
— **Exclusive**

How CBA, Deloitte triggered the R&D incentive crackdown

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An attempt by the Commonwealth Bank to claim up to \$100 million from taxpayers in research and development rebates for an internal software system was a key trigger for a crackdown on questionable claims that has also swept up start-ups.

CBA, advised by Deloitte, claimed that an entire multi-year system implementation, estimated to cost between \$500 million and \$1 billion, was eligible for the R&D incentive, which is designed to support innovative projects.

The Tax Office ultimately rejected the claim and CBA, which went to another consulting firm to resolve the dispute, is still locked in a battle with the tax agency over the payments.



A CBA spokesman maintained that the bank's claims was for innovative work that was eligible under the R&D scheme. **Josh Robenstone**

Deloitte has also made R&D rebate claims worth tens of millions on behalf of NAB and ANZ for technology projects. The cumulative amount of the banks' claims, along with a host of other large R&D claims by listed companies, contributed to a \$3 billion cost blowout in the scheme, against a planned expenditure of \$1.8 billion a year.

Home-grown champions



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One of the key aims of the revamped R&D scheme was to help create home-grown global technology players in the mould of Atlassian, and software companies were specifically encouraged to apply for the grant.

But the claims of the big listed companies, made at a time when there was no specific cap on the amount that a company could claim from the R&D scheme, meant that the bulk of the incentive was diverted away from the intended target of start-ups and innovative small and medium companies.

Founder of ASX-listed Australian software success story TechnologyOne Adrian Di Marco said that, while his company was big enough that it didn't need R&D incentives to survive, the scheme needed to be targeted at funding the emerging tech companies that were now being rejected.

He branded as disgraceful the current crackdown on companies such as online jobs marketplace Airtasker and said the scheme had rightfully been seen as a key government program for helping smaller tech start-ups get off the ground and build the Australian sector.

Limit R&D scheme access

Rather than targeting small companies to claw back revenue, Mr Di Marco said larger companies' access to the R&D Incentive scheme should be reduced.

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"Tech is driving the world today and we need a vibrant start-up community so Australia can be a part of that future," Mr Di Marco said.

"I don't understand why larger companies should be claiming R&D ... These types of schemes should focus on early growth, and address the needs of small start-ups."

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The view that the bigger end of town was the main problem with invalid R&D claims was also supported by Freelancer.com CEO Matt Barrie.

While he conceded that R&D was a troublesome area to get right, he said big banks' claims went against the spirit of the scheme, as they typically were for projects they would have done regardless of the incentive.

CBA, NAB and ANZ have all put in big R&D claims. **JOEL CARRETT**

"The scheme should ideally be directed towards industry segments we really need to grow ... to help increase the tech percentage of Australia's GDP," Mr Barrie said. "Things like advanced manufacturing, mining robotics and smart networks."

Aggressive consultants

In addition to being unhappy about the claims made by large companies, usually made by consultants, the Australian Taxation Office and AusIndustry, the bodies that police the grant, formed the view that specific [consultants such as PwC](#) were also being too aggressive in the claims they were making on behalf of start-ups.

The cost blowout and concern over dubious claims led to the crackdown in the May budget, which restricted the benefit that large businesses to avail themselves of the R&D concession and beefed up compliance and enforcement measures.

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The changes were projected to save the budget \$2.9 billion between 2018-19 and 2020-21.

Deloitte has worked with CBA, NAB and ANZ on R&D claims. **Roger Stonehouse**

In 2017, four of the five taxpayer alerts it published that year were about the incentive and warned about consultants who advised on the scheme using "high-risk practices".

Players in the start-up industry said that changes to the scheme were a positive move as they would clarify that software-focused start-ups should obtain the largest share of the R&D incentive as opposed to larger established firms. But they remain unhappy about an ongoing ATO audit of these smaller players.

ATO demands repayments

The Australian Financial Review revealed last week that a crackdown on the role of consultants in the self-assessed R&D scheme has seen start-ups such as online jobs marketplace Airtasker asked by the [ATO to repay millions in R&D grants](#) made years ago.

A CBA spokesman maintained that the bank's claims were for innovative work that was eligible under the R&D scheme.

Alex McCauley, CEO of StartupAus, has already called for an immediate exemption to demands by the ATO that start-ups repay R&D grants that have been retrospectively denied. **Daniel Munoz**

"Commonwealth Bank is committed to being a responsible corporate taxpayer and we are one of the largest taxpayers in Australia. CBA has registered certain eligible R&D activities that are innovative and we consider are eligible R&D activities that are registered appropriately," he said.

A Deloitte spokesman said the area firm "does not comment on client matters".

"This is invariably a complex area which has seen the regulators provide additional guidance but with retrospective application. It's obviously

created uncertainty for certain sectors because claimants are now having to consider the impact of the guidance for prior claims as well as future ones."

It is understood the firm also believes it was acting within the rules of the R&D scheme when it made the claim on the banks' behalf.

A NAB spokesman said the bank is ^{Advertisement} "one of Australia's largest tax payers and works closely and cooperatively with the Australian Tax Office."

"In responding to any reviews of R&D claims, NAB engages guidance from leading professional services firms and works closely with AusIndustry, who administer the R&D concession, as well as with the Australian Tax Office," he said.

ANZ did not comment. The three banks have spent the year under fire at the banking royal commission over their treatment of customers and the regulators.

'Intensity test'; a positive move

Alex McCauley, CEO of StartupAus, has already called for an immediate exemption to demands by the ATO that start-ups repay R&D grants that have been retrospectively denied.

In 2017, four of the five taxpayer alerts it published that year were about the incentive and warned about consultants who advised on the scheme being using "high-risk practices". **Paul Harris PRH**

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~~He said that it was clear that the intensity test would ensure that the~~
right software-based companies got the incentive.

"The intensity test in the new rules are for the government to be confident that the firms whose primary purpose is developing new technology qualify for the largest incentive," he said.

"The type of companies that R&D incentive should be targeted are companies whose main purpose is to develop new technology."

But he warned that the changes in the budget have yet to be legislated and it is now uncertain when they will be passed.

The view that the bigger end of town was the main problem with regards to invalid R&D claims was also supported by Freelancer.com CEO Matt Barrie. **Jessica Hromas**

Adrian di Marco: "I don't understand why larger companies should be claiming R&D ... These types of schemes should focus on early growth, and address the needs of small start-ups." **Chris Hyde**

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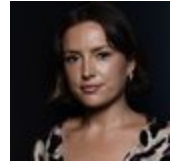
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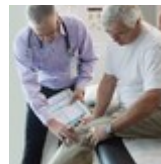
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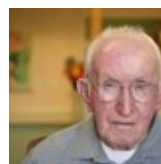
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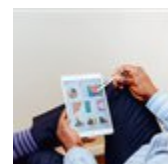
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