

Media Coverage

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R&D Tax Credits bill reintroduced to parliament today

Government seeks support of key independents who may call for further amendments in support of regional businesses

David Binning (Australian Life Scientist)

Science and Innovation minister Senator Kim Carr has refused to rule out the possibility that the government's battle weary R&D Tax Credits legislation may need to be further amended before coming into effect, while the coalition is expected to continue efforts to block its passage.

The bill is to be again introduced to parliament today where the government is hoping to have it made a priority for debate ahead of the 41 other bills on the agenda. Speaking to ALS, Senator Carr said that the government is in discussions with the two key independents Rob Oakeshott and Tony Windsor, whose support it needs to pass the bill.

"We are hoping that this is a measure they will find favour with," Senator Carr said.

However, he did not rule out the possibility that the independents may seek to have the bill provide specific R&D support for businesses in regional and rural Australia, which currently don't spend as much on R&D as their metropolitan counterparts.

Nevertheless, Senator Carr stressed that the new bill would be generally much fairer to all small and medium sized businesses in Australia. He noted that the current bill sees just 8,000 of Australia's two million-plus businesses receive any sort of R&D tax benefit, with more than 60 percent of the total funds going to just the top 100 companies. The existing bill also only applies to companies that are already turning a profit.

Senator Carr said that under the terms of the new bill all Australian companies would have an opportunity to apply for their share of \$1.6 billion worth of tax credits each financial year.

"This will be the single biggest instrument Australia has to support innovation," he said, adding that the government is hoping that it will lead to a "change in behaviour" by encouraging more Australian businesses to undertake R&D activity.

The government is proposing two amendments to the bill, one regarding the definition of core R&D activities with the other providing additional words confirming that the tax credit can extend to experimental activities. Critics, including the federal opposition, claim however that these amendments fall short of what is required.

While the government waits to hear from Windsor and Oakeshott as to whether they will accept the bill in its current form, it remains to be seen whether the Greens - which hold the balance of power in the senate in addition to now holding a seat in the lower house - will also demand changes before giving its support.

Since the bill failed to make it through to senate in the final sitting of parliament before the last federal election, Senator Carr has said repeatedly that the government would have it apply retrospectively from July 1 this year, however, observers have noted that this is looking increasingly unlikely.

For one thing the federal opposition is expected to continue its filibustering in order to defeat the bill, a source of immense frustration for the government and Senator Carr who said that the coalition is still yet to even read it. "They are rejecting this sight unseen," he said.

Meanwhile industry body AusBiotech has once again called for MPs to support the new bill, which it sees as crucial for the long term future of biotechnology innovation in Australia, not to mention the short term fortunes of cash-strapped start-ups

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It said that with the current dearth of funding capital combined with the axing of the Commercial Ready program in 2008, a number of promising Australian biotechs may soon be forced out of business, denying the community potentially important innovations for health and other areas.

“We must not forget the pivotal role emerging science, biotechnology and innovation play in our long-term survival and prosperity and the biotechnology sector needs the tax credit to replace the tax concession now,” said AusBiotech CEO, Dr Anna Lavelle.

“Biotechnology is working toward and delivering life-saving and enhancing products, as well as building a valuable economic driver. Any further delay to the tax credit could compromise the burgeoning sector in Australia.”

The realities of minority government were brought into stark relief yesterday when the government lost its first vote on the floor of the house of representatives, the first time this has happened in nearly 70 years.