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R&D Tax Credit (finally) gets the go ahead

Crossbench support has paved the way for the beleaguered R&D Tax Credit to pass the Senate in the next session, coming into effect as of 1 July 2011.

[Tim Dean](#) (Australian Life Scientist)



It's taken two years of wrangling but the Labor Government and The Greens have hammered out an agreement to pass the beleaguered R&D Tax Credit in the next sitting in August.

The bill will take effect as of 1 July 2011 and will benefit small research-intensive companies which are yet to turn a profit, particularly start-up biotechnology companies.

After discussion with The Greens, the government also agreed to amend the Tax Credit to provide quarterly repayments of cash to small and medium businesses rather than annual payments, a recommendation made by AusBiotech in its February 2010 submission. These quarterly payments will begin as of 1 January 2014.

AusBiotech welcomed the news that the R&D Tax Credit has been given the go ahead, saying it will benefit Australian biotechnology companies.

"We are heartened by the news that the Tax Credit is about to become a reality and the intention to pursue quarterly payment demonstrates that the Government's willingness to listen to small innovation companies and the Greens' genuine support for legislation that will enhance R&D, and in particular legislation that would stimulate additional R&D in small and medium companies," said AusBiotech CEO, Dr Anna Lavelle.

However, Lavelle warned that it's still premature to celebrate until the legislation actually passes the Senate.

"Today is the result of more than two years of advocating, consultation and working toward a good policy for innovation, however the work is not done yet.

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"The Bill still needs to officially pass into law, and we support its passage and eagerly await the moment," she said.

"The biggest winners from the Tax Credit will be those companies in their early stages with turnover of less than \$20 million with no commercial production yet, which are able to cash out the refundable credit if in tax loss.

"The Tax Credit will provide greater incentives across the whole innovation industry, as well as vital support for start-up and small biotechnology companies, which is well targeted to increase R&D expenditure among these companies."

The bill was first announced in May 2009 and was stalled in the Senate after passing the lower house. The election in 2010 put the Bill on hold, then the opposition and Senator Steve Fielding blocked it in the Senate.

The change of guard in the Senate mid-year and the shift of the balance of power to The Greens allowed Labor to cut the deal to see it pass into law.

Because the Bill will operate retrospectively, applying as of 1 July even though it's not expected to become law until at least August, Labor and The Greens agreed to an early announcement to allow businesses prepare for the change in tax legislation.