#20

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 31, 2018 11:05:32 AM
Last Modified:	Thursday, May 31, 2018 11:28:20 AM
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Page 2: Your contact details

Q1 (i) For individuals:

Name	**Andrew Rodger**
Email address	s 9(2)(a)

Q2 (ii) For organisations: **Respondent skipped this question**

Q3 (iii) How long has your business been operating in New Zealand? **Would rather not say**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **Would rather not say**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Very little impact. Having previously worked for an Education Provider that was supporting business R&D (Wellington Institute of Technology, Centre for Smart Product) I would expect that for Institutes it would be business as usual, Institutes are more interested in the PBRF value of any research work they do.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

This definition seems rather narrow and limiting in its scope. Would a simpler and better proposal be defined by the professionals an organisation hires. i.e. anyone within an organisation who has a tertiary qualification in Science, Engineering or Technology engaged in Research and development allowed to be included in the definition. This should be relatively easy to administer and has a secondary advantage of encouraging formal Tertiary STEMMS educated people being employed.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Yes it seems to exclude a New Product that might be a take on a new theme, for example the research and design of a new Office chair. a huge amount of development work goes into a product such as this however some would argue this is not a new product.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

At first look the scientific method seems to exclude Creative/artistic efforts. I believe novelty to be important such as the development of a Virtual Character for online gaming community or a product given a refresh by the use of an industrial designer i.e a new case for a Satelite navigation device.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Respondent skipped this question

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
While an interesting justification is provided for setting the limit at 100K I believe it needs to be much lower to support SME's who may use Contract/ temp labour for some projects. The majority of businesses that need R&D support in NZ to grow have less than 20 employees. I would suggest 20K as a lower limit. I would also strongly advocate for a tiered structure for example the first 20K of R&D has a 50% tax credit, 20-100k 30% tax credit and 20% above 100K.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Simplicity and transparency needs to be used, often in the past with Tax credits/grants it has not been clear what was required. A project in 2005 I worked on had a 1.5M government grant, it was unclear what was needing to be reported on. in the end a monthly 1 page report with a photo or two was all that was required. For tax credits maybe a signed document asserting R&D is being undertaken with a proforma filled out document would work well.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

The Ministers' Foreword: Incredibly there is no mention in the Whole Foreword of the largest set of Professionals conducting R&D activity in New Zealand today ENGINEERS. Engineers are first mentioned on page 20. It is Engineers who often provide the 'grunt work in the New Zealand Design and Manufacturing community the biggest concern I have with this document is the lack of alignment, engagement and recognition of Engineers.

#21

COMPLETE

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Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Seeka Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **100 or more**

Q5 (v) What industry sector does your business operate in? **A Agriculture, forestry, & fishing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2016**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

In our opinion very little as these agencies get funds from other sources.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Our concern is that the tax credit is primarily designed for Research and not Development. Our company takes Research findings and looks to implement them in systems and processes that seek to improve operational efficiency, hence we have a strong interest in Development. Our experience is that acquiring knowledge is not sufficient, the knowledge needs to be used, and therefore developed. The definition of R&D does not sufficiently recognise the Development part of R&D in our view. We consider Development is much more difficult to achieve than Research. With such a definition our view is the tax incentive is in fact a Research incentive.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

We consider the definition excludes Development. An example is the utilisation of Data Analytics to integrate disparate sources of information to enhance existing models and implement new systems would not qualify for the R&D tax incentive. There is no new technology or gadget involved so we consider our innovation would not qualify. One of our visions is to utilise low power WiFi to connect to weather stations on Avocado and Kiwifruit orchards. The information collected would then allow finely tuned models for pest monitoring, fruit growth, maturity etc to be used to increase the efficiency of inputs into orchards. This would involve the development of a system that can use the technology and research knowledge.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

The scientific method is the best for Research but not for Development which can more of an iterative process

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

This is a focus on "things" rather than systems that use knowledge. Things like new gadgets are easy to copy, systems are hard to copy. There would be less uptake of the R&D tax incentive in our view.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

A better definition of Development is required as the R&D tax incentive appears to be primarily focused on Research.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	**Respondent skipped this question**
Q21 Q15 Is the minimum threshold set at the right level?	**Yes**
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	**Respondent skipped this question**
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	**Respondent skipped this question**
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	**Respondent skipped this question**
Q25 Q19 Are there any other risks that need to be managed? Please describe.	**Respondent skipped this question**
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	**Respondent skipped this question**
Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Respondent skipped this question**

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Respondent skipped this question

#22

COMPLETE

Collector:	Web Link 1 (Web Link)
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IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**Cantovation Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

No employees

Q5 (v) What industry sector does your business operate in?

J Information media &

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
TIF internship programme

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

presumably these institutions already access govt R&D money through other programs

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Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The definition seems to be focussed on the "R" side, in other words scientific research, and ignores the "D" side, which is often the more important part of the equation in industrial R&D

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

For instance, software development, even of a new / novel application, seems that it might not fit in the definition as it will generally utilise standard software techniques.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

In software development (the "D" side of R&D) there isn't always much scientific methodology. Although it is analogous to the scientific method, for instance if it involves experiments with users to determine user-experience optimisations, or optimisations to improve software performance.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Again, this is a strong focus on the "R" side, at the expense of "D". There are other programmes the directly support "Research", and really you should be looking at better supporting "Development" here in NZ. There are many other places around the world where industrial development can be done, perhaps better than in NZ and with better govt. support. If you want "Research" to end up being "Developed" here then you need to support that.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Activities such as literature review, IP protection, competitor IP analysis, are critical to successful research (& Development). Likewise, product design is integral to Development.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

In software development areas, much of the "Research" as well as aspects of "Development" fall into social sciences category - eg user interface experimentation, usability studies, efficiency design, etc.

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Simple, and encourages employment. However, may be significant other costs involved.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

simplicity + reduced scope for rorting the system,.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

If the "R&D" is the product (directly or indirectly) then it should still be eligible. For instance, if the R&D is developing an algorithm or library of algorithms, which are then licensed, the company is receiving consideration effectively for the R&D. This question makes it sound as though that R&D should be excluded.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Software development processes do not easily fit into the "scientific method" - although there are analogies. In particular, aspects such as design, iterative requirements analysis, user experience development, testing, etc are critical and operate in an iterative process which is not really "research" focussed.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
Big problem is for businesses in pre-profit stage. Would be better if the tax credit became an actual payment to the business in cases where it was larger than their tax liability.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Respondent skipped this question

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Respondent skipped this question

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Make the tax credit payable in cash when the company has smaller or no tax liability

#24

COMPLETE

Collector: Web Link 1 (Web Link)
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Last Modified: Thursday, May 31, 2018 2:42:15 PM
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IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	**Jiveen MacGillivray**
Email address	s 9(2)(a)

Q2 (ii) For organisations: **Respondent skipped this question**

Q3 (iii) How long has your business been operating in New Zealand? **Respondent skipped this question**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **Respondent skipped this question**

Q5 (v) What industry sector does your business operate in? **Respondent skipped this question**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant? **Respondent skipped this question**

Q7 (vii) Has your organisation ever received any other R&D government support? **Respondent skipped this question**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Significant in terms of business confidence and business cohesion including how business decision makers are placed to adapt to change, i.e. akin to cutting a leg off ahead of a race.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand? **Respondent skipped this question**

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Cultural value might be acquired using capital and this might be outside the scope of a term such as 'scientific method'
Example, "Innovation outside the business sector is also
increasingly recognised as crucial for addressing challenges of a social nature. Mulgan
et al., (2007) highlight innovations which respond to social needs by third sector
organisations and public sector bodies that are not motivated by profit."

https://www.nesta.org.uk/report/innovation-in-arts-and-cultural-organisations-interim-report/ by expanding a definition to include cultural or everyday innovation then

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

See question 3, and in addition...

