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5 November 2018

The Secretary Senate Standing Committee on Economics PO Box 6100 Parliament House CANBERRA ACT 2600

Dear Sir / Madam,

Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018

Thank you for the opportunity to provide comment on the above legislation currently before the Parliament.

CSL is an Australian-based, global biopharmaceutical company and Australia's largest private-sector investor in medical research and development.

CSL has on many occasions acknowledged and supported the Government's desire to maximise community benefit from the significant expenditure incurred by the R&D tax incentive.

CSL agrees that spillovers and additionalities are more likely to come from companies which have a clear R&D focus and that, in theory, a reasonable way of assessing this is the measure of "intensity" of R&D expenditure as a percentage of overall business expenses.

However, we are very concerned that the formula stated in the legislation to be used to calculate R&D intensity (ie. eligible R&D expenditure divided by total expenditure), when used in conjunction with a sliding scale of benefits, will have the unintended consequence of specifically and perversely disadvantaging businesses which conduct R&D and manufacture in Australia.

Companies which invest significantly in R&D but are also large Australian manufacturers and employers will have a lower 'intensity' compared to a company which only conducts R&D in Australia and manufactures offshore or, is engaged in an industry which does not have high raw material and production costs (for example digital and online).

A good example is the comparison between CSL and any of the multinational automanufacturers which have now shut down their Australian manufacturing but retained a level of R&D in Australia. Under above formula, that business model will have a higher 'R&D intensity' and that company will receive a much greater tax concession than a manufacturer/employer like CSL.

CSL

We do not believe this is the Government's intention but it will be an unintended outcome of this formula which values the same dollar value of R&D expenditure differently but, we would argue, not appropriately. To this point, CSL notes that the concept of an intensity measure in this legislation varies considerably from the original review recommendation which was to use intensity as an integrity measure establishing a minimum level not as a sliding scale for determining reward.

CSL is an important investor in R&D but we are also a significant Australian employer and manufacturer and we would be happy to provide further information as required. Please contact

Yours sincerely,



David Lamont Chief Financial Officer