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Expanding R&D Incentives Critical for Productivity Revival: Business Leaders

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Australia’s leading corporations are urging policymakers to revitalize the nation’s research and development (R&D) tax incentives, warning that declining innovation investment threatens long-term productivity growth. The Business Council of Australia (BCA), representing major firms including Atlassian and Cochlear, has proposed expanding tax breaks for

large businesses and fostering greater industry collaboration to reverse a decade-long slump in R&D spending.

The BCA's report reveals a troubling 30% decline in business R&D investment since 2012, coinciding with Australia's productivity growth slowing to just 1.1% annually. Current policy settings disproportionately favor small and medium enterprises (SMEs), leaving multinational corporations operating in Australia with fewer incentives than global competitors enjoy. "When we cut back on R&D, we're essentially outsourcing our future prosperity," cautioned Cochlear CEO Dig Howit  emphasizing that medical technology breakthroughs require sustained, large-scale investment.

The proposal calls for three strategic reforms: broadening eligibility criteria for the R&D Tax Incentive (RDTI), introducing collaboration premiums for university-industry partnerships, and establishing permanent "patent box" regimes that reduce taxes on commercialized innovations. These measures align with successful models in Britain and Singapore, where targeted incentives have stimulated private sector research without creating budget blowouts. Analysis suggests every dollar invested in R&D generates \$3.50 in economic benefits through productivity gains and export opportunities.

With Australia ranking 32nd in OECD R&D intensity rankings below the global average—business leaders argue that maintaining the status quo risks permanent economic disadvantage. As Atlassian co-founder Scott Farquhar noted, "Technology doesn't wait for countries that hesitate." The BCA's plan offers a market-driven pathway to reignite Australia's innovation ecosystem, but its implementation requires political will to

prioritize long-term competitiveness over short-term budget optics. In an era of rapid technological change, standing still equates to falling behind.

