



Australian Government
Department of Education,
Skills and Employment

Higher Education Research Data Collection specifications for the collection of 2022 data

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The document must be attributed as the HERDC specifications for the collection of 2022 data.

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1. Introduction

1.1 Purpose

The Australian Government's provision of research block grant (RBG) funding to eligible higher education providers¹ (HEPs) is enabled by the *Higher Education Support Act 2003* (HESA), which provides 'grants to support research by, and the research capability of, higher education providers' and 'grants to support the training of research students'.

The purpose of these *Higher Education Research Data Collection (HERDC) specifications for the collection of 2022 data* (specifications) is to provide guidance to HEPs and auditors on the requirements for HEPs providing 2022 research and experimental development (R&D) income data.

1.2 Use of data

The Department of Education, Skills and Employment (department) uses research income data submitted through HERDC together with data from the Higher Education Student Data Collection to determine HEPs' annual RBG allocations.

Information about RBGs, including program guidelines, conditions of grants and processes for calculating grant amounts can be found on the [Research Block Grants webpage](#).

It is a condition of RBG funding that the materials required in **section 1.4** of these specifications are provided to the department by 30 June 2023.

The department may use research income data submitted through HERDC by HEPs to inform other analyses conducted by the department and may also provide the data to other government agencies. Data collected through HERDC is published at www.dese.gov.au/research-block-grants/higher-education-research-data-collection-herdc.

1.3 Use of funding

The department's allocation of RBGs to HEPs is independent of funding for individual R&D projects. HEPs have the autonomy to decide what projects, personnel, materials, equipment, and infrastructure RBG funding should support across their R&D and research training activities.

The department does not intend that HEPs use the HERDC as the basis for their internal systems for allocating their R&D and research training funding. HEPs should develop their own internal allocation policies and systems.

1.4 Information to be submitted

HEPs must provide to the department:

- an accurate R&D income return
- A Vice-Chancellor Certification Statement
- an Audit Report.

¹ Eligible higher education providers (HEPs) means a HEP as specified in section 16-15 (Table A Providers) and section 16-20 (Table B Providers) of the *Higher Education Support Act 2003*.

1.4.1 R&D income return

HEPs must provide R&D income received for the 2022 reference year, grouped into four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: other public sector R&D income
- Category 3: industry and other R&D income
- Category 4: Cooperative Research Centre (CRC) R&D income

The 2022 R&D income return must be submitted via [System to Evaluate the Excellence of Research \(SEER\)](#) to the Australian Research Council (ARC).

1.4.2 Vice-Chancellor certification

Vice-Chancellors (or equivalent) must certify that their HEP's R&D income return is correct and has been compiled in accordance with this specification document. This certification is completed in SEER. A separate certification statement is not required.

1.4.3 Audit report

Each HEP must arrange for an audit of the Category 1, 2, 3 and 4 R&D income in their respective R&D income return and provide the department with a Special Purpose Audit Report under the Auditing and Assurance Standard Board's Auditing Standard ASA800, which clearly certifies that the R&D income recorded is correct.

In addition to ensuring that the R&D income reported by a HEP under its R&D income return is correct, the department expects that the audit also ensures that R&D income is:

- attributed to activities that comply with the definition of R&D (**section 3**)
- attributed to the correct category of R&D income
- identified by transparent and explicit transactions.

The audit should be conducted by an independent, external, and qualified auditor. It may be conducted as part of an annual audit. For the audit of HERDC returns, HEPs may choose to use the auditors that undertake the audit of their financial statements.

1.5 Submission instructions and due date

Material must be submitted according to the table below.

Material required	Due date
R&D income return	30 June 2023
Vice-Chancellor's Certification Statement	
Audit report	

The Vice Chancellor's certification statement is completed in SEER. A separate certification statement is not required. The instructions for electronic submission of the R&D income return and Audit report are set out in **section 1.6** below.

1.6 Related documents

The specifications should be read in conjunction with *Instructions for electronic submission of HERDC returns*, which will be available on the [HERDC webpage](#) in early 2023.

In addition, the department uses definitions and concepts referred to in the Australian Accounting Standard Board's (AASB) standards and explanatory materials [AASB 9](#), [AASB 15](#), [AASB 138](#), [AASB 1058](#) and [AASB 2016-8](#).

HEPs are not required to report HERDC R&D income in line with the changed accounting standards AASB 9 and AASB 15 that came into effect on 1 January 2018.

1.7 Freedom of Information Act 1982

All documents sent to the department with regard to the HERDC are subject to the *Freedom of Information Act 1982* (FOI Act). Unless a document falls under an exemption provision, it may be made available to the applicant, if requested, under the FOI Act. All freedom of information requests are to be referred to the Freedom of Information (FOI) Coordinator via email at FOI@dese.gov.au.

Decisions regarding requests for access to documents will be made by the department's authorised FOI decision-maker in accordance with the requirements of the FOI Act.

1.8 Verification material

HEPs must maintain verification material to demonstrate that R&D income meets the criteria of the categories being reported. Examples of verification materials include funding agreements, memoranda of understanding, letters of agreement, contracts, proof of acceptance of a tender or approval of an application for funding.

For the purposes of the HERDC, HEPs must retain verification material for a minimum of five years to facilitate any audit of R&D income data that may be conducted by, or on behalf of, the department.

HEPs should ensure that their relevant verification material are up to date and reflect the nature of the R&D activity being undertaken and the roles of the parties. Arrangements supported by email only (without supporting attachments) do not constitute appropriate verification material.

1.9 Contact details

Questions concerning the HERDC and these specifications can be directed to RBGrants@dese.gov.au.

2. HERDC specifications – points to note

As stated in **section 1.6**, HEPs are not required to report 2022 R&D data under the revised accounting standards and will instead be required to continue to report 2022 data using the same approach used for 2021 data.