Future-proofing A Kiwi position/definition of innovation might spur future models of human organisation and work (hopefully productivity). For example, creating favourable policy that might support entrepreneurship or at least anticipate that the large public spending, procurement and impact of public sector work to our economy is vital to productivity.

https://www.nesta.org.uk/report/everyday-innovation/

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Suggest that materiality not be the sole test and or apply to both problem to solve or advancement of science or technology, as this bounds everything to a scientific or technological outcome (excluding culture and perhaps social innovation). And then materiality is often more difficult to be demonstrated, although industry groups such as a creative sector are often significant and can represent large proportions of economic effort, even by GDP measures which arguably lag and misrepresent create and service sector value in our economy.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Research in social sciences, arts or humanities should not be excluded. Please don't laugh at the measure(best demonstrated as a question) being, what might leaders and those passionate Kiwis wish for future humans to find of our archaeological record - please do support R&D of unique cultural products and output.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Yes.

To create a credible, accessible and achievable investment alternative, especially for NZ based investors in our local, regional settings for small business: http://www.seis.co.uk/

and for more sophisticated investors for larger projects, such as the UK's EIS position: https://www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

R&D that is or is a significant part of software when it enables a technological function to be achieved that was not previous;y possible for the business or venture. This would not include a web enabled software project to be R&D, i.e. building a website. But it might include a custom coded software function that might be used on a businesses website. So that the technology of software where directly created by human effort would be R&D and where web enabled (automated) software solutions would not be R&D. i.e. you cant automate R&D it must be human derived/powered - directly. I can hear the NZ AI Forum fans screaming! :)

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Respondent skipped this question

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Respondent skipped this question**
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	**Respondent skipped this question**

#25

COMPLETE

Collector:	Web Link 1 (Web Link)
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IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**Cubic Defence New Zealand Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

50 - 99

Q5 (v) What industry sector does your business operate in?

M Professional, scientific, & technical

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2014**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
Internship grants, and around 2005 we received a small project grant.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

No comment.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

This definition is mostly reasonable, but the phrase “scientific and technological uncertainty” is unclear and misdirected. In New Zealand there is a lot of R&D invested into the development of new and improved products, e.g., in the electronics industry. This product development is clearly innovative, beneficial to NZ, and qualifies as R&D, but the terms “scientific method” and “scientific and technological uncertainty” are not always applicable to R&D.
We propose that you omit the words “through the resolution of scientific or technological uncertainty.”

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

We think that the development of new products should be eligible, and the phrase “through the resolution of scientific or technological uncertainty” is ambiguous as to whether product development is included or excluded.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

The phrase “Scientific method” appears to exclude other R&D techniques. We regularly pursue product development methodologies, and software development methodologies, which are industry recognised as suitable for the development of new products. These processes are a true form of R&D, even though they are not strictly using the scientific method. As such the phrase “Scientific method” does exclude valid R&D in the product development realm.
“Scientific method” is valid when you are trying to acquire new knowledge – i.e., pure research. And this excludes the “development” section of “R&D”.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

While it is good to validate that R&D is genuine and eligible, the application of materiality test risks incurring a large and costly administrative burden on the tax incentive. I.e., it will form a significant disincentive. In our company we have many product developments and research activities ongoing at any point in time, and for the Growth Grant it has been sufficient for us to self-assess the eligibility of each project and validate this through an audit by our auditors (Ernst & Young). We have had several hundred such projects and sub-projects within our growth grant period. This level of burden is acceptable at present but applying any deeper materiality test is a concern to us and a concern to the viability of this tax incentive.

For question 6 there is no website textbox. Our answer to question 6 is:
The intention of including support service in the R&D category is valid, but this definition is vague and subject to interpretation. We recommend that the definition be clarified to specifically include or exclude overheads – this would assist my understanding of the definition.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Anything that is excluded as a core activity should equally be excluded as a support activity. I can’t think of exceptions. But it would help to clarify what “support activities” means.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

In software R&D projects there is often a dimension of optimising the user interface for the benefit of the user, which is arguably a social science aspect. However these projects are fundamentally software driven and as such we advocate that software R&D should be eligible, including user interface and user feedback activities. However pure social science research should be excluded.

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

With R&D that creates electronic products, it is essential to set up a production line, with test facilities customised to the products specifications. These test facilities enable manufacture and the eventual sale of the product, and they usually require specific R&D engineering to make the test facilities. As such, it is possible to view this as part of the overall R&D process, and we recommend that it be considered eligible for the R&D tax incentive.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Advantage: a “labour only” calculation would be simpler to calculate, and simpler to audit.
Disadvantage: it would be biased against R&D that requires significant material investment in prototypes. For example the electronics industry would be disadvantaged compared to the software industry.
The question about eligibility for subcontractors is of particular interest. I note that our company often hires small, one person companies to bring in specialist skills and knowledge; and to meet required surges in workload. The expenditure in this area is directly driving employment of New Zealanders, and seems to completely meet the objective of the R&D tax incentive. So the definition of labour vs. subcontractors should be carefully considered if subcontractors are to become ineligible.
There will be a perception that if material and subcontractor costs are excluded then the 12.5% rate should be increased, so as to attain a similar overall outcome.
In some R&D activities, costs such as tolling may be a valid part of the R&D activity and in that case be included.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Advantage: Using a “set percentage” for overhead costs would be simple to calculate and simple to audit.
Disadvantage: Some companies have higher (or lower) overheads depending on the industry they are in, and the legal compliance standards that they have to meet. If a set overhead percentage is used, this could be varied according to the industry of the organisation.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Where R&D is directly paid for, then we consider this to be a service that is sold, that still brings R&D work into New Zealand, when it could be performed elsewhere in the world (e.g., at one of our international affiliate companies). Therefore the policy of excluding this R&D is a disincentive to bring this R&D work into NZ. Consequently, we recommend that when commercial consideration is given for R&D, particularly from an offshore entity, that this work should be included in the tax incentive in order to maximise the R&D benefits to New Zealand.
The nature of software R&D is that the cost of development is completely dominant over the cost of reproducing the software (where reproduction is digital and is virtually free). This makes it very different from R&D that yields a new product – where the product has a recurring cost every time you make another unit on the production line. This difference becomes noticeable when a software R&D project is tailored to one customer with bespoke requirements – it can drive some customers to consider paying "commercial consideration" for the R&D activity, and then expecting to license the software for free. We believe that R&D that receives full or partial commercial consideration should be eligible for the tax incentive.
Overall a customer is paying for value that will arise out of an R&D activity, whether that R&D is amortised into product pricing or paid up front as commercial consideration should not be material when considering the benefits of having that R&D conducted in New Zealand.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

This definition is mostly reasonable, but the terms "scientific method" and "scientific and technological uncertainty" are not applicable to most software R&D. We propose that you omit these two phrases.
Adding the word "software" into the list "materials, products, devices, processes, or services" would clarify that software is eligible as R&D.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

I can't think of any reasons. It seems fair and reasonable to allow continuity.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
No. We recommend a lower threshold – like $40k R&D expenditure, for a $5k tax incentive. Our company easily surpasses this threshold. But I can think of part time companies, or companies in their infancy that would be excluded, and yet are in particular need of assistance in those stages. s 9(2)(b)(ii) [redacted]

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

A cap is not important to our company, nor a hindrance. The existence of a cap might be interpreted negatively by companies that are very large, or that are considering growing to become very large. We recommend having no cap.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

I estimate that if the number of organisations that exceed the cap is small, then any competent minister will visit those companies and have a first-hand knowledge of their operation. This will be good for the country, and will enable rationale decision making by the minister. So I support ministerial discretion. The only downside is the possibility of an allegation of bias which tends to make ministers overly cautious.
So my recommendation – set the cap high enough that fewer than 10 organisations exceed the cap. Or have no cap.
If pre-registration was required then the process needs to be efficient and not bureaucratic. Consideration would also have to be given to organisations that might cross the cap from time to time, to make their life not overly difficult.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

We have no objections to transparency within the realm of the Government of NZ.
However we do have some concerns about publication to the general public. Our concerns relate to:
(a) Commercial sensitivity – letting our competitors know our R&D spend is a disadvantage in an internationally competitive market place.
s 9(2)(g)(ii) .

s 9(2)(g)(ii) .

