



Tax Insights

“Ambitious Australia”: Will proposed R&D reform turn ambition into action?

On 25 March 2026, Senator the Hon Tim Ayres addressed the National Press Club of Australia on Smarter, Stronger, Safer: A Future Made in Australia backed by R&D, building upon key messages from the much anticipated Strategic Examination of Research and Development (SERD) final report [Ambitious Australia](#), released on 17 March 2026. Senator Ayres acknowledged the *Ambitious Australia* report as setting out an agenda for Australia’s research and development (R&D) system for the next decade, highlighting the need for system level change and coordination.

Ambitious Australia is the culmination of an independent review into Australia’s research, development, and innovation (RD&I) ecosystem, announced two years ago in the 2024-25 Federal Budget.

The report proposes a package of sweeping reforms to grow Australia’s innovation capabilities, including a redesign of the federal government’s flagship innovation program, the R&D Tax Incentive (RDTI), to better target and accelerate its impact.

Deloitte Australia welcome the direction of the recommendations, particularly the focus on business-led R&D, commercialisation, and system alignment, and the opportunity to strengthen the incentive offered by the RDTI. However, we are sceptical that the framework will achieve the stated aim of simplifying administration in practice. Delivering *Ambitious Australia* will hinge on measures that materially shift private sector investment while maintaining accessibility and certainty for RDTI claimants, supported by sustained funding and competitive settings. The forthcoming budget will provide the first substantive test of that intent.

Ambitious Australia starts with a stronger RDTI

The RDTI provides tax offsets for eligible R&D expenditure, with a refundable component for smaller businesses and an intensity-based, nonrefundable offset for larger entities. In principle, the program is designed to lower the after-tax cost of undertaking R&D and thereby encourage additional investment.

The report makes several recommendations that are intended to simplify administration and target impact. *Ambitious Australia* proposes that the RDTI would be redesigned to direct access toward businesses that demonstrate strong growth potential and an ability to generate meaningful economic benefits from innovation initiatives, including through cashflow or investment in the broader ecosystem.

In summary, the redesign would entail:

- **Greater alignment between R&D and commercial outcomes:** Activities may increasingly need to demonstrate a pathway to deployment, scale, or revenue impact;
- **More structured access pathways:** The introduction of differentiated streams (including new pathways for startups, small and medium-sized enterprises (SMEs), and large entities);
- **Increased importance of growth and investment narratives:** The RDTI may begin to take on characteristics of a merit-based grant scheme, linking innovation incentives to broader business performance and ecosystem collaboration; and
- **Evolving scope of eligible activities:** For some segments, the expansion into development, deployment, and early commercialisation may create new opportunities to access support across the innovation lifecycle.

Taken together, these measures signal a move toward a more selective regime, with greater emphasis on the quality and impact of R&D activity supported. These proposals are explored further below.

Simplification and targeting access

A central recommendation is to simplify the RDTI and target the incentive to high-impact activities. The policy intent behind this proposal reflects a more explicit trade-off between breadth of access and concentration on higher impact R&D activity, by:

- Introducing a deemed rate for supporting activities;
- Removing clawback from the RDTI; and
- Raising the minimum expenditure threshold.

Introducing a deemed rate for supporting activities and removing clawback rules in the RDTI are both sensible proposals, achieving both aims with a minimum of risk or complexity and, in the case of clawback, enhancing system integration with other programs.

“Trimming the tail” by raising the minimum annual expenditure threshold from \$20,000 to \$150,000 may simplify the RDTI itself. However, redirecting small, resource-constrained firms to competitive, merit-based grants is likely to increase funding barriers for these firms, and risks constraining innovation at the grassroots level.

Establishment of a premium start-up stream

The report proposes establishing a premium RDTI stream for startups and high-potential firms with a more generous benefit and simplified access:

- Eligibility for the stream would rely on a 100-point test—similar to the Early Stage Innovation Company 100-point innovation test;
- The stream would include benefits to improve cash flow such as quarterly payments;
- A higher refundable offset rate would be available, calculated as a 23.5% premium; and
- Eligible expenditure would be determined at the project level, and be extended to include development and deployment, early commercialisation, and allow for user testing and adoption research, representing a considerable expansion from the current focus on scientific R&D.

