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Dear Sir/Madam

Consultation on Research & Development Tax Incentive Amendments

The University of Technology Sydney (UTS) welcomes the Government's initiative to improve the R&D Tax Incentive Program and the opportunity to provide feedback on the Treasury's draft R&D Tax Incentive Amendments.

UTS is fully supportive of the outcomes of the 2016 Review of the R&D Tax Incentive (the Review)¹ and the recommendations of the *'Innovation and Science Australia 2030: Prosperity through Innovation Report'* (the ISA 2017 Report)².

UTS appreciates that the Government's suggested amendments adopt a number of recommendations of the Review and the ISA 2017 Report, in particular allowing the Board of ISA to make binding determinations and broadening the scope of the Board of ISA's delegation powers.

However, we believe that disregarding some of the recommendations of the Review and the ISA 2017 Report will result in Australia missing out on opportunities for collaboration with industry and resulting growth in research and development.

Both the Review and the ISA 2017 Report highlight the need to improve research and development effectiveness by increasing translation and commercialisation of research and recommend introduction of a collaboration premium of up to 20 per cent on non-refundable tax offset to incentivise collaboration (Review: Recommendation 2, ISA 2017 Report: Recommendation 19). The premium would also apply to the cost of employing new STEM PhD or equivalent graduates in their first three years of employment.

¹ Ferris, B, Finkel, A & Fraser, J 2016, Review of the R&D Tax Incentive, Australian Government Department of Industry, Innovation and Science, Canberra, <<https://industry.gov.au/innovation/InnovationPolicy/Research-and-development-tax-incentive/Pages/R-and-D-Tax-Incentive-Review-report-and-submissions.aspx>>.

² Innovation and Science Australia (2017) Australia 2030: Prosperity through Innovation, Australian Government, Canberra

The need for such industry collaboration incentives is made even more apparent by findings in the ISA 2017 Report that business expenditure on research and development (BERD) in Australia is going against the global trend for national BERD growth to exceed GDP growth.³

An overarching aim of the ISA 2017 Report is to return business investment in innovation activities (measured using the proxy of BERD) to a stronger growth rate and to a higher share of GERD by 2030. According to the ISA 2017 Report business research and development investment can be increased by better targeting the Research and Development Tax Incentive program, and increasing support for direct grant programs that target national priorities.

Recommendation 6 of the ISA 2017 Report proposes to adopt as the top priority of innovation policy the reversal of the current decline in business expenditure on research and development.

We believe that an introduction of the recommended collaboration premium would provide a positive conduit to increase industry collaboration and improve BERD growth.

As Alan Finkel, the Chief Scientist, recently noted⁴, the envisaged amendment to the R&D Tax Incentive will yield a net gain to the budget of \$2.4 billion over the forward estimates period. However, despite the recommendation of the ISA, to reinvest into mission-directed, direct investments into R&D, and in particular into translational research and development, there is no provision in the budget to that effect. UTS would urge that the ISA recommendation is accepted.

Yours faithfully,



Professor Glenn Wightwick

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³ Based on Australian Bureau of Statistics 2017, Research and experimental development, businesses, Australia, 2015–16, cat. no. 8104, ABS, Canberra, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/8104.0>>; Innovation and Science Australia 2016, Performance review of the Australian innovation, science and research system, ISA, Canberra, <<https://industry.gov.au/Innovation-and-Science-Australia/Pages/default.aspx>>

⁴ Finkel, A., Interview with InnovationAus on 6 June 2018, published by Australian Government, <<https://www.chiefscientist.gov.au/2018/06/article-alan-finkel-on-the-isa-2030-plan>>