Q25 Q19 Are there any other risks that need to be managed? Please describe.

s 9(2)(g)(ii)

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

For the growth grant we have not employed an agent, but we have employed Ernst & Young as auditors, on a “flat-fee” basis. I recommend that any auditor working on a flat-fee basis should not be subject to penalties – it was already hard enough to get EY to undertake this work and if we added penalties they might not have done so.
However, when the advisor receives a fee that increases if the R&D tax credit is increased (possibly falsely), it seems that having a penalty is a good practise for driving honesty and accuracy. Having a penalty in this case seems like a prudent protection for NZ taxpayers money.

Q27 Q21 What is the right level of information required to support a claim?

We have found the Growth Grant system to be quite workable, which is based on an annual audit from EY, or any suitable certified accountant. This overhead has been manageable and has appeared to provide Callaghan Innovation with the required level of assurance.
If the level of information is increased then it will become a barrier and disincentive to the scheme.
I have previously been involved with Callaghan Innovation audits where agents of Callaghan Innovation visited my company and conducted face to face audits. I think that the audit process is a good tool for encouraging organisations to “do the right thing”, as it gives them a perceivable risk of being caught if they violate the rules.
Lastly, having advisors from either Callaghan Innovation or IRD or both who are available to assist organisations would be hugely beneficial. We recommend having a dedicated team of specialist advisors who are intimately familiar with the R&D tax incentive.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Our company uses accounting systems that align with our international organisation. We do not have any easy way of changing this to match the IRD’s preferred systems so we will almost certainly submit claims manually.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Annual audits by well establish accounting firms have worked well for us with the Growth Grant. I believe that audits by Callaghan Innovation were also successful (though not frequent enough in my experience). Having an “IRD audit” is a phrase that might engender fear in some organisations, but if you used an agent to perform it for you, that might take the fear factor away and still provide a good measure of assurance of integrity.
The IRD presently perform “R&D reasonableness reviews”. This could be a good tool for verifying the integrity of the R&D tax incentive claims.

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

We are part of a multi-national company, with reach into an international customer base, international R&D projects, and our NZ based R&D team is part of a global R&D resource available within the worldwide organisation. In the past we have been successful in bringing R&D projects into NZ, and employing New Zealanders to perform the R&D. In the last 4 years a Growth Grant has greatly boosted this effort and has led to additional New Zealand based R&D, and additional New Zealanders being employed by us. That is to say, we have persuaded our corporate management of the advantages of doing extra R&D in New Zealand; with the Growth Grant being a key motivator.

In the future we are seeking to bring more and more R&D into New Zealand, and we look to leverage any advantage we can get to achieve this. We presently employ over 50 R&D staff in Auckland and are keen to employ more. We also generate business within a New Zealand supplier base as a second order benefit of our R&D.

We note that the value of the growth grant is 20% of eligible R&D where the tax incentive is 12.5%. This is a notable reduction – if there are further reductions (e.g. considering prototype materials to be ineligible) then this effect will be compounded, and it reduces the effectiveness of our campaigning (within our multi-national organisation) to bring R&D work into New Zealand.

s 9(2)(b)(ii) [redacted]

Our international competitors enjoy tax advantages from their host Governments also, thus the growth grant and R&D Tax Incentive are greatly appreciated measures for us as it helps to create a level playing field for us, to allow us to be internationally competitive. We would be concerned to lose the benefit of a level playing field if we get no tax advantage of any measure (e.g., by not resolving the situation where an organisation is in a tax loss situation).

#26

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 31, 2018 11:57:32 AM
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Time Spent:	03:54:47
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Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**PredictHQ Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **2 to less than 6 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **6 - 9**

Q5 (v) What industry sector does your business operate in? **J Information media &**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2015**
R&D Growth Grant	**2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
R&D Tax Credit

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

In favour of moving away from the NZ IAS 38 standard.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Respondent skipped this question

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Increased compliance cost from having to prove anticipation of a material advance in science or technology.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Ideally one set of exclusions to reduce the cost of compliance.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

This will either increase the compliance cost or reduce the incentive to follow through on R&D.

Given New Zealand's relatively small company size's there is less separation of duties and project specific teams. This creates a significant portion of Dual purpose activities. For instance in a new development a Customer Success team may work closely with a customer who is using a MVP to see how they are implementing the product, what problems they are facing and use this information to work with Developers to expand the R&D of the product which could take between 10-40% of their time. This has the focus of building customer relationships, but is a short-term cost which has a significant impact on successful R&D.

If dual purpose activities were excluded this would not be eligible for funding or require such a significant compliance cost that it is not worthwhile. Given NZ's relatively high cost of labour this also holds the risk that customer service rolls become more attractive to house outside NZ.

Specifically the decision: Do I hire x Dual Purpose Customer service employees in NZ, or outsource/place somewhere else. Bringing onto payroll in NZ will have the advantage that they would help serve the R&D process, which the credit is focusing on encouraging.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Provides relative simplicity and compliance risk, plus also increases the attractiveness of the scheme outside Auckland (as proportionately the credit would represent a higher portion of the actual overheads).

Reduces manipulation risks.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Proportionately the commercial consideration may be a fraction of the R&D cost. If a company sells a MVP to a customer for $10k a year, but needs to spend $1M to develop and expand this product. A flat commercial consideration rule would block this. Realistically the commercial consideration is an indicator that the problem merits scientific advancement, but the risk remains.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Quality control, in early development stages, could often be classified as a core activity as required as part of the scientific process. Specifically the Quality control aspect when a product is in MVP stage is predominately about understanding the effects of changes to the product and implementing developments based on this understanding.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

If there is no ability to cash out the tax credits in a loss making position if continuity rules come into play this brings in an outcome that any and all tax credits will be removed if continuity is not meet at a subsequent date. This would require any company looking for funding to ensure they are aware, and plan for, this risk. Given the tax credits goal of wanting to advance R&D funding in New Zealand presenting a risk that all of the tax credits could be removed significantly reduces the incentive to put investment in NZ ahead of investment in other countries. Specifically if there is a risk that the tax credit will disappear for something that may or may not happen in the future the impact it has on decisions is dramatically reduced so would have less impact on spending decisions.

Given the R&D investment would have already occurred this would be a counter intuitive position.

Q21 Q15 Is the minimum threshold set at the right level?

Yes,
If 'no', please provide further details.:
Presumably cost/benefit analysis has been done on this, i.e. each claim costs IRD/customer $x to process.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Cap is essential to provide a focus for the scheme. Concern that providing a mechanism to go beyond this will create a position where a few large companies dictate the availability of funds for the remainder of the scheme.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Having a set amount of funding that ministers had discretion on above a cap limit. Specifically to address the issue that Ministers could allocate funding to a handful of companies and put pressure on claims which would have otherwise been accepted to be denied or reduced.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Names & Recipients with two year lag sounds fair.

Taxpayer specific information creates a Significant increase in privacy risk. Given the commercial sensitivity of most R&D projects and suppliers/customers/partners involved providing detailed information to multiple government departments would likely create situations where companies are in breach of their confidentiality/privacy requirements, or the information has to become too generalized and non-specific to be overly useful. Given the scope of this risk it could present a barrier to application. If attributable information is to be passed between departments clear information need to be defined as to what exact information can be passed.

Specifically this has the potential for companies with European/US customers to be pressured to not utilize the scheme, or invest outside NZ as sending confidential information to three government departments with their own motivations is too much of a security risk.

Information going to Stat's NZ. Dependent on information. Again significant privacy risk given sensitivity of R&D projects.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Uncertainty in the scheme. The proposed scheme has presented a position where one scheme will be removed and another unknown scheme will put implemented, which given it is a new scheme will have a settling in period of a few years.

This risks companies deferring R&D spending until certainty is provided. Or planning on a worse case scenario resulting in less R&D and job creation in NZ.

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Standard penalties on the Tax Administration Act would apply, bearing in mind the overall tax base represents an area of manipulation multiple times larger than an R&D tax credit it would seem overly complex to create additional penalties for a sub-tax credit without applying that same logic to an overall tax advisory service.

If officials are concerned of tax advisory fraud this would already catch bad-actors. If the concern is that bad actors would be more aggressive with their classifications then this would result in a clearer list of submissions from no-win no-fee advisers requiring more detailed scrutiny.