HERDC cycle

The department is implementing a transitional approach to release the specifications 12 months ahead of a reporting cycle, following consultation with the sector about the timing of the release of the specifications in 2021. To do so, the 2022 and 2023 specifications are being released in the 2022 calendar year.

The final specifications for the collection of 2022 data (this document) has been released in June 2022. This will be followed by the specifications for the collection of 2023 data, which will be released in the second half of 2022.

Method of data collection

Section 1.4.1 has been updated to advise that the 2022 R&D income return must be submitted via [SEER](#) to the ARC. A link to SEER is also available on the [HERDC webpage](#).

Sections 1.4.2 and **1.5** have also been updated to provide further information on how to submit the Vice Chancellor's certification statement via SEER.

3. Definition of research and experimental development

The HERDC definition of research and experimental development (R&D) is consistent with the Organisation for Economic Cooperation and Development (OECD) definition of research and experimental development set out in the [2015 Frascati Manual](#). R&D is defined as ‘creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge.’²

For an activity to be a R&D activity it must jointly satisfy all five of the below core criteria. A R&D activity must be:

1. novel: aimed at new findings³
2. creative: based on original, not obvious, concepts and hypotheses
3. uncertain: uncertain about the final outcome(s)
4. systemic: planned and budgeted
5. transferable and/or reproducible: lead to results that could be possibly reproduced.⁴

The above definition encompasses pure and oriented basic research, applied research and experimental development, which are defined in the [2015 Frascati Manual](#) as follows:

- Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.⁵ There are two types of basic research:
 - Pure basic research is carried out for the advancement of knowledge, without seeking economic or social benefits or making an active effort to apply the results to practical problems or to transfer the results to sectors responsible for their application.⁶
 - Oriented basic research is carried out with the expectation that it will produce a broad base of knowledge likely to form the basis of the solution to recognised or expected current or future problems or possibilities.⁷
- Applied research is original investigation undertaken in order to acquire new knowledge. It is, however, directed primarily towards a specific, practical aim or objective⁸ (including a client-driven purpose).
- Experimental development is systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge, which is directed to producing new products or processes or to improving existing products or processes.⁹

² Organisation for Economic Cooperation and Development (OECD) *Frascati Manual 2015: Guidelines for Collecting and Reporting Data on Research and Experimental Development*, The Measurement of Scientific, Technological and Innovation Activities, OECD Publishing, Paris, 2015, pp 44-45.

³ Any use of available knowledge that does not entail an attempt to expand the state of knowledge (for example, adaptation or customisation) should be excluded.

⁴ OECD, *Frascati Manual*, pp 46-48.

⁵ OECD, *Frascati Manual*, p 45.

⁶ OECD, *Frascati Manual*, p 50.

⁷ OECD, *Frascati Manual*, p 51.

⁸ OECD, *Frascati Manual*, p 51.

⁹ OECD, *Frascati Manual*, p 51.

3.1 Inclusions and exclusions

The sections below provide additional guidance about the activities that can be considered R&D, and therefore included in a HEP's R&D income return. These lists are not exhaustive.

3.1.1 Examples of activities that meet the definition of R&D:

- a) Professional, technical, administrative or clerical support staff directly engaged in activities essential to the conduct of R&D
- b) The activities of HDR¹⁰ students enrolled at the HEP
- c) The development of HDR training and courses
- d) The supervision of HDR students enrolled at the HEP
- e) R&D into applications software, new programming languages and new operating systems
- f) Prototype development and testing
- g) Construction and operation of a pilot plant where the primary objective is to make further improvements
- h) Trial production where there is full scale testing and subsequent further design and engineering
- i) Phases I to III of clinical trials
- j) Non-traditional research creative arts including original creative works, live performance of creative works, recorded or rendered works, and curated exhibitions or events

3.1.2 Examples of activities that do not meet the definition of R&D:

- a) Scientific and technical information services
- b) General purpose or routine data collection
- c) Standardisation and routine testing
- d) Feasibility studies (except into R&D projects)
- e) Specialised, routine medical care
- f) Literature reviews that are predominantly a summary of the current knowledge and findings of a particular R&D field or topic and do not include any critical assessment or report any new findings or original experimental work
- g) Commercial, legal and administrative aspects of patenting, plant breeders' rights, copyright, material transfer agreements or intellectual property licensing, option and assignment activities, and royalties
- h) Routine computer programming, systems work or software maintenance
- i) Stages of product development that do not meet the five R&D criteria above¹¹
- j) Pre-production development¹²
- k) Market research
- l) Construction of fully tested prototypes for marketing purposes

¹⁰ Higher degree by research (HDR) training is training undertaken by students to achieve a research doctorate or research masters. A research doctorate means a Level 10 Doctoral Degree (Research) qualification as described in the Australian Qualifications Framework and a research masters means a Level 9 Masters Degree (Research) qualification as described in the Australian Qualifications Framework. Professional doctorates may be included but only where at least two-thirds of the qualification is research.

¹¹ OECD, *Frascati Manual*, pp 53-54

¹² OECD, *Frascati Manual*, p 52.

