

RDTI - Weekly Quiz Questions



What is the feedstock rule in the context of eligible RDTI expenditure?

- A** It allows a company to claim the full cost of all raw materials (feedstock) used in an R&D process
- B** It applies only to R&D in the primary production sector for items like animal feed and fertiliser
- C** It makes the cost of any inputs that become part of a saleable product completely ineligible
- D** It ensures that only the net expenditure on inputs is eligible, by deducting the value of the output from the cost of the inputs

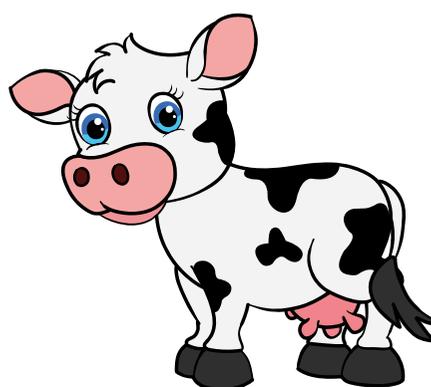


ANSWER:

It ensures that only the net expenditure on inputs is eligible, by deducting the value of the output from the cost of the inputs

This rule ensures only the additional costs are claimable. Inputs include the physical goods and energy to produce. Outputs are the market value.

The feedstock calculation does not include employee costs, depreciable assets or other overheads.



The feedstock rule doesn't just apply to livestock - it applies to all goods produced!



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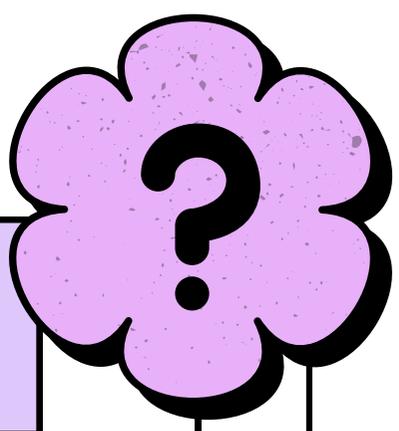
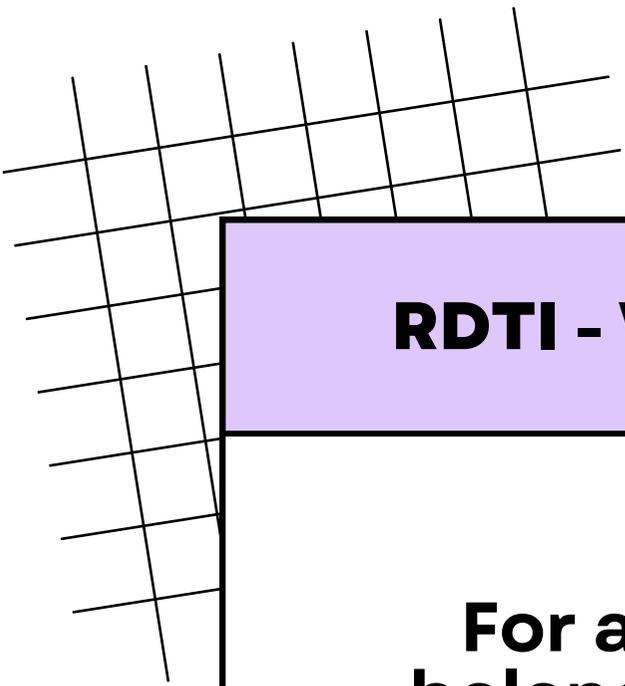
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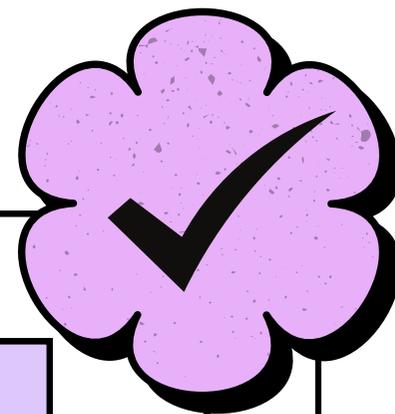
For a business with a standard balance date of 31 March, what is the deadline to apply for General Approval of its R&D activities?

A 30 June (of same year)

B 7 July (of same year)

C 30 September (of same year)

D 31 March (of following year)



ANSWER:

30 June (of same year)

It's critical to meet the deadline - miss this and you miss the chance to claim.