The major risk would be that these bad actors represent a small minority of advisers. Any additional penalties put forth with this scheme would require all advisers to both increase their insurance coverage, and increase board/director sign-offs to mitigate their risks. Both of which will increase the cost and complexity for companies.

Q27 Q21 What is the right level of information required to support a claim?

Agreement on advisory fees.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Given the reduced reporting requirement the benefit of spending time and money providing third party software would be expected to be minimal.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

The major concerns are that the proposed scheme adds a significant level of uncertainty into NZ's support of R&D in NZ. This is creating a position where currently it is difficult to rely on NZ's commitment to R&D spending when support is being removed and an undecided scheme may come into play. Business decisions need to factor this risk into play.

The value for R&D spending is going down, from 20% pre-tax to 12.5%. Given NZ's high corporate tax rate this reduces the attractiveness of R&D investment in NZ. Coupled with a relatively restricted talent pool, and market size, NZ already faces difficulties attracting R&D investment. It is unclear how this scheme would increase R&D spending and specifically create more R&D jobs in NZ.

The current R&D support provides much needed funding and support for companies in a cash loss position. Given the frequency of this scenario for high growth firms this is not providing confidence that the NZ government will support R&D in NZ. While there is discussion that this may change the fact that even the basics of how this will be managed has been provided is a major concern.

The inability to gain any advantage until profitability is reached coupled with a risk of continuity rules taking any tax credit away significantly reduce the weight this R&D scheme can have when firms are deciding if they should invest in NZ R&D. It is difficult to see how this scheme, as it currently stands, will result in more R&D spending in NZ.

#27

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 31, 2018 1:58:41 PM
Last Modified:	Thursday, May 31, 2018 4:02:09 PM
Time Spent:	02:03:27
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: — **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**The FoodBowl, NZ Food Innovation Auckland.**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? — **6 to less than 10 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. — **10 - 19**

Q5 (v) What industry sector does your business operate in? — **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant? — **Respondent skipped this question**

Q7 (vii) Has your organisation ever received any other R&D government support? — **Yes,**

If yes, please specify names of grant(s)/support.:
The FoodBowl is a food and beverage innovation center that enables product and process development and commercialisation for F&B companies by providing the technology and expertise. Callaghan Innovation provides funding to The FoodBowl.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

For a robust innovation eco-system with NZ businesses undertaking R&D, the government entities that enable companies to do R&D need to collaborate with everyone taking a long term view of initiatives like the Food Innovation Network and funding them properly.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Will Food Science and Food and beverage trial work be classified as using 'scientific methods' to advance (food) science or technology?
We may need a broader and less prescriptive definition of R&D for the Food Industry.
It's important to understand where innovation fits in here - will innovation be classed as a support activity in (b)?
The science used by most food companies is not new, but how the existing science is applied to develop new products always involves technological uncertainty. NZ's food industry will ultimately succeed and grow due to innovation in the technology used, provenance, packaging and formulation based on great tasting NZ raw materials. This innovation needs support, winning innovations don't need to involve science, but they always involve technological uncertainty.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

The definition of Core activities will not embrace the type of New Product Development work that drives the vast majority of innovation in the Food Industry. The majority of Food Industry R&D is about adapting and applying existing knowledge, science and equipment, ingredient and packaging technology to launch new products. If the Government wants to support New Product Development in the NZ Food Industry, the definition needs to broadened.
For example, every time a new product is developed, there is a huge amount of technological uncertainty to be resolved, including; Microbiological stability over the required shelf life, Flavour & colour & textural stability over the required shelf life, Food Safety, Ingredient & nutritional composition to achieve required label claims, Taste profile & how the product performs in customer applications, The choice of packaging will impact on all of the above and will play a key role in consumer perception.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

The Food Industry does not strictly follow "The Scientific Method" when developing new products to launch to market. Rather the food industry uses R&D from other sectors, eg equipment suppliers, to innovate and launch new products. Radical R&D of brand new food products in rare, consumers tend to stick to the foods they know, rather than try something totally different. In the food industry rather new equipment and ingredients are combined with advances in packaging technology to make new food products.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

This would appear to rule out any support for the food industry other than at the pure science level which CRI's undertake. The exception may be a multinational company like Fonterra with its own NZ based R&D centre. New food products that will be excellent export earners for NZ do not advance science or technology, but rather use those advances in science and technology to produce food products to export.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

For the food industry most activities fall under support activities. "Scientific methods" in part (a) needs defining.
This point is importanmt for food industry and should not be excluded: "pre-production activities, such as demonstration of commercial viability,
tooling-up and trial runs."

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
The minimum threshold is high and will mean start up businesses will miss out, do they need an incentive to conduct R&D as well? The Foodbowl is ideally placed to qualify as an "Approved Research Provider" in order to assist small companies with less than $100k turnover. As the food industry does not fit neatly into the definitions above there is a case to fund the Food Innovation Network FIN to enable innovation in the food industry. This needs to be a collaborative approach. The overarching goal is to build large successful NZ companies, and undertaking R&D is one part of this. NZ needs a co-ordinated approach to transition our companies from 95% small companies with less than 3 employees to large ones who are intent on exporting and will therefore provide better economic development opportunities for NZ and quality jobs. Enabling export channels is likely to make a big difference for NZ companies.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Will attracting large R&D intensive firms to NZ result in large benefits to NZ? There is the potential for some spill over of work in adjacent / feeder industries and spill over of employees moving from these international firms to NZ firms and taking their knowledge with them - but are these benefits being overstated?
Do we rather need to make sure NZ is developing more companies of a larger size, bigger than 3 people. Governments in countries like Denmark have done this successfully by incentivising companies to collaborate decades ago and could be investigated as a model for NZ.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Pre-registration is a good idea.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

I agree the recipients and amount of R&D support should be made available to the NZ public as it is tax payer money.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Respondent skipped this question

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Yes,** Contact details: s 9(2)(a)
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	**Respondent skipped this question**

#32

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 31, 2018 5:02:27 PM
Last Modified:	Thursday, May 31, 2018 5:18:39 PM
Time Spent:	00:16:12
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: — **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Rocketspark Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? — **6 to less than 10 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. — **10 - 19**

Q5 (v) What industry sector does your business operate in? — **J Information media &**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant? — **Respondent skipped this question**

Q7 (vii) Has your organisation ever received any other R&D government support? — **No,**

If yes, please specify names of grant(s)/support.:
We've been approved for a growth grant for the period commencing 1 April 2018.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Unsure.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The current definition of innovation is geared more towards brand new innovation. However, in our sector as a software as a service (SAAS) provider the innovation is often about small incremental improvements over time. A great well known example of this approach is Xero. As a former accountant I used a product, which in its basic form is very similar to Xero 20 years ago but what Xero has done is take that idea and significantly improve the user experience through a process of constant improvement and release of updates.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

In our sector it is common practice to launch a minimum viable product (MVP) to test the market and then build on the deep insights gleaned and develop the full commercial version of a product. Often the intensive R&D comes after the MVP is launched but a strict interpretation of the definition would exclude the ongoing refinement as R&D as the product has been commercially launched.

Also, the complex nature of software means that software may be launched with unknown bugs which need to be fixed. The software may also be launched with known bugs which have limited impact such as they may occur only in a unique sequence of events but a calculated risk is taken to launch the service as the majority of people will benefit from the new feature. The bug fixing is typically undertaken by the same R&D team that developed the solution as is a key component of success in a SAAS model but under the current interpretation bug fixing is excluded.

In our sector the best developments come from a deep insight of the problems the target customer faces. By truly understanding the problems to solve we are able to develop market leading solutions. Therefore, market research is a key component of Research and Development but is currently excluded.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

As per question 3 the definition is not well suited to SAAS models due to:
- The solutions are not often completely new ideas - they are just executed better
- The ongoing refinement of the software being a key element of success
- Bug fixing being excluded even though it is the same R&D team resource required and a key component of success

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Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

It would appear that a materiality test would exclude many of the growing SAAS businesses in New Zealand. Rocketspark's website builder software is not a new concept but it is the easiest to use which makes the technology more accessible to small business owners. Through this strength we're growing a successful business which is creating new jobs, generating export income and helping businesses to be more successful. It's important to understand also that to compete in this sector we needed to develop core functionality that was not particularly novel. Now that we've developed the core functionality to be competitive we're able to progress into truly novel developments that automate important processes for small business owners.

