

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Innovation, Industry, Science and Research Portfolio
Additional Estimates Hearing 2009-10
10 February 2010

AGENCY/DEPARTMENT: INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

TOPIC: R&D Exposure Bill

REFERENCE: Written Question – Senator Eggleston

QUESTION No.: AI-9

What role did the Department play in the decision by Treasury to release the Tax Laws Amendment (Research and Development) Exposure Bill 2010 released on 18 December 2009 over the Christmas and Summer holiday period when it would have known businesses were understaffed due to holidays and would have had difficulty examining the Exposure Bill in the time allowed?

When did work on developing this Exposure Bill commence?

Please provide details of the persons, departments, divisions and branches who worked on developing and drafting the Exposure Bill.

Was there a committee formed to develop the Exposure Bill. If so provide details of who was on it including their position?

When was a first draft of an Exposure Bill first prepared?

What input did the Department of Innovation, Industry, Science and Research have in developing the Exposure Bill or the policy underpinning it?

How was the Department involved in developing the Exposure Bill and what form did that involvement take including meetings and committees and the nature of any advice given?

When did the Department's involvement commence, how extensive was the involvement, the nature of the involvement and how long did it last for?

What recommendations did the Department make in regard to the Exposure Bill including recommendations as to the policy and its support of the Bill?

Was any advice sought in respect to the Exposure Bill or the policy by the Department from persons outside government? If so from whom, when, in respect to what matters and what was that advice?

ANSWER

The Government undertook a seven week consultation period when releasing the Exposure Draft Legislation and Explanatory Materials, 18 December 2009 to 5 February 2010. This long consultation period was selected to allow businesses to be able to have leave over the Christmas period and also provide them with a reasonable timeframe in which to comment on the exposure draft. The consultation period for *the new Research and Development Tax Incentive Consultation Paper* was five weeks and two days, 18 September 2009 to 26 October 2009. The Department also undertook a public consultation process in major cities from late September onwards (550 people attended).

Preliminary work started following the announcement on 12 May 2009 via media releases by Senator Kim Carr and Treasurer Wayne Swan.

The Exposure Draft consists of proposed changes to the *Income Tax Assessment Act 1936*, *Income Tax Assessment Act 1997* (the Tax Acts) and the *Industry Research and Development Act 1986*. The Department of the Treasury has portfolio responsibility for the Tax Acts.

The Department of Innovation, Industry, Science and Research has portfolio responsibility for the *Industry Research and Development Act 1986*. Proposed changes to that Act, as included in Exposure Draft legislation, were drafted by the designated drafter from the Office of the Parliamentary Counsel. The Innovation Division instructed on amendments to that Act. The team directly involved with the drafting comprised: one officer at EL2 level; three officers at EL1 level; and three officers at APS6 level. Instructions on legislative changes were overseen by the General Manager, Innovation Analysis Branch, SES Band1 level.

A committee was not formed to develop the Exposure Bill.

The Department of Innovation, Industry, Science and Research has portfolio responsibility for the *Industry Research and Development Act 1986*. A first draft of proposed changes to that Act was received by the Department on 1 October 2009.

The Department of Innovation, Industry, Science and Research has responsibility jointly with the Department of Treasury for policy related to the R&D Tax Credit.

The Exposure Draft consists of proposed changes to the *Income Tax Assessment Act 1936* (the Tax Acts) and the *Industry Research and Development Act 1986*. The Department of the Treasury has portfolio responsibility for the Tax Acts.

The Department of Innovation, Industry, Science and Research has portfolio responsibility for the *Industry Research and Development Act 1986*. Officers from the Department instructed on changes to that Act.

The Department of Innovation, Industry, Science and Research has responsibility jointly with the Department of Treasury for policy related to the R&D Tax Credit.

The Exposure Draft consists of proposed changes to the *Income Tax Assessment Act 1936* (the Tax Acts) and the *Industry Research and Development Act 1986*. The Department of the Treasury has portfolio responsibility for the Tax Acts.

The Department of Innovation, Industry, Science and Research has portfolio responsibility for the *Industry Research and Development Act 1986*. Officers from the Department instructed on changes to that Act.

The Government announced changes to the R&D Tax Concession on 12 May 2009. Policy involvement by the Department is ongoing.

Policy recommendations by the Department to government cannot be disclosed.-

Yes. The Department and the Treasury jointly conducted consultations with industry in respect of the consultation paper *The new research and development tax incentive* released by the Government on 18 September 2009. Consultations with a wide range of stakeholders took place in September-October 2009 on the broad design features of the new scheme. Feedback from industry consultations and views made in submissions on the consultation paper related to the design principles and questions contained in the paper.