Consultation
R&D Tax Incentive: quarterly credits

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Are you submitting on behalf of your Company
Yes

Do you want your submission to be confidential
No

Accessibility Statement
Yes

Submission files

Support files

Submission text
Quarterly payments make great sense, except in the case of over-payment, so the company should be able to make an adjustment each subsequent quarter to more accurately reflect its activities, rather than face a problematic issue with the ATO if it has over-claimed during the year.

No doubt there will be a small number of crooks who will try to game the system by making an R&D claim and getting paid quarterly for R&D, only to shut up shop. The end result is likely to see the programme shut down or the audit requirements made so stringent that the red tape isn't worth the rebate. So companies who have been regular participants in the programme and who have been audited previously ought to get a waiver, while first time claimants could have say 40% withheld and paid in a lump sum at the end of the year once audited. The auditing process can be simplified by having suppliers register. This provides a cross check for the ATO to make sure no one is cooking the books.

Why wait until 2014 to introduce quarterly rebates? Bring it in ASAP. Having to wait what is in effect an average of 18 months to recoup R&D investment is, for our start-up business just too long. We leverage the R&D offset by re-investing it in R&D, so the sooner we can get the offset paid, the sooner we can do new R&D that creates high value for the company. Our aim is to drive our R&D programme as fast as possible to create new, high value products and generate large export markets.

Given the scarcity of venture funding in Australia the R&D Offset is a significant source of development leverage for early stage SMEs like us. Therefore it would make great sense to provide a some sort of tax credit to super funds and other investors to drive investment into

SME R&D. Dutch disease, thanks to the mining boom and the scarcity of capital for early stage R&D/product development could be mitigated in this way. Capital will go to where it gets a reward, certainly the super funds ought to be legislated to invest a higher percentage of their capital into high tech development. This would be a way of lowering their risk to bring it closer to a level comparable with late stage/mature corporate investment that currently sucks away most of the available capital. Unless we significantly ramp up the funding availability and make it timely the high tech, value added sector will continue to struggle to develop into a scalable and sustainable major growth driver and Australia's competitiveness will suffer.