

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 35

Topic: Tax Laws Amendment (Research & Development) Exposure Bill 2010

Hansard Page: Written

Senators EGGLESTON asked:

I refer to the Tax Laws Amendment (Research and development) Exposure Bill 2010 released on 18 December 2009 as an exposure draft for public comment. The period for submissions closed last Friday, 5 January 2010. The following series of questions relate to that Exposure Bill.

1. How many submissions has Treasury received?
2. The Government foreshadowed changes to the R&D tax concession in the May 09/10 budget yet took until December 18 to release an Exposure Bill. Given the time taken by the Government why did Treasury only allow industry five weeks to consider and make submissions on the Exposure Bill?
3. Why did Treasury choose to release the Exposure Bill over the Christmas and Summer holiday period when it would have known businesses where understaffed due to holidays and would have had difficulty examining the Exposure Bill in the time allowed?
4. Did Treasury receive any requests to extend the period for making a submission? If so, how many such requests were made.
5. Did Treasury extend the period for public submissions? If not, why not.
6. Did it allow any extension for any specific requests and has Treasury received any submissions after the closing date and will it still accept any late submissions?
7. When did work on developing this Exposure Bill commence?
8. Who worked on it? Please provide details of the relevant department/ division of persons who worked on it.
9. Was there a committee formed to develop the Exposure Bill? if so, who was on it and what was their position?
10. When was a first draft of the Exposure Bill first prepared?
11. What input did the Department of Innovation, Industry, Science and Research have in developing the Exposure Bill or the policy underpinning it?
12. How was the Department involved, what form did the involvement take (including details of meetings, committees attendees and advice given etc).
13. When did their involvement commence, how extensive was the involvement and how long did it last for.

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14. What recommendations did the Department make? What advice did the Department provide regarding its support or otherwise of the policy reflected in the Exposure Bill?
15. As the Exposure Bill largely ignores submissions made in response to the Discussion Paper, why were submissions called for?
16. Was any advice sought from persons outside government regarding the development of whether the policy or the Exposure Bill itself? if so, from whom, when, in respect to what matters and what was the nature of that advice.
17. *Senator Carr has been reported as saying the new scheme will be revenue neutral (Fin Review article 1/2/10). Industry however has indicated that the new Exposure Bill will produce significant savings to the Government by reducing the amount of revenue forgone by around \$900m per annum (by reducing revenue forgone from around \$1.4b to around \$500m) and that their R&D claims will reduce by more than 50%.*

What has been Treasury's assessment of the revenue implications of the Exposure Bill as to both government revenue and the estimated average claim.

18. In respect to revenue and a reduction in claims what assessment/modelling has been done by treasury to support their claim (eg that revenue neutral). If modelling was done, who did it and when? If no modelling, why not?
19. Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?
20. We understand from industry that there are about 7000 claimants each year under the current tax concession arrangements, can treasury inform us as to the actual number.
21. There have been suggestions by industry that the new Exposure Bill will reduce the number of eligible claimants by about half. What is the expected number of currently eligible claimants that Treasury has calculated would not be eligible under the new Exposure Bill.
22. Has Treasury undertaken any modelling to assess the number of claimants currently eligible under the current arrangements that would be excluded under the Exposure Bill? If modelling has been undertaken, who did it and when? If no modelling has been done, why not?
23. Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?
24. Will Treasury inform the Committee as to the impact this Exposure Bill will have on R&D investment in Australia:
 - a) By the impact on the overall \$ amount of R&D investment that will be affected.
 - b) By industry including mining, automotive, TCF, pharmaceutical, food, agricultural etc.

