

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry Portfolio
Supplementary Budget Estimates 2014-15
23 October 2014

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY

TOPIC: R&D Tax Incentive

REFERENCE: Question on Notice (Written, 3 November 2014)

QUESTION No.: SI-117

1. In evidence provided to the Committee on Thursday 23 October 2014, Ms Scholfield referred to the measure to reduce the rate of the R&D tax incentive offset by 1.5 per cent in line with proposed reductions in company tax as an election commitment. Please provide the source for this election commitment.
2. Based on current registrations to the R&D Tax Incentive, how many users of the incentive would be affected by the proposed introduction of a Paid Parental Leave levy?
3. What preparations have the Department made for the 2014 review of the R&D Tax Incentive program, as foreshadowed in The Coalition's Policy to Boost the Competitiveness of Australian Manufacturing launched during the 2013 Federal Election? (p. 7).
4. How does the Department interact with Treasury on the implementation of the R&D Tax Incentive? Is the National Reference Group established by AusIndustry and the ATO to provide advice on the R&D Tax Incentive still operational? How would you describe the role of the National Reference Group? When did the group last meet?
5. In respect to the Tax Laws Amendment (Research and Development) Bill, which is currently before the Senate:
 - a) Is the Department aware of any negotiations to amend this legislation?
 - b) Have you provided any advice to the Minister on alternative measures that could still deliver savings but not exclude any firms from claiming the incentive? If so, what was the nature of this advice?

ANSWER

1. The measure was not announced as an election commitment, rather it was announced as part of the 2014-15 Budget. The company tax rate reduction was announced as an election commitment.
2. Based on R&D Tax Incentive registrations as at 31 October 2014, and the proposed paid parental leave (PPL) levy of 1.5 per cent on companies with taxable income in excess of \$5 million, it is estimated that around 850 companies would be affected by the introduction of the proposed PPL scheme.
3. The Department maintains ongoing engagement with stakeholders, monitors the programme, and it expects that two complete years of registration data for the R&D Tax Incentive will become available in early 2015.
4. The Department shares policy responsibility for the R&D Tax Incentive with the Treasury portfolio. In regard to programme administration, AusIndustry (on behalf of Innovation Australia) and the ATO jointly administer the R&D Tax Incentive. AusIndustry registers R&D activities and determines whether they are eligible under the legislation. The ATO determines whether expenditure claimed against registered activities is eligible.
Yes, the NRG is still operational. As stated in the NRG Charter, the NRG provides key stakeholders and program administrators with a forum for the identification, prioritisation and

discussion of views on significant technical and administrative issues relating to the R&D Tax program. The last NRG meeting was Tuesday 6 May 2014.

5. The nature of advice provided to the Minister is a matter for Government.