- m) After sales service and troubleshooting
- n) Industrial engineering and design for production purposes
- o) Creative activities that do not meet the five core R&D criteria above
- p) R&D financing and support services
- q) Consultancies or framework analysis activities that are designed to analyse or evaluate processes at external operators
- r) Teaching services based on existing knowledge which do not constitute entirely new advancements in knowledge

4. Categories 1 to 4 R&D income requirements

This section provides the information necessary for HEPs to determine what can and cannot be included under Categories 1 to 4 of their HERDC return. HEPs must provide information on all R&D income received in the reference year that falls into the following four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: other public sector R&D income
- Category 3: industry and other R&D income
- Category 4: CRC R&D income

4.1 General requirements

Categories 1 to 4 R&D income can only be included in a HEP's return if it meets all of the following principles. The R&D income must be:

- **for activities consistent with the definition of R&D (section 3).**
- **net receipted income, received in the reference year and recognised in a HEP's financial system as being related to that reference year:**
 - Net receipted income is the amount of R&D income a HEP (or its subsidiary) retains in its accounting system after shared R&D income has been divided and/or third-party R&D income has been expended and/or distributed. The reference year is the 2022 calendar year.
- **only be counted once:**
 - HEPs should apply the principle that no income is to be double counted or included in the income returns for multiple years.
- **include any variations to R&D income previously reported:**
 - HEPs may count 2021 R&D income only where the HEP has made a genuine omission of that income from its previous year's HERDC return and the HEP can verify to its auditor's satisfaction that the income was not reported in the previous year's return. A HEP must reduce the R&D income reported for a particular category where R&D income received in an earlier year has been refunded.
- **consistent with the previous year's basis of R&D income reporting.**
 - HEPs must notify the department of the basis they reported 2022 HERDC R&D income and that it is consistent with the basis of 2021 HERDC R&D income reporting. HEPs may not deviate their basis of HERDC R&D income reporting for 2022 R&D income.
- **consistent with audited quarterly or annual CRC financial reports for reported R&D income from CRCs.**

4.2 Inclusions and exclusions

The sections below provide additional guidance about the net receipted R&D income that can be included or must be excluded from a HEP's R&D income return.

These lists are not exhaustive, and it is the department's expectation that HEPs work with their auditors in determining which R&D income can be reported. Additional guidance on income involving other parties is at **section 4.3**.

4.2.1 Net receipted income that can be included in the R&D income return:

- a) Stipends and scholarships for HDR students enrolled at the HEP, unless explicitly excluded in **section 4.2.2**. Donations specifically for HDR scholarships should be treated as scholarship income.
- b) Income derived from the provision of R&D services (exclusive of GST).
- c) Travel grants where funds are provided specifically for the purpose of travel and used to enable access to a program of R&D. Researchers using the funds are expected to be active participants in the R&D program, rather than observers or visitors.
- d) Income derived from the investment of, and interest earned from, donations, bequests, and endowments available for the expenditure on R&D.
- e) Research infrastructure income including funding for equipment purchase, installation, maintenance, hire and lease, non-capital aspects of facilities such as laboratories, libraries, computing centres, animal houses, herbaria, and experimental farms and grants for specific and specialised equipment used for the conduct of R&D (unless explicitly excluded in **section 4.2.2**).
- f) Income from non-Australian HEPs provided specifically for the conduct of R&D.
- g) Income received in support of the R&D activities and training of HDR students enrolled at the HEP. This includes funds providing the cost of a student's HDR fee-paying place but excludes HDR student fee income paid by the student, Commonwealth supported places, places funded by the Research Training Program (RTP), or places supported by the Research Support Program (RSP).
- h) When a HEP receives income (such as a general or untied grant or a multi-purpose industry contract) that provides for activities other than R&D, the HEP may report the proportion of that grant that can be clearly and transparently attributed to the direct costs of conducting R&D.

4.2.2 R&D income that is excluded in the R&D income return:

- a) Any income above the amount of net receipted income
- b) GST amounts
- c) Any interest income accruing to R&D grants, contracts and consultancies
- d) Any interest income received from donations, bequests and endowments unless expressly for the purposes of R&D
- e) Any in kind contributions to grants, contracts and other enforceable agreements
- f) Cash contributions made to a HEP on condition that the HEP use these contributions to purchase goods or services from a CRC or other funding provider; such arrangements are regarded as in-kind contributions

- g) Capital grants¹³
- h) Any R&D income received by the HEP from its subsidiaries¹⁴ or any independent HEP operations that do not meet the definition of a subsidiary
- i) Any R&D income received by the HEP from any other Australian HEP or its subsidiaries except in respect of shared R&D income (in accordance with **section 4.3**) or transfers (in accordance with **section 4.4**)
- j) Any income received by a HEP or its subsidiaries from the sale of non-financial assets, even if that income is to be expended on R&D at the HEP's discretion
- k) Any income received by a HEP or its subsidiaries for the rental and use of its facilities and accommodation, even if this is related to the conduct of R&D
- l) Any third party income except for those instances specified in **section 4.3**
- m) Funds provided to the personal accounts of HEP staff, or funds used by a CRC to purchase goods or services for use by the HEP
- n) Any scholarships or grants that are provided by the HEP for its own HDR students
- o) Income received by students or by HEPs on behalf of students, for the R&D component of a degree that is not a masters by research or doctorate by research, including externally funded scholarships or stipends
- p) HDR student fee income
- q) Income received from a multi-purpose contract or other enforceable agreement that cannot be clearly attributed to the direct costs of conducting R&D, even if the income was provided for R&D
- r) Income received from a government grant, contract or other enforceable agreement for a specific purpose other than R&D (such as teaching), even if a proportion of that income is expended on R&D at the HEP's discretion
- s) Income provided specifically for the purpose of hosting, organising or attending a conference or workshop
- t) Income provided specifically for the purpose of producing publications or teaching preparation (rather than conducting R&D)
- u) Grants or funding from the following government programs:
 - i. Australian Mathematical Science Institute Internships (Commonwealth investment only)
 - ii. Australian Research Council (ARC) Linkage-Infrastructure, Equipment and Facilities (including cash contributions from other sources)
 - iii. Commonwealth Grant Scheme (Commonwealth supported places)
 - iv. Commonwealth Scholarships Program for South Australia
 - v. Destination Australia scholarships
 - vi. Endeavour scholarships, fellowships and grants

¹³ Capital grants are those grants provided to a HEP to purchase an asset of a durable nature, even if the asset is for the purpose of conducting R&D. Capital grants include grants for the construction and/or upgrade or refurbishment of buildings, centres or facilities, as well as purchase of properties or land. Capital grants are distinct from grants for R&D infrastructure. Grants for R&D infrastructure are considered to include grants for specific and specialised equipment which are used in the conduct of R&D.

