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General Manager
Business Tax Division

The Treasury
Langton Crescent
Parkes ACT 2600

Re Submission for The new research and development tax incentive

Dear Sir

We have been following the recent development of the research and development tax incentive legislation and are very concerned by the contents of the most recent consultation paper regarding the R&D tax concession changes.

This company has undertaken extensive research and development in the past decade and would not have been able to achieve the results it has without continued research and development. The support of Government through the R&D tax concession and Government grants, to help support that work, has been critical to the substantial success that this company has been able to achieve in recent years.

Our grant support will soon conclude and the changes implemented by the current Government, along with the difficult global financial economic conditions, means that our research and development work in this project and area will also come to an end.

In addition, if the proposals suggested in the consultation paper for the new research and development tax incentive are not carefully considered, there is a distinct possibility that the "baby will be thrown out with the bath water" in an attempt to resolve difficulties in the existing legislation and we could end up with legislation that would significantly reduce or eliminate the support for research and development that the Government provides to our company. Should this occur, this company would be unable to continue the level of commitment to research and development, with a resultant reduction of expenditure leading to lower sales, lower profits, lower employment and lower company taxable income.

Whilst we support the changes to the tax incentive to the proposed 40% and 45% tax credit, we would express the view that extreme caution be used in modifying the existing tax concession any

further, to ensure that the new legislation does not preclude worthwhile Australian companies from remaining competitive in an increasingly competitive world.

Yours Faithfully

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Managing Director