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Industry blasts Rudd over research plan Tax-credit scheme pledges 'ditched'

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BUSINESS lobbyist the Australian Industry Group has savaged the Rudd government's latest subsidy plan for research and development, accusing it of reneging on earlier pledges of support for commercialising innovation.

The Ai Group said the draft of legislation to put the government's research and development tax credit in place was a retreat from its earlier stance because it narrowed the opportunities for companies to tap into the subsidy.

The \$1.4 billion scheme, announced by the federal government in the budget last May, offers a 45 per cent refundable tax credit for companies with a turnover of less than \$20 million and a 40 per cent standard tax credit for larger companies.

The credit is to offset company spending on research and development, but the criteria set out in the draft legislation released at the end of last month has effectively excluded support for development, according to the Ai Group.

"The new draft clearly indicates a significant change in the policy mindset of the federal government as it relates to stimulating research and development in the economy," chief executive Heather Ridout said in

a submission to a review of the draft legislation.

"Contrary to its stated position in recent policy documents . . . it is now apparent that the government intends to pare back its role to fund, almost exclusively, research."

Ms Ridout referred to the *Powering Ideas* paper released last year. Though she did not specify the statement to which she was referring, the document does say: "It is . . . essential that firms can access finance to commercialise their ideas."

The Ai Group said it objected to the introduction of a clause specifying the "objects" of spending that qualify for the credit. The clause limits support to research that has spillover benefits to the economy, but it makes no mention of activities that aid the further development and commercial application of that research.

It also complained about the potential for differing guidelines for different sectors of the economy and the introduction of a "dominant purpose test" for supporting expenditure.

Innovation Minister Kim Carr rejected the criticism, saying the eligible activities were narrowed to rule out claims for things such as roads to mines, but still covered a broad scope.

"This is about ensuring the definition of core R&D covers experimental activities which are conducted for the purposes of acquiring new knowledge, covering both research and development," he told *The Age*.

The draft legislation won the qualified support of biotechnology representative AusBiotech, which argued it was more generous and more predictable than the existing system of tax concessions.

Delivering a shot across the bows of the Ai Group, the AusBiotech submission said: "We understand some elements of corporate Australia are resisting the legislation, looking for amendments, and we urge the government to persist with its passage."

The government plans to introduce the tax credit on July 1, but the Ai Group says the new definition of research and development should be delayed by a year. Senator Carr said he would not consider delaying the scheme but would refer to it a Senate committee next month.

The draft legislation is the second attempt to get the legislation right after an earlier draft released in December was poorly received.