



**CRITERIA & METHODOLOGIES (SIGNIFICANT PERFORMER)**

**Evaluation Tool**

**XXX CUSTOMER XXX**

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# 1. Evaluation Tool Guidance

## Tool Purpose

The main purpose of a Criteria and Methodologies approval is to enable a business to self-assess the eligibility of their R&D activities and expenditure using criteria and methodologies documented in a workbook.

The tool is used by Callaghan Innovation (CI) and Inland Revenue (IR) as an assessment tool and is provided for transparency. Whilst the tool is not mandatory, businesses may use it to self-assess, develop and implement the various requirements of an effective Criteria and Methodologies (CAM) workbook. To expedite the CAM assessment process within CI and IR, a business may choose to attach this completed tool to an application for a CAM approval.

The tool should be used in conjunction with the guidance material in [Electing to be a Significant Performer and applying for Criteria and Methodologies approval](#).

To assist in assessing the maturity and effectiveness of a business' CAM, the tool uses the concept of different levels of performance in respect to the organisation's capability; these are described in the figure below.

<b>Present &amp; Suitable (P&amp;S)</b>	The indicator is documented within the CAM workbook and is suitable based on the size, nature, complexity of the organisation and the R&D activities conducted, including consideration of the industry sector.
<b>Operating &amp; Effective (O&amp;E)</b>	There is evidence that the indicator is in use and effective and achieving the desired outcome.
<b>Best Practice</b>	Businesses seeking to continually improve can use the best practice indicators to achieve a higher level of confidence in self-regulation of the CAM.

**Figure 1: Description of Individual Performance Indicators**

The evaluation tool is designed to be able to be used at all stages of the CAM assessment process, from implementation planning through to approval and beyond. The **Best Practice** indicators are provided for businesses seeking opportunities to continually improve their overall performance and are not required for approval. For in-year or in-CAM reviews by CI & IR, the tool may also be used to assess where the organisation is operating and effective.



## Instructions for using the tool

The tool is split into the four main elements for a CAM workbook: General Information; Governance Information; Eligible Activity Systems Information; Eligible Expenditure Systems Information.

It includes a series of indicators for acceptable workbook indicators to meet the CAM criteria that should be reviewed to determine whether the indicator is Present & Suitable (P&S), and/or Operating & Effective (O&E), using the guidance and descriptions set out. It also highlights 'best practice' indicators for each element.

## Workbook Reference (P&S)

The 'Workbook Reference (P&S)' column can be used to record a reference to the location (page, section and/or paragraph number) in the CAM Workbook where that indicator is documented and therefore Present and Suitable (P&S).

## Verification (CI & IR)

The Verification column may be used by the Callaghan Innovation and Inland Revenue to record any observations, conversations, records and documents sampled. This will verify that the indicator is Present and Suitable (P&S).

## How is Operating & Effective (O&E) achieved?

The 'How it is achieved' summary can be used to describe how the business has achieved the Operating & Effective (O&E) level for the Acceptable workbook indicators citing any evidence or examples to support the assessment.

## How is Best Practice achieved?

Best practice indicators are provided for businesses seeking opportunities to continually improve their overall performance. The 'How it is achieved' column can be used to describe how the best practice indicators are implemented and successful within the business.



## 2. Evaluation Tool

### A General information

The workbook should contain general information about the organisation so the RDTI Team (CI & IR) can gain an understanding of the business and the R&D that the business is undertaking.

Acceptable workbook indicators		Workbook reference (P&S)	Verification (CI & IR)
A.1.1	There is a description of the business which details turnover, markets, and products and provides an overview of what the business does.		
A.1.2	There is a description of the scope of R&D to be assessed using the CAM, including: <ul style="list-style-type: none"> <li>- types of R&amp;D activities,</li> <li>- areas of industry or science,</li> <li>- number of staff involved,</li> <li>- estimated spend.</li> </ul>		
A.1.3	The locations where the R&D covered by this CAM application takes place are detailed.		
A.1.4	There is a description of how R&D is managed within the business: <ul style="list-style-type: none"> <li>- Typical systematic approach / process applied to R&amp;D activity,</li> <li>- Management methodology used to manage projects and activities.</li> </ul>		



A.1.5	There is a description of how R&D relates to other parts of the business to determine whether R&D is managed separately or integrated into the business. This should also explain where R&D is undertaken as part of production, and how the production and R&D activities and expenditure are separated.		
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**How is Operating and Effective (O&E) achieved?**  
For the above General section, this is achieved when the organisation has clearly defined its R&D activities in a Workbook to be used under the CAM process. This could include an explanation of how the Workbook has been released and how much it has been used at the organisation (or the plan to do so).

