



Integrated Wagering Systems

General Manager

Business Tax Division

The Treasury

Langton Crescent

PARKES ACT 2600

5th February 2010

To Whom It May Concern

On behalf of BEToptions I welcome this opportunity to provide feedback on the exposure draft of the Tax Laws Amendment (Research and Development) Bill 2010 released 18 December 2009 ("the exposure draft").

BEToptions is a software developer that specialises in the delivery of race and sports betting systems.

Based in Melbourne, Australia and with support offices in the US and UK, BEToptions provides its services on a global scale, with race and sports fixed odds betting solutions delivered with configurations that include multiple currencies, languages and odds facilitating operators to reach any market.

BEToptions' flagship system is WAGERplayer®.

WAGERplayer® is a comprehensive Sportsbook / Bookmaker management system established as a leader in wagering operations trading Fixed Odds, Spread (Index), Horse Racing and Events. The system has a multitude of channels through which wagering can be performed including internet, call-centre, retail and via wireless devices. Built entirely on high performance Internet technologies, the system is popular amongst large-scale operations.

BEToptions currently have customers in Australia, South Africa, UK, US and Asia.

BEToptions' growth is dependent on the continued market take-up of WAGERplayer®. To remain ahead of the competition, enhancements in functionality, performance and delivery to WAGERplayer® must be continuous. Each year the BEToptions team assesses its customer needs and the broader market opportunities, it revisits the company's strategic plan and maps out the next WAGERplayer® development cycle.

Research and development is an important part of this business cycle and the current concession program is critical in underpinning BEToptions development and enables the employment of additional development resource to continue to develop our core system while exploring and deploying new technologies.

If BEToptions R&D is not funded to current levels going forward we would not be able to sustain our growth and competitive edge and in the short term would not be able to sustain the current staffing levels and in the long term the lack of research and development would affect our market share if we did not pursue other avenues to maintain our R&R effort, such as relocating some of this to our UK office. R&D carried out under the program has enabled BEToptions to generate a healthy export income.

We are currently on the verge of signing a significant deal in the US ahead of many other similar international technology companies, the reason we have succeeded is because of the superior quality and functionality of WAGERplayer API's that have been developed through R&D in the search for alternative transaction channels, this is just one current example where we have remained competitive against international competition due to sustained R&D.

Our company commends the Government's stated intent in delivering a "more generous, more predictable, and less complex tax incentive", however to me it is not clear that the legislation achieves this intent in its present form.

Whilst we understand the Government's intention to tighten eligibility in order to focus incentives on worthy activities which will benefit the broader Australian economy, we believe the combination of *the high number* of tightening measures contained in the exposure draft serves to drastically reduce the generosity, accessibility and attractiveness of the R&D Tax Incentive program. As with any small to medium business our concerns are also around the cost of compliance and BEToptions would not want the current R&D application process to be further complicated.

Major concerns

BEToptions major concerns with the proposed draft amendments are the proposed exclusions in particular

- a. *s355-35(2)(o,p,q and r) which will result in the exclusion of the majority of IT related R&D from obtaining support under the program.*

As already stated BEToptions is a software development company that has grown rapidly since 2006 thanks in part to assistance from the R&D tax credits. The possibility of some of our IT related development being excluded through this change will impact on our business.

The “augmented feedstock provisions”, effectively limit R&D Incentives to the net expenditure on the R&D activities. This obviously decreases the generosity of the incentive; however it has other major consequences:

- b. it favours failure over success. We believe that having taken on the technical and financial risk of an R&D activity, a claimant should not be negatively treated at a indeterminate point in the future due to the disposal of the outputs of R&D;*

BEToptions do not agree with the concept of apparently penalising commercial success, what we strive for in all our development is to create a saleable or value added enhancement to our WAGERplayer system. Because of the nature of the core definition of research and development (innovative and technical risk) there will always be projects or developments that do fail of course and this is the nature of business risk, but to penalize those that are successful would seem to us to encourage less R&D to be undertaken, because a company cannot survive on failures alone.

- a. the scope of what is included in the “output’s cost” should not include labour and plant depreciation.*

By the nature of BEToptions activities any R&D output will compromise mainly of development labour and by diverting staff from regular duties to R&D activity comes at a real cost to the company and this cost is never fully recovered even when the R&D development is sold.

Submission Request

There is, presently, a unique opportunity to draft the legislation precisely and specifically to meet the policy intent – this opportunity should not be missed. Given the above issues and complexities in the current exposure draft, we submit that the Government should:

- 1. Delete the exclusions list and thereby not use it as a means to limit supporting activities, or, if absolutely necessary to achieve policy objectives, redraft s355-35(2) to clarify those activities which are intended to be excluded;**

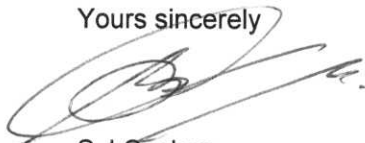
2. **Revert to the existing feedstock provisions of s73B of the ITAA 1936 which, we believe, effectively limit incentives to net cost of trials or alternatively quarantine some specific activities from being treated as input costs in the augmented feedstock provisions. We request that labour costs be quarantined (and not included in the feedstock calculation).**

If the above changes are made to the exposure draft, we believe the Government will be able to achieve its objectives for the new tax credit – that is, implement a more generous, more predictable and less complex incentive that targets additionality and spillovers whilst maintaining revenue neutrality.

I am concerned; however, if the Exposure Draft is implemented in its current form, the direct outcome may impact directly on BEToptions by restricting our research and development, which in the long term would see our products start to lose their competitive edge in the international marketplace.

If you would like to discuss this submission, please feel free to contact me on +61394869770

Yours sincerely



S J Cashen

Managing Director