For General Approvals the last day to file is the last day of the third month following your balance date.

BUT DON'T LEAVE IT TILL THEN!

Pro Tip

File your GA's in January & February to ensure they are approved by the year end - then you can claim the credit right away and get funds back in June.

If you submit your GA on the due date, don't plan for the money into your account before December.



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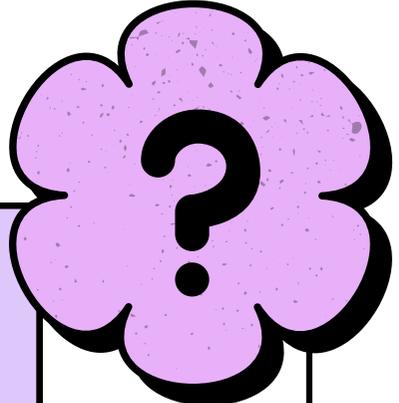
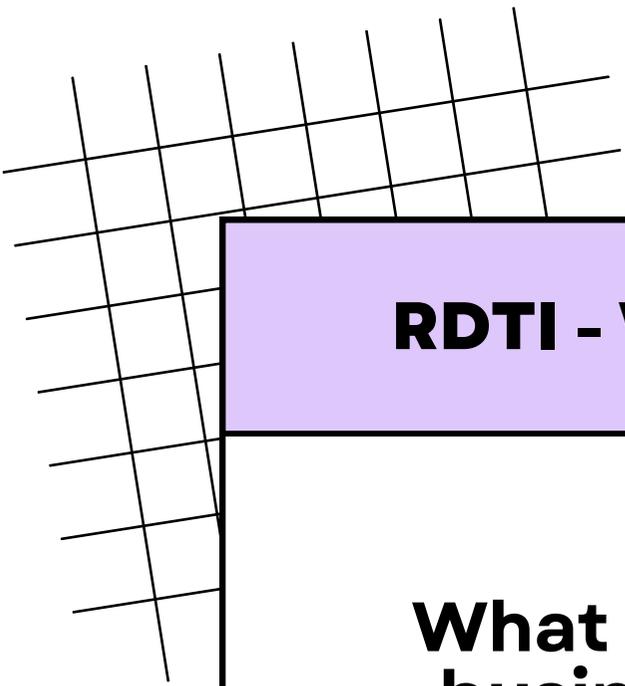
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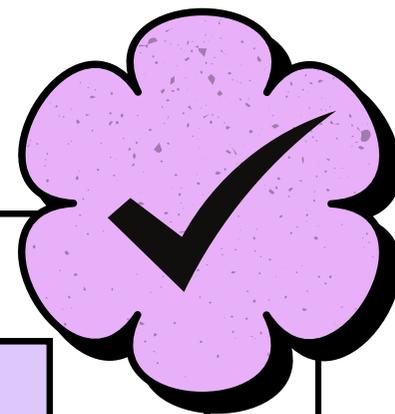


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What is the spending threshold a business must meet per year to claim the RDTI?

- A** There isn't a minimum
- B** \$300,000 for any activities
- C** \$50K, unless expenditure is with an approved research provider
- D** R&D wages must be at least 20% of total wages



ANSWER:

\$50K, unless expenditure is with an approved research provider

Expenditure can cover employee costs, overheads, materials, consumables, contractors and depreciation.

Check out the list of approved research providers at link below

[Approved Researcher Providers](#)

You will need to take into account any funds you receive from grants that need to be backed out too - your spend after you remove this funding (and co-funding) is the eligible expenditure - not your gross spend before the funding is removed.



