

Biotech Daily



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Daily news on ASX-listed biotechnology companies

*** LONG-AWAITED FEDERAL 45% R&D TAX CREDIT ON THE WAY**

FEDERAL GOVERNMENT, AUSBIOTECH, AUSTRALIAN GREENS

The first of two Federal Government Bills providing for a 45 percent tax credit on research and development expenditure has been passed by Parliament.

The Tax Laws Amendment (Research and Development) Bill 2010 as amended by the Senate was passed by the House of Representatives and will be sent to the Governor-General for Royal Assent, the last step before becoming an Act of Parliament.

Last year Innovation Minister Senator Kim Carr said the tax credit was “the most important reform to business innovation support in a generation” worth \$1.6 billion a year to business (BD: Aug 11, 2010). Senator Carr at that time the tax credit would provide a 45 percent refundable tax credit for companies turning over less than \$20 million a year and a 40 percent nonrefundable tax credit to all other companies.

An officer of the Australian Parliament told Biotech Daily that the companion Bill, the Income Tax Rates Amendment (Research and Development) Bill 2010 would be returned to the Senate for a further reading and if approved would then come back to the House of Representatives and if approved would then be sent to the Governor-General for Royal Assent, a process likely to take up to a week. Senator Carr’s office said this Bill related to Australian Taxation Office payment provisions.

In a media release, industry organization Ausbiotech said the biotechnology community welcomed the news that the tax credit would become a reality.

Ausbiotech chief executive officer Dr Anna Lavelle said it was “the most significant positive news that the industry has had for a number of years”.

“The new tax incentive will deliver a major boost for innovative biotechnology companies and spill-over benefits for the community from biotechnologies,” Dr Lavelle said.

“For small biotech companies it’s going to mean significant difference to their R&D programs and inject substantial new funds into the industry and that will stimulate new investment,” Dr Lavelle said.

Ausbiotech said the legislation would be effective from July 1, 2011 with quarterly payments of cash refunds, instead of annual payments, from January 1, 2014. Ausbiotech said that start-up innovation companies, especially biotechnology companies trading in loss, would be the biggest beneficiaries from the 45 percent refundable component and also benefit large companies by reducing the cost of conducting eligible

activities in Australia by up to 10 percent, making Australia more competitive for biomedical and pharmaceutical research and development and clinical trials.

The Australian Greens deputy leader Senator Christine Milne said that the Bills “increased support for small and medium sized businesses, particularly after the Greens secured amendments to help the cash-flow of these companies which are the engine room of innovation in Australia”.

Senator Milne said the agreement to make quarterly cash payments was reached “as a result of an innovative political process initiated by the Greens which featured a round table representing stakeholders from different perspectives and representatives of Treasury and several departments and the Minister's office”.

The Member of the House of Representatives for Melbourne and Greens’ Science, Research, Industry and Innovation spokesman Adam Bandt said “the new R&D tax regime will dovetail with new investments in the clean economy that the Greens were able to secure in the carbon price negotiations”.

Mr Bandt said that a key to driving investment would be the Government setting a goal of three percent of gross domestic product to be invested in research and development across the economy, taking Australia above the average for the Organisation for Economic Co-operation and Development “and bring us into line with Germany and Japan”.

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