

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2016 - 2017

**Department/Agency: Treasury**

**Question: BET87-92**

**Topic: R&D Tax Incentive**

**Reference: Written - 5 May 2016**

**Senator: Kim Carr**

**Question:**

- "87. As a result of changes to the corporate tax rate, will there be an impact on the R&D Tax Incentive?  
88. What will the impact be?  
89. Will the structure of the law be changed to accommodate the corporate tax rate changes?  
90. I understand that the bill to amend the R&D tax incentive has lapsed – this is the Tax and Superannuation Laws Amendment (2015 Measures No. 3) Bill 2015, which sought to reduce the rates of the tax offset available under the R&D Tax Incentive by 1.5 percentage points. That's correct?  
91. Is it still government policy to reduce the rate of the offset by 1.5 percentage points?  
92. Are the budget forecasts for the R&D Tax Incentive (see Treasury PBS page 165) based on the assumption that the rate will remain the same, or are they based on a 1.5 percentage point reduction?"

**Answer:**

- 87-89. There is no direct link between the R&D tax incentive (or the rates therein) with company tax rates.
90. In the 2014-15 Budget, the Government announced that it would reduce the rates of the refundable and non-refundable tax offsets for eligible R&D spending by 1.5 percentage points, to 43.5 per cent and 38.5 per cent, respectively, for income years commencing on or after 1 July 2014.
- The reduction to the rates of the tax offsets requires legislation. The measure was previously introduced into the Parliament in Tax and Superannuation Laws Amendment (2015 Measures No. 3) Bill 2015 on 27 May 2015. This Bill lapsed when Parliament was prorogued on 15 April 2016.
- The measure has since been re-introduced into the Parliament as part of the Budget Savings (Omnibus) Bill 2016 on 31 August 2016. The measure, as re-introduced, applies to income years starting on or after 1 July 2016.
91. This measure remains Government policy.
92. The budget forecast for the Research and Development (R&D) Tax Incentive, as presented in the Treasury Portfolio Budget Statement 2016-17, incorporates the Government's decision to reduce the R&D Tax Incentive by 1.5 percentage point.