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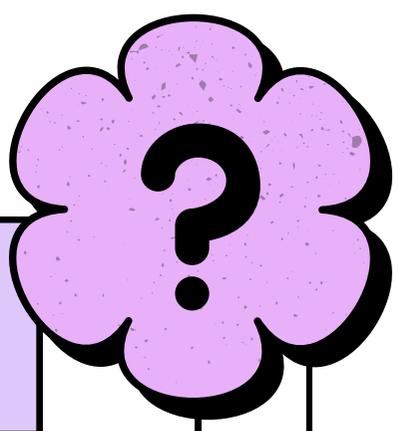
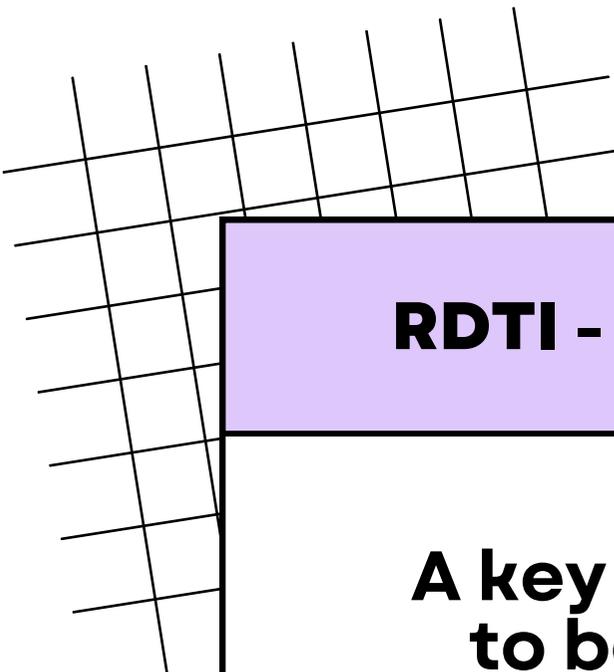
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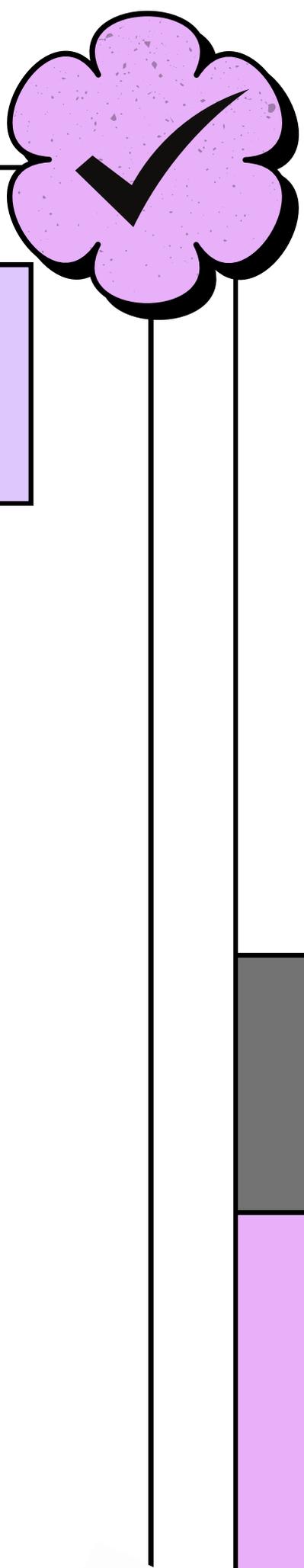
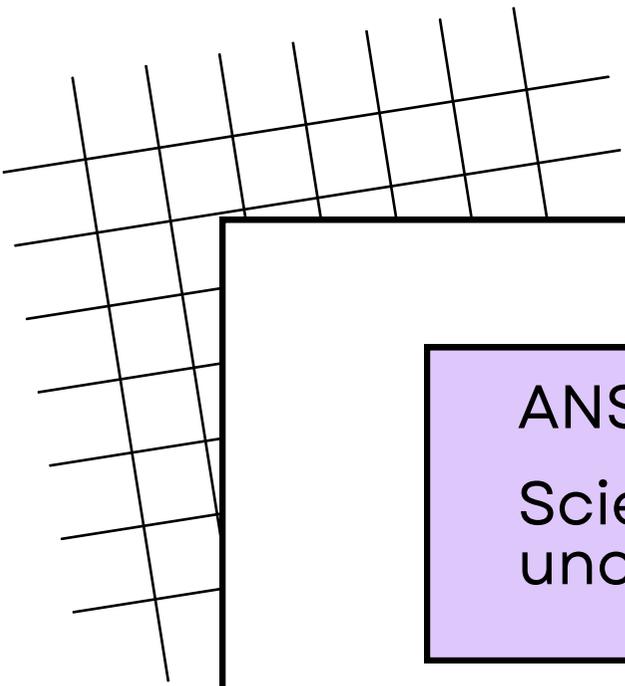


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A key requirement for an activity to be classified as a 'core R&D activity' is that it must have a material purpose of resolving what?

