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BioMelbourne Network
Progressing BioIndustry

5th December, 2018

Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

RE: Question on Notice

Public Hearing Inquiry into Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018 [Provisions]

On behalf of the BioMelbourne Network, thank you for this opportunity to provide an answer to the question taken on notice from Senator David Smith at the Public Hearing held on Friday 16th November, 2016 regarding the R&D Tax Incentive.

Senator DAVID SMITH: I've asked every witness, and we're getting pretty similar answers on this one, but are either of you aware of any similar approaches in terms of intensity schemes in other international jurisdictions, and, if you are aware of such approaches, whether those approaches are effective?

Following consultation with our members, we're not aware of any other R&D tax regimes in international jurisdictions that work on an intensity basis.

We contend that the introduction of the proposed intensity threshold would put Australia's R&D Tax Incentive into an outlier category, that is not aligned with international best practise and is not competitive as an incentive to attract, retain and encourage additional R&D investment in Australia.

As outlined in our submission, the proposed intensity measure increases complexity and introduces uncertainty into the R&D Tax Incentive such that it will no longer act to incentivise additional R&D activity in Australia.

Even further, there is a material risk that the introduction of the intensity measure would drive current Australian R&D activity offshore, resulting in a net loss of R&D activity. We are aware of companies who are currently re-evaluating their R&D investment decisions in Australia as compared to more attractive incentives proposed by other countries in our region, such as Singapore and New Zealand.

With Australia's R&D spend declining to just 1.9 per cent of GDP (and below the OECD average of 2.4 per cent) BioMelbourne Network questions the intention to enact changes that reduce the level of government support for R&D in Australia.

While other nations across the world and in our region are making commitments to lift R&D spending, the proposed changes to the R&D tax incentive in Australia will cut more than $2 billion from the budget, which will not be redirected and retargeted into R&D but taken back into consolidated revenue as budget savings.

We are greatly concerned by the lack of modelling regarding the impact of the proposed changes to the overall R&D investment in Australia. It is not clear what data or evidence has been used in the judgements made around the proposed changes, or if any modelling has been done to examine how these changes will impact priority industry growth sectors such as medical technologies and pharmaceuticals.

The proposed changes to the R&D Tax Incentive will result in increased uncertainty and increased complexity in the program. The changes undermine the attractiveness of Australia as a competitive global location for R&D activity. The impact of enacting this legislation has not been modelled with consideration of the impact to the overall R&D investment in Australia and the effect on Australia's future economic growth.

On this basis, BioMelbourne Network advises the Senate Committee not to recommend the legislation be passed as it appears.

This submission has been made on behalf of the members of the BioMelbourne Network,

[redacted]

Dr Krystal Evans
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