¹⁴ A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

- vii. National Collaborative Research Infrastructure Strategy (including cash contributions from other sources)
 - viii. National Computational Infrastructure
 - ix. National Priorities and Industry Linkage Fund
 - x. Regional Research Collaboration Program
 - xi. Research Support Program
 - xii. Research Training Program
 - xiii. Rural and Regional Enterprise Scholarships
 - xiv. Strategic University Reform Fund
 - xv. NHMRC Equipment Grant Scheme
 - xvi. NHMRC Independent Research Institutes Infrastructure Support Scheme (IRIIS) grants.
- v) Any income received by the HEP for undertaking any type of R&D peer review activity

4.3 Income involving other parties

4.3.1 Third party income

Net receipted income is intended to identify only the income that a HEP (or its subsidiary) receives for its own R&D activities.

R&D income administered by a HEP on behalf of a third-party R&D organisation where the third party conducts the R&D independently of the HEP must be excluded.

The following instances are not considered as third-party income:

- Where the third party is a subsidiary of the HEP
- Where the third party is an affiliate of the HEP
- Where a HEP has made payments to a third party for goods and services in support of the conduct of R&D under the control of the HEP

Where HEPs have entered into formal employment arrangements with researchers in affiliated or partner organisations (external to the HEP), income that can be reported must be net receipted income and commensurable with the employment arrangements.

However, HEPs can report the total amount of income for an R&D project, even if the researcher(s) conducting the R&D project is/are partially employed by the HEP (for example, the HEP pays a proportion of salary direct to the researcher or there is a formal legal relationship or agreement that covers employment). This is as long as the HEP is the grant recipient and where that total amount of income is net receipted income (that is, income received and retained in the HEP's accounting system).

Employment arrangements must be bona fide. HEPs must exclude R&D income subject to cost reimbursement arrangements with affiliates or partner organisations (that is, to reimburse R&D costs, including researcher salaries) which are not explicitly covered within a formal legal relationship between the HEP and the external organisation.

Any third party affiliate income reported in accordance with **section 4.3** and included in a HEP's R&D income return must be reported in the 'affiliate' income column of the return. HEPs should report all

eligible income in the 'university' column of the form, except any income reported in accordance with **section 4.3** of this document.

4.3.2 Shared income

R&D income is considered 'shared' if part of a payment is passed from the primary recipient to another named party according to a grant, contract or other enforceable agreement or a tender/application for funding. A party may be a HEP, the staff of a HEP, or any another R&D performing organisation. Parties must be named in a grant, contract or any other enforceable agreement or in the initial tender/application for funding.

HEPs can only report the income received or retained following the distribution of shared R&D income.

Example

Where a shared R&D income grant exists, if HEP A receives a grant of \$50,000 of which \$20,000 is transferred to HEP B, HEP A should report \$30,000 and HEP B \$20,000.

4.4 Transfers

When staff transfer into, exit from, or move between HEPs and carry R&D funding with them, this must be reflected in adjustments to the affected HEPs' income returns.

4.5 Refunds

When, in the reference year covered by the R&D income return, a HEP refunds any income received either in the current year or an earlier year, income reported in the reference year must be reduced by the amount of the refund.

4.6 CRCs that are no longer operational

When a CRC (or CRC-P) is no longer operational, and it is not possible to verify the R&D proportion of the income with the CRC in which the HEP was the researcher or a participant, the amount reported and attributable to that CRC may be reported on the basis of the HEP's financial records alone.

5. R&D income categories

HEPs must enter all R&D income into the R&D income return according to the following four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: other public sector R&D income
- Category 3: industry and other R&D income
- Category 4: CRC R&D income

R&D income may be derived directly or indirectly from one or more ultimate funding entities. An ultimate funding entity will have full discretionary power to commence the research funding process that ends in the awarding of research funds to a university, for funding that it controls. If an entity is carrying out the instructions of another funding body through a contract or enforceable agreement, then that entity is not the original source of income/ultimate funding entity. HEPs should undertake reasonable effort to determine the original source of income/ultimate funding entity.

HEPs need to be able to determine the original source, or sources, of income from one or more ultimate funding entities.

There is no separate category for income received from multiple ultimate funding entities for an R&D project. Income received from multiple ultimate funding entities should be apportioned and assigned to the appropriate reporting category, according to each original source of income from one or more ultimate funding entities.

HEPs are to correctly manage the categorisation of R&D income. It is suggested that HEPs nominate the appropriate HERDC income category (or categories) at the time that funding agreements, grants or contracts are executed. HEPs should provide their faculties or departments with this information to help ensure that all income is coded to the correct HERDC income category for the duration of the funding.

Categories 2 and 3 consist of government income sub-categories for government's 'own purpose' (sub-categories 2.1, 2.3 and 3.7) and 'other' (sub-categories 2.2, 2.4 and 3.8). HEPs are required to distinguish between income provided for government's 'own purpose' and 'other'.

The 'own purpose' sub-categories refer to investment by government where the government will be the end-user of that research. Research carried out for purposes where government is not the end-user are considered as 'other'. The reason for distinguishing between these terms is to enable the collection of data that shows how much research investment by government is for its own use. The example below describes an instance of an 'own purpose' government R&D income:

Example

A state government has an agreement with University A for a research project worth \$400,000 to investigate childhood obesity, nutrition and lifestyle factors. The funds were not competitive, and the funding agreement between University A and the Government contains a clause where the university must assign all or part of the intellectual property arising from the agreement back to the government customer. The state government intends to use this information to develop promotion materials and tools to encourage healthy lifestyles in young Australians. In this case, the \$400,000 of income would be determined as own purpose, namely sub-category 2.3: State/territory/local (own purpose).

