

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
2006-07 Additional Budget Estimates Hearing
15 & 16 February 2007

AGENCY/DEPARTMENT: INDUSTRY, TOURISM AND RESOURCES

TOPIC: *R&D Tax Concession*

REFERENCE: Hansard 16/2/07, Page E9-E10

QUESTION No. AI-16
(Hansard 16/2/07, Page E9-E10)

Senator CARR asked:—Last December, Minister Macfarlane made the point that the government was seeking to boost:

the level of business R&D by introducing the Premium and Offset elements to the Tax Concession ...

Has there been any modelling work done to support that statement?

Ms Berman—Could you clarify where that was said?

Senator CARR—That was a media release on 7 December.

Ms Berman—Was it talking in terms of these two elements having boosted the tax concession?

Senator CARR—The words were ‘boosting the level of business R&D by introducing the Premium and Offset elements to the Tax Concession’.

Ms Berman—I think it is meaning that that introduction has boosted the uptake of the tax concession. I don’t have the words—

Senator CARR—This is 7 December 2006. Are you saying that is retrospective?

Ms Berman—I believe so, because there have not been additional premium and offset changes, but certainly he has been witnessing the larger uptake each year of those two elements.

Senator CARR—Are you able to tell me, given that the minister has made this statement and it is retrospectively—

Mr Peel—We do not have the statement in front of us.

Senator CARR—It is a ministerial press release of 7 December 2006, headed ‘Australian business innovation at an all time high’.

Mr Paterson—We do not have that in front of us. We are happy to have a look at it and come back to you.

Senator CARR—Is that easily available? Do you have it at hand?

Mr Paterson—Not immediately.

Ms Berman—No, not in front of us.

Mr Peel—It is a fact that the R&D expenditure has increased progressively since 2001 when those new elements were introduced, and it could well be that the minister is referring to that increased expenditure.

Senator CARR—I am interested to know what the assumptions were about the level of R&D in the absence of the premium and in the offset schemes, given that the minister has made a specific reference to the significance of those particular elements of the government’s program.

Mr Paterson—Given the nature of the question, we will take that on notice.

ANSWER

The media release referred to 'boosting the level of business R&D by introducing the Premium and Offset elements to the Tax Concession' which were introduced as part of the first *Backing Australia's Ability* package in 2001.

Since 2001 business expenditure on R&D (BERD) has increased from \$5604.5m in 2000-01 to \$8446.2m in 2004-05.

Estimates of R&D tax concession costs, and the associated assumptions, are developed by the Treasury. Questions about the assumptions used in the development of the estimates should be directed to the Treasury.