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122 Sultana Road West

Manager Small Business Entities & Industry Concessions Unit The Treasury Langton Crescent PARKES ACT 2600

RE: Treasury Laws Amendment (Research and Development Incentive) Bill 2018 and Explanatory Materials

Fastbrick Robotics Limited (FBR) is an ASX listed and Australian owned company with over 11,000 Australian shareholders that is developing globally leading robotics technology solutions for the construction industry. In 2016 FBR was named WA innovator of the year¹ and in 2017 FBR won two premier innovation awards². FBR has grown rapidly, from 20 employees just 12 months ago to now over 120 employees. This rapid growth and success has been attributed to significant research and development ("R&D) activities which have been facilitated by a strong R&D environment and tax structure currently in place in Australia.

Under the auspices of the current R&D environment, on 28 November 2017 Fastbrick successfully raised \$35 million from investors to conduct an extensive R&D program on its Hadrian X construction robot prototype. These funds and the cash on hand of approximately \$6 million were raised with the expectation by the shareholders and the company that the funds would fully attract the R&D tax refund. Indeed, significant cashflow budgeting had been based on the ongoing access to the R&D Tax refundable cash offset through the technology development program. Less than 6 months after the \$35 million was raised, the 2018-19 Budget Announcement was made, that a \$4 million cap would be implemented for the refundable R&D tax offset was made. Based on our latest modelling this will leave a multimillion dollar shortfall in Fastbrick's R&D funding and retrospectively changed the nature of the investment proposition for over 11,000 Australian shareholders. This also brings into question for FBR whether Australia is still the most viable place for the R&D and commercialisation of FBRs Australian technology going forward.

Whilst FBR is not against staged and considered tax reform, FBR respectfully requests that an alternative method of implementation of the new \$4 million cap is considered. Some suggested alternative implementation mechanisms are;

1. A staged implementation where the cap of \$4m is progressively brought in, i.e. FY19 = \$10million, FY20 = \$7 million, FY21 = \$4 million

<sup>2</sup> https://www.fbr.com.au/download/upload/pages//national-iawards-2017-asx.pd

1 https://www.asx.com.au/asxpdf/20161103/pdf/43cmh4qjj2cykh.pdf



- 2. An advanced finding cap break mechanism, utilising the existing advanced finding mechanism, where companies can apply to be exempt/increase from the \$4 million cap if they can demonstrate that the technology/project is in the national interest.
- 3. A request process to defer the cap for 1-2 years, where it can be clearly demonstrated by a company that money was raised prior to the budget announcement and clearly already earmarked for bona fide R&D.

FBR is a great Australian success story and a strong example of Australian ingenuity and entrepreneurship. We sincerely wish to continue to build and test our prototypes which are globally leading robotics innovations from our Australian base. We therefore request the government's support to allow us to continue to do so. FBR is grateful to have the opportunity to formally comment on the proposed changes to the R&D tax incentive and we would welcome the opportunity to discuss the issue further and to seek solutions with the government.

Best Regards,

Aidan Flynn

CFO & Company Secretary