- A** Market or Commercial Uncertainty
- B** Scientific or technological uncertainty
- C** An element of novelty for the business
- D** A problem faced by others



ANSWER:

Scientific or technological uncertainty



A core activity also needs to

- be undertaken in New Zealand,
- create new knowledge, new product, process or service
- Use a systematic approach

You might be solving a really great problem, but it also needs to meet all of these requirements to claim RDTI.

It needs to be something that people don't already know how to do.

Hint - look for the unique constraints you are facing that others maybe didn't have to take into account



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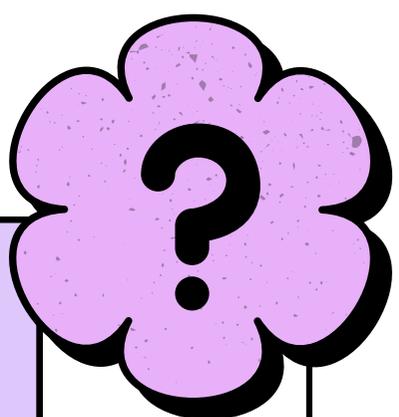
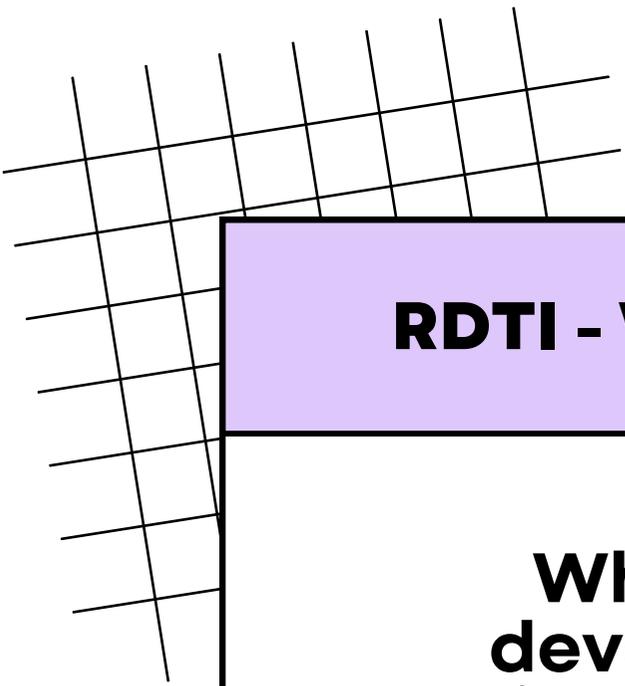
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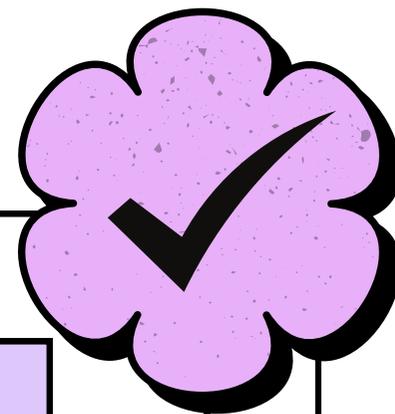


RDTI - Weekly Quiz Questions



When is internal software development considered an ineligible activity, even if it resolves technological uncertainty?

- A** When expenditure exceeds \$50K
- B** When the software is intended to enhance a non digital service for customers
- C** When the softwares sole or main purpose is for the internal administration of the business
- D** When the software forms an integral part of physical goods that the business sells



ANSWER:

When the software's sole or main purpose is for the internal administration of the business

Think of things like finance, HR and inventory systems which are internally facing.

The policy makers believe that the benefits of this type of innovation has limited spill over benefits for NZ (we will ignore NZ's productivity issues at this time).



This doesn't include software developed with the main purpose to be sold (that's called external software in RDTI speak).



