

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 on how many enterprises will move from that higher rate to the lower rate  
**Reference:** Spoken

**Question:**

**Senator WALSH:** I just want to follow up on my questions to the ATO in relation to what the implications of this might be for enterprises that would normally be regarded as small or medium enterprises—that is, enterprises with a turnover of less than \$50 million. I think it's just a fact that there are some enterprises that have a turnover of between \$20 million and \$50 million today that are currently claiming the 38.5 per cent offset. Some of those enterprises will find themselves on tier 1 of the intensity premium, which is effectively a cut from an 8.5 per cent credit to a 4.5 per cent credit. Have you done modelling on how many enterprises will move from that higher rate to the lower rate?

**Mr Maloney:** In aggregate, of course, we have done modelling, because that is embedded in the costing that we have done. To your specific question about companies in the turnover ranges you mentioned—above \$20 million and below \$50 million—I'd have to take that on notice to give you a sense of what intensity thresholds they may well be facing. It would be different for different companies, obviously, but I'm happy to take that question on notice and come back to the committee.

**Senator WALSH:** So you will be able to tell us how many small and medium enterprises that currently access the non-refundable component, with a turnover of between \$20 million and \$50 million, will face a reduction from 8.5 per cent to 4.5 per cent by being located in tier 1.

**Mr Maloney:** I can certainly take that on notice and do my best, yes.

**Answer:**

Based on the 2017-18 Australian Taxation Office claims data, around 20 per cent of companies claiming the non-refundable component of the programme are estimated to have a research and development (R&D) intensity of 4 per cent or less and have an annual turnover between \$20 and \$50 million.

Historical data may not adequately represent future R&D intensity under the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*. The intent of the intensity measure is to encourage companies to increase their R&D intensity in order to receive a higher rate of the offset.