



Biotech Daily

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Daily news on ASX-listed biotechnology companies

BUDGET 2018

The Federal Government says it will “cap” the R&D Tax Incentive at \$4 million a year and provide \$500 million over 10 years for genomic research.

In his Budget address to the House of Representatives, Treasurer Scott Morrison said that “to support companies genuinely investing in R&D we are refocusing the R&D Tax Incentive to give more support to companies that invest a higher proportion of what they spend in R&D, over and above what others would just do anyway”.

“We are cracking down to ensure that R&D tax incentives are used for their proper purpose, with enhanced integrity, enforcement and transparency arrangements, saving taxpayers \$2 billion over the next four years,” Mr Morrison said.

A Budget “fact sheet” titled ‘Tax Integrity’ and ‘Reforming the R&D Tax Incentive’ said that from July 1, 2018 the Government would “introduce a \$4 million annual cap on cash refunds for R&D claimants with aggregated annual turnover less than \$20 million”.

Jobs and Innovation Minister Senator Michaelia Cash told Biotech Daily that “clinical trials would be exempt from the \$4 million cap and the proposed lifetime \$40 million cap had been rejected”.

Senator Cash said there would be “a range of integrity measures introduced”.

“Amounts that are in excess of the cap will become a non-refundable tax offset and can be carried forward into future income years,” the fact sheet said.

The fact sheet said that from July 1, 2018, the Government would introduce a research and development “intensity” system evaluating research and development expenditure as a proportion of total expenditure, providing a tax offset of the claimant’s tax rate, plus 4.0 percentage points for R&D expenditure between 0 percent and 2 percent R&D intensity rising through four tiers to 12.5 percentage points for expenditure above 10 percent R&D intensity.

The fact sheet said the refundable research and development tax offset for companies with a turnover of less than \$20 million, would be the claimant’s tax rate for the year plus 13.5 percentage points.

The Government said that from July 1, 2018 it would increase the \$100 million research and development expenditure threshold to \$150 million.

Mr Morrison said the Medical Research Future Fund would provide \$500 million over 10 years “for Australia to become a world leader in genomic research”.

A media release from Senator Cash said the Government would “ensure that taxpayer support for the [R&D Tax Incentive] is fiscally affordable and crack down on R&D tax claims that push the boundaries of the R&DTI, with enhanced integrity, enforcement and transparency arrangements”.

The media release said that the Government would invest about “\$2.4 billion in growing Australia’s research, science and technology capabilities ... [through] additional funding for national research infrastructure [and] the Australian Technology and Science Growth Plan”.

The Senator Cash media release said that \$20.0 million would “help Australian small-to-medium enterprises form local and regional business hubs”, the Government would extend funding for the Industry Growth Centres by two years, provide \$20.0 million to support opportunities for Australian business, entrepreneurs and researchers in Asia and further abroad, as well as extending the Australia-India Strategic Research Fund and allocate \$29.9 million to develop the artificial intelligence and machine learning capabilities of Australian businesses and workers, including for Cooperative Research Centre Projects.

A media release from Health Minister Greg Hunt said the Government would “deliver \$6 billion in record funding for Australia’s health and medical research sector, including \$3.5 billion for the National Health and Medical Research Council, \$2 billion in disbursements from the Medical Research Future Fund and \$500 million from the Biomedical Translation Fund”.

The Government said the \$1.3 billion National Health and Medical Industry Growth Plan would “improve health outcomes for hundreds of thousands of Australians, create tens of thousands of new jobs, and develop the next generation of Australia’s global leading industries”.

Mr Hunt’s media release said that the first genomics project would be Mackenzie’s Mission, with \$20 million for a pre-conception screening trial for rare and debilitating birth disorders including spinal muscular atrophy, Fragile X and cystic fibrosis.

The Government said it would establish a new \$240 million Frontier Science Program to develop innovative medical ideas, research, devices and treatments.

The media release said the Government would provide \$248 million to support clinical trial activity through the rare cancer, rare diseases and unmet need clinical trials and registries program and establish a \$125 million chronic disease fund, the Targeted Translation Research Accelerator, with a focus on diabetes and cardiac disease.

Further reports, comment and analysis in tomorrow’s edition.

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