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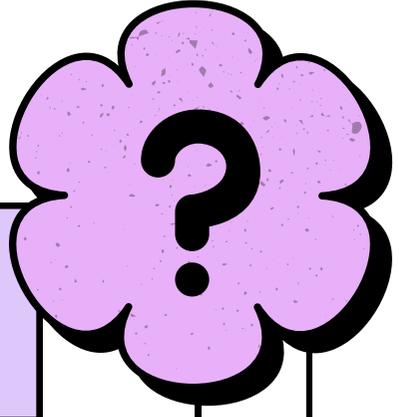
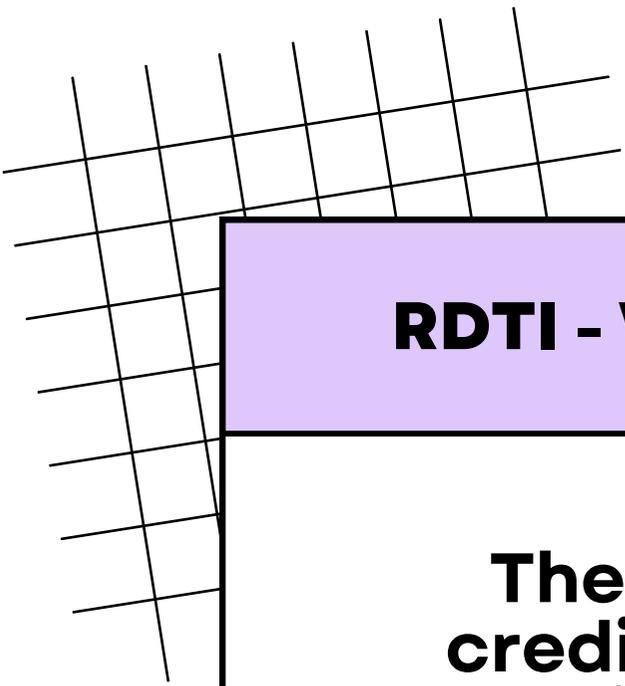
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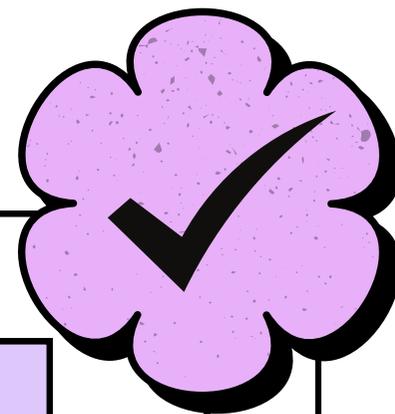


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The total amount of R&D tax credits is limited by a cap. This cap is based on the amount of what?

- A** Total eligible R&D expenditure for the year
- B** Contribution to GDP (Gross Domestic Product) for the year
- C** Depreciation claimed on assets used in R&D
- D** Labour related taxes paid by the business & its group.



ANSWER:

Labour related taxes paid by the business & its group.

This cap is based on the sum of labour related taxes (PAYE - including withholding tax on schedular payments, FBT and ESCT) paid by the company (and other companies in its group) for the relevant year.

Any credits that exceed the cap can't be refunded and are instead carried forward to the next income year (subject to shareholder continuity requirements).

Added bonus of using an approved research provider - any expenditure spent with them is fully refundable and not subject to the refundability cap.



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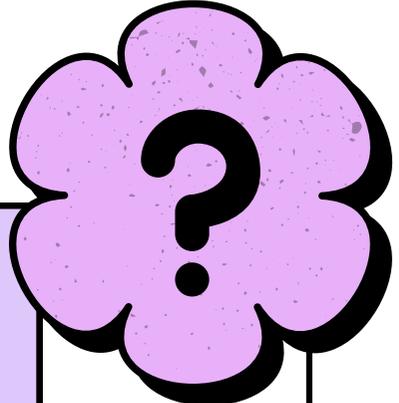
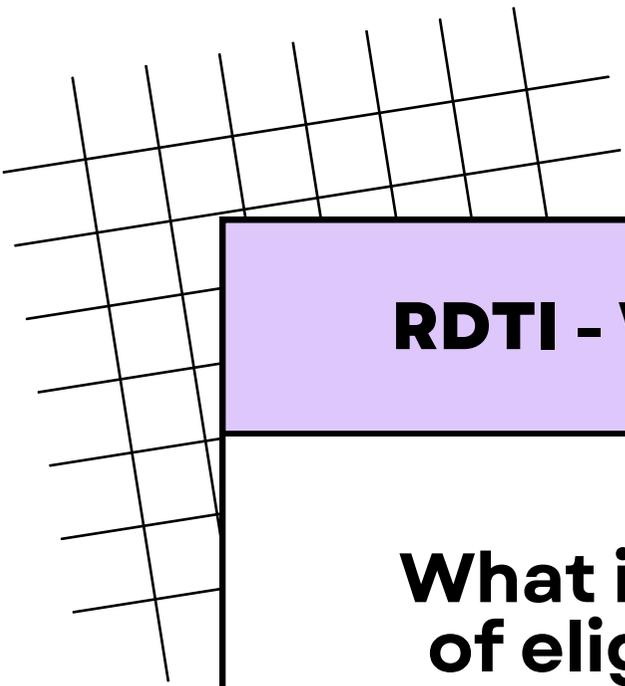
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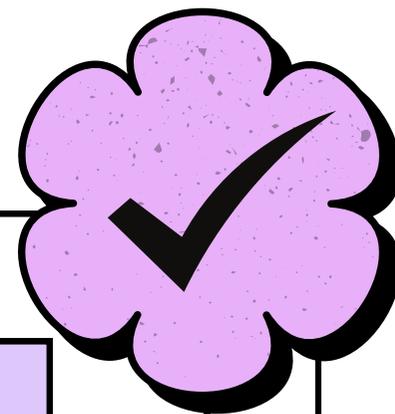
What is the maximum proportion of eligible expenditure that can be for activities performed outside of New Zealand?

