Hon Dr Jim Chalmers MP
Treasurer
PO Box 6022
Parliament House
Canberra ACT 2600

Via Email: jim.chalmers@treasury.gov.au

Wednesday, 3 June 2026

Dear Treasurer,

As a collective of Australia's leading industry bodies representing health and medical technologies, products and services organisations and other life science based industries, we write to you regarding the recently announced Federal Budget and specifically the proposed changes to the Research and Development Tax Incentive (RDTI) as well as the Capital Gains Tax (CGT). We seek your urgent action to ensure these policy settings are appropriately calibrated to support the continued success of the health and medical technology sector in Australia.

Health & Medical Technology – A National Innovation Pillar and Strategic Priority Area – is critical to Australia's future health and economic outcomes and must be supported

Australia's life sciences sector has doubled in size since 2017 and supports more than 350,000 jobs across almost 3,000 organisations. Alongside this capability, Australia's digital and connected health sector has an additional 1375 companies and is growing at a rate of >50% per annum (CAGR). These sectors represent a growing pipeline of world-class companies advancing breakthrough diagnostics, therapies and evidence-based medical technologies here in Australia.

Every day, Australians benefit from homegrown healthcare innovations, from breakthrough cardiovascular devices to hearing technologies, vaccines and advanced oncology therapies through to software enabled medical devices as well as AI driven diagnostics and remote patient management tools. Most of these technologies, products and services required many years and significant financial investment to bring to market. Future biofuels and sophisticated agri-food products are also reliant on the skills of this sector.

Economically, Australian governments have long fostered the health and medical technology sector, recognising the importance of this knowledge-intensive, export-oriented sector anchored in high-skilled jobs and advanced manufacturing. Our organisations represent a sector that is essential to national security and resilience, one that drives productivity, sustains high living standards, contributes to Australia's ongoing prosperity and supports world class health outcomes for Australians.

Australia's existing momentum in health and medical technologies requires appropriate settings to be sustained. Biotechnologies are recognised on the Government's *List of Critical Technologies in the National Interest* and medical science is a priority area under 'Future Made in Australia'. In addition, the recently released Strategic Examination of R&D, *Ambitious Australia*, and the *National Health and Medical Research Strategy* all highlight the role of business R&D and the need to leverage Australia's scientific knowledge and ability to build new companies, sovereign capability and global competitiveness.

A ten-year limit on the refundable R&D Tax Incentive and changes to core / supporting claims, combined with proposed changes to CGT, collectively pose a significant triple threat to the growth of Australia's health and medical technology sector. The potential outcomes also stand in direct contradiction to Australia's economic ambitions for the sector

For many industries, a ten-year limit to the RDTI might be a reasonable timeframe for R&D activities to be supported. For health and medical technologies, however, this proposed timeline grossly underestimates the time needed to successfully navigate the complex development, regulatory and commercial realities faced by our sector.

Bringing a health and medical technology, product or service to market routinely takes well beyond ten years. Companies spend years progressing through the phases of discovery, pre-clinical development, evidence generation and clinical trials, regulatory approval and manufacturing scale-up before revenue generation is even possible. R&D is critical to each of these phases.

In addition, this is an iterative process as new R&D to generate variations and alternatives to the first product to market are standard in this sector and companies often have a pipeline of technologies, all of which must progress through these elongated development, evidence generation and regulatory clearance cycles and all of which require significant capital investment.

Crucially, while health and medical technology companies are highly capital intensive across the product life cycle, it is often after the ten-year mark that those companies enter the most capital-intensive phases – investing heavily in late-stage R&D and advanced manufacturing.

Within the context of the broader national productivity agenda, it is also critical to recognise the role that R&D intensive industries such as health and medical technologies play in the broader sovereign interest. Multiple international reports support the fact that R&D intensive nations have higher levels of national productivity. With Australia's productivity on the decline, we need to actively pursue strategies which incentivise greater levels of R&D rather than constraining it.

Effective taxation and policy settings which reflect the realities and the nuances of the sector are needed to deliver successful innovation and productivity gains.

For health and medical technology companies, R&D support is not simply a tax mechanism; it is a critical support mechanism during the lengthy pathway to commercialisation. A ten-year cap on the refundable offset fails to recognise the realities of that pathway.

In addition, the removal of eligibility of R&D 'supporting activities' is also causing serious concern amongst the sector. Key support services, such as clinical, regulatory and quality, sit outside of start-ups and SMEs as most cannot afford to bring the necessary resources and expertise in-house during their first ten years. Australia's many world-class health and medical research support organisations would be put at risk by this limitation on eligibility.

Overall, when combined, the changes in the RDTI remove essential supports from the sector, and put at risk the enormous contribution the sector is making to Australia - not only economically but in terms of health impacts that ultimately save lives.

The proposed CGT changes undermine the incentives to create companies and innovate

The changes to the CGT rules are also a source of concern for our sector. By their nature, the companies we represent work in a high-risk sector of the economy. The optimism of those who start a company is linked to the desire to have a positive impact on the health of the community and to have a fair return on the significant risk they undertake when starting a company.

The proposed changes to the CGT will make many ponder on whether the risk is worth it or whether staying in Australia to realise their ambitions is the right choice.

The proposed changes risk undermining Australia's international competitiveness

We operate, and compete, in a world where peer nations are actively increasing incentives and targeted support to build and retain life sciences capability and attract it from other countries. Countries such as the United Kingdom, Germany, Singapore, Japan and South Korea have developed strong policies to strategically support and attract health and medical research.

These countries recognise life sciences as a strategic industry, critical for economic growth, national security and industry resilience. That's why they are actively building the long-term, stable policy settings essential to fostering them. Australia cannot afford to fall behind.

We need to get the policy and taxation policies aligned with Australia's prosperity and ambitions

Collectively, our organisations have been inundated since the Budget with valid concerns from members across Australia. Many have indicated that the proposed changes will lead them to actively consider relocating their companies or their research and development offshore, already a well-trodden path for health and medical technology companies founded here.

This is not an argument against tax reform nor against the effective targeting of public investment. Rather, policy settings need to reflect the realities of the industries they are intended to support. We and our members are deeply concerned that the proposed changes to both the RDTI and CGT fail to do this.

Ultimately, this is about Australia's ambition in health and medical technology – and we believe that ambition is as a country where we research, develop and commercialise our innovation, rather than one whose policies result in offshoring them early in their development cycle.

We would welcome the opportunity to work constructively with you to ensure these policy settings are appropriately calibrated to position Australia as a nation that actively grows its health and medical technology industry, enabling more companies to develop, commercialise and manufacture innovative products here.

We would also welcome the opportunity to share with you examples and case studies demonstrating how these proposed changes will impact our members and the future productivity and prosperity of our sector. We look forward to your response.

Yours sincerely,

AusBiotech Ltd
Pathology Technology Australia
MTPConnect
ANDHealth
ARCS Australia
Life Sciences Queensland
Life Sciences WA
BioNSW
BioMelbourne Network

cc:

- Senator the Hon Tim Ayres, Minister for Industry and Innovation and Minister for Science
- The Hon Dr Andrew Charlton MP, Cabinet Secretary and Assistant Minister for Science, Technology and the Digital Economy
- The Hon Mark Butler MP, Minister for Health and Ageing
- Senator the Hon Katy Gallagher, Minister for Finance
- The Hon Daniel Mulino MP, Assistant Treasurer and Minister for Financial Services