

**Senate Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Industry, Tourism and Resources Portfolio  
Budget Estimates 2004-2005, 31 May 2004 to 2 June 2004

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES  
**OUTCOME/OUTPUT:** Outcome 2, Outputs 2.1 and 2.2  
**TOPIC:** R&D TAX CONCESSION  
**REFERENCE:** WRITTEN QUESTIONS ON NOTICE

**QUESTION No.76** Cross reference: DEST E302\_05  
(Written QON referred by DEST)

**Senator Stott-Despoja** asked:

What evidence does DEST have to show that increasing the basic R&D tax concession to 150% would not improve the national GERD?

**ANSWER**

The R&D Tax Concession program, administered by the Department of Industry, Tourism and Resources and the Treasury, is designed to stimulate Australian business investment in research and development.

There does not appear to be any conclusive evidence that increasing the current rate of 125% basic R&D tax concession to 150% will increase either BERD or GERD. Previous studies, by Ralph Lattimore (1997), show that the 125% rate had more efficient outcomes than the 150%.

**QUESTION No.77** Cross reference: DEST E303\_05  
(Written QON referred by DEST)

**Senator Stott-Despoja** asked:

What are the latest figures for participation in the R&D tax concessions? What does DEST estimate future participation rates to be for the next 5 years? Would increasing the base R&D tax concession to 150% increase participation in this scheme and increase BERD?

**ANSWER**

The latest figures for participation (registrations with AusIndustry) in the R&D tax concessions are:

<b>Elements</b>	<b>2001-02</b>
125% tax concession	2,626
175% Incremental tax concession	484
Tax Offset at 125%	1,524
Tax Offset at 175%	109
<b>Total registrations</b>	<b>4,745</b>

We are not able to estimate future participation rates in the R&D Tax Concession as they are dependent on a number of factors, including future business conditions and corporate strategies.