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: Two per cent incentive measure

REFERENCE: Question on Notice (Hansard, 20 October 2016, page 59-60)

QUESTION No.: SI-6

Senator KIM CARR: Is it possible for you to provide further information to support this recommendation?
Dr Finkel: The threshold recommendation?
Senator KIM CARR: The two per cent incentive measure, yes.
Dr Finkel: Can I take that on notice and consult with the department to do the best that we can?
Senator KIM CARR: Yes, that is reasonable.

ANSWER

The considerations of the review panel are outlined in the review report which can be found on business.gov.au. As noted on page 4 of the report, *"There are limits in the ability to target additional R&D in a volume-based scheme. We find that additionality could be sharpened by better targeting larger companies' access to the scheme through the introduction of an intensity requirement. With such a requirement, only companies directing a specified percentage of their total business expenses to R&D would begin to receive the non-refundable tax offset. This reflects that firstly, the literature suggests that spillovers are more likely to flow from R&D in large companies that exhibit higher R&D intensities and secondly, at least such a level of expenditure would be expected as business as usual in a truly innovative company."*

The panel considered a range of information and submissions from stakeholders in developing the report. This included direct input from stakeholders, analysis undertaken by the Centre for International Economics and a range of other analysis, including international literature. Key sources and submissions have also been released with the report.