A list of all HERDC categories and sub-categories is provided at **section 7**.

5.1 Category 1: Australian competitive grant R&D income

Category 1 consists only of net receipted income received from Australian funding bodies for those R&D schemes and programs that have been self-assessed as Australian competitive grant R&D income, and must be sub-categorised as follows:

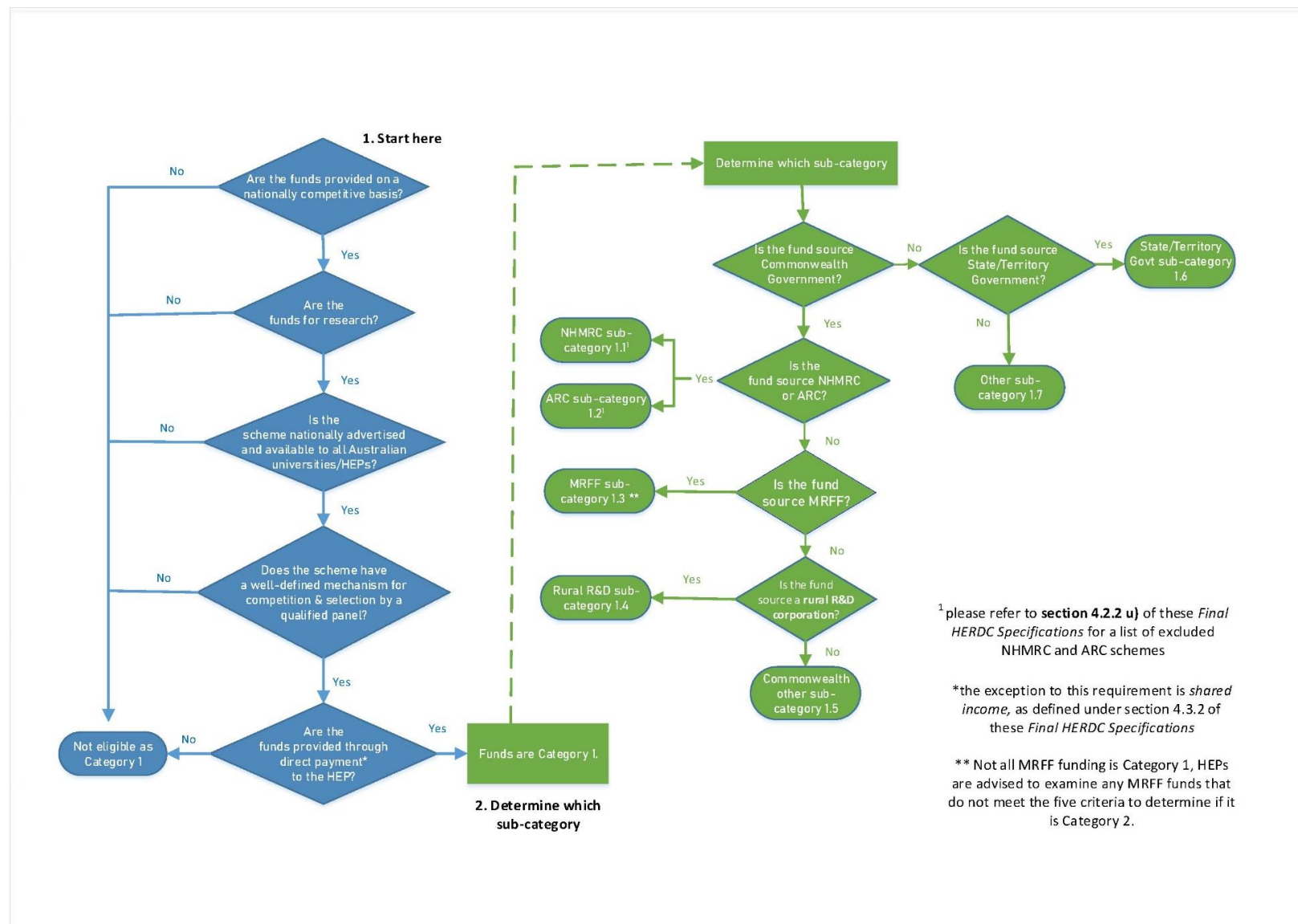
- Sub-category 1.1 National Health and Medical Research Council (NHMRC)
- Sub-category 1.2 Australian Research Council (ARC)
- Sub-category 1.3 Medical Research Future Fund (MRFF)
- Sub-category 1.4 rural R&D
- Sub-category 1.5 Commonwealth other
- Sub-category 1.6 State/Territory Government
- Sub-category 1.7 other.

This section provides information to assist HEPs to determine whether R&D income is eligible to be counted as Category 1 R&D income. A list of associated Frequently Asked Questions relating to self-assessment for Category 1 R&D income is available on the [Research Block Grants webpage](#).

Partner organisation cash contributions to grants awarded by schemes that have been self-assessed as Australian competitive grant R&D income should not be reported in Category 1, regardless of whether the partner contributions were identified in the scheme and/or program. This income should instead be reported under the HERDC category relevant to the source of the funding. Competitive grant income from international organisations or schemes should be reported under Category 3.

Prior to 2018, the Australian Competitive Grants Register was used to determine which income could be counted as Category 1 R&D income. For 2018 data onwards, self-assessment applied instead of the grants register, as the department is no longer updating the register. HEPs should use the blue section of the Decision Tree (**Fig. 1**) to determine if the income can be counted as Category 1. The green section of the Decision Tree can then be used to determine which of the seven sub-categories the R&D income belongs to.

