

The Economics Legislation Committee  
Department of the Senate  
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Australia  
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18 May 2010

Dear Economics Legislation Committee

*Submission in response to Tax Laws Amendment (Research and Development) Bill 2010 and Income Tax Rates Amendment (Research and Development) Bill 2010*

Please find following comments from AusBiotech, the biotechnology organisation working to sustain and develop the biotechnology sector in Australia - representing 3,000 members.

AusBiotech has been a strong advocate for the move to a tax credit since its recommendation by Dr Terry Cutler in the Innovation Review of 2008, as good for the biotechnology sector and for small innovative Australian companies generally.

AusBiotech has taken a keen interest in the development and passage of the Bill that has been referred to you, and has made the following submissions on the subject of the R&D tax credit: (1) Response to the consultation paper, in October 2009; (2) Response to the initial exposure draft in February 2010; and (3) Response to the second exposure draft in April 2010.

Cognisant of the unique business model required by biotechnology, where significant funds are required often over many years and up-front before any return can be realised, the tax credit, especially the refundable credit, is vital if innovations and the start-up biotechnology industry are to thrive in Australia.

The biotechnology, medical technology and pharmaceutical industries all believe the move to the tax credit is the right government policy, and best for Australian innovation - with spillover benefits to the Australia community in terms of jobs, economic growth and access to technological developments.

Start-up innovation companies applauded the government's policy announcement to

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move from the tax concession, which is not working for the industry as a whole, to the tax credit that will provide a much-needed lifeline.

The biotech sector in Australia is relatively young, but maturing at an impressive rate and bringing medical breakthroughs and solutions to intractable global issues, such as climate change. It needs this hard-earned momentum to continue, and is therefore concerned about calls for the passage of the legislation to be delayed by 12 months.

AusBiotech believes this is a desperately-needed reform in an area that has weathered the economic crisis well overall, but nevertheless has lost 16 of its 128 listed biotech companies from 2008 to 2009.

The tax credit will provide greater incentives and support for start-up and small biotechnology companies and is well targeted to increase R&D expenditure among these companies. AusBiotech believes the tax credit is the right tax incentive for Australian innovation, strongly supports the move to a tax credit and urges the adoption of the tax credit as of 1 July 2010.

Any further delay will mean young innovative companies will not be able to access the refundable credit, and this will have practical consequences for their research and development programs.

Biotech is undoubtedly our future, but the sector needs the support of the tax credit to replace the tax concession now. Any further delay could compromise the credit – or worse, the burgeoning biotech sector in Australia.

AusBiotech is available and committed to working with the Government to achieve the intended result of the tax credit. I would be pleased to present to the Senate Committee at scheduled hearings, please contact me on (...) or on (...)

Yours sincerely

(...)

**Dr Anna Lavelle**  
CEO, AusBiotech