** to the partnership question.

If there have been any material changes to your project and you have not notified us previously, you can add an explanation of what has changed:

Describe the nature of change in the R&D activities carried out in full compared to the submitted application for activity approval.

For example please include any changes in:

- funding;
- the business;
- the location of activities;
- the systematic approach;
- the relevant publicly available information; and
- any other information in relation to the change in the R&D activities.

If there has been a material change and you haven't told us about it and successfully applied for a variation – then it is not eligible for the R&D credit.

The expenditure must be in relation to the approved project.

Project expenditure

Important: Your eligible expenditure must be over \$50,000 in the income year to qualify for the R&D tax credit, unless you use an approved research provider.

This is your **eligible expenditure** on **eligible activities** (both core and supporting), broken down into expenditure types for this income tax year. You'll need to provide this information at the project level, rather than the activity level.

You must enter the % of the eligible expenditure that relates to the core activities undertaken within the project. The % related to supporting activities will self-populate accordingly.

You are required to state the amounts claimed, if any, within the project expenditure that relate to any of the following:

- commercial production
- internal software development
- feedstock expenditure
- overseas R&D expenditure.

Remember, if the R&D is performed as part of a joint venture or partnership, claim only your share of the R&D.

Important: Expenditure records to support a claim for R&D tax credit are the same as those required for other tax purposes, but additional detail will be required to demonstrate the connection with eligible R&D activity.

Your records must provide an audit trail as to the allocation of eligible expenditure to core and supporting R&D activities within each project.

If you are claiming for more than 1 project, you will need to add the relevant expenditure to each project.

Core activities

In the **Core activities** screen you will need to confirm there have been no changes to the approved activities.

If there have been any material changes to your core activities and you have not notified us previously, you can add brief description of what has changed:

Describe the nature of change in the R&D activities carried out in full compared to the submitted application for activity approval.

For example please include any changes in:

- funding;
- the business;
- the location of activities;
- the systematic approach;
- the relevant publicly available information; and
- any other information in relation to the change in the R&D activities.

If there has been a material change and you haven't told us about it and successfully applied for a variation – then it is not eligible for the R&D credit.

Supporting activities

In the **Supporting activities** screen you will need to confirm there have been no changes to the approved activities.

If there have been any material changes to your supporting activities and you have not notified us previously, you can add brief description of what has changed: Describe the nature of change in the R&D

activities carried out in full compared to the submitted application for activity approval.

For example please include any changes in:

- funding;
- the business;
- the location of activities;
- the systematic approach;
- the relevant publicly available information; and
- any other information in relation to the change in the R&D activities.

If there has been a material change and you haven't told us about it and successfully applied for a variation – then it is not eligible for the R&D credit.

Joint ventures or partnerships

In the **Joint ventures/partnerships** screen, if you have indicated on the **Project Information** screen that a project was carried out as part of a joint venture, partnership or look-through company, you need to provide us with information relating to each party.

From the drop down under Project identifier select the applicable project. You'll need to provide all of the following information:

- the party's name
- their IRD number (if not known select the **IRD not known** box)
- the monetary value of their share of eligible expenditure
- their % of interest in the joint venture, partnership or look-through company.

Repeat the above for each project that is being carried out as a joint venture, partnership or look-through company.

You must include details of the basis on which each joint venture interest has been determined. If there is more than 1 joint venture, include all of them in this box, separately identifying each by the project title.

Associated persons

The **Associated persons** screen lets you advise us if any person(s) associated with you are also claiming or intending to claim an R&D tax credit for this income year.

We may seek further information about this association from you.

Expenditure

The **Expenditure screen** will self-populate with the total combined expenditure of all projects.

You must complete the declaration at the bottom of the screen.

R&D credits

Once you have calculated your eligible R&D credits you can now select if you want the credits to be refunded.

Refundability

The broader refundability method uses a payroll cap to determine the amount refundable.

The cap includes PAYE, ESCT (employer superannuation contribution tax), and FBT (fringe benefit tax) you have paid for the relevant income year.

It can also include amounts paid by other companies, if those companies control your business or are in the same wholly-owned corporate group.

The refundability cap grouping rules allow certain companies to allocate labour-related taxes they have paid to other companies they control or that sit within the same wholly-owned group.

Please note that an amount of tax paid can only be included in one person's cap (double dipping isn't permitted).

The formula for calculating the refundability cap is:
own tax + other wholly-owned tax + other controller tax = refundability cap.

Own tax refers to the labour-related taxes paid by a claimant for the relevant tax year.

Other wholly-owned tax is the total labour-related taxes allocated to the claimant that have been paid by a member of the claimant's wholly-owned group for the relevant tax year.

Other controller tax is the total labour-related taxes allocated to the claimant that have been paid by a company that directly or indirectly controls the claimant for the relevant tax year.

The refundability cap does not apply to claims made by Industry levy bodies or to eligible expenditure on approved research providers.

Industry levy bodies

Industry levy bodies that have eligible R&D expenditure can now claim a credit of 15%.

Note: Non-refundable R&D tax credits are not applied to tax liabilities from previous years. Any credits left over after applying them against your current year's tax liability may be carried forward to a future income year. For companies, the credit may only be carried forward where shareholder continuity requirements are met.

Refundable tax credits will be used to satisfy other tax liabilities you may have, with any amount remaining to be refunded.

Other wholly owned companies and controller companies

In the **Other Wholly Owned Companies and controller companies** screen you provide us with details of the other wholly owned companies and controller companies that you used to calculate the refundability cap.

Please note that an amount of tax paid can only be included in one person's cap (double dipping isn't permitted).

You are required to provide both their:

- IRD number
- name.
- Amount allocated

Performers of approved research

In the **Performers of approved research** screen you provide us with details of the approved research providers that you have used on your project(s) when your total eligible expenditure is below \$50,000.

You are required to provide both their:

- IRD number
- name.

Attachments

Use the **Attachments** screen to upload any documents you want to provide to us.

Evaluation

In the **Evaluation** screen we are seeking information to assist in evaluating the R&D tax credit regime, as is required by the legislation (section LY10 of the Income Tax Act 2007).

Enter the amount of **Historical R&D expenditure** incurred by you in the prior income year. From the drop down select the source of this figure.

Select the appropriate responses for **Ineligible expenditure on R&D**. If applicable, enter the amount of expenditure that was not approved.

If you select **Yes** for the **follow-up survey**, complete accordingly.

Note: The information gathered in the evaluation section does not form part of your R&D claim.

Review

The **Review** screen shows you:

- a summary of all the expenditure information you have given us on all your projects
- your total tax credits and how this figure was calculated
- how much, if any, of the credit is refundable and how much is non-refundable.

Once you have checked all information select the **Submit** button to submit your R&D supplementary return.



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Go to our website for information and to use our services and tools.

- Log in or register for myIR - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

To attend a seminar or workshop, or request a visit from us. Find a seminar or workshop near you at ird.govt.nz/contact-us/seminars

Go to ird.govt.nz/contact-us and select the In person option to find out about requesting a visit.

New Zealand Government