Fig. 1. Decision Tree to determine Category 1 Australian competitive grant R&D income





5.1.1 Definition of terms associated with Decision Tree

Australian Research Council (ARC)

The ARC administers the National Competitive Grants Program (NCGP), which supports the highest-quality fundamental and applied research and research training through national competition. Note some ARC grants are excluded from Category 1. Refer to **section 4.2.2 (u)**.

Available to all Australian universities/HEPs

There must not be preferential treatment of any applicant during the assessment process based solely on the type of institution nor its geographical location. Each HEP must have an equal chance to submit an application.

Direct payment

Funds must be provided directly as a result of a nationally competitive process. Funds provided through a third party are not eligible, except where the arrangements between the administering institution/administering organisation and the collaborating institutes are made clear in either the original application or in the agreement between the funding body and the research institutions. Such income would be considered shared income, please refer to **section 4.3.2** for details.

MRFF


The MRFF, established by the Australian Government under the *Medical Research Future Fund Act 2015*, provides grants of financial assistance to support health and medical research and innovation in improving the health and wellbeing of Australians. The MRFF may disburse funds by open and contestable or targeted calls for applications. In cases where the NHMRC or any other organisation administers competitive MRFF income, the MRFF should be considered the ultimate funding entity. Note that not all MRFF funding is necessarily Category 1; some MRFF funding may fall under Category 2 or be ineligible for HERDC.

NHMRC

The NHMRC manages research programs and schemes through a variety of mechanisms, including grants for specific research projects and broad programs of research. NHMRC funding supports research across the full spectrum of health and medical research, from basic science through to clinical, public health and health services research. Note some NHMRC grants are excluded from Category 1, please refer to **section 4.2.2 (u)**.

Nationally competitive

Every application submitted by Australian research institutions for funding in a selection process must be assessed and rated against all other applications submitted in that selection process. Projects funded as a result of a direct approach from a funding body would not be considered to be nationally competitive.



Nationally advertised

All potential applicants in each Australian state and territory must be given an equal opportunity to become aware of and apply to the scheme through the use of any combination of direct contact: newspapers, journals, magazines, Internet, or any other printed or electronic media.

Scheme

A scheme is an administrative process that allocates funds using a discrete set of rules. For example, the ARC's Discovery and Linkage programs are known as schemes; each of which operate on the basis of a separate set of funding rules. Schemes can include grants and programs.

Selection by a qualified panel

All scheme applications are assessed and rated by a panel with the collective expertise and experience to effectively assess applications against all selection criteria for that scheme.

Other

The "Other" sub-category 1.7 covers all fund sources eligible to be considered as Australian competitive grant R&D income that do not fall into sub-categories 1.1 to 1.6.

Research only

Research is defined as 'creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge'. Please refer to **section 3** for further details.

Rural R&D Corporation

There are 15 Rural Research and Development Corporations (RDCs) across agriculture, fisheries and forestry industries in Australia. The Rural RDCs are a network of organisations which have been formed under a partnership between different agriculture, fisheries and forestry industries and government to drive innovation and improvement in and for rural industries. RDCs invest in agricultural R&D on a competitive basis and partner with public and private providers using funds from levies on production which are matched by the Commonwealth.

Well-defined mechanism for competition

The project or scheme has publicly available selection criteria against which all applications are assessed. The scheme has publicly available rules stating how assessments are conducted, including provisions to manage conflicts of interest which are binding on the selection panel.

5.2 Category 2: other public sector R&D income

Category 2 consists of R&D income received from the Australian public sector that is not eligible for inclusion as Category 1 income, and must be sub-categorised as follows:

- Sub-category 2.1 Commonwealth (own purpose)
- Sub-category 2.2 Commonwealth (other)

- Sub-category 2.3 State/Territory/Local (own purpose)
- Sub-category 2.4 State/Territory/Local (other).

Public sector agencies and authorities may include:

- Businesses that are wholly or partly owned or funded by Commonwealth, state or territory, or local governments; have a board; and operate on a profit or cost-recovery basis.
- RDCs where they are statutory corporations or authorities.
- CRCs, where the reporting HEP has not been defined within the Commonwealth Agreement as 'The Researcher' or a 'Participant' (that is, the reporting HEP was not a signatory to the Commonwealth Agreement, a CRC Participant's Agreement, or a Company Constitution during the reporting period).

In allocating the R&D income to a specific sub-category, a HEP should determine which party is the primary beneficiary of the R&D activity (and associated rights to intellectual property or other non-financial assets) undertaken by the HEP or its subsidiary.

HEPs are required to consult the terms and conditions of an agreement, particularly any identified intellectual property clauses to help determine which sub-category to allocate funding to. The department applies a strict interpretation to cases where there is a requirement that the HEP must license or assign any arising intellectual property back to the government; such income must be defined as own purpose. This includes cases where there is shared ownership of intellectual property rights.

5.2.1 Commonwealth government

Sub-category 2.1 Commonwealth (own purpose)

This sub-category includes income from government-commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to competitive grants (excluding in kind contributions) such as an Australian government agency cash contribution to an ARC linkage grant (excluding ARC funding component).

As a general guide, HEPs should report R&D income in the own purpose category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the Commonwealth Government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as own purpose.

Sub-category 2.2 Commonwealth (other)

This sub-category will include all other R&D income from Commonwealth agencies and authorities.

For example, this sub-category could include non-specific or untied R&D funding (for example, National Institute grants), R&D grant income not eligible under Category 1 and R&D income where the HEP is delivering a service to a third party on behalf of government.