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- c) By the number of claimants.
25. Can Treasury provide a breakdown of the financial impact of the tightening of the R&D criteria in respect of each of the following:
- a) The requirement for companies to have both considerable novelty and high levels of technical risk.
 - b) The requirement that supporting activities be for the dominant purpose of supporting core activities.
 - c) The requirement that certain supporting activities are now excluded from R&D support.
26. In regards to the above two questions, has there been any modelling by Treasury of this impact? If modelling has been undertaken, who did it and when? If no modelling has been done, why not?
27. Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?
28. Given the new Exposure Bill will reduce the number of eligible R&D activities and claims what impact will this have on future government revenue.
29. Given that the major component of reported R&D expenditure is labour, has Treasury determined the likely number of job losses as a consequence of the restrictions in R&D eligibility.
30. Has there been any modelling of the impact on future government revenue and jobs. If modelling has been undertaken, who did it and when? If no modelling has been done, why not?
31. Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?
32. Can you list all types of R&D currently being undertaken and eligible under the current scheme that Treasury has targeted as ineligible under the new Exposure Bill?
33. Why has Treasury determined that the type of R&D identified in the above question is not worthy of support under the new Exposure Bill.
34. In the Prime Ministers speech of 18 January 2010 addressing the Intergenerational Report he spoke of the importance of increasing Australia's productivity to 2%. We know Treasury gives significant consideration to revenue raising issues in recommending policy but what consideration and importance does it attribute to productivity issues in recommending policy.
35. Does Treasury agree that continued investment in R&D and innovation is essential if Australia is to increase productivity?
36. Does Treasury agree that this new Exposure Bill will result in reduced support by the Government for many Australian R&D activities currently eligible under the existing regime?

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37. Is Treasury aware of the article that appeared in the Financial Review on 1 February 2010?
38. Does Treasury agree with the view expressed in that article by the Amalgamated Metal Workers Union that the new Exposure Bill will decimate R&D.
39. Does Treasury agree with the view expressed in that article by Heather Ridout, Australian Industry Group Chief Executive that the new Exposure Bill will have “dire consequences” for Australian business R&D.
40. Senator Carr said “Innovation is vital to accelerating economic recovery in the short term and opening up pathways to prosperity in the long term.” Given the submissions Treasury has now received are they still of the opinion that they are right and everyone else is wrong and that the draft Exposure Bill will be good for R&D in Australia?
41. Has any comparative study of the Exposure Bill with the regime applying in other countries such as the US, UK, China, Singapore and Japan been undertaken? What were the results of that comparison and can a copy be made available to the Committee. If not done, why not?
42. Do any of the above mentioned countries apply an “and” test by requiring “considerable novelty and high levels of technical risk”?
43. The draft Exposure Bill specifically excludes certain types of IT R&D. What percentage of current eligible IT R&D would the excluded IT R&D constitute?
44. What is the policy rationale for the exclusion of specific IT R&D?
45. Has Treasury considered how the proposed exclusion of R&D in the IT sector will impact on its Productivity agenda?
46. The Chief Executive of the Australian Information Industry Association says the Exposure Bill would hobble the productivity enhancing potential of the \$43b national broadband network and that “the whole success of the NBN rests on the value added services to be delivered on the back of the network” and that this will be stifled by the proposed changes. Given the Intergenerational Report and the Prime Ministers focus on productivity, to what extent do these proposals negatively impact on the innovative and development of much-needed applications for a digital economy on the back of the NBN?
47. Has Treasury considered the negative impact of its proposal on its major strategic projects such as the National Broadband Network and industry responses to Climate Change? What were the results of its considerations?
48. *Under the “feedstock” rules, the Exposure Bill will penalise successful R&D by allowing the Australian Tax Office to claw back the tax credit for the entire cost of the actual R&D activities if the R&D activities are successful and produce an output with value. The “feedstock” rule provides for deducting the value of the output produced by the R&D from the cost of the R&D activity.*

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By clawing back the tax credit in the future where R&D is successful but not if the R&D fails, can Treasury explain the policy rationale for penalising companies for successful R&D and rewarding failed R&D.

49. Are the restrictions in this Exposure Bill simply a convenient way of preventing perceived “rorts” in connection with the scheme?

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Answer:

Question 1

How many submissions has Treasury received?

Answer:

Treasury received 131 submissions in response to the first exposure draft Bill for the new R&D tax incentive. All public submissions are now available on the Treasury website.

Question 2

The Government foreshadowed changes to the R&D tax concession in the May 09/10 budget yet took until December 18 to release an Exposure Bill. Given the time taken by the Government why did Treasury only allow industry five weeks to consider and make submissions on the Exposure Bill?

Answer

The Government commenced publicly consulting on the design of the new R&D tax incentive in September 2009.