A 10% of total expenditure

B 0% as all core activities must occur in New Zealand.

C 25% of total eligible expenditure

D There is no limit



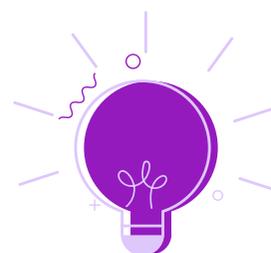
ANSWER:

10% of total expenditure

Expenditure on supporting R&D activities conducted overseas is capped at the lesser of the actual overseas expenditure or 10% of the total eligible claim.

Foreign expenditure includes R&D activity that occurs overseas or when a non resident performs R&D in New Zealand.

Pro Tip



You must have an approved supporting activity to cover this expenditure. If part of your core activity will occur overseas, ensure you capture this as a supporting activity too.



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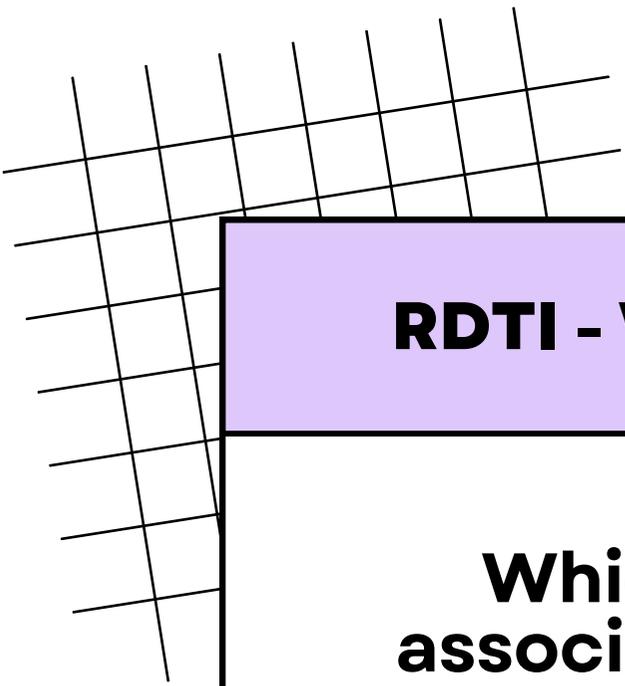
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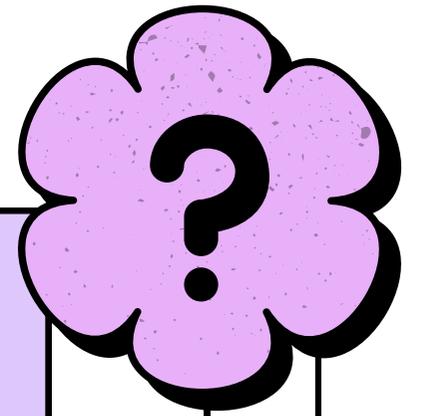
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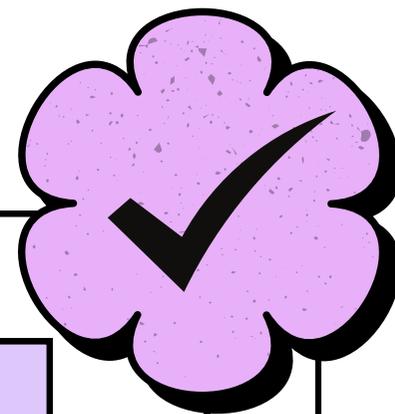


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Which of the following costs associated with an R&D project is explicitly listed as ineligible expenditure?