5.2.2 State/Territory/Local government R&D

Sub-category 2.3 State/Territory/Local (own purpose)

This sub-category includes income from government-commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to competitive grants (excluding in kind contributions) such as a Queensland Government agency cash contribution to an NHMRC Partnership Project (excluding NHMRC funding component).

As a general guide, HEPs should report R&D income in the own purpose category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the state, territory or local government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as own purpose.

Sub-category 2.4 State/Territory/Local (other)

This sub-category will include all other R&D income from state, territory or local government agencies and authorities.

For example, this sub-category could include non-specific or untied R&D funding, R&D grant income not eligible under Category 1, and R&D income where the HEP is delivering a service to a third party on behalf of government.


5.3 Category 3: industry and other R&D income

Category 3 consists of R&D income received from the private sector, philanthropic and international sources that are not eligible as Category 1 or Category 2 R&D income, and must be sub-categorised as follows:

- Sub-category 3.1 Australian for-profit organisations
- Sub-category 3.2 Australian not-for profit organisations
- Sub-category 3.3 Australian philanthropy
- Sub-category 3.4 international for-profit organisations
- Sub-category 3.5 international not-for profit organisations
- Sub-category 3.6 international philanthropy
- Sub-category 3.7 international government (own purpose)
- Sub-category 3.8 international government (other).

5.3.1 Australian private sector

Income in this sub-category can include any R&D commissioned by the Australian private sector. Income in this sub-category also includes cash contributions (excluding in-kind contributions) to competitive grants and R&D grant income from Australian private sector organisations where the organisation or Grant Scheme is not considered to be Category 1 (see **section 5.1.1**).



The Australian private sector sub-category is divided into R&D income from for profit and not-for-profit organisations.

Sub-category 3.1 Australian for-profit organisations

This sub-category includes income for R&D from:

- any for-profit business located in Australia including multi-nationals with their head office based in Australia or Australian subsidiaries of multi-national enterprises
- syndicated R&D arrangements
- any for-profit, industry-owned Research and Development Corporation.

The Australian Business Register's [ABN look-up](#) can be used to help determine if a business is registered in Australia.

Sub-category 3.2 Australian not-for-profit organisations

This sub-category includes R&D income from any private, not-for-profit organisation based in Australia. This includes income from mutuals, cooperatives, charities and foundations.

A not-for-profit organisation does not operate for the profit or gain of its individual members, whether these gains would have been direct or indirect. A not-for-profit organisation can take many forms. For further guidance on how to identify not-for-profit organisations, please refer to the [Australian Tax Office](#) or the [Australian Charities and Not-for-profits Commission \(ACNC\)](#). The Australian Business Register [ABN look-up](#) can be used to help determine if the R&D income is from a not-for profit organisation and/or is registered with ACNC. A HEP may wish to contact the organisation to clarify the organisation's status.

Sub-category 3.3 Australian philanthropy

This sub-category includes donations, bequests, endowments and crowd-funding for the conduct of R&D that have been received from any Australian source, and are defined as follows:

Donation


A donation is defined as money given to a HEP by a donor for a broad R&D purpose with no reciprocal expectation of material benefits or advantage such as specific R&D deliverables and reporting except for recognition of the donor and the expenditure of the money in accordance with the donor's wishes.

Bequest

A bequest has all the elements of a donation except that it is received from the estate of a deceased person.

Endowment

An endowment is a transfer of an asset to a HEP for the ongoing support of R&D and may (but not necessarily) be made as part of a donation or bequest. An endowment may be made for the perpetual benefit of the entity in that the transfer is made with a requirement for the principal to be



preserved, and only income earned on investment activity to be made available for R&D expenditure.

Crowd-funding

Crowd-funding is a type of (typically online) fundraising that allows a large number of individuals to make small financial contributions towards an R&D project with little or no expectation of equal value return. To be eligible to report this income, any agreement with individual contributors must be non-reciprocal in nature, have no specific performance obligations and no obligation to licence, option or assign the intellectual property (or other non-financial asset) arising from the agreement back to the individual. All crowd-funding income should be reported in this sub-category, regardless of the proportion of crowd-funding from international donors.

Where all, or a proportion, of a donation, bequest, endowment, or crowd-funding is invested, then only the income earned from that investment which is available for expenditure on R&D in the reference year should be included in the sub-category unless it is expressly for the purposes of R&D.

5.3.2 International private sector

Income can include any R&D commissioned by the international private sector. Income in this sub-category also includes cash contributions to competitive grants (excluding in kind contributions). The international private sector sub-category is divided into R&D income from for profit and not-for-profit organisations.

Sub-category 3.4 international for-profit organisations

This sub-category includes income for R&D from any for-profit business wholly located outside Australia. Do not include R&D income from Australian subsidiaries of multinational enterprises.

Sub-category 3.5 international not-for profit organisations

This sub-category includes income for R&D from any private not-for-profit organisation located outside Australia. This includes income from mutuals, cooperatives, charities and foundations. This may also include R&D income from international not-for-profit universities.

This sub-category can include grants from international not-for-profit organisations.

If a HEP is unsure of the not-for-profit status of the international organisation, it is recommended that the organisation be contacted. A not-for-profit organisation does not operate for the profit or gain of its individual members, whether these gains would have been direct or indirect. A not-for-profit organisation can take many forms. For further guidance on how to identify not-for-profit organisations, please refer to the [ACNC](#).

Sub-category 3.6 International philanthropy

This sub-category includes donations, bequests and endowments for the conduct of R&D that have been received from any international source. Please refer to the definitions and notes for donations, bequests and endowments in sub-category 3.3 above.



5.3.3 International government

‘Government’, in the international context, can also include supra-national or intergovernmental organisations such as the European Commission, OECD and United Nations. This applies to sub-categories 3.4 and 3.5.