On 18 September 2009, the Government released a consultation paper on the design of the new R&D tax incentive for public comment. Stakeholders had six weeks (to 26 October 2009) to respond to the consultation paper. Public forums were held in Canberra, Adelaide, Perth, Melbourne and Sydney during September and October 2009.

Treasury received 197 submissions in response to the consultation paper. All public submissions are available on the Treasury website.

In the consultation paper the Government committed to releasing draft legislation for the new R&D tax incentive by the end of 2009. Consistent with that commitment, on 18 December 2009, the Government issued draft legislation for public comment. Submissions on the draft legislation were requested by 5 February 2010.

As recommended by the Tax Design Review Panel, the Government generally tries to allow stakeholders at least four weeks to comment on draft legislation. Providing six weeks for comment on the consultation paper and seven weeks for comment on the draft legislation exceeded this benchmark. Seven weeks were allowed for comments on the draft legislation in recognition that the consultation period would span the Christmas and New Year period.

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Question 3

Why did Treasury choose to release the Exposure Bill over the Christmas and Summer holiday period when it would have known businesses were understaffed due to holidays and would have had difficulty examining the Exposure Bill in the time allowed?

Answer

See question 2.

Question 4

Did Treasury receive any requests to extend the period for making a submission? If so, how many such requests were made.

Answer

Organisations and individuals who informally sought extensions were encouraged to submit their views as close to the deadline as possible. Treasury made every effort to consider submissions provided within a reasonable time after 5 February 2010.

Question 5

Did Treasury extend the period for public submissions? If not, why not.

Answer

The Government did not officially extend the period for submissions.

Question 6

Did it allow any extension for any specific requests and has Treasury received any submissions after the closing date and will it still accept any late submissions?

Answer

See question 4.

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Question 7

When did work on developing this Exposure Bill commence?

Answer

Work on some aspects of the legislative structure of the new incentive began shortly after the budget announcement and continued at the same time as the development of the consultation paper. This was possible because the new legislation involves a rewrite of parts of the existing law contained in the *Income Tax Assessment Act 1936*.

Question 8

Who worked on it? Please provide details of the relevant department/ division of persons who worked on it.

Answer

The Treasury's Business Tax Division is responsible for the development of the amendments to the tax law associated with the new R&D tax incentive. Amendments to the *Industry Research and Development Act 1986* are the responsibility of the Innovation Division of the Department of Innovation, Industry, Science and Research.

Question 9

Was there a committee formed to develop the Exposure Bill? if so, who was on it and what was their position?

Answer

The Treasury and the Department of Innovation, Industry, Science and Research (along with agencies in those portfolios, the Australian Taxation Office and AusIndustry) have worked cooperatively to implement the new R&D tax incentive. It has not been necessary to form an interdepartmental committee for this work.

Question 10

When was a first draft of the Exposure Bill first prepared?

Answer

The different components of the first exposure draft of the legislation for the new R&D tax incentive were consolidated into a single product shortly before they were publicly released.

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Question 11

What input did the Department of Innovation, Industry, Science and Research have in developing the Exposure Bill or the policy underpinning it?

Answer

See question 9.

Question 12

How was the Department involved, what form did the involvement take (including details of meetings, committees attendees and advice given etc).

Answer

See question 9.

Question 13

When did their involvement commence, how extensive was the involvement and how long did it last for.

Answer

See question 9.

Question 14

What recommendations did the Department make? What advice did the Department provide regarding its support or otherwise of the policy reflected in the Exposure Bill?

Answer

See question 9.

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Question 15

As the Exposure Bill largely ignores submissions made in response to the Discussion Paper, why were submissions called for?

Answer

The purpose of consulting on exposure draft legislation is to identify areas where a stated policy has arguably not been implemented, or there are unintended consequences or unnecessary compliance costs identified. The second exposure draft, released on 31 March 2010, sought to clarify areas of confusion and remove unintended consequences.

Submissions on the consultation paper were considered as part of the development of the first exposure draft of the legislation for the new R&D tax incentive. Unfortunately, many of the submission made comments at a very general level.

Question 16

Was any advice sought from persons outside government regarding the development of whether the policy or the Exposure Bill itself? if so, from whom, when, in respect to what matters and what was the nature of that advice.

