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Australia is backing health innovation industries to build future economy

Announced in the federal budget last night, the 21st century National Medical Industry Growth Plan will deliver \$1.3 billion to support Australia as a global health innovation leader in medical technology, biotechnology and pharmaceuticals while improving health outcomes for all Australians.

BioMelbourne Network CEO Dr Krystal Evans said: "the announcements are a strong signal that Australia's health innovation industry is key to future economic prosperity."

"Australia is backing its vibrant biotechnology sector. This investment will see companies expand the pipeline of medical discoveries and accelerate the development of cures and therapies for the future" said Dr Evans.

The industry growth package includes \$500 million for genomics initiatives, \$240 million for frontier medical research and \$94 million for biomedtech programs and industry-research collaborations.

"Melbourne is the capital city of Australia for health innovation and the Budget announcements will see biotechnology and medical technology companies lead the way into the future innovation economy."

Changes to the R&D Tax Incentive were also announced, including a \$4 million cap on the annual refundable R&D tax offset and setting the rate to a fixed 13.5% above the corporate tax rate.

Following extensive advocacy from the sector, clinical trials will be exempt from \$4 million cap and no lifetime cap has been imposed on the refundable R&D Tax Incentive.

"It is terrific news for the sector that the Government has recognised the importance of clinical trials in Australia and excluded these from the cap" said Dr Evans. "This allows biotech and medtech companies to accelerate the clinical development of new drugs and medical devices, bring cutting-edge therapies to patients sooner."

However, the new R&D intensity measures may negatively impact larger manufacturing businesses. The decrease in the level of R&D support for larger pharmaceutical and medical technology businesses will not encourage additional activity in Australia, and increased uncertainty over the scheme may drive current R&D offshore.

"It would be damaging to local industry growth to see Australian companies move R&D activities to New Zealand or Singapore due to more attractive R&D settings" Dr Evans added.

The Budget unveiled important measures for building Australia's research capabilities, including a \$2.4 billion investment in national research infrastructure and a \$4.5 million boost for women in STEM, which will improve research productivity, create jobs and drive economic growth.

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Highlighted Budget Measures for Health Innovation Industries

R&D Tax Incentive

- The refundable R&D tax offset will be capped at \$4 million p.a.
- Clinical trials expenditure will be exempt from the cap
- No lifetime cap on the refundable R&D tax offset
- For companies with a turnover below \$20 million, the R&D offset will be set to a fixed 13.5% above the corporate tax rate
- For companies with an annual turnover more than \$20 million an “R&D intensity percentage” will be introduced.

\$1.3 billion National Health and Medical Industry Growth Plan

Includes:

- \$500 million over 10 years committed to the Genomics Health Futures Mission
- \$240 million committed to the Frontier Health and Medical Research program
- \$248 million for expanded clinical trial programs
- \$125 million over 9 years to the Targeted Translation Research Accelerator for chronic conditions focussed on diabetes and heart disease
- \$94.3 million for biomedtech programs and industry research collaborations.

\$1.9 Billion National Research Infrastructure Investment Plan

- Additional \$1.9 billion over 12 years to implement the Research Infrastructure Investment Plan, informed by the 2016 National Research Infrastructure Roadmap.

\$275 million investment in Health and Medical Research

Includes:

- \$125 million over 10 years for mental health research
- \$75M over 4 years for the Rapid Applied Research Translation program that supports Advanced Health Research Translation Centres
- No significant changes to medical research funding through the NHMRC.

Medical Research Future Fund

- Confirmation the Medical Research Future Fund remains on track to reach its capital target of \$20 billion by 2020-21.

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