

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 29, 30 & 31 May 2007

**Question: bet 22**

**Topic: Multinational Enterprises Increasing R&D**

**Hansard Page: E16**

**Senator CARR asked:**

Can I ask you this: how many multinational subsidiaries are there in Australia that could potentially benefit from the changes in the longer term if they did choose to increase their spending?

**Mr Flavel**—My understanding is that the figure of 300 firms that was used is an amalgam of a number of different sources. There will be those subsidiaries who may be increasing their R&D currently and holding the IP offshore who, as a result of the relaxation of the beneficial ownership test, will now get access to this concession. There would be subsidiaries of multinational enterprises who are not increasing their R&D but who as a result of these measures may now increase their R&D and retain the IP offshore.

**Senator CARR**—How many of those?

**Mr Flavel**—I do not know the exact breakdown. I would have to take that on notice. And the third component, which is an important component, would be those multinationals who now decide to locate a subsidiary here and conduct the R&D in order to access this concession.

**Senator CARR**—Again, how many of those are there?

**Mr Flavel**—As I said, I would have to take on notice the breakdown. I am just giving you the—

**Senator CARR**—I understand the point you are making. Does the Treasury have access to that sort of information as to companies that are thinking about setting up in Australia?

**Mr Flavel**—No. But I think the point would be that in making this estimate there is that amalgam of those three components. Clearly, some firms we would know about, such as those in the pharmaceutical industry. Others will be making a reasonable estimate about those who may choose to locate here.

**Senator CARR**—Can you tell me what R&D expenditure you would expect these companies currently account for? How much money are they spending on research and development at the moment?

**Mr Flavel**—In total, I do not know. I would have to take that on notice.

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**Answer:**

The cost of the measure reflects an aggregate assumption about the expected increase in R&D expenditure eligible for the expanded concession.