



Hear now. And always

13 August 2018

Committee Secretary  
House of Representatives  
Standing Committee on Economics  
PO Box 6021  
Parliament House  
Canberra ACT 2600

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Dear Committee Members

### **Inquiry into Impediments to Business Investment – Response to Question on Notice**

Thank you again for the opportunity to present to the Committee during its public hearing on Wednesday 1 August in Melbourne.

During our presentation I was asked by the Hon Trevor Evans MP to provide further information in relation to patent box schemes. Accordingly, please find a high-level summary below.

A patent box is a special tax regime offered by several countries (16 at the end of 2015) as an incentive for in-country commercialisation of research and development (R&D) by taxing revenue derived from a patent, or other qualified intellectual property (IP), differently from other business revenue.

Qualifying revenue typically includes worldwide income from the sale of products incorporating at least one embedded patent, license fees or royalties from qualifying intellectual property, and/or revenue from the sale or disposal of qualifying intellectual property.

Because patent boxes are focused on the commercialisation of R&D (the income-earning stage) they are offered in addition to standard R&D tax incentives (like Australia's) which encourage companies to conduct their early to mid-stage R&D in the respective country.

Countries including the United Kingdom, Ireland, France, Netherlands, Belgium, Spain, Switzerland, Israel and South Korea currently offer patent boxes with the intent of encouraging high-value growth through a competitive tax regime that supports R&D from conception to commercialisation.

In May 2017 the Congressional Research Service released a [report](#), *Patent Boxes: A Primer*, which provides an excellent overview of the different regimes, their strengths and weaknesses. I have attached a copy for the Committee's information.

The Report explains the concept of the patent box can be reduced to three key elements (1) the nature of the tax incentive, (2) the IP that qualifies for this preferential tax treatment, and (3) the income to which the tax incentive applies ". However, as the Report goes on to note, "*what stands out among the patent boxes [summarised in the report] is the diversity in their tax incentives and scope*". The patent box concept is sufficiently flexible to meet specific policy objectives and adapt to different economic contexts.



*Hear now. And always*

Both Cochlear and CSL are on the public record supporting the introduction of a patent box scheme in Australia. We would be happy to discuss this further. Please contact Brooke O'Rourke, Senior Government Relations Manager.

Yours sincerely,

Brent Cubis  
Chief Financial Officer