



[ABC Online](#)

AM - Labor announces generous tax concessions for drug companies

[This is the print version of story <http://www.abc.net.au/am/content/2007/s1836184.htm>]

AM - Tuesday, 30 January , 2007 08:20:00

Reporter: Emma Alberici

TONY EASTLEY: Labor is adding meat to the bones of it's education and innovation push by promising big pharmaceutical companies generous tax concessions if they set up factories here.

Opposition Industry, Innovation, Science and Research spokesman, Senator Kim Carr, is preparing a research and development blueprint for Labor's election campaign.

As Emma Alberici reports, drug companies have long argued that Australia's tax regime is too tough.

EMMA ALBERICI: Last year some of the world's biggest companies spent \$60-billion researching and developing new drugs. Australia got just one per cent of that money

Kim Carr, Labor's spokesman for Industry, Innovation, Science and Research, says it's the country's tax regime that's the greatest disincentive to investment.

KIM CARR: At the moment, business investment in research and development in Australia is about the OECD (Organisation for Economic Co-Operation and Development) average. That's simply not good enough for a modern, industrial economy.

We will be examining ways in which we can improve that level of expenditure. We are talking to business, we are talking to a range of people about the ways in which the Government can assist in encouraging people to change their behaviour to spend more money on advanced research and development.

EMMA ALBERICI: The Productivity Commission has received a number of complaints from pharmaceutical firms about Australia's beneficial ownership rules which state that only locally based R and D companies can claim a tax concession on their intellectual property.

The Howard Government's Pharmaceuticals Partnership Program gets around the tax laws by offering up to \$150-million in grants for the five years between 2004 and 2009 to encourage drug companies to engage in R and D in Australia.

Dr Anna Lavelle is the Chief Executive of AusBiotech, the peak body for Australia's biotechnology industry

ANNA LAVELLE: Pouring money into research and development at the university end is terrific, but if we want to commercialise those discoveries, then we do need to pay much more attention to the spinning off of companies and technologies out of the universities and into the commercialisation process, and that is in the private sector.

Our position is that the Government has set up some excellent programs, but they do need to pay much more attention to the tax issue, which at this time, means that private companies, small companies, in Australia are struggling to be competitive on a global scale because it's difficult for them to attract investors.

EMMA ALBERICI: Are our tax laws an impediment to foreign investment in Australia in your mind in this area?

ANNA LAVELLE: I would say they are. I would say there is room for improvement, and many countries around the world have looked at this issue, particularly in the innovation and biotechnology space and they have come up with some models that we should actively examine as a country, and make a determination as to whether or not we are missing out on investment because of our current tax regime.

EMMA ALBERICI: Labor Senator Kim Carr is considering lifting the country's R and D tax concession from the current 125 to 150 per cent.

KIM CARR: There have now been three parliamentary inquiries calling for a change. The Productivity Commission itself has called for a change.

All the major players in a pharmaceutical industry have argued that case. This is an industry of some \$16-billion in this country, and at the moment, you're spending far too little on research and development in comparison to its size.

TONY EASTLEY: Labor's Senator, Kim Carr, speaking there with Emma Alberici.