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# Biotechs slam tax credits

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THE biotechnology sector gave a lukewarm welcome to yesterday's passage of legislation introducing a tax credit for research, saying it fell short of replacing the axed Commercial Ready grants.

The tax credit will apply from July 1 next year and takes over from the stop-gap R&D tax concession announced in this year's federal Budget.

But it does not go far enough to reverse the crippling effect that the Rudd Government's first Budget had on early-stage commercialisation in the private sector when it extinguished the Commercial Ready scheme without warning.

The \$700 million scheme introduced by the former government extended matched funding to companies on the cusp of taking their innovations to market.

Under the rules enacted yesterday

the expenditure cap for the tax concession has been lifted from \$1 million to \$2 million for the 2009-10 financial year.

Pharmaxis chief Alan Robertson told *BusinessDaily* yesterday's measure "did not go anywhere near where it should to support early-stage innovative companies".

"It's better than nothing, but it doesn't replace the old grants," he said.

The peak body for life sciences companies, AusBiotech, said it welcomed progress towards implementation of the tax credit, even though it would have preferred the cap to be higher.

The development is unlikely to have any immediate impact on the research strategies of many listed companies, according to Starpharma chief executive Jackie Fairley.

"I doubt that it will change activities in the short term, but it may drive some in the medium to long term," Dr Fairley said.

"While we are certainly appreciative of the efforts to support research ... it might not be as useful as we had

hoped."

*BioShares* editor David Blake said the new measures had created a yawning gap between R&D and commercialisation which the previous scheme had attempted to breach.

"Axing Commercial Ready was like pulling the rug out from under companies at the development stage, suddenly, savagely and very unfairly," Mr Blake said.

While further details about the new tax credit are yet to be finalised, he said there was little in yesterday's announcement to indicate that small biotechs would be better off.

The Government said it would refine the scheme over coming months after seeking feedback.

Innovation Minister Kim Carr said the interim measure was the first in a series of reforms for all companies, big and small, to the way government supports R&D investment.

"Once implemented, the new tax credit will provide more effective and predictable support for Australian companies conducting R&D in Australia," Senator Carr said.