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General Manager
Business Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

12th January 2010

Dear Sir

RE: THE NEW RESEARCH & DEVELOPMENT TAX INCENTIVE – EXPOSURE DRAFT
LEGISLATION AND EXPLANATORY MATERIALS

The new Research & Development Tax Incentive is not an incentive at all. In fact, it will be a disincentive. It appears to be an exercise in cost cutting rather than support for R&D and will result in a reduction in innovation in Australian industry. It provides no practical support for industrial R&D.

It appears to treat R&D as an immediate expense rather than long term investment benefit. This will discourage current investment through innovation for the future long benefit of Australia.

The proposed legislation flies in the face of the thrust of the recommendations of "The Cutler Review" of October 2008.

What an exercise in futility to increase the benefit for small companies from 37.5c to 50c per dollar R&D but slash the scope of the R&D dollars to which it can be applied.

The clear message to companies is that the proposed legislation is "do not innovate in Australia". Rather, buy from overseas and pay for other country's innovation and development.

The ramifications to Australia if these proposals are adopted will be long term industrial decline. A number of ideas in the 2010 proposals seem similar to those proposed in previous years which were rejected by the Senate or other body. Australia's interests will again be best served by rejection of the 2010 proposed new Research & Development Tax Incentive.

Yours sincerely,



Geoff Stearn
Managing Director
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