



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Budget 2021 Special Edition

Funds For Patent Box Tax Cut, R&D, ANSTO

### Comment & Analysis: Biotech Daily, Ausbiotech, CSL

Federal Treasurer Joshua Frydenberg says that a new 'patent box' system starting on July 1, 2022, will tax profits derived from patents developed in Australia at 17 percent.

In his Budget address, Mr Frydenberg said that the 17 percent rate was "almost half the rate that applies to large companies ... [and would] apply to the medical and biotech sectors and we will consult on expanding it to the clean energy sector".

Mr Frydenberg said the Budget provided a further \$1.9 billion for the roll-out of vaccines, as well as \$1.5 billion for Covid-related health services, including "testing and tracing, respiratory clinics and telehealth".

Mr Frydenberg said the Federal Government had "committed \$20 billion to the vaccine roll-out and to strengthen our health system in response to Covid".

The Treasurer said that more than 99 percent of businesses, employing more than 11 million workers, could write-off the full value of any eligible asset they purchase, and this would be extended until June 30, 2023.

Mr Frydenberg said that manufacturing would be "a key driver of future jobs and higher wages" and the Government had committed \$1.5 billion to expand manufacturing activity and create jobs across six priority areas, including medical products and clean energy.

“We backed in our Modern Manufacturing Strategy with an additional \$2 billion in research and development tax incentives,” Mr Frydenberg said.

“The Government is also providing in this Budget new funding for endometriosis, research into pre-term birth and genetic testing for pregnant women,” Mr Frydenberg said.

A media release from the Federal Minister for Industry, Science and Technology Christian Porter said the Budget included \$475 million “to drive industry growth and scientific development, helping to create high paying, sustainable jobs for Australian workers”.

“We have a clear vision to harness science and technology to expand existing industries and develop new ones, creating long-term and sustainable jobs,” Mr Porter said.

The media release said that the funding included \$117.8 million over the next four years for Australia’s first Artificial Intelligence Action Plan, as part of the Government’s Digital Economy Strategy.

The Government said that the plan would support business to adopt artificial intelligence (AI) and the development of projects, along with the associated high-skilled jobs these projects create.

Mr Porter’s media release said that the Budget provided \$116.7 million over four years to support the Australian Nuclear Science and Technology Organisation to undertake capital maintenance as well as funding for waste management, as well as \$22.6 million over six years for 234 scholarships to support emerging technologies areas, identified through the Modern Manufacturing Strategy.

The media release said that \$42.4 million over seven years would fund “the next generation of women in science, technology, engineering and mathematics (STEM) through industry-focussed university scholarships, as well as a Women in STEM Evaluation Toolkit”.

The Government said that \$2.6 million would assist Australian manufacturers and small and medium-sized enterprises to access Commonwealth procurement, as part of a larger package of activities designed to raise awareness of the value and availability of Australian-made products.

The media release said the Government would “advance Australia’s manufacturing capacity by developing onshore mRNA vaccine capability, through continued negotiations and an approach to the Australian market, maximising the long-term potential applications of the mRNA platform”.

Mr Porter’s media release said that a new Global Science and Technology Diplomacy Fund would consolidate international science programs in the Industry, Science, Energy and Resources portfolio to create efficiencies and allow for a greater focus on supporting strategically important emerging international science, research and technology collaborations with global partners.

## BUDGET 2021 - COMMENT & RESPONSE

### BIOTECH DAILY

Biotech Daily welcomes a Budget that does not threaten cuts or caps to the Federal Research & Development Tax Incentive or other programs. It has taken seven years to reach this point.

While none of the big spending items directly affect our sector, there are some modest tax breaks and continuation of the write-off program that will benefit many companies.

What the Budget lacked was an overall strategy, so there was a mention, but no plan, to integrate the disparate mRNA resources and develop what is needed – a single coherent pandemic preparedness, not for the current pandemic, but for the ones to come.

The increased spending on research and development and assistance to the Australian Nuclear Science and Technology Organisation are good, but the eye-catching announcement was the “patent box”.

Everyone welcomes a tax cut – especially if it is from 30 percent to 17 percent – but is that what is needed? At the very least, the expression “patent box” is part of the discourse.