- A** Salaries & wages for employees directly involved in the R&D activity
- B** Overhead costs, such as rent payments for the R&D portion of a building
- C** Depreciation on assets, such as test equipment, used for R&D
- D** Interest and other financing costs related to funding the R&D activity



ANSWER:

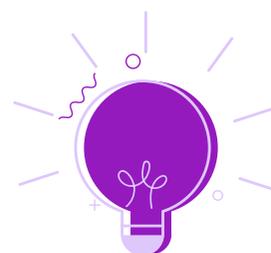
Interest and other financing costs related to funding the R&D activity

Make sure you are aware of the ineligible expenditure set out in Schedule 21B Part B.

Also expenditure on determining what your RDTI claim is can't be claimed - whether you do internally or hire a third party

[Read the Exclusions Here](#)

Pro Tip



If you aren't sure make sure you get advice from someone with the right experience and knowledge - mistakes will cause delays and frustrations so get it right first time



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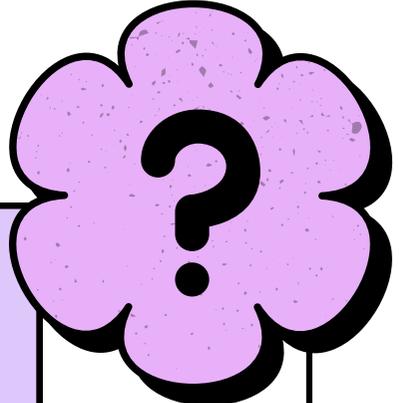
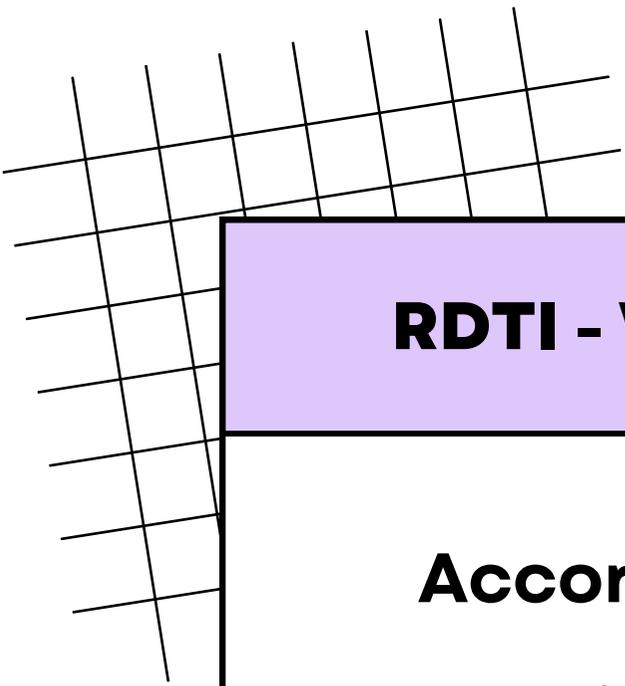
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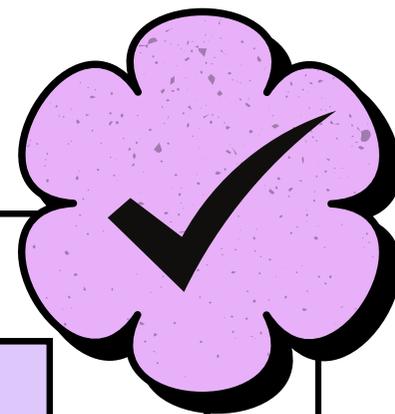
According to the RDTI Guidance (IR240) what is a crucial characteristic of the records kept to substantiate a RDTI claim?