In allocating the R&D income to a specific sub-category of International government R&D income, a HEP should determine which party is the primary beneficiary from the R&D activity (and associated rights to intellectual property or other non-financial assets) undertaken by the HEP or its subsidiary. HEPs are required to consult the terms and conditions of an agreement, particularly any identified intellectual property clauses to help determine which sub-category to allocate funding to.

The department has a strict interpretation that in cases where there is a requirement that the HEP must license or assign any arising intellectual property back to an international government, then such income must be defined as own purpose. This includes cases where there is shared ownership of intellectual property rights.

Sub-category 3.7 international government (own purpose)

This sub-category includes income from government commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to Australian competitive grants (excluding in kind contributions). As a general guide, HEPs should report R&D income in the own purpose category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the international government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as own purpose.

Sub-category 3.8 international government (other)

This sub-category includes all other R&D income from international government agencies and authorities, for example, competitive grants. Specific examples include research grants from the US [National Institutes of Health](#) or the European Commission’s [Horizon Europe](#) program.

5.4 Category 4: CRC R&D income

Under Category 4, HEPs must report the R&D income from a CRC in which they were defined within the Commonwealth Agreement as a ‘Participant’, and are a signatory to the CRC’s Commonwealth Agreement or Participant’s Agreement.

Category 4 CRC R&D income includes HEP income received from CRC Projects (CRC-P), which support short-term collaborative research projects. This must be categorised as Category 4 R&D income, even if a HEP determines that the income is awarded on a competitive basis. Please note other references to CRC R&D income in **sections 2, 4.1, 4.2, 4.6 and 5.2**.

HEPs must consolidate the R&D income from all CRCs in which they were a Participant and enter this into their R&D income return, sub-categorised as appropriate. This data does not need to be split between HEPs and their subsidiaries.

Category 4 is comprised of the following three sub-categories:

Sub-category 4.1 R&D income received from CRCs derived from Australian Government grants to CRCs

This sub-category includes income to the HEP derived from Commonwealth CRC program grants.

Sub-category 4.2 R&D income received from CRCs derived from private industry participants of CRCs

This sub-category includes income to the HEP from private business CRC participants. This includes both for-profit and not-for profit businesses.

Sub-category 4.3 R&D income received from CRCs derived from other sources

This sub-category includes income to the HEP from all other CRC funding sources. This may include for example, cash funding from CRC government participants, contract R&D or donations.

5.4.1 Breakdown by source category

In some cases, CRC accounting systems do not readily distinguish between the funds provided to HEPs that are sourced from government grants, and funds sourced from non-HEP participants. If so, the CRC may split the funds between these two components in the same proportion as the cash funding it receives from these sources. If the receipt of funds from external parties cannot be tracked separately, this principle also applies.

Example

Over the period 1 January 2021 to 31 December 2021 (see **section 4.1**) a CRC receives cash funding into a single account from the following sources:

- Australian HEP sources: \$5 million (25%)
- Government grant: \$3 million (15%)
- Private industry participants: \$7 million (35%)
- Other sources: \$5 million (25%)

If the CRC allocates \$800,000 of the funds (which is not readily able to attribute to any particular sources) to HEP X for R&D purposes, in its Certified Statement for HEP X, the CRC may attribute:

- \$120,000 (15% of the \$800,000) to the 'Allocation of funds from Commonwealth grant' component
- \$280,000 (35% of the \$800,000) to the 'Allocation of funds from Private industry participants' component and
- \$200,000 (25% of the \$800,000) to the 'Allocation of funds from other sources' component.

The 25% share of the \$800,000 sourced from Australian HEPs is not able to be counted.



6. Acronyms

AASB	Australian Accounting Standards Board
ACNC	Australian Charities and Not-for-profits Commission
ARC	Australian Research Council
CRC	Cooperative Research Centre
CRC-P	Cooperative Research Centre Projects
The department	Department of Education, Skills and Employment
ERA	Excellence in Research for Australia
FOI Act	<i>Freedom of Information Act 1982</i>
GST	Goods and Services Tax
HASS	Humanities and social sciences
HEP	Higher education provider
HERDC	Higher Education Research Data Collection
HESA	<i>Higher Education Support Act 2003</i>
HDR	Higher degree by research
NHMRC	National Health and Medical Research Council
MRFF	Medical Research Future Fund
OECD	Organisation for Economic Cooperation and Development
R&D	Research and experimental Development
RBG	Research block grants
RSP	Research Support Program
RTP	Research Training Program

7. List of R&D income sub-categories

Category 1: Australian competitive grant R&D income

Sub-category 1.1 National Health and Medical Research Council (NHMRC)

Sub-category 1.2 Australian Research Council (ARC)

Sub-category 1.3 Medical Research Future Fund (MRFF)

Sub-category 1.4 rural R&D

Sub-category 1.5 Commonwealth other

Sub-category 1.6 State/Territory Government

Sub-category 1.7 other

Category 2: Other public sector R&D income

Sub-category 2.1 Commonwealth (own purpose)

Sub-category 2.2 Commonwealth (other)

Sub-category 2.3 State/Territory/Local (own purpose)

Sub-category 2.4 State/Territory/Local (other)

Category 3: Industry and other R&D income

Sub-category 3.1 Australian for-profit organisations

Sub-category 3.2 Australian not-for profit organisations

Sub-category 3.3 Australian philanthropy

Sub-category 3.4 international for-profit organisations

Sub-category 3.5 international not-for profit organisations

Sub-category 3.6 international philanthropy

Sub-category 3.7 international government (own purpose)

Sub-category 3.8 international government (other)

Category 4: CRC R&D income

Sub-category 4.1 R&D income received from CRCs derived from Australian Government grants to CRCs

Sub-category 4.2 R&D income received from CRCs derived from private industry participants of CRCs

Sub-category 4.3 R&D income received from CRCs derived from other sources