Similarly at a much larger scale, Xero through its early years had been a me-too product but executed in a better way that delights its users. Now that Xero has the core bookkeeping functionality in place they are moving into areas of true innovation with artificial intelligence and harnessing the great volumes of data they process.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

As covered above the definitions of R&D do not cater well to the nature of developing a SAAS business.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Understanding the behaviour of people is a key component of developing digital services. Often it is the gathering and interpretation of deep insight that leads to innovative evolutions of existing products.

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

In SAAS business it is often the same team members who do the R&D and maintain the solution on an ongoing basis so from a practical business sense the funding needs to be sufficient to enable the creation of full time roles. As the developers will switch between working on new projects and supporting existing projects it is a time consuming administrative exercise to account for the different activities.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Labour is our biggest R&D cost but there are also significant other ongoing costs such as the development software tools that the R&D team need to complete their projects and the physical space the developers occupy. Often the software is purchased on a per user basis.

Also, as our R&D team increases we need more space to locate them which leads to higher rent costs which is a cost directly related to R&D.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

As a small and growing business our most valuable resource is time. If we can minimise the time taken to analyse and model overhead costs that would be a valuable time saving on administration. A simple formula would also reduce the accounting cost if you have externally prepared calculations.

The percentage will vary significantly between different business types so it wouldn't be practical to set a fixed percentage. At Rocketspark the percentage of non-labour R&D costs was calculated at 17% of total R&D for our growth grant application.

Practical middle ground options could be:
- A business does an initial detailed review of overhead costs to set a percentage which is then used ongoing
- IRD develop a table of overhead cost percentages for different industries

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Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

If a businesses is being paid to undertake R&D on a paid contract basis it doesn't make sense for that to be eligible R&D as their costs will be covered by the payment they receive for the work undertaken.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Include:
- Allow for the iterative nature of software development as R&D
- Recognise bug fixing as a key element of R&D
- Allow for market research and the follow up development of MVP products as R&D

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

The tax credits should be available to be carried forward. It would be important to retain the value of the credit generated while in a loss making situation. The ability to carry forward will also make a venture more attractive for securing further investment.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
The $100,000 value seems suitable. What is doesn't take into account though is the fact that often software startup founders will forego a salary while developing a commercial proposition. Rocketspark was started by four founders and the foregone remuneration would have easily exceeded the $100,000 of eligible R&D yet we'd have no actual labour cost showing in our P&L to be eligible.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

A cap is important to ensure the value is available to those that most benefit without undermining the tax revenue for Government which could be well utilised to support start up businesses. Having worked at larger well funded organisations undertaking R&D I have seen first hand that they will undertake significant R&D projects with or without the access to Government funding.

Having a mechanism to go beyond the cap is sensible so that each situation can be assessed on its merits.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Financial reports. Can be audited on an exception basis for anomalies.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

This would be good to minimise admin time.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

It should similar to the approach for paying tax. There is an element of trust by IRD but you know that you could be audited to show evidence and face solid penalties for any breaches just as in tax avoidance.

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Remember the little guys doing innovative things rather than just developing solutions for profitable firms.

#25

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 31, 2018 5:18:58 PM
Last Modified:	Thursday, May 31, 2018 5:23:15 PM
Time Spent:	00:04:17
IP Address:	s 9(2)(a)

Page 2

Q1 (i) For individuals	**Respondent skipped this question**
Q2 (ii) For organisations	
Name of organisation	**Rocketspark Limited**
Contact person name	s 9(2)(a)
Position	
Q3 (iii) How long has your business been operating in New Zealand?	**6 to less than 10 years**
Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand? Please include full-time and part-time employees but do not include contractors or the business owners.	**10 – 19**
Q5 (v) What industry sector does your business operate in?	**Information media &**
Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?	**Respondent skipped this question**
Q7 (vii) Has your organisation ever received any other R&D government support?	**No,** If yes, please specify names of grant(s)/support.: We've qualified for a Growth Grant for the period commencing 1 April 2018. First invoice to be raised and paid in July 2018.
Q8 How likely is it that your organisation will be in a position to use the full amount of an R&D tax credit in the 2019/20 tax year? (Note, to use the full amount of a R&D tax credit in a given year, your business' tax liability needs to be at least as large of the R&D tax credit you are entitled to claim.)	**Very unlikely**

Q9 How much R&D does your organisation expect to carry out in the coming year? s 9(2)(b)(ii)

Page 3: Responses to questions in the consultation document

Q10 Q1 What impact will the proposed transition arrangements have on your business? For example, your cash-flow or internal reporting mechanisms? Please describe.

Rocketspark is a cloud based software platform that enables non technical people to create their own website. Our business is a subscription model whereby customers pay monthly or annually to use our service.

Rocketspark was awarded a Growth Grant in May 2018. The process of obtaining the grant was a costly exercise but was undertaken with a view that the longer term benefit of a three year growth grant with the option to extend for two further years would justify the initial setup cost.

Growth Grant application costs were incurred of $22,100 which was a significant spend for:
- Financial accounts prepared by an independent accountant
- Financial modelling support by accountant to calculate qualifying R&D
- Review certificate prepared by independent auditor

The potential growth grant benefit in Year 1 will be approximately $80,000 so while we will recoup the costs it was a significant upfront cost to absorb with no certainty of being successful. The preparation of the application was a time consuming process but the time was seen as a good investment due to the likely support for 3 - 5 years.

Like many software as a service (SAAS) companies in New Zealand such as Xero, Vend, GeoOp, Timely, Unleashed and many more, Rocketspark is focussed on creating a platform for long term growth and we have foregone short term profits while building this platform. As a self funded startup, when we have become close to profitability we have used the available cash flow to increase the size of the team to accelerate our development and business plans. This approach to growth has meant that we have not generated a profit and we envisage that we would continue to grow Rocketspark in this manner for the next three years. Therefore, we will not generate a profit and the proposed scheme is of little value.

In terms of where Government funding would appear to be well used Rocketspark ticks key boxes. Rocketspark is reinvesting for growth, creating jobs and generating export revenue. Within our current team of thirteen people, five of the team joined Rocketspark upon completing their university studies. Currently 30% of our revenue is generated offshore and this percentage is increasing.

The nature of SAAS is that R and D is often a process of continual development of small innovative features which in their own right don't warrant the effort of a project grant nor fit the expertise obtained under a graduate grant and therefore the remaining grant options available to Callaghan are not well suited to SAAS even though SAAS business are a great exporter for New Zealand.

In summary:
- We entered into the Growth Grant programme and incurred the cost with a view of a longer term benefit
- As a loss making entity an R and D tax credit does not provide the cashflow that a grant provide to accelerate Rocketspark's rate of development

Q11 Q2 What do you believe to be a necessary transitional period? Please explain the reasons why this is necessary for your business?

The transitional period should cover the period of the original growth grant contract entered into so that the costs and effort of applying can be sufficiently recouped

We completed the application and incurred the costs with a belief that the period of the contract covered would be honoured. In a commercial setting contract terms are honoured and its important that government programmes are just as trustworthy

Q12 Q3 What impact will the proposed transition arrangements have on your R&D programme over the next few years?

The transition from a growth grant to R&D tax credits will eliminate the growth of the 1 R&D FTE per year forecasted in our Growth Grant application. We've identified some unique opportunities in our sector that large international competitors have not yet developed and the Growth Grant funding would have enabled us to accelerate our R&D programme with a compounding return.

As a breakeven entity the tax credit will provide no value.

Q13 Q4 Please provide any other comments about the proposed transition arrangements.

The opportunity for New Zealand in the area of SAAS business models is significant. The geographical isolation of New Zealand does not impact on our ability to compete internationally and as a cloud based product.

It feels the proposed R&D tax credit programme is geared towards more traditional businesses that are already profitable and likely to be manufacturing organisations.

