

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Inquiry into the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019
[Provisions]

Division: Individuals and Indirect Tax Division
Topic: Modelling
Reference: Spoken

Question:

Senator PRATT: Yes, that's right, as well as multinationals versus foreign multinationals in terms of which costs pass through for their company accounting purposes. It's all about getting to the arbitrary accounting things that put people in one intensity threshold or another and put them in a different band. Have you modelled the different company structures? Many of the companies that have appeared before us have said very clearly that this will feed into decisions about how businesses are structured, whether research and development will happen onshore, whether manufacturing might get pushed offshore or whether research and development itself will get pushed offshore because of these intensity thresholds. So I'm wondering what modelling you've done that looks at company structure and size in relation to those questions that industry have been raising with us.

Mr Maloney: Again, I'm happy to take it on notice. The modelling to date obviously factors in the cost structure of the company, whether they are consolidated, foreign, domestic or what have you. That is in the costing as it currently stands. **Senator PRATT:** What did it tell you about the outcomes and rebates?

Mr Maloney: I haven't undertaken that specific analysis, but I'm happy to take it on notice.

Senator PRATT: Are you able to tell us which companies are advantaged or disadvantaged in that?

Mr Maloney: In terms of types of companies?

Senator PRATT: It seems fairly obvious in terms of whether people do or don't meet the threshold. You've budgeted for the purposes of costing the scheme. I want to ask you what that means for the businesses and their eligibility, and your costings.

Mr Maloney: I will take that on notice, yes.

Senator PRATT: Have you done any of that modelling or not?

Mr Maloney: That's embedded in the costing that has been done. That specific analysis—breaking it up by foreign and domestic or consolidated and non-consolidated entities—has not been done, no.

Senator PRATT: It's embedded in the analysis as far as the overall costs or savings to government of the overall scheme go, because that's reflected in your overall data pool that looks at different companies' eligibility in those thresholds, but you haven't fed any of that information back out in the system. Clearly it should be possible. If you can generate what it costs to the overall system, you should also be able to generate the advantage or disadvantage to those companies based on their structure, should you not?

Mr Maloney: I will take it on notice. The consolidated versus non-consolidated entities is certainly possible. The ownership is slightly more difficult, but again I will take it on notice and I will do my best to answer your question.

Senator PRATT: Okay. Please take it on notice for not just the outcome overall from a revenue and cost-of-the-scheme point of view but the difference in how companies will be

treated for consolidated versus unconsolidated businesses, diverse businesses versus those that have less diversity and, if possible, multinationals versus Australian multinationals.

Mr Maloney: I'm happy to, yes.

Senator PRATT: Thank you—and also manufacturers, because manufacturers won't be able to devote as much of their R&D expenses, because of the operation of the proposed new feedstock clawback for business. If you've got any data on that, that would be terrific. If you want to assist yourself, I'm pulling some of this information out of the Michael Johnson Associates submission to the inquiry.

Mr Maloney: Okay.

Answer:

Information on Research and Development Tax Incentive claims for the refundable and non-refundable offset by company type, residency status, size and taxable status are available in the Australian Taxation Office Taxation Statistics – Company Table 6. The statistics for the 2017-18 income year can be found at: https://data.gov.au/data/dataset/taxation-statistics-2017-18/resource/b1eca851-d293-4c5b-9058-63ae4e95b802?inner_span=True