

Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600
bettertax@treasury.gov.au

Dear Tax White Paper Task Force,

Please find the following submission from the Australian Technology Network of Universities (ATN) to the Re:think Tax Discussion Paper.

We welcome the opportunity to provide feedback regarding the Government's reform of the tax system.

The ATN comprises five leading Australian universities, one in each mainland state. Together we teach around 250,000 higher education students at our campuses in Australia and across the globe, and collaborate with a range of industry partners to deliver practical solutions to real-world issues.

This submission is consistent with the ATN's report, *Innovate and Prosper: Ensuring Australia's Future Competitiveness through University-Industry Collaboration*, released in March 2015.

These recommendations have been informed by significant consultation with a range of Government, higher education and industry stakeholders, including Australian Industry Group, GE Money and the Australian Chamber of Commerce and Industry.

The ATN are happy to provide further details on its submission upon request.

Yours sincerely,



Renee Hindmarsh
ATN Executive Director

Curtin University

**Queensland
University
of Technology**

RMIT University

**University of
South Australia**

**University of
Technology
Sydney**

Chancellery
GPO Box 2471
Adelaide
SA 5001

Tel +61 8 8302 9132

www.atn.edu.au

**BUILDING
PARTNERSHIPS
FINDING
SOLUTIONS**

ATN response to the Re:think Tax Discussion Paper

The ATN supports a review of the R&D tax incentives to ensure they promote meaningful collaboration between Publicly Funded Research Organisations (PFROs) and industry, including Small and Medium Enterprises (SMEs). Outside of the R&D tax incentive, SMEs in the research space in Australia struggle to access funding. Innovative approaches are required to address this.

Curtin University

Currently, Government spending on innovation is focused on basic research in universities and PFROs. This has contributed to successful outcomes, with Australia ranking 9th in research output per capita amongst OECD nations.

**Queensland
University
of Technology**

Future policy intent should be focused on increasing collaboration between industry (including SMEs), universities and other PFROs. The current tax rules around the relative balance of ownership of R&D ventures should be reviewed to ensure that they do not act as a disincentive to collaboration.

RMIT University

Existing R&D tax incentives remain general rather than targeted instruments to support investment in innovation. They do not specifically encourage collaboration and it is a concern that only a small proportion of the claimed tax benefits relate to investment by companies in research conducted by universities and other PFROs.

**University of
South Australia**

We would encourage the Government and the Department of Treasury to analyse the costs and benefits of an R&D tax incentive premium for companies that collaborate with PFROs in their research and development. Incentives could also reward including PhD sponsorship and employment in these schemes.

**University of
Technology
Sydney**

We suggest that companies are reimbursed at a higher rate for R&D expenditure that involves partnership with universities and other PFROs to encourage collaboration on innovation. Alternatively, a requirement could be introduced that industry has some component of collaboration with a PFRO in order to claim the rebate over a certain amount.

Chancellery
GPO Box 2471
Adelaide
SA 5001

Tel +61 8 8302 9132

www.atn.edu.au

Acknowledging that this could be a complex process to manage, we encourage a strengthening of the R&D tax incentive for work undertaken by a PhD graduate for a period of three years post-graduation. PhD students should be encouraged to work closely with their university and with the broader research community to help disseminate and create new and innovative ideas in industry and to strengthen links between these communities.

As previously discussed in the report, *Innovate and Prosper: Ensuring Australia's Future Competitiveness through University-Industry Collaboration*, the ATN encourages the Government to consider the following:

**BUILDING
PARTNERSHIPS
FINDING
SOLUTIONS**

- Incentivising greater private investment in industry-engaged research, particularly via an R&D tax premium for expenditure on research in collaboration with universities;
- Increasing the rate of the refundable R&D Tax Incentive for SMEs to provide a greater incentive for small companies to undertake technologically challenging developments and offset the high cost/unavailability of capital for these companies.
- Extending the availability of the refundable R&D Tax Incentive to firms with turnover up to \$50m and less than 10 years since incorporation. These early-stage companies have significantly more capacity to invest in R&D than smaller firms (due to cash flow and overall cost of capital) yet may not be in a position to realise the benefits of the non-refundable R&D Tax Incentive due to substantial tax losses incurred in the start-up phase.
- Allowing the R&D Tax Incentive benefit concessionary franking treatment. Under the current program, companies are unable to provide a franked return of the R&D benefit to shareholders, leaving the shareholders liable for personal income tax that effectively recoups the entire R&D Incentive. As a result, the market discourages companies from investing in R&D in favour of less risky investments with more tax effective returns.
- To improve engagement in R&D, the R&D Tax Incentive should attract concessionary treatment that allows the benefit to be distributed either fully franked or partly franked to shareholders.
- Using average turnover over a number of years to determine eligibility for the refundable R&D Tax Incentive rather than turnover in the income year to ensure that SMEs transition smoothly to the non-refundable R&D Tax Incentive rather than disrupting cash flow as soon as their turnover is over \$20m.

Curtin University

**Queensland
University
of Technology**

RMIT University

**University of
South Australia**

**University of
Technology
Sydney**

Chancellery
GPO Box 2471
Adelaide
SA 5001

Tel +61 8 8302 9132

www.atn.edu.au

**BUILDING
PARTNERSHIPS
FINDING
SOLUTIONS**