

Ditch R&D tax concessions for direct funding, say academics

Sally Patten *BOSS editor*



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Greater mobility between the corporate and business sectors, including an expansion of industry-based PhDs, would boost investment in research and innovation, leading academics say.

Emma Johnston, the deputy vice-chancellor of research at the University of Sydney, also called on the government to fund directly rather than via tax breaks on research and development.



University of Sydney's deputy vice-chancellor of research Emma Johnston says tax incentives don't tend to

support primary research. **Flavio Brancalone**

“Australia is unique among our peers,” she said.

“Not only is there not as much venture capital available, or business investment in research and development, but the mode in which we encourage [research] is primarily focused on tax incentives.

“It’s an indirect mechanism of funding research and a lot of that research does tend to be market research, rather than primary research.”

The R&D tax incentive reduces the costs of work done within companies by offering tax offsets for eligible projects.

Professor Johnston noted that other countries spent much more on R&D than Australia. Locally, 1.8 per cent of GDP is invested in R&D, down from 2.5 per cent in 2008. By contrast, in Israel and South Korea the figure is 5 per cent, while in the US the proportion is 3.5 per cent.

CSIRO chief scientist Bronwyn Fox said it was critical that industry and tertiary institutions worked together to promote greater movement of academics between the two sectors.

She pointed to academics in Germany who join the corporate sector for, say, 10 years, then become university professors.

“Some flexibility around the system to make sure we can encourage that will be really beneficial,” Professor Fox said.

“One of my collaborators in the US works closely with Boeing. His PhD students have worked on projects with Boeing. They’re now in senior management projects in Boeing, and the funding [of] his new research projects [is from] Boeing.”

Professor Johnston and Christopher Barner-Kowollik, deputy vice-chancellor at Queensland University of Technology, called on universities to promote the translation of research into viable products and services as a career.

“A lot of universities have moved to have professors of practice, which is an example of that,” Professor Johnston said.

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“What I’m talking about is an entire career from the very junior level, coming straight out of your industry PhD into an industry fellowship, and spending that entire career all the way, being promoted to professor in that role.

“We want to encourage more entrepreneurial-oriented academics who [can] interface strongly with fundamental researchers,” Professor Barner-Kowollik said.

Parliamentary Secretary to the Premier in NSW Gabrielle Upton [<https://www.afr.com/politics/daisy-turnbull-a-potential-candidate-as-liberals-try-to-head-off-teals-20220706-p5azhl>] said she was keen to look at ways of encouraging superannuation funds to invest in early stage start-ups.

Australian investors’ lack of risk appetite is often blamed for the difficulties faced by researchers and start-ups in developing viable businesses.

But Ms Upton, who will retire from state government next year, said she was keen to consider the establishment of a fund to help reduce the amount of risk retirement schemes would need to take to invest in start-ups.

“I’m trying to encourage my colleagues to look at a fund where we would actually de-risk super funds investing in early-stage ideas and prospects,” Ms Upton said.

“We know there’s a lot of scrutiny on the returns but if we could set up a fund that took the transactional costs out of super funds, [they would be] able to look at some of these fantastic early-stage products.”

Sally Patten edits BOSS, and writes about workplace issues. She was Financial Services editor of the Financial Review and Personal Finance editor of the AFR, Age and Sydney Morning Herald. She edited business news for The Times of London. *Connect with Sally on [Twitter](#). Email Sally at spatten@afrr.com*