

**Senate Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Industry, Tourism and Resources Portfolio  
Budget Estimates Hearing 2007-08  
28 May 2007

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**AGENCY/DEPARTMENT:** INDUSTRY, TOURISM AND RESOURCES

**TOPIC:** R&D Tax Concession (further to tabled document 4)

**REFERENCE:** Written Question

**QUESTION No. B1-92**

**Senator Carr** asked:

The IR&D Board Annual Report includes details of the number of registrants for the R&D tax concession that are in each of the following R&D expenditure groups:  $\leq$  \$500,000;  $>$  \$500,000 to \$1 million;  $>$  \$1 million to \$5 million;  $>$  \$5 million to \$10 million;  $>$  \$10 million.

- a. Please provide the total expenditure by firms in each expenditure group that access: (i) the 125 per cent concession only; (ii) the premium 175 per cent concession; (iii) the Tax Offset (125% only); and (iv) the Combined Offset and Premium.
- b. For each expenditure group, please provide:
  - (i) the number of registrants with R&D/turnover intensity of less than 1 per cent and the expenditure that these registrants account for;
  - (ii) the number of registrants with R&D/turnover intensity of between 1 per cent and 2 per cent and the expenditure that these registrants account for; and
  - (iii) the average R&D intensity of registrants in the group.
- c. For the first two expenditure groups (ie up to \$1 million), please break down the figures provided in (b) above by Offset and concession.
- d. For each expenditure group, please provide the number of registrants in each ANZIC industry group

(This refers to those questions which remained unanswered from the written questions from Senator Carr)

## ANSWER

Question B1-92a – R&D Expenditure (\$m) by expenditure and element

<b>R&amp;D Expenditure Ranges</b>	<b>125% only</b>	<b>125% Offset only</b>	<b>175% Premium only</b>	<b>Both 175% Premium and Offset</b>	<b>Total</b>
Less than \$500,000	299	318	68	52	737
Between \$500,000 & \$1m	247	242	100	77	665
Between \$1m & 5m	998	<i>10</i>	664	3	1,675
Between \$5 & \$10m	426		504		930
Greater than \$10m	1,536		2,243		3,779
<b>Total</b>	<b>3,506</b>	<b>570</b>	<b>3,578</b>	<b>131</b>	<b>7,786</b>

NB. Italics indicate possible incorrect data provided by firms in registration

Question B1-92b(i) – R&D Expenditure for intensity 1% and below

Intensity Range 1% and below

<b>R&amp;D Expenditure Ranges</b>	<b>Number of Firms</b>	<b>R&amp;D Exp \$m</b>
Less than \$500,000	446	274
Between \$500,000 & \$1m	78	145
Between \$1m & 5m	122	56
Between \$5 & \$10m	22	530
Greater than \$10m	19	75
<b>Total</b>	<b>687</b>	<b>1,080</b>

Question B1-92b (ii) – R&D Expenditure for intensity 1% - 2%

<b>R&amp;D Expenditure Ranges</b>	<b>Number of firms</b>	<b>R&amp;D Exp \$m</b>
Less than \$500,000	192	215
Between \$500,000 & \$1m	54	169
Between \$1m & 5m	95	40
Between \$5 & \$10m	23	415
Greater than \$10m	19	38
<b>Total</b>	<b>383</b>	<b>877</b>

Question B1-92b (iii) – Average Firm R&D intensity

There are a number of approaches which can be taken to calculate average R&D intensity. The approach that has been used here is to sum the R&D expenditure for all firms in each category and divide it by the sum of turnovers of all firms in each category.

<b>Total Category R&amp;D/Total Category Turnover</b>	
R&D Expenditure Ranges	
Less than \$500,000	0.9%
Between \$500,000 & \$1m	2.7%
Between \$1m & 5m	1.3%
Between \$5 & \$10m	1.4%
Greater than \$10m	1.8%
Total	1.5%

NB. Firms with zero turnover have been excluded.

Question B1-92c – R&D Expenditure by intensity and element

*Intensity Range - 1% and below*

<b>R&amp;D Expenditure Ranges</b>	<b>Element</b>	<b>Number</b>	<b>R&amp;D Expend. \$m</b>
Less than \$500,000	125% Concession only	372	62
	125% Offset only	10	0
	Both 175% Premium and Offset	0	0
Between \$500,000 & \$1m	125% Concession only	61	44
	125% Offset only	0	0
	Both 175% Premium and Offset	0	0

Intensity Range - Between 1% and 2%

<b>R&amp;D Expenditure Ranges</b>	<b>Element</b>	<b>Number</b>	<b>R&amp;D Expend \$m</b>
Less than \$500,000	125% Concession only	146	30
	125% Offset only	19	1
	Both Premium and Offset	2	0
Between \$500,000 & \$1m	125% Concession only	31	23
	125% Offset only	2	1
	Both Premium and Offset	21	16

Average Firm R&D Intensity %

There are a number of approaches which can be taken to calculate average R&D intensity. The approach that has been used here is to sum the R&D expenditure for all firms in each category and divide it by the sum of turnovers of all firms in each category.

<b>R&amp;D Expenditure Ranges</b>	<b>125% Concession</b>	<b>125% Offset</b>	<b>Premium Offset</b>
Less than \$500,000	0.5%	24.6%	28.2%
Between \$500,000 & \$1m	1.4%	46.6%	51.3%

NB. Firms with zero turnover have been excluded.

Question B1-92d – R&D Expenditure by intensity and element

<b>ANZSIC</b>	<b>Less than \$500,000</b>	<b>Between \$500,000 &amp; \$1m</b>	<b>Between \$1m &amp; 5m</b>	<b>Between \$5 &amp; \$10m</b>	<b>Greater than \$10m</b>	<b>Total</b>
00X	216	46	29	5	np	297
10X	201	53	117	22	36	429
21X	128	38	65	4	7	242
22X	24	4	np			31
23X	26	6	8	np	4	47
24X	46	10	8	np	np	66
25X	291	77	50	7	11	436
26X	54	10	13	7	np	87
27X	152	41	28	5	12	238
28X	812	220	156	21	17	1226
29X	269	41	36	np	np	352
36X	43	13	7	np	np	66
40X	88	16	23	7	7	141
45X	89	8	13	5	np	118
57X	4		1			5
60X	43	12	10	4	np	72
73X	169	57	55	14	14	309
77X	1057	217	99	18	8	1399
81X	139	38	30	np	4	214
92X	38	11	4	np		55
<b>Total</b>	<b>3889</b>	<b>918</b>	<b>&gt;752</b>	<b>132</b>	<b>136</b>	<b>5830</b>

For confidentiality reasons cells with 1-3 firms are reported as 'np' (non publishable).