Answer

The Treasury engaged PriceWaterhouseCoopers via its Tax Design Advisory Panel to provide technical advice on aspects of the first exposure draft legislation.

Question 17

Senator Carr has been reported as saying the new scheme will be revenue neutral (Fin Review article 1/2/10). Industry however has indicated that the new Exposure Bill will produce significant savings to the Government by reducing the amount of revenue forgone by around \$900m per annum (by reducing revenue forgone from around \$1.4b to around \$500m) and that their R&D claims will reduce by more than 50%.

What has been Treasury's assessment of the revenue implications of the Exposure Bill as to both government revenue and the estimated average claim.

Answer

Treasury's estimates of the financial impact of the new R&D tax incentive were presented as part of the 2009-10 Budget measure description. In essence the scheme will be revenue neutral.

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Question 18

In respect to revenue and a reduction in claims what assessment/modelling has been done by treasury to support their claim (eg that revenue neutral). If modelling was done, who did it and when? If no modelling, why not?

Answer

The eligibility criteria impose qualitative rather than quantitative controls on eligibility for the new R&D tax incentive. The modelling undertaken to cost the proposal took account of the impact that the increased concessionality would have on the use of the R&D concessions and the tightening in the concession that would be required to offset that impact.

Question 19

Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?

Answer

The modelling has not been made publically available. Availability of modelling is at the discretion of the Government.

Question 20

We understand from industry that there are about 7000 claimants each year under the current tax concession arrangements, can treasury inform us as to the actual number.

Answer

The ATO Taxation Statistics indicate that up to 6735 companies made R&D claims in 2007-08. As this figure covers more than one category of claim, it is possible that it includes some double counting.

Question 21

There have been suggestions by industry that the new Exposure Bill will reduce the number of eligible claimants by about half. What is the expected number of currently eligible claimants that Treasury has calculated would not be eligible under the new Exposure Bill.

Answer

Treasury's modelling is based on the estimated change in the value of claims, rather than the number of claims. Treasury has not estimated the number of currently eligible claimants that would cease to be eligible under the new R&D tax incentive or the additional number of new eligible claimants.

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Question 22

Has Treasury undertaken any modelling to assess the number of claimants currently eligible under the current arrangements that would be excluded under the Exposure Bill? If modelling has been undertaken, who did it and when? If no modelling has been done, why not?

Answer

See question 21.

Question 23

Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?

Answer

See question 19.

Question 24

Will Treasury inform the Committee as to the impact this Exposure Bill will have on R&D investment in Australia:

- a) By the impact on the overall \$ amount of R&D investment that will be affected.
- b) By industry including mining, automotive, TCF, pharmaceutical, food, agricultural etc.
- c) By the number of claimants.

Answer

Treasury has not modelled these impacts.

Question 25

Can Treasury provide a breakdown of the financial impact of the tightening of the R&D criteria in respect of each of the following:

- a) The requirement for companies to have both considerable novelty and high levels of technical risk.
- b) The requirement that supporting activities be for the dominant purpose of supporting core activities.

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- c) The requirement that certain supporting activities are now excluded from R&D support.

Answer

See question 24.

Question 26

In regards to the above two questions, has there been any modelling by Treasury of this impact? If modelling has been undertaken, who did it and when? If no modelling has been done, why not?

Answer

See question 24

Question 27

Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?

Answer

See question 19.

Question 28

Given the new Exposure Bill will reduce the number of eligible R&D activities and claims what impact will this have on future government revenue.

Answer

The premise of the question is not accepted – see question 21.

The new R&D incentive is more concessional than the current deduction-based concessions. This increase in concession is expected to result in a larger amount of claims associated with R&D activity that meet the new definition of eligible R&D. It is expected that the new R&D tax incentive will be revenue neutral over its first four years of operation.

Question 29

Given that the major component of reported R&D expenditure is labour, has Treasury determined the likely number of job losses as a consequence of the restrictions in R&D eligibility.

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Answer

No.

Question 30

Has there been any modelling of the impact on future government revenue and jobs. If modelling has been undertaken, who did it and when? If no modelling has been done, why not?

Answer

See questions 21 and 29.

