

## Greens win for small business R&D

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### In development

Proposed research and development tax concession changes from July 1

NOW		PROPOSED
<ul style="list-style-type: none"> <li>■ <b>Tax break:</b> 125% deduction for eligible expenditure.</li> <li>■ <b>Small companies:</b> Can cash out their concession entitlements, being paid 30¢ in the dollar for each deduction they could otherwise have claimed.</li> <li>■ <b>Eligible activities:</b> systematic, investigative and experimental activities involving innovation or high levels of technical risk.</li> </ul>		<ul style="list-style-type: none"> <li>■ <b>Tax break:</b> 150% deduction for small companies and 133% for others.</li> <li>■ <b>Small companies:</b> quarterly cash payments for credits.</li> <li>■ <b>Eligible activities:</b> Experimental activities conducted to generate new knowledge, as well as supporting activities.</li> </ul>

SOURCE: FINANCIAL REVIEW

#### Fleur Anderson and Katie Walsh

The federal government's \$1.8 billion changes to research and development tax breaks will start on July 1 after the government agreed to a Greens demand that smaller businesses receive quarterly cash incentives.

The changes to the R&D incentives will cost \$300 million more than first proposed because of the three-year delay in implementation, although Innovation Minister Kim Carr said the new changes were revenue neutral.

Senator Carr said the federal government and AusIndustry would embark on an education campaign to counter the "misinformation" from industries which had exploited the scheme to subsidise "business-as-usual" operational costs.

He said the legislation would be introduced to the Parliament in August after the Greens take the balance of power in the Senate. Family First senator Steve Fielding had previously threatened to oppose the R&D changes, but will no longer be in Parliament after July.

"We want to encourage more companies to use the R&D cash payments and we want to redirect it to companies that are more responsive to R&D incentives," Senator Carr said.

"It will not undermine experimental R&D and the changes will ensure access to those companies that are doing genuine R&D."

The overhaul of the R&D scheme is an attempt to redirect taxpayer funds from big businesses to subsidise operational costs for smaller firms undertaking risky R&D activities.

Small to medium businesses will be able to get their tax credits quarterly from January 2014.

Commonwealth Bank and Australia and New Zealand Banking Group have previously received millions of dollars in taxpayer support for upgrading their computer systems, Coca-Cola Amatil received R&D tax credits for designing drink bottles, and miners claimed tax credits for building roads to their mines.

Greens deputy leader Christine Milne said the agreement to make quarterly cash payments to small and medium businesses was reached after lengthy consultation between industry and the Greens.

She said the changes meant smaller companies, instead of multi-nationals, would get access to the tax breaks.

"I don't believe most Australians would be happy to learn that, under current arrangements, some of the largest companies have been abusing the system by claiming business-as-usual operational costs as R&D," Senator Milne said.

"This has meant that, out of 8000 companies registered for R&D tax credits, 100 of the largest companies take 60 per cent of total funding – and 37 of those 100 are mining firms."

While accountants fear the rules would exclude some claims, researchers backed the deal. "I think this is the most positive thing to happen to the biotechnology industry in years and will mean new investment injected into small companies," said AusBiotech chief executive Anna Lavelle.

"In the past, small companies have not been fairly treated by the tax program and this change will give them cash return back on their investment."

with Brendon Lau

The Australian Financial Review

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