greatcellsolar
Global leaders in hi-tech solar

Manager

Small Business Entities & Industry Concessions Unit

The Treasury

Langton Crescent

PARKES ACT 2600

Re: Consultation Submission on Research & Development Tax Incentive Amendments

Dear Small Business Entities & Industry Concessions Unit Manager,

Greatcell Solar Limited is an ASX listed Australian-based high-technology development company developing innovative new products in the rapidly expanding solar industry. The company is also a grateful user of the R&D Tax Incentive scheme. We would like to respectfully submit responses to the six questions proposed in the recent request for consultation in relation to amendments to the R&D Tax Incentive scheme.

1. Do you foresee any implementation and ongoing compliance challenges arising from the proposed calculation of R&D intensity?

We see no meaningful issues with the actual calculation itself, which is relatively straightforward, and will certainly be possible with the typical data set available for a company whilst compiling their R&D Tax Incentive financials. However, there may be a related issue with forward planning and budgeting, which will be more difficult, as forecasting the various numbers in advance might not be so simple, and the multiple parameters in the calculation are all uncertain. This could have the effect of discouraging investment in R&D, as the offset or rebate available to help with the costs will be less readily identifiable.

2. Does the proposed method of calculation of R&D intensity pose any integrity risks?

This does not appear to be a particular issue, except perhaps for multinational organisational structures where application of Australian-specific expectations may not be simple for offshore entities.

3. Could total expenditure be aggregated across a broader economic group? Would this create any implementation and ongoing compliance challenges?

For highly segmented organisations, a methodology to reasonably determine which segment (or all) is appropriate will be needed. Clear guidance will be required, as this has often been

a challenge with the R&D Tax Incentive scheme and associated changes in the past, leading to uncertainty and difficulty in implementation/compliance.

4. Does the definition of clinical trials for the purpose of the R&DTI appropriately cover activities that may be conducted now and into the future?

Limiting the exemption to biotech clinical trials makes no sense whatsoever, and appears to have been very naïvely conceived. The $4M cap is illogical to begin with, as any single financial year may be high or low depending on the development status of a particular organisation or project.

For example, Greatcell Solar is a small high-tech company with limited financial resources that is entering a technology proving phase requiring considerable investment. A likely outcome of the $4M cap is that the proving phase will move offshore and, thus, the major commercialisation benefits will be lost to Australia.

5. Does the proposed finding process represent an appropriate means of identifying clinical trials expenditure for the purposes of the $4 million refund cap?

In addition to the cap itself, the limitation to clinical trials unfairly punishes innovation in other priority growth areas. A simple example is the steps (such as prototyping and pilot manufacturing) leading to new Australian based manufacturing, in which expenses can readily reach the same levels as clinical trials, but which would not be allowed to exceed the $4M cap under the proposed regime. These steps are the “clinical trial” equivalent for manufacturing. Such innovation efforts will inevitably find their way offshore under this new proposal. Does the Government want Australia to only innovate in medical sciences? Is this the proposed future of the Australian economy?

6. Do the draft feedstock and clawback provisions give rise to any unintended consequences that need to be addressed?

Some worked examples of the effects and implications for companies that receive a rebate would be useful in order to better understand the consequences which may arise.