Question 31

Has the modelling been made publicly available? Can it be made available so it can be assessed? If treasury will not make it publicly available, why not?

Answer

See question 19.

Question 32

Can you list all types of R&D currently being undertaken and eligible under the current scheme that Treasury has targeted as ineligible under the new Exposure Bill?

Answer

The consultation paper released on 18 September 2009 contained examples of claims being made under the current scheme that do not merit public support.

The new R&D tax incentive is not intended to cross-subsidise normal production activities. For this reason, the eligibility criteria for the new scheme ensures that support is only extended to production activities where they are undertaken for the dominant purpose of supporting core R&D. In a similar vein, the exclusion from the definition of eligible R&D activities solely or primarily developed for internal business administration is directed at ensuring that the new scheme supports R&D rather than minor improvements and 'business as usual' activities.

Question 33

Why has Treasury determined that the type of R&D identified in the above question is not worthy of support under the new Exposure Bill.

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Answer

The new R&D tax incentive will provide higher rates of assistance for a more targeted range of activities; that is, it will reallocate existing assistance. By investing in R&D, rather than ‘business as usual’ activities, the new R&D tax incentive will deliver a better return for taxpayers in the form of improved productivity across the Australian economy.

The current definition of ‘eligible R&D activities’ is allowing claims to be made for things that do not merit public support. For example, some companies are able to claim their ongoing running costs of already profitable operations merely by introducing a marginal improvement.

Continuing to support ‘business as usual’ activities means a more expensive R&D tax incentive, and therefore less money to spend on other priority areas.

It is also important to remember that a wide range of factors such as macroeconomic stability, competitive markets, efficient credit markets, intellectual property rights and access to skilled labour are all important influences on a firm’s decision to invest in R&D — not just the tax incentive.

Question 34

In the Prime Ministers speech of 18 January 2010 addressing the Intergenerational Report he spoke of the importance of increasing Australia’s productivity to 2%. We know Treasury gives significant consideration to revenue raising issues in recommending policy but what consideration and importance does it attribute to productivity issues in recommending policy.

Answer

See question 33.

Question 35

Does Treasury agree that continued investment in R&D and innovation is essential if Australia is to increase productivity?

Answer

See question 33.

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Question 36

Does Treasury agree that this new Exposure Bill will result in reduced support by the Government for many Australian R&D activities currently eligible under the existing regime?

Answer

The new R&D tax incentive aims to deliver higher base rates of assistance for a more targeted range of activities.

Question 37

Is Treasury aware of the article that appeared in the Financial Review on 1 February 2010?

Answer

Yes.

Question 38

Does Treasury agree with the view expressed in that article by the Amalgamated Metal Workers Union that the new Exposure Bill will decimate R&D.

Answer

No.

Question 39

Does Treasury agree with the view expressed in that article by Heather Ridout, Australian Industry Group Chief Executive that the new Exposure Bill will have “dire consequences” for Australian business R&D.

Answer

No.

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Question 40

Senator Carr said “Innovation is vital to accelerating economic recovery in the short term and opening up pathways to prosperity in the long term.” Given the submissions Treasury has now received are they still of the opinion that they are right and everyone else is wrong and that the draft Exposure Bill will be good for R&D in Australia?

Answer

In light of the feedback received on the first exposure draft, the draft Bill has been changed to make it clearer and less complex and to remove unintended consequences. On 31 March 2010, the Government released a second exposure draft for public comment.

To assist understanding of the second exposure draft, Treasury published a short consultation guide setting out the main areas of difference between the first and second exposure drafts and providing responses to some frequently asked questions.

Submissions on the second exposure draft were requested by 19 April 2010. This shorter-than-usual period recognised that stakeholders had already reviewed the consultation paper and one draft of the legislation and that the legislation needed to be finalised for introduction.

The Tax Laws Amendment (Research and Development) Bill 2010 and Income Tax Rates Amendment (Research and Development) Bill 2010 were introduced in the House of Representatives on 13 May 2010.

Question 41

Has any comparative study of the Exposure Bill with the regime applying in other countries such as the US, UK, China, Singapore and Japan been undertaken? What were the results of that comparison and can a copy be made available to the Committee. If not done, why not?

