

30-1-2007

# THE AUSTRALIAN FINANCIAL REVIEW

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Publisher: **Fairfax**

Publication: **Australian Financial Review, Page 4 (Tue 30 Jan 2007)**

Keywords: **AusBiotech (1)**

Edition: **First**

Section: **News**

## Labor wants R&D revamp

Labor is considering new policies that would boost tax concessions on research and development and allow foreign companies to claim them on all R&D conducted in Australia, in a bid to lure big pharmaceutical firms to set up laboratories here.

Opposition Industry, Innovation, Science and Research spokesman Kim Carr is preparing an R&D policy blueprint to be considered by shadow cabinet in coming months.

He said his reasons for offering extra incentives for R&D were to encourage new, high-quality research activity in Australia and foster collaboration between researchers.

"I am interested in exploring how we can get biomedical and bioagricultural companies involved in collaboration here in Australia," Senator Carr said.

"My concern is to lift the level of expenditure on R&D in Australia by the pharmaceutical industry, including the biotech sector."

"To do that we may need to look at the beneficial ownership requirements of the Tax Act"

The beneficial ownership rules limit tax concessions on R&D to those companies that hold within Australia the intellectual property associated with R&D.

Pharmaceutical firms have complained in submissions to the Productivity Commission that these rules prevent the subsidiaries of multinationals accessing tax breaks for R&D conducted in Australia.

Most multinationals require intellectual property to be held by their head office, not the local subsidiary.

Pharmaceutical giant GlaxoSmithKline wrote in a submission that the beneficial ownership rules meant that much of the R&D conducted by drug companies in Australia missed out on tax support.

**AusBiotech** said in its submission that relaxing the beneficial ownership rules would "enable greater flexibility and investment by multinational organisations in particular and, more generally, by organisations engaged in more collaborative R&D".

The Howard government's Pharmaceuticals Partnerships Program (P3) aims to encourage drug companies to conduct R&D in Australia by offering up to \$150 million in grants from 2004 to 2009.

To access P3 grants, pharmaceutical companies do not have to prove that the intellectual property for the R&D is held by a firm in Australia.

But Senator Carr said he was exploring whether assistance for the pharmaceutical industry could instead be brought into mainstream R&D policies.

Global pharmaceutical R&D expenditure is about \$US45 billion (\$58 billion) a year but the latest figures show that pharmaceutical R&D spending in Australia is less than \$600 million, in an industry that employs about 36,000 people.

When Senator Carr was appointed spokesman in December, he was initially considering lifting the R&D tax concession from the current 125 per cent to 150 per cent.

But now he is believed to be leaning towards combining existing tax concessions in one scheme, which would increase the rewards available to companies that lift their R&D spending.

As well as the 125 per cent rate, the Howard government offers a premium rate of 175 per cent concession on the labour component of incremental spending by companies with a three-year record of R&D.

The Australian Industry Group has called for a "step-up R&D tax concession" which would start at 125 per cent and then climb in increments to 200 per cent as companies increased their spending.

Senator Carr said he would conduct more consultations before finalising his proposal.

#### KEY POINTS

- Labor wants to lift research by international firms in Australia.
- Current taxation concession rules are seen as a barrier by global pharmaceutical companies.

Caption :PHOTO: Global pharmaceutical R&D spending is about \$58 billion. Photo: LOUISE KENNERLEY

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