

Krishna Kottathra
Point Cottage Holdings Pty Ltd trading as Krishna Consultancy Service (KCS)
2/50 Rosemont Street
West Wollongong
NSW 2500

26 October 2009

Dear Sir,

Subject: Software
Reference: ATO Private Ruling LB&I/WAY/6126622

I think the current legislation for Tax Concession for R&D activities for software businesses is not commercially viable. The defects are firstly in the legislation and secondly in the interpretation and/or implementation of the law.

I give a small business case for our company to illustrate the point above:

1. KCS is a single director single share holder Pty company
2. KCS is a small business
3. I'm the single director single share holder of KCS
4. KCS has an invention to treat Type 2 Diabetes with potential saving of \$36 Billion to the Australian Federal Government in the first year alone of implementation
5. Hypothetically KCS borrows \$100 (multiples of units) to pay me the salary for R&D activities alone
6. AusIndustry has audited, approved and praised KCS activities
7. Commonwealth pays KCS \$37.50 (multiples of units) as tax concession
8. Commonwealth takes approximately \$30 (multiples of units) as income tax from me
9. The net saving is approximately \$7.50 (multiples of units) to me and KCS
10. The interest payment on \$100 (multiples of units) for KCS will not match the R&D tax concession.
11. ATO is not in a position to suggest an alternative such as another AusIndustry program

I request the Treasury to review the private ruling above and my reasoning to suggest amendments so that software business such as ours can operate and create national wealth.

Have a nice day

Regards,

Krishna Kottathra