Q14 Q5 For businesses in tax loss, what impact will the proposed temporary grant have on your business during the transition process? Please describe.

We are not 100% clear on how the temporary grant scheme will mirror the R&D tax incentive but assume the mirroring will be a grant of 12.5% of R&D and provided until 31 March 2020. If this assumption is correct our ability to hire more R&D team members would be delayed due to the reduction in funding from 20% to 12.5%. When employing new R&D team members we want to provide certainty of employment with a long term view and sufficient grant funds will need to accumulate before further roles are created.

#18

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Friday, April 20, 2018 4:22:14 PM
Last Modified:	Friday, April 20, 2018 4:28:37 PM
Time Spent:	00:06:22
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)

Q2 (ii) For organisations:

Name of organisation	**Olson Software Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

1 - 5

Q5 (v) What industry sector does your business operate in?

J Information media &

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
Help to employ a student years ago for research

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

No difference

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Respondent skipped this question

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Respondent skipped this question

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Respondent skipped this question

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Respondent skipped this question

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Respondent skipped this question

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Respondent skipped this question

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

PLEASE PLEASE do not do this. We create a more complicated tax system. Please just reduce the company and social personal tax rate which creates more flexibility on what businesses do. Trying to define R&D and then claim tax credits will just create bureaucratic costs for businesses. It is better to let businesses spend their money as they see fit. This is a VERY bad idea.

#19

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Friday, April 20, 2018 4:30:01 PM
Last Modified:	Friday, April 20, 2018 4:34:40 PM
Time Spent:	00:04:39
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	**Kevin Veale**
Email address	s 9(2)(a)

Q2 (ii) For organisations: **Respondent skipped this question**

Q3 (iii) How long has your business been operating in New Zealand? **Respondent skipped this question**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **Respondent skipped this question**

Q5 (v) What industry sector does your business operate in? **Respondent skipped this question**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant? **Respondent skipped this question**

Q7 (vii) Has your organisation ever received any other R&D government support? **Respondent skipped this question**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand? **Respondent skipped this question**

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Organisations can get just as much benefit from including social sciences, arts and humanities-based research in their R&D as they can from ‘scientific methods’.

For example, the NZ Film and Literature Classification Office is currently developing tools for teaching media literacy to fill gaps in how society engages with the media at the moment. That wouldn't be possible using purely quantitative analysis.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Organisations can get just as much benefit from including social sciences, arts and humanities-based research in their R&D as they can from ‘scientific methods’.

For example, the NZ Film and Literature Classification Office is currently developing tools for teaching media literacy to fill gaps in how society engages with the media at the moment. That wouldn't be possible using purely quantitative analysis.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?	**Respondent skipped this question**
Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.	**Respondent skipped this question**
Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?	**Respondent skipped this question**
Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.	**Respondent skipped this question**
Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.	**Respondent skipped this question**
Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.	**Respondent skipped this question**
Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?	Respondent skipped this question
Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	Respondent skipped this question
Q21 Q15 Is the minimum threshold set at the right level?	Respondent skipped this question
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	Respondent skipped this question
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	Respondent skipped this question
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	Respondent skipped this question
Q25 Q19 Are there any other risks that need to be managed? Please describe.	Respondent skipped this question
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	Respondent skipped this question
Q27 Q21 What is the right level of information required to support a claim?	Respondent skipped this question
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	Respondent skipped this question
Q29 Q23 What integrity measures do you think Inland Revenue should use?	Respondent skipped this question
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	Respondent skipped this question
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	Respondent skipped this question

#22

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Saturday, April 21, 2018 4:46:15 PM
Last Modified:	Saturday, April 21, 2018 6:57:37 PM
Time Spent:	02:11:22
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**Flow2b Limitted**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

Less than 2 years

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

No employees

Q5 (v) What industry sector does your business operate in?

M Professional, scientific, & technical

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

Respondent skipped this question

Q7 (vii) Has your organisation ever received any other R&D government support?

Respondent skipped this question

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

There should be no exception otherwise competition will not be fair. Private business will have the advantage in this case.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Scientific methods are not always applied for R&D. It's also not clear and definition of all eligible methods should be given.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Yes, mentioned in Q4

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Development of a new software product is R&D and can be very beneficial for NZ economy but scientific methods are not usually applied.

Any other engineering activities are not eligible in this case as well. Development of a new aeroplane, car etc. Engineering methods are used, not scientific.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

It's hard to prove and investigate and controversial in many cases.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

There is no field for Q6: It's fine

I don't see any reasons.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

I do not have examples

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

A better definition should be given. Most activities can be considered as dual purpose. R&D is never a final purpose of the business but money is. So if some activity is done along with R&D to earn some money, it will not be eligible. It's very hard to track and prove.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

It's easy to document and will cover well most R&D nowadays but not all.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

It's too complicated in both ways, too expensive to calculate. It's almost the same as to increase the tax credit on some percent.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

It depends what's the purpose of the tax credit. If it's to increase the percent of R&D made in NZ, then the tax credit should be given.

But if the purpose is to increase the percent of R&D made by NZ companies so that the NZ companies would own the results of R&D, then the tax credit should not be given. However, why there is the limitation then that R&D should be done in New Zealand then?

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Software development is not scientific at all. Software testing does not seem to be eligible for the criteria.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

This law is anyway completely useless for startups. It's a tax credit. Startup starts to make a profit and pay dividends only when they actually already do not need this credit and money. Additionally, the initial expenses will be quite low compared with their future profits. But the probability that these profits even happen is very low. So a startup will never see the money or will not notice them.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
There should be no minimum threshold. R&D can be done by the business owners with no or very low salary paid to them.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

120mln R&D is usually not an R&D but just tax avoidance. It should be lower.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

This mechanism is an incentive for corruption. It should not exist.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

The current numbers are just incorrect because there was no reason to declare an R&D activity.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Larger companies will have much more incentives than smaller companies to apply for the tax credit because the smaller companies will have no taxable income but rather losses. The larger companies have more resources to comply with the rules and get as much as possible from this. Whether an activity is R&D or not will be always controvertial but larger companies will have better lawyers to prove it.

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

No

Q27 Q21 What is the right level of information required to support a claim?

As low as possible. Otherwise, it will be too expensive to prepare the documents.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

It's not very important

Q29 Q23 What integrity measures do you think Inland Revenue should use?

There is no way to check it. Even with a manual check, it's rarely possible.

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Startups are doing most valuable R&D because they can create something large from nothing and it will be really something new. And they have no income and desperately need money to do this.

Large companies are doing some R&D, but it's rather improvements and it has less value. Additionally, they have money to do this and they are doing it. I cannot see why this law makes them do it more. They will just claim what they are already doing and increase their dividends.

Abolition of the growth grant is a real problem here. It could allow startups to start to grow globally. But this tax credit cannot help a growing company because if a company grows actively it spends all its money and there is no taxable income.

When there is a first taxable income, this company is already established and risks are gone and there is no need for the tax credit.

So overall both changes will harm startups and New Zealand economy.

In my opinion, the growth grant should stay but only startups should be eligible for it.

#24

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, April 23, 2018 9:41:08 AM
Last Modified:	Monday, April 23, 2018 10:16:08 AM
Time Spent:	00:35:00
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**Simpro Handling Equipment**
Position	s 9(2)(a)

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

10 - 19

Q5 (v) What industry sector does your business operate in?

C Manufacturing

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support?

