

The Manna From Heaven Group



Dear Senate Economics Legislation Committee,

Re: Treasury Laws Amendment (R&D Tax Incentive) Bill 2019 [Provisions]

Thank you for this Inquiry and the opportunity to make submissions in respect of proposed changes to the R&D Tax Incentive (RDTI) as contained in the Treasury Laws Amendment (R&D Tax Incentive) Bill 2019 (the Bill).

Manna from Heaven PTY LTD is located in Rockdale in southern Sydney and we employ approximately 100 staff in a food production facility which utilises predominately Australian farmed or produced product, we attempt to support the Australian manufacturing environment as much as possible.

As a direct result of the historical impact of the R&D Tax incentive we have managed to grow our business at a rate of around 50% since we commenced participation, and have considered it to now be part of our commercial strategy in establishing and maintaining growth during what has been an extremely challenging period for Australian farmers, Growers and producers like us.

The RDTI has supported our R&D effort for the last two years and has helped us undertake R&D activities that:

- Have improved our product range and led to more business opportunities
- Increased our knowledge based capital and intellectual property
- Employ qualified graduates in specialist fields such as Food Technology and Food Engineering
- Lead to more general employment in Australia
- Compete with inferior overseas manufactured products

We are concerned by the Government's proposed changes to the RDTI, particularly the proposal to reduce the refundable R&D tax offset to 13.5 percentage points above our income tax rate; effectively reducing our R&D tax offset rate from 43.5% to 41% and to 39.5% when our tax rate drops to 26% next year. The reduction to the base rate will have a small, but not insignificant impact on our ability to undertake R&D. Even worse, if enacted as is, it will impact our current year – where we have already budgeted on the current rate.

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How the proposed changes will impact our business:

- Reduction in R&D. The retrospective drop in the R&D benefit will have an immediate and detrimental impact on our R&D budget; we will consider scaling back our R&D and/or reducing costs in other areas. These changes will hurt our bottom line, immediately and at a time when we can least afford it – the coronavirus has already had a significant impact on our business.
- Future R&D. Constant reviews of the RDTI and multiple proposals to reduce the benefit make it impossible to plan ahead based on the RDTI. The more this continues, the more the program fails in its primary objective to incentivize R&D – we can't be incentivized by something we can't rely on.
- Reduced opportunities. This will reduce the opportunity to grow our business and place at risk the sustainability of the growth achieved in the last 2 years.

In the current economic climate, we need Government leadership and support, especially where it will help drive commercial innovation and growth of domestic workplace opportunities.

The Government should increase its support for R&D, not reduce it.

We therefore oppose the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019.

Yours sincerely

Ashley Meddings, Managing Director