<b>Applicant Summary</b>	<b>CI/IR Verification</b>
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Best Practice Indicators (not required for approval)		P & S	O & E	How is best practice achieved?
A.2.1	There is a coherent RDTI assessment methodology used throughout the business that is appropriately tailored to the business units and the R&D they are performing and it is implemented at all levels of the organisation.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
A.2.2	The RDTI criteria and methodologies are clearly visible, or available, to all personnel (including significant contracted organisations) with an involvement in R&D and RDTI compliance	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
A.2.3	The Workbook has regular, scheduled reviews to ensure it remains compliant, accurate and appropriate.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
A.2.4	The Workbook has clear revision control and contains a glossary of terms/abbreviations.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.



## B Governance

For a business to have a CAM application approved, it will also need to demonstrate that it has adequate governance in place to oversee the assessment and ensure ongoing monitoring of the eligibility of the R&D activities that are claimed.

The purpose of governance is to make sure there is adequate oversight of the R&D activity and expenditure identification and assessment systems, so that these systems continue to correctly identify eligible and ineligible R&D activities and expenditure. There needs to be ongoing monitoring and accountability for decision making.

Acceptable workbook indicators		Workbook reference (P&S)	Verification (CI & IR)
B.1.1	There is a description of the key decision-making personnel <b>and</b> their responsibilities with respect to the CAM. (Job titles, descriptions and organisational structure)		
B.1.2	There is a process detailed which ensures all decision makers have <b>knowledge of the legislation</b> and how to apply it (e.g. initial and ongoing training and assessment of competency at reasonable intervals)		
B.1.3	There is a process detailed which ensures relevant decision makers have <b>technical knowledge</b> and how to apply it (e.g. initial and ongoing training and assessment of competency at reasonable intervals)		
B.1.4	There is a process detailed which ensures relevant decision makers have <b>accounting knowledge</b> to be able to attribute expenditure to R&D activities and exclude ineligible expenditure (e.g. initial and ongoing training and assessment of competency at reasonable intervals)		



B.1.5	<p>The Workbook describes how decisions are being made including:</p> <ul style="list-style-type: none"> <li>a. How often are decisions made (i.e. frequency of meetings/reviews);</li> <li>b. The process undertaken to make the decisions (who, what, when, where, how).</li> </ul>		
B.1.6	<p>The Workbook describes how decisions are being documented including:</p> <ul style="list-style-type: none"> <li>a. What information, or evidence is used to make the decisions;</li> <li>b. How the decisions are documented.</li> </ul>		

**How is Operating and Effective (O&E) achieved?**  
 For the above Governance section, this is achieved when the applicant has defined its R&D CAM and there is visible evidence of R&D leadership and management making decisions in accordance with the CAM Workbook and RDTI Legislation. This could include a brief description below of the RDTI upskilling that key decision-makers and staff have had and/or plan to have; any communication channels that have been used to raise awareness of the CAM within the business; any learnings/feedback from using the CAM that have been incorporated into the workbook.

<b>Applicant Summary</b>	<b>CI/IR Verification</b>
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Best Practice Indicators (not required for approval)		P & S	O & E	How is best practice achieved?
B.2.1	The business regularly verifies that R&D personnel throughout the organisation are familiar with and have understood the workbook criteria and methodologies.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
B.2.2	The decision-makers demonstrate their commitment by attending relevant industry conferences and forums.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
B.2.3	There is documented evidence of decisions made for ineligible R&D, not just eligible R&D.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
B.2.4	Changes to RDTI Legislation and guidance materials are monitored and reviewed so that the workbook can be updated as necessary and new processes communicated to relevant R&D personnel.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.



## C Activities

For a business to have a CAM application approved, it will also need to demonstrate that it has adequate documentation in place in a way that reflects the [IR1240 guidance](#) and has procedures in place to determine the eligibility of the R&D activities that are claimed.

In order to receive a CAM approval, the business must be able to demonstrate that the R&D claim is structured and assessed at an activity level.

Acceptable workbook indicators		Workbook reference (P&S)	Verification (CI)
C.1.1	There is a description of the basic RDTI legislative framework and specifics as to how it relates to the business R&D activities.		
C.1.2	There is a description of the difference between project work, core R&D activities, and supporting activities.		
C.1.3	There is a description of how the R&D documentation system records decisions and justification relating to <b>eligible and ineligible activities within a Project.</b>		
C.1.4	There is a description of how the R&D documentation system records decisions and justification relating to <b>excluded activities</b> (schedule 21 Part A & B)		
C.1.5	There is a description of how the R&D documentation system records decisions and justification relating to <b>core v supporting</b> activities within a Project.		
C.1.6	There is a description of how the business identifies <b>start and end points</b> of activities.		
C.1.7	There is a description of how activities are <b>monitored and reviewed</b> throughout the life of a Project, so changes in eligibility are captured.		



C.1.8	There is a description of how R&D documentation (records for tax purposes) can be accessed for review.		
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**How is Operating and Effective (O&E) achieved?**

For the above Activities section, this is achieved when the applicant has defined its R&D CAM and there is visible evidence of R&D activities being correctly categorised in accordance with the CAM Workbook and RDTI Legislation. This could include a brief description of how many projects/activities have been categorised using CAM so far, whether business systems are fully operational for categorising activities and their associated expenditure, and whether reviews/monitoring are taking place.