Answer

Many jurisdictions offer tax incentives for R&D. However, each scheme uses different approaches to defining the scope of activities and expenditures on those activities that are eligible for support. Further, the relative generosity of each scheme needs to be considered in the context of the tax system of the relevant jurisdiction (see question 42).

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Question 42

Do any of the above mentioned countries apply an “and” test by requiring “considerable novelty and high levels of technical risk”?

Answer

The second exposure draft of the legislation for the new R&D tax incentive contained a revised definition of core R&D that replaces ambiguous concepts such as ‘appreciable novelty’ and ‘high levels of technical risk’ and a series of overlapping tests, qualifications and descriptions with clearer language.

As noted in response to question 41, the scope of activities eligible for support varies between countries, with limitations imposed through both eligibility tests and/or specific exclusions. That said, the eligibility tests imposed by many jurisdictions do require that eligible R&D satisfy dual requirements, consistent with the OECD definition of R&D established by the Frascati Manual, including:

- the United Kingdom and Ireland, which define eligible R&D activities as those that directly contribute to achieving an advance in overall knowledge in a field of science or technology through the resolution of scientific or technological uncertainty.
- the United States, which define eligible R&D activities as those intended to discover information that would eliminate uncertainty concerning the development or improvement of a product.
- Canada, which requires eligible R&D projects to satisfy three criteria:
 - they must advance the understanding of scientific relations or technologies;
 - address scientific or technological uncertainty; and
 - incorporate systematic investigation by qualified personnel.
- France, which requires eligible R&D projects to be original or represent a substantial improvement beyond the use of the state of existing technologies, with eligible activities being those aimed at addressing scientific or technological uncertainties.

Question 43

The draft Exposure Bill specifically excludes certain types of IT R&D. What percentage of current eligible IT R&D would the excluded IT R&D constitute?

Answer

The first exposure draft included both a multisales test and broad based exclusions. Under the second exposure draft, and the legislation recently introduced into

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Parliament, most software R&D will be subject to the same rules as all other kinds of R&D. The only exception is for in-house software that is for the dominant purpose of internal business administration (which will be excluded from core R&D).

Question 44

What is the policy rationale for the exclusion of specific IT R&D?

Answer

The exclusion from the definition of eligible R&D activities solely or primarily developed for internal business administration is directed at ensuring that the new scheme supports R&D rather than minor improvements and 'business as usual' activities.

Question 45

Has Treasury considered how the proposed exclusion of R&D in the IT sector will impact on its Productivity agenda?

Answer

See question 33.

Question 46

The Chief Executive of the Australian Information Industry Association says the Exposure Bill would hobble the productivity enhancing potential of the \$43b national broadband network and that "the whole success of the NBN rests on the value added services to be delivered on the back of the network" and that this will be stifled by the proposed changes. Given the Intergenerational Report and the Prime Ministers focus on productivity, to what extent do these proposals negatively impact on the innovative and development of much-needed applications for a digital economy on the back of the NBN?

Answer

The quoted comments related to the first exposure draft, which has been superseded in this respect.

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Question 47

Has Treasury considered the negative impact of its proposal on its major strategic projects such as the National Broadband Network and industry responses to Climate Change? What were the results of its considerations?

Answer

See question 33 and 46.

Question 48

Under the “feedstock” rules, the Exposure Bill will penalise successful R&D by allowing the Australian Tax Office to claw back the tax credit for the entire cost of the actual R&D activities if the R&D activities are successful and produce an output with value. The “feedstock” rule provides for deducting the value of the output produced by the R&D from the cost of the R&D activity.

By clawing back the tax credit in the future where R&D is successful but not if the R&D fails, can Treasury explain the policy rationale for penalising companies for successful R&D and rewarding failed R&D.

Answer

The quoted comments related to the first exposure draft, which has been superseded in this respect.

The new tests for core and supporting R&D and improved administration arrangements mean that, on reflection, the augmented feedstock rule should not be necessary. However, a provision along the lines of the existing feedstock provision will be retained.

Question 49

Are the restrictions in this Exposure Bill simply a convenient way of preventing perceived “rorts” in connection with the scheme?

Answer

No.