No,
If yes, please specify names of grant(s)/support.:
Not in the last 10 years at least.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?	**Respondent skipped this question**
Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?	**Respondent skipped this question**
Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?	**Respondent skipped this question**
Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?	**Respondent skipped this question**
Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?	**Respondent skipped this question**
Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.	**Respondent skipped this question**
Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?	**Respondent skipped this question**
Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.	**Respondent skipped this question**
Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.	**Respondent skipped this question**
Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.	**Respondent skipped this question**
Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?	Respondent skipped this question
Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	Respondent skipped this question
Q21 Q15 Is the minimum threshold set at the right level?	Respondent skipped this question
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	Respondent skipped this question
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	Respondent skipped this question
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Tangible benefits must come out of R&D for the NZ tax payer. the only real way to measure that there are benefits is whether the company is making Net Profit. I think the R&D grant should be tied to a % of NP

Q26 Q20 Are there risks with extending penalties to external advisors in this way?	Respondent skipped this question
Q27 Q21 What is the right level of information required to support a claim?	Respondent skipped this question
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	Respondent skipped this question
Q29 Q23 What integrity measures do you think Inland Revenue should use?	Respondent skipped this question
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	Respondent skipped this question
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	Respondent skipped this question

#25

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, April 26, 2018 8:21:08 AM
Last Modified: Thursday, April 26, 2018 9:07:14 AM
Time Spent: 00:46:06
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**Horizon Global (NZ) Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? — **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. — **100 or more**

Q5 (v) What industry sector does your business operate in? — **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2012, 2013, 2014, 2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support? — **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? — **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?	**Respondent skipped this question**
Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?	**Respondent skipped this question**
Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?	**Respondent skipped this question**
Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?	**Respondent skipped this question**
Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.	**Respondent skipped this question**
Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?	**Respondent skipped this question**
Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.	**Respondent skipped this question**
Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.	**Respondent skipped this question**
Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.	**Respondent skipped this question**
Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**
Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?	**Respondent skipped this question**
Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	**Respondent skipped this question**

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
The $100,000 threshold encourages one senior staff member's role to be redefined as R&D in nature. This will allow many small companies the ability to exploit access to tax incentives where their activities are not R&D by definition. Equally IRD will not investigate R&D claims for 12.5% of $100,000 which will result in the dilution of funding across companies that have no R&D activities.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

The R&D Activity must be reviewed on site with the R&D Manager before the IRD can agree to contractually administer a claim. I am deeply concerned that the IRD will not review an applicant that claims 12.5% of $100,000

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

The R&D Activity must be reviewed on site with the R&D Manager before the IRD can agree to contractually administer a claim. I am deeply concerned that the IRD will not review an applicant that claims 12.5% of $100,000

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

With dilution of funding across businesses that will now claim they undertake R&D Activities with no risk of assessment by the IRD and the cancellation of the 20% Growth Grant, our business will reduce R&D Activities by transferring all R&D work off-shore. This will result in the loss of 17 FTE positions. To preserve R&D Activities within New Zealand, the Labour Party must consider a much broader approach to the effect these changes will have on the current Growth Grant recipients. What targeted R&D support can the Labour government provide to businesses that have geared themselves to the current R&D Growth Grant at 20% and who genuinely contribute to the NZ economy? What study has the Labour government undertaken to review the cancellation of the 20% Growth Grant and how this will affect retention of R&D staff within NZ? As a significant employer in the R&D sector I haven't been contacted. Our business will not wait to learn how this legislation will negatively gear our R&D Activities, it is anticipating the loss and gearing itself appropriately.

#27

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Sunday, April 29, 2018 12:46:49 PM
Last Modified:	Sunday, April 29, 2018 4:56:18 PM
Time Spent:	04:09:29
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations: **Respondent skipped this question**

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **100 or more**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2014, 2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
GPSRD in ~2003

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

It may fit with many industries but it doesn't fit well with our biggest industry, the food industry. The science used by most food companies is not new, but how the existing science it is applied to develop new products always involves technological uncertainty. NZ's food industry will ultimately succeed and grow due to innovation in story telling, provenance, packaging and formulation based on great tasting NZ raw materials. This innovation needs support, even though it seldom requires new science.

Innovation is defined in the eye of the consumer, and winning innovations don't need to involve science, but they always involve technological uncertainty.

We propose a less prescriptive definition of R&D for the Food Industry. Either the definition of Core activities is edited, i.e. Core activities; Those conducted for the purposes of acquiring new knowledge or creating new or improved materials, products, devices, processes, or services through the resolution of scientific or technological uncertainty.

OR, a less succinct but broader definition is developed, and the suggested definition below draws on the definition in FRS-13 which we found to be workable under the Growth Grant Scheme;
- All work researching new scientific knowledge , new technologies and new understanding
- All development work defined as; the application of knowledge to designing the production of new or substantially new or substantially improved products and processes prior to the commencement of commercial production
- All work searching for new research findings or other knowledge
- Formulation and design of possible new or improved product or process alternatives
- Testing in search of product or process alternatives
- Evaluation of product or process alternatives
- R&D excludes on-going routine efforts to refine an existing product or process or remove incremental cost or incrementally adapt or improve on the qualities of an existing product or process as part of on-going commercial manufacture and supply

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Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

As mentioned above, I am not sure that the definition of Core activities above will embrace the type of New Product Development work that drives the vast majority of innovation in the Food Industry.

At Barkers, we employ approx. 10 Food Technologists and associated support staff and we are regarded as one of NZ's more innovative food companies. But over our 49 years of growth (Turnover ~$60m) we have never developed or introduced a "new" science or technology. But we have adapted and applied existing knowledge, science and technology to launch numerous new and innovative products, and this is reflected in our heavy investment in people to drive our New Product Development program. If you want to support New Product Development in the NZ Food Industry, I suggest this definition needs to broadened.

For example, every time a new product is developed, there is a huge amount of technological uncertainty to be resolved by the team, including; Microbiological stability over the required shelf life, Flavour & colour & textural stability over the required shelf life, Food Safety, Ingredient & nutritional composition to achieve required label claims, Taste profile & how the product performs in customer applications, The choice of packaging will impact on all of the above and will play a key role in consumer perception.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

In my experience the Food Industry does not follow "The Scientific Method" when developing new products to launch to market.

The process usually starts with consumer empathy work which leads to insights which eventually leads to a NPD brief and then the development work starts and follows a Stage Gate type process so only projects than can pass all the "gates" will be launched. Sometimes a Chef will develop a "Gold Standard" which the Food Technologist will attempt to match in the factory using commercial ingredients and processes. A new packaging format may have been chosen or a new natural sweetener chosen to reduce sugar content. Achieving all the requirements specified in the brief is always challenging and typically involves lengthy searches for new ingredients and factory trials and testing. New process or packaging plant may need to be specified and searched for internationally. Installing that new kit and commissioning takes time and a lot of product is consumed and dumped in trials. Food regulations need to be studied for compliance (each country has its own regulations) and labels need to be developed and tested to ensure they tell the story and resonate with consumers. I'm not sure if this qualifies as a scientific method, but it is broadly speaking the process that is followed. Within this process there will be various technological issues that need to be overcome and the technologist will use a logical process (not unlike a scientific method) to background the issue and set up a range of trials to find the best solution.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

This would appear to rule out any support for the food industry other than at the pure science level which is the domain or the CRI's etc. The exception may be a multinational company like Fonterra with its own NZ based R&D centre.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Support activities are a significant part of the development process and should be included. The development work is usually led by a Food Technologist who will require significant time input from procurement (sourcing new raw materials and ingredients from approved origins at the right price with approved quality specifications) and Process development and Engineering (to specify the new plant needed, to search for it internationally, to install & commission it and run extensive trials), Quality (to approve ingredient, raw material and final product specifications and specify in-line and end-product testing procedures, write HACCP based food safety plans, check label compliance etc, Accounting (to do costings and financial modelling to decide if the new product is financially viable), Marketing (who do the initial market research and identify the new product opportunity, then work closely with the development team to get the product to market including label development and consumer prototype testing. Significant quantities of ingredients, raw materials and packaging will also be consumed and dumped in product trials

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Labour costs are the biggest development cost, both for the core activity and for the support activity. For simplicity it could be considered, but I submit that it should only be considered if labour involved with providing support activities are included, and the definition of R&D is broadened to include product development work that addresses technological uncertainty but does not precisely follow a scientific method

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

I think it could make sense to use a percentage, for simplicity and transparency. A maximum % could be set?

