myob

2 March 2020

Senior Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

To the Senate Committee

R&D Bill on reducing Incentive for companies

I am writing to provide MYOB's views on the proposed changes to the R&D Tax Incentive Programme, as announced in *the Treasury Laws Amendment (R&D Tax Incentive) Bill 2019* introduced to Parliament on 5 December 2019.

This Bill seeks to reduce the cost of the program to the detriment of companies actively trying to innovate in Australia. We estimate a 47% reduction in the R&D tax benefit for MYOB which will impact our ability to undertake R&D projects in Australia. This reduction is a direct consequence of the proposed 'intensity measure' calculation.

The proposed R&D intensity rules provides inadequate incentive and support for Australian companies engaged in R&D. The Bill's adverse impact to MYOB include:

- The intensity measure fails to consider recommendations by the Senate Committee to incorporate a methodology capable of compensating for the adverse impact to different industries that may be disadvantaged (compared to low cost input sectors). It is unlikely for MYOB to exceed the 4% R&D intensity premium by nature of our cost base and therefore we will only receive a 4.5% benefit (compared to the current 8.5%).
- Reduce MYOB's ability to employ technical staff and grow R&D spend in Australia. MYOB would have to consider other options for best financial result. This would mean potentially moving R&D spend to NZ for the development of MYOB's new online business management platform for Australia's and New Zealand's small businesses and accounting practices.
- Uncertainty around R&D intensity as there are many variables that cannot be predicted in advance of a financial year. This makes it challenging to accurately predict R&D intensity as total expenses fluctuate and therefore there is little ability to predict the ultimate tax benefit that will be received until after financial year end. This is particularly challenging for longer-term projects.

MYOB already employs a sizeable software development team in Auckland, currently supported by innovation grants from the NZ government. Notwithstanding NZ's proposed changes to its R&D credit regime, which will impact MYOB from March 2020, it is still more favourable than Australia's proposed R&D Bill.

In the current economic climate, business needs Government leadership and support, especially where it will help drive commercial innovation. The Government should **increase** its support for R&D

via the R&D Tax Incentive. **We therefore strongly oppose the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019* in its current form.**

We welcome a collaborative approach to resolving the matter. Please contact Jacqueline Lim, Group Tax Manager on [redacted] or me on [redacted] if there are any questions.

Yours sincerely

[redacted]

Grant Lingwood-Smith
Head of Group Finance