

Guidance on grouping

The interpretation taken of the statement “*a business (is) not to be new to R&D if the business can draw on the R&D capabilities of an associated organisation,*” [in the Ministerial Direction](#) is that if the business is a sister company, parent or subsidiary of an R&D performing company, then it has the ability to call upon the expertise in that company.

A business may be considered grouped if any of its associated businesses have had reported research and development spend in excess of \$50,000 in the previous 3 financial years (and accordingly are not new to R&D).

For multi-entity organisational structures (e.g. Māori trusts, Incorporations or Iwi or multi-level corporate groups), the grouping assessment may be broadened to examine the organisational structures of the entities more completely. The intention of this broader assessment is not to preclude these entity types from being eligible for this grant but to reflect the complexities of the structures and the entity's ability to access the R&D capabilities of other entities within that organisational structure. We acknowledge that in some circumstances, in order to assess whether the business is grouped, we may need to assess more broadly than just ownership structure (for example looking at the operational independence of each entity within the group), in order to conduct a fair assessment.

ASSESSING WHETHER YOUR BUSINESS IS GROUPED

An initial “Quick Test” will be applied to help determine if the business is grouped:

- a) Entities that have the same common ownership. If the business is 50% or more owned by the same shareholder (individual or business) of another organisation, it will automatically be grouped. (The shareholder that owns 50% or more will be referred to as the ‘parent’.)
- b) Businesses where there is a sole director (or the same directors) across all the businesses are automatically grouped.
- c) All businesses grouped or deemed to be grouped in terms of the policy, regardless of % ownership, will be grouped for the purposes of determining eligibility based on historically reported R&D spend.

If the “Quick Test” does not confirm grouping, further assessment will be undertaken to determine if the business is operationally autonomous by looking at board, management and financial structure.

Meaning of Separate Board and Management

For the purpose of assessing ‘separate board’ and ‘separate management team’, the intent is that the board and management team are independent and autonomous from the parent business, comprising different directors and management. If there are common directors and management across the businesses, the businesses are considered to be grouped. If there is only a single common director (among many directors), across the businesses, the position will be assessed based on all contributing factors. However, if there is only a sole director (or the same directors) for all entities, then the entities are automatically grouped.

Please note this is guidance only, and is intended to inform applicants on what Callaghan Innovation takes into account when assessing whether a business is considered ‘New to R&D’, it should not be read or construed as the complete policy on eligibility for this grant. Callaghan Innovation reserves the right to amend this guidance from time to time.