The introduction of quarterly refunds into the RDTI is 15 years overdue. If legislated, this proposal would be a gamechanger for cash-strapped startups by improving their cashflow and ultimately allowing them to accelerate R&D outcomes.

Assessing eligibility at the project level is, at face value, a simplification of the existing rules, which require an assessment of activities at a granular level. Nonetheless, there are clear integrity risks if the expanded scope is not tightly defined and consistently administered. If not carefully calibrated, this creates a risk of overly broad claims, which may in turn drive increased compliance activity, rule tightening, and reduced certainty over time.

Reforms for SMEs

A key critique highlighted in the report is that many RDTI claimants do not demonstrate sustained growth and repeatedly access the incentive without scaling or reinvesting. The report further highlights the concern that “claimants that do not see genuine growth over extended time periods limit the RDTI’s economic impact” and posits that “ongoing access to the refundable component of the RDTI scheme should be linked to a company’s revenue growth trajectory.”

To this end, the report proposes:

- “On” and “off” ramp mechanisms linked to revenue growth and reinvestment in RD&I to provide certainty for businesses; and
- An increase in the turnover threshold for the refundable R&D tax offset from \$20 million to \$50 million.

The proposal to base eligibility on growth outcomes is the latest in a long line of well-meaning ideas aimed at “additionality” in the RDTI program. The proposal, like the recent “R&D intensity” mechanism and 175% premium from the R&D Tax Concession before it, would introduce additional complexity and potential uncertainty for SMEs—the engine room of Australia’s RD&I ecosystem.

We agree in principle that the RDTI should not exist as a life-support mechanism for underperforming businesses, however tying access to short-term commercial outcomes risks misalignment with the inherently non-linear and long-horizon nature of innovation, and may disadvantage sectors with longer development cycles.

Reforms for large entities

The report identifies large firms as critical to system-wide R&D performance, particularly for scale, commercialisation, and ecosystem spillover. However, the SERD consultation revealed a sentiment among industry leaders that Australia is currently seen as uncompetitive for large-scale R&D investment.

The proposed reforms include:

- Removing the \$150 million R&D expenditure cap;
- Removing the tiered R&D intensity measure aspect of the program and providing a standard offset rate that is globally competitive, such as bringing the rate for large firms in line with that currently provided for SMEs;
- Making the cost of the first contract RDTI eligible to encourage first procurement from new startups;
- Removing the RDTI offset from franking credit calculations; and
- Enhancing benefits dependant on qualifying criteria, assessed through a points-based “corporate citizen” test, with points rewarding collaboration with universities, procurement from SMEs or startups, R&D-related workforce development, and investment in Australian innovation ecosystems.

The policy intent behind this would be to attract mobile global R&D investment and embed large firms as anchors in the domestic innovation ecosystem. The proposals are likely to increase certainty and improve the relative competitiveness of Australia’s R&D settings, while encouraging high-impact and collaborative innovation.

Conclusion—restoring the incentive

The proposed changes represent a meaningful shift in how Australia approaches R&D support—from a broad-based tax offset toward a more targeted, outcomes-orientated incentive framework. For businesses, this points to a future in which access to the RDTI may be more closely linked to demonstrable impact, collaboration, and alignment with strategic priorities. Nonetheless, measuring the true impact of R&D incentives in terms of long-term productivity gains and spillovers remains inherently difficult.

The direction of reform is towards a system that is simpler, more predictable, and more closely aligned with commercial outcomes. In this, there is a clear opportunity to restore the program’s core function—incentivising businesses to undertake R&D in Australia. Realising that opportunity will depend on maintaining certainty and accessibility alongside greater targeting.

In Senator Ayres’ address on 25 March 2026, he acknowledged that the proposed reform to Australia’s RD&I system is no longer an abstract exercise and now must move to coordinated efforts to bolster Australia’s national capability and resilience. After several historical reviews of the RDTI program, Deloitte Australia agree that now is the time for positive action and we look forward to seeing the reforms proposed in *Ambitious Australia* taken up by government.

We will be eagerly awaiting announcements in respect of implementation of the reforms as part of the 2026-27 Federal Budget to be handed down on 12 May 2026. For any R&D-focused businesses, keeping abreast of these changes will be critical and may inform strategic decision making regarding RD&I investment.

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