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## R&D tax credits threatened

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Dr Anna Lavelle  
AusBiotech CEO

**The Federal Opposition is vowing to vote down new R&D tax concessions when they come before the Senate despite the release of a re-drafted bill.**

Shadow Minister for Industry, Innovation, Science and Research, Sophie Mirabella, says the Coalition will not support the re-drafted Bill that is "only half as bad as the exposure draft".

Mrs Mirabella says it is apparent Treasury has not done any modelling to examine the impact of the changes and takes exception with the new definition of R&D put forward in the second draft.

"The restrictive definitions, new exclusions and the greater administrative and compliance requirements will cause many companies to either be ineligible for any concession or forego research and development investment altogether," Mrs Mirabella said.

"The government needs to abandon this fundamentally flawed bill and go back to the drawing board.

"Any attempt to rush a hasty compromise through the parliament would be a disaster for Australian innovation and a huge roadblock to improving our competitiveness and productivity," she said.

The peak body representing Australian biotechnology firms, AusBiotech, says big

corporations in Australia are potentially wanting to derail the newly proposed tax credit for their own gain. Ausbiotech welcomes the second exposure draft and says it is a significant improvement to the first. According to CEO Dr Anna Lavelle, the new legislation delivers the original intent of policy put forward by Innovation Minister Kim Carr.

"Biotech companies are the winners in this," Dr Lavelle said.

"The opposition needs to consider that the concept of the tax credit is a good one for Australia," she said.

Under the proposed legislation, companies with turnover of less than \$20 million will receive 45 cents tax back in the dollar and those with a turnover greater than \$20 million will receive 40 cents. As a result small companies will be given cash immediately to re-inject directly into continuing R&D activities, Dr Lavelle says.

AusBiotech's primary concern with the first draft was the exclusion clause whereby core and not supporting R&D activities were eligible for tax breaks. They were afraid this would exclude clinical trials from concessions, however amendments mean that now clinical trials are safe and would be eligible for the deduction according to Dr Lavelle.

"All the issues that we raised with the Minister in Canberra in February when we went through all the legislation have been addressed," Dr Lavelle said.

"They have listened to the biotechnology sector."

Despite this, she says the government has got it 85% right and that some modification and amendments are necessary. She highlights a clause relating to overseas activity as a potential problem.

"There is a new test whereby overseas activity must incur fewer expenses than related activities in Australia or they are eliminated from the tax concessions.

"Some companies are required to go overseas for toxicology work or for clinical trials that require higher numbers or different patient types, in order to gain FDA approval.

"These activities are expensive, but necessary, and we are concerned these companies will not be eligible," she said.

Submissions on the re-drafted bill are due on April 19 and Ausbiotech believes the legislation will be addressed in the winter sitting of parliament. Dr Lavelle says, if passed, it will be backdated to July 2010, however this in itself poses a problem for biotech companies who are planning their R& D activities for the next year without knowing whether the credits will eventuate.

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