A They must be kept at the time the R&D was done (contemporaneous records)

B They must be certified by an approved R&D certifier for all claims

C They must be created at the end of the year in a summary report

D Only successful experiments and outcomes need to be documented



ANSWER:

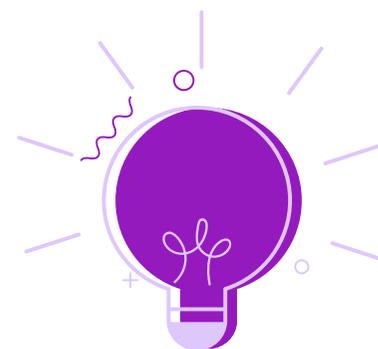
They must be kept at the time the R&D was done (contemporaneous records)

If you don't keep records as the R&D is occurring you risk an otherwise eligible claim being rejected.

Get independent advice on whether or not your systems and processes would meet requirements to avoid disappointment and wasted time and money when claiming.

Pro Tip

The records you already keep as a business are likely to be sufficient with a few minor tweaks.





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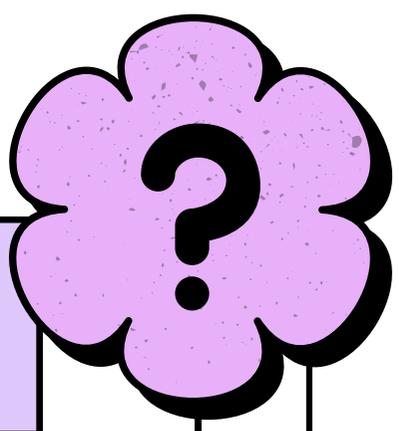
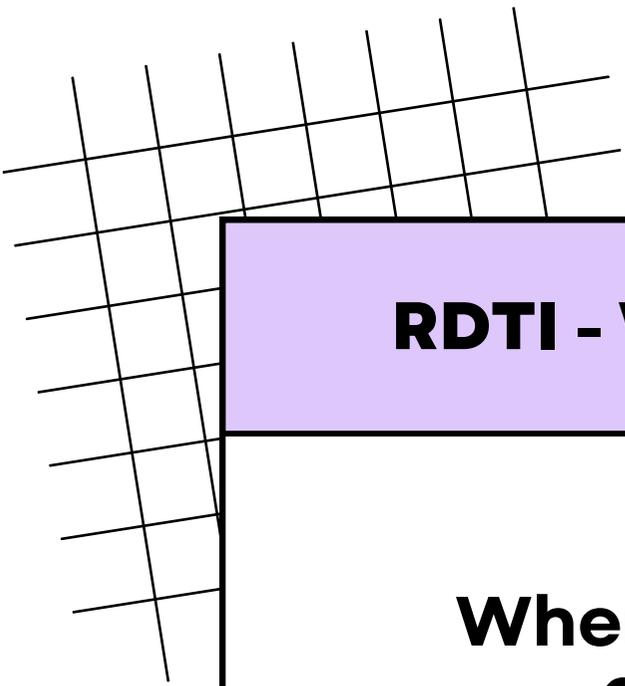
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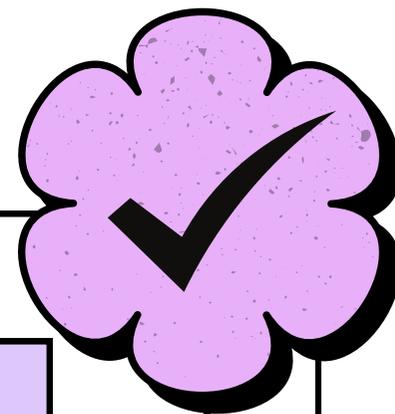


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When R&D is performed in the course of commercial production, what types of expenditure are eligible?

- A** All overheads and material costs associated with the production line during the R&D period.
- B** The full cost of producing the goods for sale, as the R&D is integral to the process
- C** Expenditure related to an employees contribution to the R&D and any additional expenditure incurred because of the R&D
- D** Only the salary of employees who are dedicated 100% to the R&D activity



ANSWER:

Expenditure related to an employees contribution to the R&D and any additional expenditure incurred because of the R&D

The new guidelines (page 64-68) provide lots of examples where commercial production does and doesn't apply. Take 5 minutes to understand these for your context.

If goods are being produced, feedstock rules may also apply. It is critical to ensure you are tracking costs and staff time accurately for a smooth claim





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