

Media Coverage

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R&D Tax Credit stirs controversy

Almost precisely 12 months after it was first announced, the much-debated R&D Tax Credit legislation was introduced into parliament by Innovation Minister, Senator Kim Carr, on May 13, but there's still controversy over whether the bill will help or hinder Australian businesses. The legislation has already been through two rounds of revisions after industry feedback, and while the present legislation is endorsed by the biotechnology industry and AusBiotech, it's not supported by all industry groups.

According to AusBiotech, start-up biotechnology companies are set to be the big winners from the tax credit. "We cannot afford to lose momentum on this desperately-needed reform to support the infancy of this vital sector," said AusBiotech CEO, Dr Anna Lavelle. "Biotech is our future, but the sector needs the tax credit to replace the tax concession now. Any further delay could compromise the credit - or worse, the burgeoning biotech sector in Australia."

However, other business groups are not convinced the tax credit is targeting the right initiatives. According to BDO

Research & Development Partner, Tracey Murray, the new bill "punishes success and rewards failure" and the real objective of the bill is "to limit the overall level of support it [the federal government] provides to Australian innovators."

The contention is over what activities are considered "research and development". In the current bill, R&D includes "experimental activities" such as those "whose outcome cannot be known or determined in advance", and which can only be known through scientific experimentation. As such, the bill benefits early-stage biotechnology companies involved in speculative and risky research, but it doesn't offer much for established companies, hence it's resistance from industry bodies such as the Australian Industry Group. The legislation will now be debated in parliament, but needs to be passed by both houses before July 1 if it is to take effect in the new financial year.