

Response to the Review of R&D Tax Incentives

To: The Minister for Industry, Innovation and Science, the Hon Greg Hunt

Dear Minister Hunt

The Australian Council of Graduate Research Inc strongly supports the proposed introduction of a collaboration premium of up to 20 percent for the non-refundable tax offset to provide additional support for the collaborative element of R&D expenditures undertaken with publicly-funded research organisations. The Council particularly applauds the application of this premium to the cost of employing new PhD or equivalent graduates in their first three years of employment.

It is pleasing that the review of the R&D tax incentive system has acknowledged that advanced knowledge economies require a pipeline of highly-skilled researchers. By subsidising business investment in highly skilled graduates, the tax incentive will certainly help to expand a highly skilled research workforce.

We also agree that encouraging businesses to employ research graduates will facilitate the development and utilisation of informal networks between research organisations and business in the generation and commercialisation of new ideas.

However the Council holds grave concerns about the restriction of the tax offset to the employment of Science, Technology, Engineering and Maths (STEM) PhD graduates.

The margins between the science and social sciences are very blurred and the STEM/ Arts, Humanities, Social Sciences, Business and Law (AHSSBL) divide is unclear at best, unhelpful at worst. Some maths borders on philosophy, languages/linguistics use algorithms, econometrics and actuarial studies in business are very STEM-like.

Even if the AHSSBL/STEM division was clear, the increased national focus on research–industry collaboration and research impact should not exclude AHSSBL. The creative industries, social sciences and humanities have driven innovations across many industries including health care, urban planning and public policy. Such an exclusion would disadvantage those industries which have, and should continue to, contribute significantly to the Australian economy.

The eligibility test for tax incentives for PhD graduates should not be the discipline of their graduating degree but rather the relevance of the research undertaken by the employee to the business of the company. Where a company wishes to invest in social sciences, arts and humanities to improve its services and products it should be eligible to gain tax offset support for its research graduates that are key to this endeavour.



Dr. Melissa Gregg, who graduated with a doctoral degree in Gender Studies at the University of Sydney, exemplifies the benefits of AHSSBL research training to industry innovation and productivity. As the principal engineer in User Experience Research in Intel Labs and co-director of the Intel Science and Technology Center for Social Computing she is responsible for research and strategy for workplace transformation in Intel's Business Client Platforms Division. Another example is Kate Mason who graduated from UNSW with her PhD in Literature 2010. Since then she has held senior and influential roles in several international technology companies including Global Communications and Public Affairs Manager at both YouTube and Google. A Washington Post article available [here](#) also provides a compelling argument for the value of humanities PhDs to technology industry and innovation.

By extending the access to supported R&D employment for all PhD graduates, the tax incentive scheme will also support Australian innovation more broadly. In a report on the STEM Workforce published in March this year, the Office of the Chief Scientist stated that high impact entrepreneurship drives economic growth and employment rates (Spike Innovation, 2015). AHSSBL graduates contribute significantly to this as 10 per cent of STEM doctorate holders owned businesses in 2011 compared to 23 per cent of non-STEM doctorate holders.

ACGR therefore requests that the current STEM restriction be lifted so that the proposed tax offsets are available to support the employment of PhD graduates from all disciplines.

Professor Denise Cuthbert, Convenor
On behalf of the Australian Council of Graduate Research Inc
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