In 2009, the Biotech and Related Industries Leadership Group, which included then Monash University Chancellor Dr Alan Finkel, Research Australia, Ausbiotech, Bio-Melbourne Network and GBS Venture Partners, proposed a patent box to Labor’s Industry Minister Kim Carr as part of what should have become Commercialization Australia. All recommendations were duly ignored.

The patent box proposal, from GBS Ventures’ Dr Joshua Funder was an ‘Australian Intellectual Property Clearing House’ to fund the patent process, advertise and distribute their existence, and auction Australian inventions.

“Proceeds from the auction and future royalty streams would be shared between the inventor, originating institution and the Commonwealth Commercialization Institute, to become self-funding over the long term,” the BRIL Group proposed.

Proposals like this are missing from the Budget, displaced by cash handouts and tax-cuts.

It’s the same in other areas, including aged care, where re-regulation of the industry is required to return them to proper nursing homes, rather than simply providing more funding for the existing operators.

Finally, a proposal that needs to be further developed: tax incentives for long-term investments. We already have a 50 percent capital gains discount for holding shares for more than 12 months, so why not a 100 percent deductibility for specific phase III trials or 150 percent tax deductibility for 10-year investments? The detail needs development but an incentive for appropriate long-term investment would be a great leap forward.

**David Langsam, Editor**

## AUSBIOTECH

Ausbiotech says it “welcomes the support for biotech manufacturing ... [and] a new patent box” in the Federal Budget.

Ausbiotech said the Government recognized biotechnology “as a long-term social and economic driver ... [and the Budget would] enhance Australia’s competitiveness and keep us at the cutting edge of science and innovation”.

“An internationally competitive tax regime for patents will help encourage companies to develop their research and development innovations into profitable businesses in Australia,” Ausbiotech said.

Ausbiotech chief executive officer Lorraine Chiroiu said “the patent box will help bridge the gap to commercialization, and support companies to keep the development of their [intellectual property] and the value they create from it - especially by manufacturing locally - in Australia to benefit Australians,” Ms Chiroiu said.

Ms Chiroiu said the tax incentive addressed the gap that left Australian intellectual property (IP) vulnerable, retain home-grown IP, support Australian innovators and manufacturers, and “make the commercialization of IP and manufacturing in Australia more genuinely viable for businesses”.

Ausbiotech said that the patent box purpose “would be to encourage the manufacturing and commercialization phase of innovation by providing an incentive to industry to locate high-value jobs associated with the development, manufacture and exploitation of intellectual property (IP) in Australia.

## CSL

CSL also said it welcomed the patent box policy, saying it would “benefit domestic commercialization of medical research”.

“A patent box policy will support local manufacturing of innovative medical products and help counter the off-shoring of Australian intellectual property and highly skilled jobs,” CSL said in a media release.

CSL said Australia needed the reform “in order to compete with countries such as the UK, Switzerland, France, Ireland, Singapore and other peer nations, which offer targeted incentives designed to encourage the commercialization of home-grown IP”.

The company said that the introduction of a patent box would complement the existing Research and Development Tax Incentive by focusing on the revenue-generating phase of the medical research value chain.

“Ownership of the intellectual property, as well as manufacturing, offers substantial economic benefits to the host nation through royalties, licence fees, supply chains, jobs, and capital investment,” CSL said.

CSL chief scientific officer Dr Andrew Nash said that Australia had “world-recognized expertise in medical research, but “policy settings need to incentivize the onshore commercialization and manufacturing of that research”.

“CSL welcomes the introduction of a patent box which will help decrease the flow of intellectual property from local medical research going overseas,” Dr Nash said.

“It will drive the growth of advanced manufacturing jobs, capital intensive investment and sovereign capacity in medical technology and biotechnology manufacturing,” Dr Nash said.

“It’s an important reform and will help to ensure that the Australia of the future can more easily turn good science into products, professions, and local, advanced medical manufacturing capacity,” Dr Nash said.

“It is an especially significant boost to the policy environment as the country navigates its way out of the pandemic,” Dr Nash said.