

# media release

Joint statement on the Research & Development Tax Incentive

18 April 2017

## Don't rip the guts out of Australian medical research commercialisation

**Commercialisation of Australian medical research is under serious threat if the package of measures put by the 'Ferris, Finkel, Fraser' Review of the Research & Development (R&D) Tax Incentive is adopted and Australia's medical technology, biotechnology, and pharmaceutical (MTP) sector is urging the Federal Government not to devastate Australia's most innovative industry.**

The R&D Tax Incentive is the most critical centre-piece program in the translation of Australia's world-class research into treatments, cures, diagnostics, medical devices and vaccines. The program has been successful in helping attract more investment in R&D and fostering a strong Australian life sciences clinical trials and R&D sector.

The changes proposed, especially the \$2 million cap and the 'intensity threshold', will have significant, disproportionate and negative impact on the MTP sector. Only around 5.5% of research expenditure registered for the R&D Tax Incentive relates to MTP<sup>1</sup>, however [comments from the Report's authors](#) that the impact of the \$2 million cap will be "slight" or that other policy measures, like the Biomedical Translation Fund, will balance out damage, fail to understand the impact likely in the sector, its broader ecosystem, or the nature of clinical trials. Relative to other sectors, the commercialisation of MTP has longer timeframes, due to significant scientific and regulatory hurdles to reach patients and there is higher expenditure on R&D, particularly in later stage clinical trials.

We understand the need for the Government to ensure that the tax incentive is sustainable during challenging budgetary conditions; however, the scheme must be viewed as a tool to encourage long-term investment in Australia that creates highly-attractive jobs, attracts clinical research and grows the local economy.

Ensuring that any redesign of the tax incentive does not act as a handbrake on this investment is imperative, so that Australia can continue to thrive as a home for some of the world's most talented scientists and medical researchers, improve its position as a centre for high-quality R&D in medical science and receive the related spill-over benefits.

The Federal Government has recognised the potential economic benefit of innovation via the National Innovation and Science Agenda and the MTP sector through its designation as one of six industry sectors of competitive strength and strategic priority (MTPConnect). The CSIRO and MTPConnect believe the MTP sector can create a further 28,000 jobs and deliver \$18 billion in added value to the Australian economy within the next ten years<sup>2</sup>.



According to the 2017 AusBiotech CEO Industry Position Survey<sup>3</sup> of 46 member companies implementing a \$2 million cap will impact the ability to employ staff for 58% of companies, while 45% of companies will be have a reduced capacity to employ STEM graduates, 81% will be affected in their capacity to attract investment and 75% will be less able to compete globally. Companies were on average able to leverage the non-dilutive capital provided by the R&D Tax Incentive at \$8 for every dollar spent.

In results from BioMelbourne Network survey<sup>4</sup> of 32 member companies in late 2016: 45% indicated that their R&D Tax Incentive refund would be over \$2 million in 2015/16. 77% would undertake less R&D activity, 71% would decrease their clinical trial activity, 74% would reduce late stage research programs in Australia. More than half (52%) said they would move R&D activity offshore, 48% would reduce the level of collaboration with research organisations. More than one third of companies would incur direct job losses (38% surveyed), resulting in reduction of the workforce estimated to be between 10 - 25% and 85% of companies said that the \$2 million cap would decrease their current or future outsourced R&D jobs to the wider sector.

A 2016 study of 41 biotechnology companies by the University of Sydney found that 78% viewed the R&D Tax Incentive is either important or very important to the decision for their firm to undertake research and development in Australia and 61% of firm managers said their firm would change their R&D investment strategy if the government were to further modify the R&D Tax Incentive.

Clinical trials give early access to new treatments for Australians and have a pivotal role to play in the economy of the future, which will strongly rely on innovative jobs, exports and productivity. Clinical trials bolster the economy and are already supporting its transition from a post-mining boom. Beyond the economic benefit to Australia, R&D in the life sciences can develop therapies, cures, medical devices and diagnostics for patients around the world.

The MTP sector does not support the proposed changes as a package, most notably the proposed \$2 million cap and the 'intensity threshold'. It is a firm belief that this effort to limit or divert the R&D Tax Incentive will damage the country's hard-won momentum in life sciences, especially the stimulation of the clinical trials environment which we are fighting hard to keep.

Yours sincerely



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**About AusBiotech**

AusBiotech is Australia's biotechnology organisation, working on behalf of members for 30 years to provide representation and services to promote the development, growth and prosperity of Australian biotechnology. AusBiotech is a well-connected network of over 3,000 members in the life sciences, including therapeutics, medical technology (devices and diagnostics), food technology and agricultural, environmental and industrial sectors.

**About Research Australia**

Research Australia is the national peak body representing the entire health and medical research pipeline advocating for health and medical research in Australia. Independent of government, Research Australia's activities are funded by its partners, donors and supporters from leading research organisations, academic institutions, philanthropy, community special interest groups, peak industry bodies, biotechnology, medical technology and pharmaceutical companies, small businesses and corporate Australia.

**About Medicines Australia**

Medicines Australia represents the discovery-driven pharmaceutical industry in Australia. Our member companies invent, manufacture and supply innovative medicines and vaccines to the Australian community, which keeps Australians out of hospitals, prevents disease and play a pivotal role in ensuring a productive and healthy community. Medicines Australia's mission is to drive the creation and development of a predictable environment for the continued, sustainable growth of the innovative and research-based prescription medicines industry.

**About BioMelbourne Network**

The BioMelbourne Network is a membership-based, industry forum representing over 185 organisations and business leaders in biotechnology, medical technology and health innovation industries in the State of Victoria. Our role is to foster links between companies, research organisations, financial markets and government to create an environment for that enables conversation, collaboration and prosperity.

**About Medical Technology Association of Australia (MTAA)**

The Medical Technology Association of Australia represents manufacturers, exporters and suppliers of medical technology products used in the diagnosis, prevention, treatment and management of disease and disability.

**References:**

- 1: Innovation Australia 2014-15 Annual Report, Figure 2.3: Field of Research (data set) Column D, analysis by Research Australia
- 2: CSIRO and MTP Connect, *The Medical Technologies and Pharmaceuticals (MTP) Roadmap – unlocking future growth opportunities for Australia*, February 2017
- 3: AusBiotech 2017 Biotechnology Industry Position Survey, due for release 1 May 2017
- 4: BioMelbourne Network survey, December 2016: <http://biomelbourne.org/wp-content/uploads/2016/11/RD-Tax-Incentive-submission-BioMelbourne-Network-October-2016-Final.pdf>
- 5: The University of Sydney, Marieke D'Cruz, *Committing to the Innovation Nation: Why the R&D Tax Incentive is so important for Australia*, February 2017.