



QUEENSLAND
GOVERNMENT

Department of
**Science, Information Technology,
Innovation and the Arts**

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Ms Barron

I refer to the *R&D Tax Incentive: quarterly credits* consultation paper released in August 2012. As business investment in research and development is an important driver of innovation and therefore productivity, I appreciate the opportunity to comment on the design and development of the quarterly credits process.

As the Consultation Paper notes, the aim of the quarterly credits is to improve cash flow for business and encourage an increased uptake of the Research and Development (R&D) Tax Incentive. However, the process to claim such payments appears to impose a significant administrative burden, particularly on small companies and those new to R&D activity, and this may result in a low level of take up from these sectors. Larger R&D companies with well established and ongoing plans and tracking systems for activity and expenditure are more likely to absorb the process and administrative costs associated with claims.

To address this issue, the quarterly payments could be based on pre-logged and pre-approved project plans that detail forward budget estimates and proposed activity, adjusted annually in the fourth quarter to reflect actual costs. Ideally, this would suit projects that run over several years and would minimise the administrative impact on the smaller companies or those new to R&D. A lower threshold level could be introduced for access to a "pre-logged" method of quarterly payments, for example companies with less than a \$5 million annual turnover.

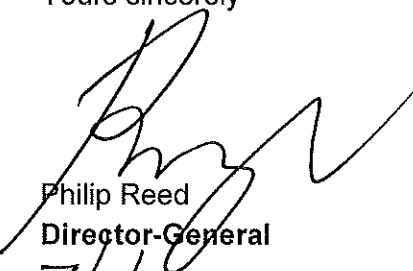
Another issue is the requirement that companies have history with the R&D Tax Incentive to be eligible for the quarterly credits. While a company can still access the R&D Tax Incentive through the end of year income tax return, this may mean that some companies may not proceed with R&D investments due to that restriction. It also limits access to newly formed high technology business and may limit their growth potential.

In terms of management support, an online calculator and online application process is suggested, together with samples of valid support documents that small businesses may have to substantiate their claims. These specific tools should be complemented with more general and user friendly online services and information. Promotion through credible networks may be a key aspect of the program's success. It is noted that AusIndustry has already developed an online eligibility tool and a range of fact sheets.

Online support tools may to some extent overcome the issue of the degree of complexity and ambiguity over some of the key definitions such as the "dominant purpose" and aggregation/disaggregation of R&D activities of grouped entities. If left unaddressed, these definitional issues may negatively impact small to medium sized business owners' attitudes and their willingness to participate in the program.

If you have any questions regarding this matter, Ms Leigh Roach, General Manager, Innovation Policy and Strategy within the Department of Science, Information Technology, Innovation and the Arts will be pleased to assist and can be contacted on telephone 07 3224 5138 or via email leigh.roach@deedi.qld.gov.au.

Yours sincerely



Philip Reed
Director-General

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