

Planning the Cash Timing of Australia's Refundable R&D Tax Offset for Early-Stage Companies

Akram H. El-Karrar, CPA

OmniScope360, Muscat, Oman and Sydney, Australia · info@omniscopes360.com

Abstract

Australia's Research and Development Tax Incentive offers a refundable tax offset to eligible companies with aggregated turnover under AUD 20 million, equal to the company tax rate plus an 18.5 percentage point premium. For loss-making start-ups the refund is a significant source of non-dilutive funding, but it arrives only after the income year ends, activities are registered within ten months, and the tax return is lodged. This paper sets out the rules relevant to timing from official sources and proposes a planning method: record costs by R&D activity during the year, forecast the refund with a realistic receipt date, and exclude it from runway until it is approved and received. The method reduces the risk that companies spend against a refund they have not yet received.

Keywords: R&D tax incentive, Australia, startups, non-dilutive funding, cash flow forecasting, runway · **JEL:** H25, O31, G32, L26

1. Introduction

Tax incentives for research and development are designed to lower the cost of innovation. For early-stage companies that make losses, a refundable offset converts the incentive into cash. In Australia this makes the R&D Tax Incentive one of the largest sources of non-dilutive funding available to technology start-ups. The value of that cash depends on when it arrives, which is the subject of this paper.

2. Method

The paper reviews official guidance from the Australian Taxation Office and business.gov.au, accessed in October 2026, and applies a cash-planning method drawn from the author's practice as a CPA (CPA Australia) and fractional chief financial officer. It does not provide tax advice for a particular company; registration and claims are prepared by registered advisers and tax agents.

3. Rules that drive timing

For eligible entities with aggregated turnover under AUD 20 million that are not controlled by income-tax-exempt entities, the refundable offset equals the company tax rate plus an 18.5 percentage point premium (Australian Taxation Office, n.d.; business.gov.au, n.d.). The refundable offset generally requires notional deductions of AUD 20,000 or more in the year.

R&D activities must be registered with the Department of Industry, Science and Resources within ten months after the end of the income year: 30 April for a 30 June year-end. The offset is then claimed in the company tax return. Activities conducted overseas require an Overseas Finding before they can be claimed (business.gov.au, n.d.).

4. The cash-timing gap

The sequence of spend, year-end, registration, tax return and refund means that R&D cost incurred early in an income year can be recovered in cash more than a year later. A company that treats the expected refund as

available runway may commit to spend it before it is received, and a delay in registration or a query on the claim then becomes a liquidity problem.

5. A planning method

- (1) Record during the year. Describe each R&D activity with its hypothesis, experiment and result; keep staff time records; link invoices and contracts to activities; and split costs between R&D and non-R&D work. Records rebuilt at year-end are slower to prepare and weaker under review.
- (2) Forecast with a realistic date. Include the expected refund in the 12-month cash forecast in the month it is realistically expected, after registration and lodgement, not at year-end.
- (3) Exclude it from runway until received. Report runway with and without the refund, and plan spend on the conservative figure until the refund is approved and paid.
- (4) Coordinate advisers early. Agree the timetable with the registered R&D adviser and tax agent at the start of the year, so registration is not left to the deadline.

6. Conclusion

The refundable R&D tax offset is valuable cash for Australian start-ups, but its timing is set by the tax cycle rather than by the company's spending. Planning the timing explicitly protects runway. Future research could measure the elapsed time between R&D spend and refund receipt across companies.

References

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