

Biotechnology News

The R&D golden egg?

Thursday, 1 April 2010
Amanda Ellis

JUST in time for Easter, the federal government has released another draft of its research and development tax incentive legislation, which it says provides a clearer definition of R&D, is 30% shorter and removes unintended consequences.

In a consultation guide released yesterday with the amended draft, Treasury said the changes had been made to ensure the legislation was clearer and removed unintended consequences.



While not outlining those consequences, it said the changes were made in light of feedback received on the first exposure draft legislation released in December.

AusBiotech chief executive Dr Anna Lavelle told *BTN* the industry body welcomed the changes. It was currently examining the draft in detail and would release its analysis after Easter.

"On the surface of it, a lot of what we said on behalf of the biotechnology industry has been taken up by the government and a significant number of changes that have been made are in favour of the industry," she said, adding that AusBiotech had been in close discussions with the big companies on this matter and would continue these after the break.

Treasury said the government was still on track to finalise the legislation in the next sittings of Parliament and bring it into force on July 1.

People interested in giving feedback were asked to do so by April 19 – which allows less than three weeks or 10 working days to prepare a response.

Revisions

The draft revises the definition of core R&D activities and uses clear language instead of ambiguous concepts, Treasury's consultation guide says.

It abandons the "exclusions list" for supporting R&D and instead narrows the definition of the "dominant purpose" test for registered R&D activities.

"The second exposure draft applies the dominant purpose test only to production activities (and activities on the exclusions list)," the guide says.

The draft beefs up AusIndustry and Innovation Australia's administrative powers so they have the tools to implement the system, give advice, enforce provisions, provide private findings to taxpayers and deliver board-issued public findings.

It clarifies Australian government grant support, saying that if the R&D is paid for in whole or part with a government grant, the taxpayer will be ineligible for the incentive on expenditure "equal to twice the amount of grant money that is acquitted on eligible R&D".

The feedstock provision stays.

However, it won't be "augmented" as it was in the first draft. Instead, it will be redrafted along the lines of the feedstock provision in existing legislation.

The government has cut red tape and removed the statutory requirement to maintain and submit an R&D plan.

Meanwhile, companies conducting early-stage research face a new hurdle.

They will now be required to differentiate between core and supporting R&D when registering their activities.

"The compliance costs associated with this change will be highest during the early stages of the new incentive, but should reduce as taxpayers adjust their practices," Treasury said.