

The Australian Wine Research Institute



Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

10 October 2014

Dear Committee,

**Submission on the Tax and Superannuation Laws Amendment  
(2014 Measures No. 5) Bill 2014**

It has come to my attention that the above Bill will, if passed, reduce the tax offset rates available under the research and development (R&D) tax incentive by 1.5 percentage points. This may have a direct and adverse impact on business R&D activities in Australia. R&D incentives have helped fund business R&D activities. It is these activities that have underpinned business growth and development.

As a registered Research Service Provider for the R&D Tax Incentive, the AWRI is concerned that the above Bill may adversely impact businesses' ability to utilise the benefits of the incentives in furthering R&D and its commercialisation. Research Service Providers offer research facilities and services for business R&D activities. Any amount of R&D expenditure contracted to a Research Service Provider is eligible for the R&D Tax Incentive.

The object of the R&D Tax Incentive is, in part, to support R&D likely to produce net benefits for the Australian community. We believe that business R&D activities meet this object in two ways; in the short-term by employing and benefitting the Australian community with their R&D efforts and, if that R&D is successful, in the medium/long-term through innovative products and services that can compete globally and benefit the wider Australian economy.

We question the rationale for the proposed reduction as it is decoupled from the proposed company tax rate reduction and precedes a wide-ranging tax white paper, serving to generate unwarranted uncertainty.

A cornerstone objective of Australia's R&D incentive should be to encourage R&D activities within Australia in order to, amongst other things, make eligible enterprises internationally competitive. R&D is a global endeavour – companies can choose to undertake all or part of their R&D in

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jurisdictions that are cheaper or provide greater incentives. Reducing the benefit, even if temporarily, may have an adverse impact on investment in R&D in Australia.

We hope the Committee considers seriously the impact of the proposed reduction on businesses and the wider community that their R&D activities support and promote. We urge the Committee to recommend the rate reduction be paired with the company tax rate reduction and that further thought be given to this draft legislation before being put before the Senate.

Yours faithfully

Dr Daniel Johnson  
Managing Director  
The Australian Wine Research Institute