

Media Coverage

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[AusBiotech Ltd.](#) Welcomes Announcement on R&D Tax Credit
6/15/2011

June 15, 2011 -- Following a lengthy and sustained campaign, the biotechnology community is today celebrating news that the much-needed Research & Development (R&D) Tax Credit will be delivered imminently, providing a major boost for innovative biotechnology companies and spill-over benefits for the community from biotechnologies.

Treasurer, Wayne Swan and Senator Kim Carr, Minister of Industry, Innovation, Science and Research have announced in a joint media release an agreement that will see the Tax Credit legislation pass in the August sitting of the Senate and be effective from 1 July 2011 – thereby delivering the Tax Credit to provide a meaningful incentive and “landmark reform” for R&D in Australia.

Start-up innovation companies, especially biotechnology companies trading in loss, are set to be the big winners from the Tax Credit’s 45% refundable component, and the legislation will also benefit large innovative companies by reducing the cost of conducting eligible R&D activities in Australia by up to 10%, making Australia a more competitive location for conducting biomedical and pharmaceutical R&D.

AusBiotech and its membership have been strong and unwavering advocates for the move to a tax credit since its recommendation by Dr Terry Cutler in the Innovation Review of 2008, as good for the biotechnology sector and for innovative Australian companies generally – and therefore welcome the long-awaited news with enthusiasm.

The two Bills that make up the legislation are awaiting debate in the Senate, more than two years after the R&D Tax Credit was announced in May 2009. Since the announcement of the policy, AusBiotech has made four substantive submissions on the R&D Tax Credit and produced 11 case studies on how the incentive will benefit R&D in Australia, after extensive consultations with members.

AusBiotech CEO, Dr Anna Lavelle said: “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. The Bill still needs to officially pass into law, and we support its passage and eagerly await the moment.”

“The biggest winners from the Tax Credit will be those companies in their early stages with turnover of less than \$20million 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.”

Dr Lavelle also welcomed news that the Government, with support from the Greens, will pursue an amendment to the Tax Credit program to provided quarterly payments of cash refunds, instead of annual payments, as recommended in AusBiotech’s February 2010 submission in response to the ‘exposure draft’ of the Tax Laws Amendment (Research and Development) Bill 2010.

AusBiotech has always advocated for payments on a quarterly basis to assist companies manage cash flow. A survey conducted by AusBiotech as part of a series of tax credit briefings in July 2009,

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indicated the timing of the receipt of tax credit payments (i.e. quarterly or annually) will be a critical factor in its value as an incentive for additional R&D activities.

The crossbench support will mean the implementation date is 1 July 2011; and a provision will be introduced to make quarterly payments available to firms in tax loss from 1 January 2014.

Because the Bills have a degree of retrospectivity, to give business certainty in their planning, the crossbench Senators have agreed to an early announcement of their intent to support the Bill. This allows time for discussions with intermediaries such as industry organisations and tax consultants about how the Tax Credit will operate.

Dr Lavelle said: "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."

The passing of the Tax Credit legislation will realise the recommendations of the 2010 Senate Inquiry that recommended the Tax Credit be implemented as soon as possible, as well as the proposal in the 2011 Australian Business Foundation report by Dr Nicholas Gruen of Lateral Economics, that the new R&D Tax Credit scheme should be passed into law. The report said the further delay in passing the legislation "would not only delay the increases in R&D investment from small firms that could be expected from the changes, but could also retard investment in R&D by smaller firms, even if it were viable under the current regime." (2011: The BERD in the hand: Supporting Business Investment in Research and Development.)

For comment or an interview with Dr Lavelle, please contact Lorraine Chiroiu, AusBiotech's Communications Manager on. 03 9828 1414 / 0429 801 118 or at Ichiroiu@ausbiotech.org

About AusBiotech

AusBiotech is Australia's voice on biotechnology, and represents more than 3,000 members, encompassing medicines, medical diagnostics and devices, agriculture, alternative fuels and climate change.