

Australia – 297 Pacific Highway, North Sydney, NSW
PO Box 1649 Crows Nest, NSW, 2065
Ph:+61 2 9923 1672

United States – 910 Main Street, Idaho, Boise
PO box 8388, Boise, ID, 837007-8388
Ph:+1 208 433 9740

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Submission - Consultation Paper: The New Research and Development Tax Incentive

To whom it may concern,

Thank you for the opportunity to comment on the consultation paper regarding changes to the R&D tax incentives.

We would like to expressly comment on these four areas set out in the Consultation paper:

1. R&D conducted in Australia

Many Australian firms conduct R&D to develop products which may be of interest to export markets. In order to do so, certain overseas expenditure can be necessary as part of the innovation process. An example may be costs for data sets or particular expertise related to an overseas market which is not readily available within Australia. I would expect in a lot of cases, these expenses are ancillary to the main costs of development incurred within Australia, but may still be significant, particular to small and medium sized firms. It is important for small and medium sized firms to be able to include these expenses without significant administration costs.

2. Supporting R&D

There is a considerable danger that limitations to supporting R&D will cut off life support for Core activities. Many small firms who are innovating may have proportionately high supporting R&D which is necessary throughout the long period it can take to develop a product that may or may not succeed. Technology and new software as a service models in particular may require significant supporting overheads to properly test and support product development.

3. Software R&D – Software as a service

The new software R&D provisions must make adequate provision for new product and business model innovation that includes costs for “Software as a Service” developments. Many Australian firms are developing software which are intricately linked with complex in-house hosting and management technology operations. In certain instances, the service hosting or operation may provide several layers of innovation which is necessary as part of producing a successful “product as a service”. This ensures that knowledge and technology related to operations are maintained within Australia.

4. Software R&D – Eligibility

We submit that having onerous limitations on the eligibility of particular software areas may produce a set of rules which are restrictive to innovation and quickly antiquated. To be successful internationally in a global market, Australia needs to encourage innovation that does impact on business models as well as provide solutions to known problems. Stifling innovation to “scientific” appearing areas ignores the benefits that technology development related to transacting on the internet, user interaction, or other such areas, may bring.

We trust this information is helpful and we look forward to hearing more about the changes to R&D incentives.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Simon Vella', with a stylized flourish at the end.

Simon Vella
Managing Director