

TREASURY EXECUTIVE MINUTE

Minute No. *10/2704*

22 October 2010

Deputy Prime Minister and Treasurer cc: Assistant Treasurer and Minister for Financial Services and Superannuation

RESEARCH AND DEVELOPMENT BILLS — POSSIBLE PARLIAMENTARY AMENDMENTS

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- Two amendments are likely to be proposed by cross bench Members.
- The first is to defer the start date for the new scheme until 1 July 2011, which (reflecting timing differences in access to refundable tax offsets) would cost revenue in 2011-12 but would be approximately revenue neutral (on a cash basis) over four years:

	2010-11	2011-12	2012-13	2013-14
Underling Cash Balance (\$m)	-	-310	300	30

- The second is to exempt companies with a turnover below \$20 million dollars from the dominant purpose test on supporting activities, which is estimated to have a negative Budget impact of \$95 million per annum.

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- Together these two measures would cost revenue of \$405 million in 2011-12 and \$305 million over four years.

- A further amendment that could be proposed is to remove the longstanding exclusion of expenditure on building, with an unknown Budget impact.
- If any of the above amendments were agreed to by Government:
 - they would, at the point of such a decision, become ‘measures’ and need to be included in the next Budget (or Mid Year Economic and Fiscal Outlook (MYEFO) if agreed prior to it being ruled off for publication); and
 - offsetting savings would need to be sought.

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Possible amendment to allow expenditure on building

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- Although this possible amendment is currently being costed, it is difficult to do so reliably.

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