



## R&D Tax Incentive: applying the law

### No new knowledge – agriculture

**CAUTION:** This is an edited and summarised record of an Innovation and Science Australia R&D Finding. This record is not published as a form of advice. It is being made available for your inspection to meet FOI requirements, because it may be used by an officer in making another decision.

For illustrative purposes this summary focuses on a specific aspect of the legislated definition of eligible R&D activities and may not describe the assessment of activities against the full eligibility criteria.

#### Issue

Do activities to improve productivity or sustainability in agriculture necessarily fulfil the purpose of generating new knowledge?

#### Finding

**No.** Activities undertaken to improve productivity or sustainability in agriculture are not necessarily undertaken for a significant purpose of generating new knowledge.

#### Key reasons

- The activities were for operation purposes, not for the purpose of generating new knowledge.

In addition, Innovation and Science Australia also found:

- There was no specific technical hypothesis, and no systematic progression of experimental work.
- The company applied existing knowledge and expertise to get its outcomes.

For more information on the reasons for the purpose finding see page 2.

#### Facts

A company that operated a wheat farm undertook an activity to test the effects of different liquid lime inputs on germination, root growth and soil pH. It also aimed to determine the effect of a liquid lime product on high levels of aluminium in soils.

The outcomes of the application of liquid lime in agriculture are well known by competent professionals in that field.

## Reasons for Finding

Generally, where an R&D entity has engaged in core R&D activities, the legislation<sup>1</sup> allows the entity to claim an R&D tax offset.

The expression ‘core R&D activities’ is defined in the legislation<sup>2</sup> as experimental activities:

- (a) whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that:
  - (i) is based on principles of established science; and
  - (ii) proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions; and
- (b) that are conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved materials, products, devices, processes or services).

### 1. No significant purpose of generating new knowledge

The company considered that it had conducted an experimental activity within

the meaning of the legislation.<sup>3</sup> However, the activity to test the effects of different liquid lime to improve productivity failed to meet a number of elements of the legislation, including the requirement of having at least a significant purpose of generating new knowledge.

This activity was not undertaken for the purpose of generating new knowledge as it was well known in the agricultural industry that aluminium was only soluble below a particular soil pH, and that adding lime would eliminate aluminium toxicity. Also, any information about specific application rates generated by the activity on an individual farm would be site specific and thus could not be applied with confidence to another farm.

**Date of decision: 17 May 2016**

### Legislative References

*Income Tax Assessment Act 1997*  
*subsection 355-25(1)*  
*subsection 355-100(1)*

### Keywords

core R&D activities  
experimental activities

**Date of Publication: 18 November 2016**

---

<sup>1</sup> Subsection 355-100(1) of the *Income Tax Assessment Act 1997* (ITAA 1997)

<sup>2</sup> Subsection 355-25(1) of the ITAA 1997

<sup>3</sup> Subsection 355 25(1) of the ITAA 1997