

4 February 2010

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

Email: rdtaxcredit@treasury.gov.au

Dear sir

The Group of Eight (Go8) wishes to make the following comment on the exposure draft legislation for the new R&D tax incentive.

In our submission dated 2 November 2009 in response to the Government's consultation paper *The New Research and Development Tax Incentive*, the Go8 acknowledged the significant role played by Government in providing fiscal incentives to encourage the private and public sectors to engage in innovative. The Go8 believes that the introduction of a R&D tax credit system will simplify the current R&D tax concessions available to corporate entities and aligns Australia with its global competitors who also offer such tax credits and cashing out of these credits.

A key objective of the Go8 is to create a compelling change in the research landscape that encourages industry to engage with Universities and vice versa. The Go8 proposed a differential be created above the 45% tax credit for University based corporate research as a means of encouraging industry engagement, regardless of grouped turnover. The incentive would increase the level of corporate research conducted at Universities. To attract the corporate sector to conduct research within Universities, we believe that the incentive to conduct research at a Registered Research Agency (RRA) should be equivalent to the existing 175% tax deduction or a tax credit of 52.50% under the proposed system. A 52.50% tax credit provides an after tax benefit of 22.5 cents in the dollar.

We note that the Government has not picked up our proposal to provide a financial incentive for University based corporate research.

Whilst we understand that the current economic climate may not be ideal to provide such a financial incentive, we request that this recommendation be kept in mind for the future.

The Go8 believes that the structural changes that have occurred in the University Sector in recent years clearly highlights the imperative of Universities to expand their industry engagement initiatives. We believe that a key element of creating industry engagement is to provide some financial incentives for this to occur. A change such as providing a financial incentive via the R&D tax credit system to conduct research activities within a University environment could be one such compelling event.

Kind regards



Michael Gallagher
Executive Director