

OpenVoiceNews Australia

Transparent. Unbiased. Yours.

Calls Grow to Mandate Business Investment in Research and Development as Innovation Lags

July 25, 2025

– Categories: *Economics*



Australia's persistent failure to boost innovation through generous incentives has triggered calls for a tougher approach. A leading science body is now advocating for a mandatory business contribution to research and development (R&D), after billions in taxpayer-funded carrots have failed to produce real results.

Despite years of subsidies, Australia's private sector has remained stagnant when it comes to investing in R&D, a key driver of productivity and long-term economic health. The Australian Academy of Science is now proposing a rebatable levy targeting large businesses with annual revenues over \$100 million. Companies would either spend a minimum percentage of their revenue, proposed at 0.25% to 0.5%, on R&D, or pay an equivalent levy to the government. These funds would then be directed into national innovation initiatives.

Anna-Maria Arabia, Chief Executive of the Australian Academy of Science, was frank in her assessment. "Research and development underinvestment by both government and business had been long-term and is now intolerable," she said. "It's time to rectify declining investment in business research and development. It's time our economy and industry became more innovative."

The proposal lands amid broader economic concerns. Australia's productivity growth continues to slow, and the usual policy tools appear exhausted. According to the Academy, both the Treasury and the Productivity Commission have echoed the urgency for improved innovation investment, though it's telling that private industry continues to wait for subsidies rather than lead the charge.

Jenny Gordon, an economist at the Lowy Institute and former Chief Economist at the Department of Foreign Affairs and Trade (DFAT), supports exploring more stable and structured funding models. "This is an alternative way to say, 'Well, we need to raise funding, reliable funding for R&D,'" she said. "So that is not at the whim of government and whatever the budget decides to allocate."

The concept of a "rebatable levy" has raised eyebrows among business advocates, wary of increased regulatory burdens. But supporters argue that years of hands-off policy have failed. Supporters argue it sets a reasonable standard, either invest in innovation directly or contribute to national R&D efforts.

Australia has long underperformed in business-led innovation compared to similar economies. With countries like South Korea and Israel powering their tech and science sectors through stronger R&D frameworks, Australia's reliance on natural resources and imported technology is becoming increasingly unsustainable.

As Canberra once again searches for productivity solutions, this proposal introduces a sharper tone: if encouragement hasn't worked, accountability might. Whether the current government will act decisively to encourage greater corporate investment remains to be seen. But the message from science and economic experts is clear: without serious R&D investment, Australia risks falling further behind.