KNOWLEDGE
COMMERCIALISATION
AUSTRALASIA

20 May 2013

General Manager
Small Business Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

By email – randdtargetingaccess@treasury.gov.au

R&D Tax Incentive: "Targeting Access" Submission

KCA appreciates the need for fiscal discipline in the current climate, and that this will lead to some difficult choices. However, removing key incentives for R&D to gain short term savings risks Australia's future success.

The changes will also have a negative spillover effect elsewhere in the innovation eco-system, as large companies often stimulate R&D in collaboration with partners in small-medium sized enterprise and the research sector (noting in passing that Universities are already being subject to other direct additional cuts to budget). Removing access to incentives for larger companies will further reduce local activity, including these other collaborations. In this way such "targeted access" will create collateral damage, and the negative impacts will not be confined to the large companies that are the targets of the access restrictions.

Further, as KCA and others have indicated in the past, if policy settings, grants and incentives in relation to innovation are subject to constant change and reduction then investment in R&D will relocate to more favourable locations internationally. Many other countries - in particular in the Asia Pacific region - recognise the important of encouraging innovative activity and invest heavily in it through use of a variety of mechanisms, including state intervention through grants, economic development activity and innovation incentives. The rate at which they do so dwarfs us.[1]

[1] See eg http://www.nexia.com/RDtaxincentivesinSingapore : "for 2009 to 2015, the tax deduction has been raised from 100% to 150% of the actual qualifying R&D expenditure incurred on R&D done in Singapore. And for 2011 to 2015, the tax deduction is further raised to an unprecedented 400% of qualifying R&D expenses on the first $400,000 of expenditure"; See also the KPMG report at http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/singapore-april24-2012.pdf ; See also pwc publication "R&D Tax Trends: Creating a Climate for Innovation" (July 2011) http://www.publications.pwc.com/DisplayFile.aspx?Attachmentid=4802&Mailinstanceid=21491– more than 20 OECD countries have such schemes and that there is a trend towards broader and more generously applied schemes

Latest ABS statistics on Business Expenditure on R&D show that since 2008-9 business expenditure on R&D as a proportion of GDP decreased from about 1.38% to 1.28**%.**[2] **The proposed changes are likely to lead to a further decrease in business expenditure on R&D, eroding Australia's future competitive edge.**

KCA and its members will continue to focus on building innovation led productivity growth, but our efforts to do so are obviously negatively impacted by such changes to the regulatory environment.

Yours sincerely

Rob Chalmers (Chair)
Knowledge Commercialisation Australasia Inc
Level 14, 115 Grenfell St, SA 5000

Robert.chalmers@adelaide.edu.au

---

[2] See eg 11 Sep 2012 media release at
http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/8104.0Media%20Release12010-11