



**BOSCH**

Regulatory Burdens: manufacturing, wholesale and retail  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Email: [regulatoryburdens@pc.gov.au](mailto:regulatoryburdens@pc.gov.au)

Robert Bosch (Australia) Pty.  
Ltd  
Locked Bag 66  
Clayton South VIC 3169  
Visitors:  
1555 Centre Road  
Clayton VIC 3168  
Tel +61 3 9541 5555  
[www.bosch.com.au](http://www.bosch.com.au)

11 April 2008

**Annual Review of Regulatory Burdens on Business –  
Manufacturing & Distributive Trades**

Dear Commissioner,

Robert Bosch Australia Pty. Ltd. (RBAU) is a regional subsidiary of the global Bosch Group, one of the world's largest private industrial corporations. Bosch in Australia operates in three business sectors namely Automotive Technology, Consumer Goods and Building Technology, as well as Industrial Technology.

Automotive Technology represents the largest sector of our business, with local development and manufacture of automotive components supplying both domestic and international automotive manufacturers.

This submission will comment on current obligations for claiming R&D tax concessions and ACIS benefits, both schemes important to our local development and manufacturing activities of automotive components.

RBAU would like to thank you for the opportunity to provide a submission to this review.

Yours sincerely

Alex Haberle  
Corporate Business Manager  
Robert Bosch (Australia) Pty. Ltd



## 1. R&D tax Concession

### 1.1. Project Registration

#### Issue

Requirement to register each R&D project individually on an annual basis

#### Current situation

RBAU engages in approximately 150 development projects per annum. In order to register these applicable for R&D tax concessions, each project requires at least 2 pages of justification. The level of information necessary to prove a project as eligible under the act is significant and can include establishing ownership of the R&D, customer contribution to costs, manufacturing location, separation of any R&D undertaken overseas and ownership of the IP. Content of contractual arrangements with our customers can be a factor for eligibility and hence may require analysis of individual contracts.

The justification process places significant burden on RBAU in the form of human resource from cost controlling, product development and project management departments that would otherwise serve RBAU more effectively in actual R&D activity. There are also costs associated with the hiring of external resources to assist with justification and contractual analysis. Historically, the percentage of projects that RBAU can claim as eligible for an R&D tax concession lies between 90-95%.

#### Proposal

Rather than registering individual projects, it is suggested that RBAU be registered as an approved R&D facility. Registration may involve an independent assessment by AusIndustry, the ATO, or appropriate body that establishes the scope of R&D activity with consideration to internal systems and processes. Upon registration approval, annual assessments would ensure compliance, with allowance for changes to systems and process as applicable.

## 1.2. Impact of ACIS clawback

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### Issue

The basis for cost calculations differ for R&D tax concession and ACIS.

### Current situation

RBAU is required to calculate costs for eligible projects under the definition prescribed by the R&D tax concession, then “clawback” the costs as prescribed by the ACIS scheme. The basis for calculating costs of projects differs for both schemes and thus requires significant internal and external resource.

### Proposal

It is recommended that the cost calculation be consistent between the two schemes. A further improvement could include the application of an automotive industry factor to the benefits received from the ACIS claim. External consultants have found that the benefit RBAU receives from the R&D tax concession is approximately 50% of that received under the ACIS scheme. If this factor were generally consistent, its application would remove the requirement for individual and duplicate cost calculations.

## 2. ACIS

### 2.1. Risks associated with claiming ineligible activities

#### Issue

RBAU received its first audit report identifying a possible and substantial unearned credit liability.

#### Current situation

The above finding represents a significant financial risk to RBAU. RBAU sees a need for greater clarity to the interpretation and application of eligible activities, as well as to the level of substantiation required to support quarterly claims.

#### Proposal

It is recommended that AusIndustry provide clear and concise information regarding the eligibility of activities to scheme participants, thus minimising the risk of unearned credit liabilities. An approach similar to that of the ATO, who provide frequent rulings on taxation matters, would advance the interpretation of eligibility requirements. Furthermore, increasing the audit frequency would ensure compliance and foster a closer partnership between participants of the scheme and AusIndustry.



## **2.2. Requirement to record timesheets**

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### Issue

The maintenance of a database and the cost associated with data entry for claiming ACIS eligible activities.

### Current Situation

To claim eligible labour for R&D activities, process improvement activities, and support activities, it is required that all associated work hours be recorded against an extensive number of internal orders. Currently there are around 560 personnel who are required to enter times to individual internal orders for every ½ hour worked. With consideration to an average wage and data entry time of approximately ½ hour per employee per week, this comes at a substantial yearly cost to RBAU. In addition RBAU must maintain a substantial data base of all hours assigned as eligible activities. Typically, development engineers, manufacturing engineers, quality engineers, project managers, and project purchasing staff maintain similar ratios of eligible v. ineligible activities over time. The recording of associated activity for these individuals adds little value.

### Proposal

It is recommended that a common percentage factor be applied to the actual payroll costs of a classification of individuals, like those mentioned above, with which total claimable value is determined. The relevant percentage factor could be established via existing historical data, or through the recording of individual activity for a pre-determined period. The application of this factor would reduce associated database and data entry costs explained above.