

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

15 April 2010

Dear Mr McCullough

Re: The new research and development tax incentive – Second exposure draft.

GlaxoSmithKline (GSK) commends the Federal Government on developing a new research and development tax incentive legislation. GSK has considered the second exposure draft and is largely supportive of the proposed amendments.

The changed definition of core R&D serves to add clarity and reduce the ambiguous concepts such as 'considerable novelty', which is welcomed. However, critical to the definition is how it is applied and interpreted during implementation of the legislation for taxation assessment purposes.

Amendments to the "expenditure not at risk" (s. 355-405) are also welcomed by GSK.

Clarity around augmented feedstock rules and the application of the 'dominant purpose test' only to those activities associated with production (and on the exclusions list) may assist with reducing compliance burden, however will be largely dependent of the implementation of the legislation.

GSK continues to be disappointed, however, that the Government has not taken the opportunity to incorporate the concept of 'above the line' tax credits for R&D, in an attempt to increase opportunities for industrie's international competitiveness. We understand that compliance with international accounting standards provides challenges for 'above the line' recording, however urge the government to continue to monitor this situation and make the necessary changes when practicable.

GSK congratulates the Government on the significant improvements to the R&D tax incentive scheme proposed in the second exposure draft legislation and in particular those changes which increase clarity and certainty for business.

Yours sincerely,



Dr. Ashley Bates
Head of R&D Alliances