

Media Coverage

Company: AusBiotech
Date: 24 November 2010
Publication: Australian Financial Review
Page: 18

Buchan

Business Strategy | Communication | Public Policy

Fielding gets last word on R&D

John Kehoe

The federal government's proposed changes to research and development tax breaks hung in the balance last night, with Family First senator Steven Fielding set to decide their fate.

The proposals to tighten the activities that qualify for the \$1.5 billion annual R&D tax incentive, while providing more generous assistance to small and medium enterprises, could be decided as early as today.

Greens senator Christine Milne met representatives of Industry Minister Kim Carr yesterday to discuss proposed amendments, including a plan to cut compliance costs for small firms.

Senator Carr's spokeswoman said the government would consider the amendments, while independent Nick Xenophon said he supported the bill in principle and the Greens' aims.

Business groups and their advisers

are split over the legislation, which the government says aims to transfer tax breaks for large companies conducting business-as-usual activities to smaller firms undertaking genuine R&D risk-taking activities.

Commonwealth Bank of Australia and ANZ Banking Group received millions of dollars in taxpayer support for upgrading their IT systems, Coca-Cola Amatil gets R&D tax credits for designing new drink bottles, and major miners are subsidised for building roads to their mines.

The Australian Industry Group yesterday called for the issue to be referred to the government's Board of Taxation to "examine the clear risk that the new proposals will unduly constrain legitimate business expenditure on R&D".

"The government's proposals to reshape the business research and development tax incentive remain of serious concern to industry and need

further consideration before being passed by the Senate," Ai Group chief executive Heather Ridout said.

Opposition industry spokeswoman Sophie Mirabella, who unsuccessfully tried to amend and block the legislation in the House of Representatives on Monday, slammed the government's "stubborn refusal to countenance criticism".

But venture capitalists and biotech groups want the legislation passed.

Anna Lavelle, chief executive of industry body AusBiotech, urged Senator Fielding to vote for the changes, which were supposed to start in July this year but could be delayed by 12 months.

"The sorts of companies that will benefit, you would think, are the sorts of companies that Family First would wish to succeed because they are providing medical research solutions and devices for people."

Senator Fielding was yet to decide

his position yesterday, after meeting the government on Monday. He is likely to want amendments.

KPMG partner David Gelb said the "dominant purpose test" should be abolished because it was "difficult, nonsensical and untried".

R&D tax adviser at accounting firm Moore Stephens, Krish Patel, said SMEs and start-ups would benefit from the government's plans.

"The tightened definition of R&D brings us closer to the UK and US model with an increased emphasis on 'true' innovation rather than a 'subsidy for innovation', as most firms only innovate due to commercial and market pressure.

"The 'doom and gloom' talk of a R&D exodus out of Australia as result of the tightening of the definition of R&D has been blown out of proportion. Large corporates look at the big picture, including skills, labour, etc. R&D is just one element."