



3rd March 2020

Dear Senate Economics Legislation Committee,

Re: Treasury Laws Amendment (R&D Tax Incentive) Bill 2019 [Provisions]

Thank you for this opportunity to make submissions in respect of proposed changes to the R&D Tax Incentive.

Intercorp Technology is a Brisbane based technology company, focused on hardware and software innovation in the telecommunications industry. We currently employ twelve people and are growing. Our technology and innovations, extend the life of aging infrastructure. As a result, we reduce premature dumping of huge amounts of unrecyclable electronic hardware, we move the support of this equipment from offshore back to Australia and we upskill our staff in order to achieve the competitiveness required. We are continuing to develop new software and hardware tools in order to grow further and support the changing needs of our customers.

The RDTI has supported our R&D effort for the last 4 years and has helped us undertake R&D activities which:

- Has improved our product and services and led to increased business opportunities
- Allowed us to win work in Australia that was previously supplied by overseas companies
- Increased our knowledge based capital and intellectual property
- Lead to more employment in Australia
- Extended the life of the infrastructure we support thereby reducing hazardous waste.
- Extended the life and performance of Telstra and Optus' regional networks

We are concerned by the Government's proposed changes to the RDTI, particularly the proposal to reduce the refundable R&D tax offset to 13.5 percentage points above our income tax rate; effectively reducing our R&D tax offset rate from 43.5% to 41% and to 39.5% when our tax rate drops to 26% next year. Every reduction to the base rate will have an impact on our ability to undertake R&D. Even worse, if enacted as is, it will impact our current year – where we have already budgeted on the current rate.

How the proposed changes will impact our business:

- **Reduction in R&D:** The retrospective drop in the R&D benefit will have an immediate and detrimental impact on our R&D budget; we will have to consider scaling back our R&D and/or reducing costs in other areas. These changes will hurt our bottom line, at a time when we are trying to increase our investment in R&D, not reduce it.

Future R&D. Constant reviews of the RDTI and multiple proposals to reduce the benefit make it difficult to plan based on the RDTI.

I hope you review this position. I am looking to the Government to **increase** its support for R&D, not reduce it.

We therefore oppose the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019.

Yours sincerely



Garry Lipshut
Partner & Founder
Intercorp Technology Pty Ltd