



Ref: I101401

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
AUSTRALIA

12 October 2014

Dear Committee,

Re: Submission on the Tax and Superannuation Laws Amendment (2014 Measures No. 5) Bill 2014

It has come to our attention that the above Bill will, if passed, reduce the tax offset rates available under the research and development (R&D) tax incentive by 1.5 percentage points. This will have a direct and adverse impact on our R&D activities.

R&D incentives have helped fund our client's R&D activities. It is these activities that have underpinned our company's growth and development. We are deeply concerned that the above Bill is ill conceived and will adversely impact our ability to utilise the benefits of the incentives in furthering our R&D and its commercialisation.

The object of the R&D Tax Incentive is, in part, to support R&D likely to produce net-benefits for the Australian community. We believe that the R&D activities we undertake for our clients meet this object in two ways; not only are we employing and benefitting the Australian community with our R&D efforts right now, but if successful, the R&D we conduct will result in innovative products and services for our clients that can compete globally and benefit the wider Australian economy.

We question the rationale for the proposed reduction as not only is it decoupled from the proposed company tax rate reduction, it immediately precedes a tax white paper, serving to generate unwarranted confusion, uncertainty and unpredictability in the government's approach to taxation.

We strongly believe that a cornerstone objective of Australia's R&D incentive should be to encourage R&D activities within Australia in order to, amongst other things, make eligible enterprises internationally competitive. Reducing the benefit, even if temporarily, is likely to have an adverse impact on encouraging investment in R&D in Australia. We note that in today's global community, companies can choose to undertake all or part of their R&D in jurisdictions that are cheaper or provide greater incentives.

We hope the Committee considers seriously the impact of the proposed reduction both on companies such as ourselves, but also on the wider community that our R&D activities support and promote. We urge the Committee to recommend the rate reduction be paired with the company tax rate reduction and that further thought be given to this draft legislation before being put before the Senate.

Should you have any queries, please do not hesitate to contact me.

Yours sincerely,

**Paul van de Loo MIEAust CPEng
Technical Director**