

The AIM Incentive in action

The following examples provide a high-level overview for illustrative purposes of the difference the AIM Incentive could make to a business.



	Business summary without AIM Incentive (\$000's)	Business summary with AIM Incentive (\$000's)		
		Qualifying revenue	Non-qualifying revenue	Business total
Total sales of qualifying products*	88,000	88,000		88,000
Total revenue of non-qualifying products	35,000		35,000	35,000
Total Revenue	123,000	88,000	35,000	123,000
Costs related to qualifying products	50,000	50,000		50,000
Costs related to non-qualifying products	17,000		17,000	17,000
Profit	56,000	38,000	18,000	56,000
Australian corporate tax rate	30%		30%	
AIM Incentive tax rate		10%		
Company tax	16,800	3,800	5,400	9,200
Profit after tax	39,200			46,800
Additional funds available to reinvest back into the business: \$7,600,000				

* i.e. license fees, royalties and milestone payments, sales income from patented products; contract manufacturing income, income from the provision of a service reliant on a patented tool (to the extent the profit is attributable to the patent) and income from patent enforcement.

The bottom line

It is widely acknowledged that building Australia's capacity as a technologically innovative country is vital for our economic future. The AIM Incentive is focused on patents rather than other forms of IP as they have a strong link to R&D and manufacturing in a wide range of sectors and will contribute to the integrity of the AIM Incentive.

In a time where technological innovation, knowledge and networking are the drivers of productivity, Australia has great expertise in many areas that should be leveraged to our economy's advantage.

Australia needs to reverse the current skills shortage and loss of industry jobs by offering competitive support that is so readily available outside of Australia. By harnessing the skills that workers already have and upgrading and utilising them in new industries, as well as training new members of the workforce, there is an opportunity to keep Australia's diverse manufacturing tradition alive.

For Australia to compete on a global level, the development of greater economic diversity should be

seen as a high priority and with the introduction of policy, such as the AIM Incentive, it fosters opportunities, that are currently deteriorating, to future generations entering the workforce.

The increase in employment due to greater investment by companies would increase income tax collections and national insurance yields, whilst concurrently reducing the welfare bill. PwC in the UK estimated that a fifth of the new jobs created as a result of the R&D Incentive alone would result in a reduction in welfare claims by \$5,000 per case. Introducing the AIM Incentive to cover commercialisation of IP could result in a dramatic enhancement of Australia's economy.

All of the stated benefits would help create a stronger national economy that is more resilient to change and provides a platform for greater innovation and development to protect the needs of Australians in the coming years. As a nation, we cannot afford to lose our remaining manufacturing skills and capabilities. Innovation and manufacturing need to be nurtured, so that they can once again excel and form robust pillars of the Australian economy.



Final thoughts

Manufacturing and innovation have a proud history and, if supported, could have a transformational impact on the future of Australia's economy. They offer opportunities for many Australians to pursue their dreams, due to the diversity of skills and people required to operate in different industries.

The introduction of the AIM Incentive would provide the optimal policy framework in which to turn Australian ideas into realities that benefit Australia. The AIM Incentive would benefit companies for as long as they exploit their IP in and from Australia. The elegance of such a solution is that it also helps to reduce the financial pressures on the Australian Government by reducing the need for up-front direct subsidies.

The AIM Incentive would not only safeguard manufacturing jobs, help retain our IP and facilitate innovation; it would also contribute to Australia maintaining a robust, broad-based economy, in turn increasing employment.

The time has come for Australia to leverage its skills in innovation and become a leader in manufacturing once more. Let us not wait for the next 85,600 jobs to be lost, or for the patent box concept to become a global norm. Let Australia be proactive and enact a policy that supports the companies that are contributing to our broad-based economy with new and sustainable innovations.

End notes

1. Harvard Business Review, 'Does America Really Need Manufacturing?'
2. Daily Telegraph, 'Budget 2012: GlaxoSmithKline to invest £500m in UK and create 1,000 jobs after cut in patent profits tax'
3. Prime Minister's Manufacturing Taskforce, Report of the Non-Government Members Manufacturing: Positions, Pressures and Prospects'
4. Ibid
5. IP Australia website
6. Prime Minister's Manufacturing Taskforce, Report of the Non-Government Members, 'Manufacturing: Positions, Pressures and Prospects'
7. Australian Bureau of Statistics - Schools, Australia - Catalogue No. 6227.0
8. Australian Bureau of Statistics 2013 labor Statistics Brief. Catalogue No. 6104.0
9. Australian Bureau of Statistics 2013 labour Statistics Brief. Catalogue No. 6104.0
10. Deloitte, '2014 Global Survey of R&D Tax Incentives'
11. PWC, 'R&D tax relief - an economic study, 2011'

List of Countries that currently have a patent or innovation box regime:

Belgium, China, France, Hungary, Italy, Luxembourg, The Netherlands, Spain, Switzerland, United Kingdom.

List of Countries that currently have an R&D tax incentive:

Brazil, Canada, China, Czech Republic, France; Hungary, India, Ireland, Israel, Italy, Japan, Malaysia, Mexico, The Netherlands, Poland, Portugal, Russia, Singapore, South Africa, South Korea, Spain, Turkey, United Kingdom, United States.

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