



Surity Pty Ltd

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Australian Department of Treasury

4th February 2010

Dear Sir or Madam:

I write with regards to the proposed R&D Tax Incentive Scheme and to alert you to the unintended consequences that it will have to Australian ICT SMEs, which are the life-blood of the Australian economy.

Surity is an Australian ICT company established in 2001, fully owned and funded by Australian employing Australians (10 full-time employees and a number of part-time employees). At least 30% of our development costs is for new product development which we classify as innovative and we need to be in order to compete with the foreign companies in Australia.

We have recently had success in the USA and we are continuing to sell Australian products in the USA and we are also preparing to launch in Asia. We are a true-blue Australian company without any foreign ownership, we are exporting Australian products, we are creating jobs in Australia.

We are also in the process of conducting major development for products specific for the US market.

Surity is self-funded by us the owners and in such a financial climate every dollar and any assistance received is important. Our strategy is to use our profits to grow the company, develop innovative products for the Health Sector. We believe we are providing a service to the country.

In reading the proposed legislation I believe I understand some of the objectives of the legislation which is stop "rorting" of the system especially by the big corporate and to make sure that real innovation is encouraged. I am also encouraged to hear that the objective is in fact to increase the incentives and this is a good thing.

However it seems that in trying to stop the rorts you are casting a very wide net which aside from catching the "big fish" you are also dragging in the minnows such as Surity, and while the "big-fish" will survive as they have sufficient resources and funds it is the minnows who cannot.

The current R&D Scheme provides Surity with sufficient incentive and makes it cost-effective to continue with our development.

The R&D scheme proposed changes if implemented as proposed will have the following effect on Surity:

- It will become more attractive and financially viable for us to take up offers received from our US contacts to conduct our on-going product development in the US. US States such as Indianapolis and California have put forward excellent incentive schemes for us to seriously contemplate this option.
- Surity will be forced to look to outsourcing its development to places such as India or China, thus reducing our staffing levels in Australia by at least 3.

I urge the government to re-consider these changes and consider the fate of ICT SMEs such as Surity.



The answer is not as difficult as it may seem, its is all about listening and understanding what it is that we do, why we do it and how can we and the government work in collaboration to do it better for us and for Australia. Please consider and talk to us before it is too late.

Yours sincerely,

Director and 1 of 2 Owners of the Company