



# Australia's medical and science industry unites to raise concerns about proposed R&D Tax Incentive changes





30 June 2026

Hon Dr Jim Chalmers MP  
Treasurer  
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Canberra ACT 2600

Via email: [jim.chalmers@treasury.gov.au](mailto:jim.chalmers@treasury.gov.au)

Cc:

Senator the Hon Katy Gallagher, Minister for Finance, Minister for Women & Minister for the Public Service  
The Hon Dr Daniel Mulino MP, Assistant Treasurer and Minister for Financial Services  
Senator the Hon Tim Ayres, Minister for Industry and Innovation  
The Hon Mark Butler MP, Minister for Health and Ageing  
The Hon Andrew Charlton MP, Cabinet Secretary and Assistant Minister for Science, Technology and the Digital Economy

Dear Treasurer,

**Re: 2026-27 Federal Budget**

We write to you as the leading peak bodies and innovation sector representatives of Australia's biotechnology, medical technology, pharmaceuticals, health technology, science and research community, and deep technology innovation ecosystem to request an urgent meeting regarding the 2026-27 Federal Budget.

Our organisations acknowledge several positive measures for research and development (R&D) reform in the Budget, as well as the Government's recognition of the unique characteristics of the health and medical technology, and the wider deep technology sector. Appreciating the Government's intention to support Australia's innovation system and economic development, we would value the opportunity to discuss two proposed changes to the Research and Development Tax Incentive (RDTI) that risk undermining Australia's economic ambitions for science in Australia.

We are deeply concerned that some elements of the proposed tax reforms will in effect be contrary to the intent of the Strategic Examination of Research and Development's *Ambitious Australia* report, the National Health and Medical Research Strategy, and indeed the increase in disbursement from the *Medical Research Future Fund* (MRFF),

all of which point to research, science and innovation being the drivers of Australia's economic resilience and future health.

### **The economic and strategic importance of Australian science**

Start-ups and companies born from Australian science are of immense strategic value. They are knowledge-intensive, support thousands of jobs, drive innovation, economic prosperity and national productivity, and support better health and wellbeing outcomes.

The Australian biotech, medtech and health tech sector is a great example of the importance and contribution that science-based industries make to our nation. The industry has doubled in size since 2017 and supports more than 350,000 jobs. Cumulatively, this industry has been Australia's largest value-add exporter outside the primary industries since 2016. It is also critical to Australia's national security and sovereign supply chain resilience.

Other promising industries, developed from STEM R&D, including quantum, AI, synthetic biology and agri-food ventures also make significant contributions to Australia's economy. Photonics and quantum technologies contributed \$4.7 billion to the Australian economy in 2022–23 and accounted for 29,400 jobs. Synthetic biology is predicted to be worth \$30 billion to the Australian economy by 2040 and deliver more than 50,000 jobs by 2050.

Nurturing companies in these sectors through the early days of development is essential to securing the industries of the future. They are key pillars of the Government's *Future Made in Australia* initiative and are significant current and future drivers of national productivity.

### **Welcomed measures and progress**

Our organisations welcome several positive signals in this Budget, particularly the establishment of the National Resilience and Science Council to implement the *Ambitious Australia* report, as well as the commitment to increase disbursements from the Medical Research Future Fund and investment in clinical trials.

Ensuring the Council's membership encompasses sufficient industry expertise to ensure comprehensive coverage of both the *Ambitious Australia* National Innovation Pillars and the full spectrum of R&D activity (from discovery to translation, through to industry delivery), while keeping a watchful eye on our national strengths and sovereignty, will be critical. We look forward to working with Minister Ayres on identifying appropriate candidates for these critical roles.

We also welcome the intent of the proposed RDTI reforms to boost business R&D investment – a critical component of the *Ambitious Australia* report. However, there are some components to the reforms that are of serious concern.

### **Proposed changes generating deep concern**

As identified in *Ambitious Australia*, the RDTI is vital to incentivising the private sector to invest more in Australian RD&I. The panel also noted that government support should not be provided forever. However, the Budget proposal to limit the refundable RDTI offset to companies less than 10 years old was not recommended in *Ambitious Australia* and does not align with the reality of lengthy development and commercialisation timelines required to bring new health and other STEM innovations to market.

Ten years is not a long period in science-based, deep-tech industries. For example, Biotech and medtech companies face long lead times in taking products to market, during which they must navigate complex and R&D Intensive pre-clinical development, clinical trials, clinical manufacturing and scale up, regulatory approval and market access phases. These processes take more than a decade by necessity. There are simply no short cuts.

Throughout these development pathways, capital requirements are intensive; a point that has traditionally been recognised through the RDTI. Many companies are still at pre-revenue stage at 10 years and in some industries, like life sciences, are entering their most R&D intensive activities, including late-stage clinical trials, at this point. The pre-revenue nature of these companies mean they depend on the refundable RDTI offset to deliver stable and essential working capital to continue operations and fuel future R&D investment.

Similarly, any company based on deep-tech development generally requires more than 10 years to breach the pre-revenue threshold. The deeper the tech, the longer it takes.

For these companies, replacing the refundable offset with a non-refundable tax credit offers no practical value, as there is usually no taxable income against which a credit can be applied.

While the intent of the RDTI change is understood, company age is a poor proxy for commercial maturity, growth potential or R&D intensity in science based and deep tech sectors. The proposed changes risk encouraging early-stage research in Australia while pushing later-stage development, manufacturing and commercialisation activities offshore.

In addition, proposed changes to the treatment of 'supporting R&D' activities may unintentionally exclude activities from RDTI eligibility that are critical to developing innovative technologies on shore in Australia, such as the manufacture of products for clinical trials. Given this risk, we would appreciate the opportunity to work with Government to ensure that critical supporting activities remain eligible.

Taken together, these two proposed changes to the RDTI risk undermining the future development and capacity of science-based industries, including the health and medical technology and other deep tech industries, to undertake the R&D needed to commercialise Australian innovations and ideas into marketable and exportable products.

Critically, the impacts of these proposed changes are already being discussed within boardrooms, investment committees and development teams. Decisions about where clinical programs are located, where investment is deployed and where companies establish long-term operations, including manufacturing, are made years in advance and are now being influenced by perceptions of Australia's future competitiveness.

### **Supporting and delivering effective policy settings for science-based industries**

We are committed to the success of science-based industries and to Australia's future R&D system. Without competitive and stable policy settings, we risk undermining the economic benefits that STEM R&D delivers to Australia including jobs, productivity, sustainable prosperity, improved living standards and a healthier nation.

We urgently request a meeting with you and for sector consultation to commence. We stand ready to partner with Government to identify a more sustainable path forward and to ensure that tax settings support research and development in Australia, and spur investment and boost productivity.

We look forward to discussing how we can ensure Australia remains globally competitive in STEM R&D and innovation.

Yours sincerely,

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BioMelbourne Network  
BioNSW  
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