

LOWER GROUND FLOOR  
939 BARRENJOEY ROAD  
PALM BEACH NSW 2108  
P: +61 2 9974 2500  
F: +61 2 9974 2511  
ABN 33 096 538 171

3 October 2009

General Manager  
Business Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam

Regarding: **Consultation paper: New Research and Development Tax Incentive**

Altarama is a very small company (4 employees) that develops software for the reference function of libraries. The reference function of libraries is an area that had not been computerised before and our customers love what we have been able to do in terms of harnessing technology to provide new ways of delivering services, more efficient ways of delivering services, and better management of the function as a whole.

It took five years to develop the product and its reputation to the point where the founders could draw appropriate salaries, but we are well past that point now, and have employed additional staff. More importantly, 60% of our revenue now comes from overseas and that percentage will rise dramatically in the next few years. This is because we have developed a product for which there is no equal anywhere in the world.

We have claimed the Research and development tax incentive since our inception in 2001. The additional money it has provided has always been put back into product development - in the early years it was important just to make ends meet, but just this year, allowed us to take on a new developer at an earlier date than we would otherwise have been able to do so.

Our comment re the Consultation paper is in regard to points 76 and 77. The UK model that you quote appears to apply value to the development of new computing techniques but no value to the development of new products using computing techniques.

We would describe what we have done in developing our product as developing new workflows made possible by the application of computing technologies.

In the Consultation paper you specifically mention that an ineligible project would be "creating software that replicates an established paper procedure. The fact that a previously manual task has been automated does not in itself make it R&D."

We would like to emphasise that there is a very fine but important line between this quote and what we have done with our development project, and we would hope that you make it clear in your final New R&D incentive program, so that projects like ours remain eligible.

To reiterate – the important element of what we have done is that we have used computing technologies to develop new workflows so that the previously manual process is replaced by new processes that are more efficient and better managed. The efficiency and management improvements would not have been possible if we did not use the computing technology. We used the latest in computing technology to achieve our objectives, but did not develop any new computing techniques as such – just ways to apply those techniques in an area where they had not been applied before, and in a way that allows work to be done in ways that it could not be done before.

Our R&D produces a software product, but just because it is not research into new computing techniques does not make it any less valuable. Is there any difference between what we do and the researcher who develops a type of wheat that requires less water? We have developed a tool that makes reference librarians more effective and efficient. It just happens to be software. Would it have been any more eligible if it had been a new type of plastic for covering books?

It would seem that the purpose of the Research and development tax incentive is to keep Australia at the forefront of new product development so that Australia's standing in the world can rise, a key element of which is the development of products that can be exported. Of course establishing that a product can be exported while it is still in the development stage may be difficult, but in our case that was always our objective. Continued research and development keeps us world class.

Yours sincerely

**Shirley Forster**  
Managing Director  
Altarama Information Systems Pty Ltd