19 April 2010

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To Whom it May Concern

Hyne & Son is pleased to have the opportunity to provide comment on the Second Exposure Draft for the new R&D Tax Credit, released 31 March 2010 ('the second exposure draft'). We support the Government's decision to return for more consultation on this crucial program. We are pleased to see progress towards a workable and equitable program in the second draft exposure and make the following points:

1. Dominant Purpose

Due to the nature of our business, we need to undertake R&D in a live production environment. While we understand that there is a desire to restrict large claims of predominantly directly related trials, we also believe the program should continue to support genuine R&D undertaken in a commercial context.

We believe the **dominant test is too broad and too subjective** and we are concerned with how this will be practically administered. We ask the Government to consider alternatives, such as **"influential"** purpose. We believe the requirement for activities to be conducted for the influential purpose will achieve the Government's objectives of not cross-subsidising ordinary production activities, but which still incentivises genuine R&D trials in a commercial context.

We also believe additional guidance is required to enable claimants to identify and adequately document genuine R&D trials such that genuine R&D trials are not subject to protracted and costly review.

2. Feedstock

We commend the Government for abandoning the "augmented feedstock" provisions initially proposed. We understand that redrafting the existing feedstock provisions will take time, however due to the importance of the operation of these provisions to our claims, we ask that the Government **make the new draft feedstock provisions available for public comment** prior to introduction.

Conclusion

In summary, we believe that **dominant test is too broad and too subjective**, however with a midway point such as **"influential purpose"**, genuine R&D trials can still be claimed, while the Government achieves its objective of restricting large claims of predominantly directly related trials. Also, we ask that the **new draft feedstock provisions available for public comment** prior introduction.

Yours Sincerely

John McNamara
Managing Director