**Applicant Summary**

**CI Verification**



Best Practice Indicators (not required for approval)		P & S	O & E	How is best practice achieved?
C.2.1	All activities (both eligible and ineligible) within Projects are recorded and documented, such that changes in legislation or guidance may be reviewed retrospectively.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
C.2.2	Alongside the basic legislative descriptions, there are clear links/references for personnel to find RDTI guidance material.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
C.2.3	The business publishes additional guidance to aid decision makers with interpretations of how RDTI guidance applies for the specific R&D activities performed by the business.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.



## D Expenditure

For a business to have a CAM application approved, it will also need to demonstrate that it has adequate documentation in place in a way that reflects the [IR1240 guidance](#) and has procedures in place to determine the eligibility of the R&D expenditure that are claimed.

For Inland Revenue to approve the CAM, its reviewers must be confident that the accounting systems are robustly identifying and allocating expenditure to qualifying core and supporting activities.

Acceptable workbook indicators		Workbook reference (P&S)	Verification (IR)
D.1.1	There is a description of how the business accounting systems will identify activities that are included in RDTI claims, and exclude those that are ineligible. (This could be by the use of project codes, sub codes, or phases.)		
D.1.2	There is a description of how the business identifies employees performing R&D activities.		
D.1.3	There is a description of what employee related expenditure the business intends to claim and where it is re-coded in the accounting system (e.g. cost centres and ledgers).		
D.1.4	There is a description of how employee related expenditure is traced and apportioned to eligible and excluded R&D activities, or activities not related to R&D.		
D.1.5	The workbook describes which employees, or groups of employees are providing support to the R&D function and how they support it. This could include R&D management staff and other business units that		



	<p>support the R&amp;D function in some way (e.g. Health and Safety, Quality, Payroll, Property Management).</p> <p>As with direct employee costs, there is an explanation of what expenditure is intended to be claimed, where in the accounting system it is recorded, and how the amount that is attributable to eligible R&amp;D activities is determined.</p>		
D.1.6	<p>There is a description of how R&amp;D contractor expenditure is identified and determined to be for eligible or ineligible R&amp;D activities, and whether the contract includes ineligible expenditure.</p>		
D.1.7	<p>There is a description of how purchased goods (materials &amp; consumables) used in R&amp;D are identified and attributed to eligible and ineligible activities (e.g. by the use of project codes, subcodes or phases).</p>		
D.1.8	<p>There is a description of the overheads that can be claimed which clearly sets out the types of overheads, how and where they are recorded (e.g. cost centres &amp; ledger accounts), how they relate to R&amp;D activities, and how they are apportioned between eligible and ineligible activities.</p>		
D.1.9	<p>There is a description of how depreciable assets (or groups of assets) are identified as eligible, and what method will be used for depreciation.</p>		
D.1.10	<p>If R&amp;D is performed in the course of commercial production, the workbook explains how eligible expenditure is identified i.e. expenditure that is incurred because of the R&amp;D activity(ies).</p>		



D.1.11	If any R&D expenditure is with related parties, the workbook should identify this and confirm that it is no more than the lowest cost to the associated person.		
D.1.12	If R&D is performed overseas, or if non-resident employees are paid to perform R&D in NZ, the workbook should explain how the related expenditure is identified and calculated. (Core R&D activities performed overseas are not eligible for the RDTI. Expenditure on supporting R&D activities conducted outside NZ might be eligible for the RDTI, but can not exceed 10% of the total eligible expenditure.)		
D.1.13	The workbook provides a description of how ineligible expenditure as referred to in Schedule 21B, part B of the Income Tax Act 2007 is identified and excluded from RDTI claims.		



**How is Operating and Effective (O&E) achieved?**

For the above Expenditure section this is achieved when the applicant has defined its R&D CAM and there is visible evidence of R&D financial management making RDTI expenditure claims in accordance with the CAM Workbook and RDTI Legislation. This could include a brief description of how much expenditure has been categorised using CAM so far, whether business systems are fully operational for categorising expenditure, and the level of involvement from Tax Advisors and R&D Certifiers.

**Applicant Summary**

**IR Verification**





Best Practice Indicators (not required for approval)		P & S	O & E	How is best practice achieved?
D.2.1	The workbook describes processes for claiming the RDTI and providing evidence of the claim via Supplementary Return through Inland Revenue.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
D.2.2	Internal and external audit findings related to RDTI expenditure are acted upon quickly and ensure preventative measures are put in place to prevent future recurrence.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
D.2.3	The business publishes additional guidance to aid decision makers with interpretations of how RDTI guidance applies for the specific R&D expenditure process used by the business.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval but detail if achieved.
D.2.4	For R&D activities and expenditure which fall out of scope of the CAM but within the RDTI legislation, the General Approval process is used as applicable.	<input type="checkbox"/>	<input type="checkbox"/>	Not required for approval