

17 October 2008

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Preliminary Submission by AusBiotech to the Australia's Future Tax System Review Panel

Thank you for the opportunity to respond to the review of Australia's tax-transfer system.

This brief preliminary submission notes our position in general terms on tax credits and grant funding. These two issues are key concerns for our membership in relation to your review.

AusBiotech represents more than 3,000 innovative high-growth and high-value biotechnology, medical device, industrial, environmental, biofuel and agricultural technology enterprises.

Our members create and export solutions that help address and solve the urgent challenges in health, agriculture, climate, energy and environment. All Australians share the benefits of their work.

The global competitiveness of our corporate tax system is crucial to our ability to attract investment in high-value export-focused bioindustries.

Tax credits

We support the recent *Cutler Review* recommendation of moving to a system of tax credits.

We support the view that the current 125 percent deduction, 125 percent tax offset for small companies, 175 percent Premium Concession and International Premium Concession be replaced with a tax credit system.

A 40 percent tax credit to large firms and 50 percent refundable credit to companies with turnover of under \$50 million will help our small to medium sized companies in a tax loss position and at a time when they need it most.

This refund should also be available to small and medium size companies throughout the income year as opposed to the current offset scheme where the benefit is paid in arrears.

Our members recognize the need to attract and retain successful global businesses conducting research in Australia.

All research and development undertaken in Australia that meets the relevant definitions should be eligible for a non-refundable tax credit. This should be regardless of company size and ownership.

Innovation grants program

A well-structured long-term grants program is an essential part of our future innovation system.

The *Cutler Review* proposed a competitive grants program to help 200 firms with \$150 million annually (about \$750,000 each) with the grant repaid on commercialisation of the project.

We do not oppose competition but do not support the imposition of repayment requirements on grants. We believe the size of the proposed grants program falls short of what is required.

Creating contingent liabilities for business developing innovative new technologies only adds to the challenge of attracting and retaining long-term investment.

Private funding for biotechnology needs to be rewarded and incentivized with co-funding from Government if we are to facilitate the growth of larger scale, globally competitive organizations.

A corporate tax system that helps to retain, attract and reward long-term private investment in biotechnology will create significant social and economic benefits for all Australians.

AusBiotech will make a detailed submission following release of the Consultation Paper.

We look forward to working with the Australian Government as it conducts the review of the Australian tax-transfer system.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'A Lavelle', with a stylized flourish at the end.

Dr Anna Lavelle

Chief Executive Officer

AusBiotech Ltd