Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation and Science Portfolio
2016-17 Supplementary Budget Estimates
20 October 2016

DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

TOPIC: Review of the R&D Tax Incentive

REFERENCE: Written Question – Senator Carr

QUESTION No.: SI-57

1. In relation to the review of the R&D Tax Incentive: on 26 October 2016 there was a report in the Australian Financial Review "Dulux seeing red at R&D tax rule 'intensity' push". As one of the panel members responsible for reviewing the R&D Tax Incentive, how do you respond to claims that the recommendation for an 'intensity threshold' would wipe out the company's tax credit? In addition, did you or the panel consider the impact of such a measure on manufacturers, in particular, given the high overheads and business expenditure associated with manufacturing activity?

ANSWER

The considerations of the review panel are outlined in the review report which can be found on business.gov.au.

The review panel was charged with looking at the programme in its totality to identify opportunities to improve its effectiveness, integrity and additionality. The programme is available to companies of all sizes, from across all sectors of the economy. While some of the proposed measures are aimed at tightening the programme's focus, others operate to provide greater benefits to incentivise greater additional spending on R&D.

The review panel considered sectoral impacts, including manufacturing. As outlined in the review report on Page 39, *"Within the subset of larger companies in the non-refundable component there is a large disparity in intensities by sector. As a consequence, a potential sensitivity that may arise is that some sectors may be disadvantaged by the introduction of an R&D intensity threshold. However, the sectoral breakdown of R&D intensity can be expected to vary over time as technology matures in some sectors and new technology emerges in others. This helps to make an intensity measure more robust to sectoral biases over time than within a particular year."*