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Yes

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

It must be kept as simple as possible

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

The big supermarket chains are exerting enormous pressure on suppliers for trading term concessions, especially extra rebates, more deals and deeper promotional support. To survive, it is well documented that having cut expenditure in every area of their businesses, Food Companies are also having to reduce expenditure in Innovation and consumer advertising and promotion. To survive in the three big Australasian supermarkets, Food Companies must keep innovating to keep their offer relevant and to grow their market share.
NZ companies will continue to struggle versus Australian manufacturers unless they receive strong NZ Government support. It is also very important to note that NZ's small market size is a distinct disadvantage for NZ manufacturers. Small companies struggle to ever become big companies because we cannot achieve scale in our small domestic market. NZ companies require a helping hand to reduce the risk of innovation and of exporting.

#28

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, April 30, 2018 3:10:57 PM
Last Modified:	Monday, April 30, 2018 3:44:22 PM
Time Spent:	00:33:24
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**QJumpers**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **10 - 19**

Q5 (v) What industry sector does your business operate in? **J Information media &**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
the International Connections Scheme

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Respondent skipped this question

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Not all R&D fits that definition. For example, there are many technology businesses that are started to do something better. Xero is a good example of this. There is nothing scientific in what they are doing but they are creating an excellent business that improves current processes. They receive the R&D Grant as I understand it. Our business is in the same boat. We improve current processes in the recruitment technology space

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

A lot of new technology involves doing things better or in a different way. You do not need scientific methods to do this. Even new concepts in technology do not require scientific methods - just a good idea. Vend is another great example - even their website describes this:
"It all started 6 years ago with a guy with a dream.
First point of sale to the cloud. First point of sale on the iPad. And that was just the beginning."

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

If only giving funding to "solving problems that have not already been solved" will eliminate a lot of great ideas to improve what has already been done. Apple for example did not solve a new problem - they improved technology (their operating system) so that it was much easier to use a computer and make it possible for every day people to use one.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

New innovations would not get off the ground without many of the exclusions included - especially in the support activities. Without research and market testing, you do not know if you have a new concept, idea of are solving a problem that people want solved. Without developing a proto-type, you will never get a new product launched. without patenting or IP protection, the idea will be copied and you will lose your first to market advantage. I think these should be reviewed in a way that looks at what is needed to get a new idea/product/service/technology launched.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

This sounds ludicrous. Small business does not have the resources to only focus on R&D. How would you define a developer who as part of his/her job is to build a new innovation whilst also maintaining their current system?
And how does it work when you want to integrate the new innovation into an existing system or technology?

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

This would reduce the amount of time and effort small businesses put into the spend on market research and inhibit costly new product development.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

As previously mentioned, software is often about improving processes where no scientific method is required. Example Xero. This should not apply to software

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Yes

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

I think the maximum cap is too high. Big businesses do not need as much help in R&D grants.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Transparency is good as long as it doesn't impact on a business's potential to gain first mover advantage

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Yes,** Contact details: s 9(2)(a) [redacted]
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	**Respondent skipped this question**

#29

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, April 30, 2018 2:36:59 PM
Last Modified:	Monday, April 30, 2018 3:53:07 PM
Time Spent:	01:16:08
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: — **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**KM Medical Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? — **6 to less than 10 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. — **1 - 5**

Q5 (v) What industry sector does your business operate in? — **Q Health care & social assistance**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant? — **Respondent skipped this question**

Q7 (vii) Has your organisation ever received any other R&D government support? — **Yes,**
If yes, please specify names of grant(s)/support.:
2008 R&D Grant with Uniservices

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? — **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Respondent skipped this question

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Respondent skipped this question

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Respondent skipped this question

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

The proposed exclusion of 'commercial, legal and administrative aspects of patenting, licensing or other activities' is highly inappropriate as WITHOUT IP INNOVATION AND ALL RELATED INVESTMENT IS WORTHLESS and open to theft by other, lower cost countries.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	**Respondent skipped this question**
Q21 Q15 Is the minimum threshold set at the right level?	**No,** If 'no', please provide further details.: Support should be available to those projects able to show that the proposed R&D, and their solution, will meet an international need at a qualifiable return to NZ, irrespective of any previously established R&D Expenditure.
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	**Respondent skipped this question**
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	**Respondent skipped this question**
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	**Respondent skipped this question**
Q25 Q19 Are there any other risks that need to be managed? Please describe.	**Respondent skipped this question**
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	**Respondent skipped this question**
Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Yes,** Contact details: s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Distruptive technology or 'Black Swans' are often from Start-Ups. Vinod Khosla https://www.khoslaventures.com/
Please see Antithisis of incumbents
https://www.youtube.com/watch?v=acYpBO7yev0

#32

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 07, 2018 8:24:47 AM
Last Modified:	Monday, May 07, 2018 9:52:09 AM
Time Spent:	01:27:22
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Visuallex Sport International Ltd (VX SPORT)**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **6 - 9**

Q5 (v) What industry sector does your business operate in? **M Professional, scientific, & technical**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
NZTE marketing grant 2008-09 R&D tax rebate for part year 2008-09 - under previous Labour government scheme

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Minimal

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The definition is adequate. In the past definitions of R&D have been to heavily focused on "blue sky research" because of the large allocation of public money vested in universities and CRIs. The "development" side of R&D is where the real major costs sit and this aspect has been poorly understood by governments globally for decades.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

As noted in Q2, more definition is required on the "D" (development, because this is where private businesses expend most of their budgets bring products to market and creating wealth.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Yes; the scientific method is applicable in terms of pure scientific research. However any senior engineer knows that the development of outcomes bases on science are usual the result of both formal and informal developments, and insights gained from a wide range of sources. This type of development is the way that manufacturers advance their products...it certainly does not conform to the "scientific method" as it is applied in universities.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

This question alone would take hours to truly answer. It is lacks a of definition of what may constitute "materiality". Surely the purpose of R&D is to benefit the wealth & welfare of the citizens of the nation. Often the outcomes of R&D cannot be accurately foreseen, or change due to discoveries along the way.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

No. What applies to Q6 also should apply to Q7.

Where is Q6 response box?
Q6 answer: I strongly believe that activities involved in complying with statutory requirements or standards should be classified with R&D activities. Also for activities relating to commercial viability & pre-production tooling. These are all essential "development" activities.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

No comment. This does not apply to our business.

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

The definitions of dual purpose activities need to be much more clearly defined. If there are not sufficient incentives to undertake "development", as part of a businesses ongoing activities then they may be given a lower priority, due to budget constraints. Ongoing lack of development in products has the potential to erode a companies viability in the long-run.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

The direct and indirect approach is the only fair and realistic means to define labour costs. Whilst direct labour costs accounting seems simple it just does not reflect the complexity and nature of the way private businesses actually work! This is one of the key points in the policy and if it fails to be fair and realistic then the whole policy will largely be a waste of time.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

The fairest means would be to apply actual costs. Whilst this is not as simple as applying a percentage the "one size fits all" approach risks penalizing smaller companies, whose cost structures may be vastly different from a large corporation.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

This rule needs further definition. The potential "future consideration" or financial reward in itself has to be quantified in terms of how much that might be as a percentage of the R&D at risk. It cannot be just a black & white answer, because if companies undertake any R&D they do so with the aim that there will be a reward.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Software development, testing, maintenance, validation and most activities relating to this need to be inclusive with the R&D definition of eligible activities.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

No comment

Q21 Q15 Is the minimum threshold set at the right level? **Yes**

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

No comment

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

No comment

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

No comment

Q25 Q19 Are there any other risks that need to be managed? Please describe.

No comment

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

No comment

Q27 Q21 What is the right level of information required to support a claim?

There needs to be a balance that makes it possible for small businesses to readily assemble and present information of eligible R&D activities. The previous 2008 system seemed to work.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

No comment

Q29 Q23 What integrity measures do you think Inland Revenue should use?

IRD should establish a review panel where activities are disputed and allow a business to present a case or evidence to the panel. Perhaps that panel could comprise representatives from IRD, Callaghan and an independent accounting practitioner...

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Whilst the proposed R&D tax incentive is a step in the right direction, it needs to be far more generous than 12.5%. This is well behind the Australian system, and effectively may not be a big enough change to actually affect R&D activities. One way to help small business would be to allow the rate to be at 30% for the first $500,000 of eligible activities, and 20% for $501,000 to $1.0m, and 12.5% above $1m.
As noted in some of my responses I feel that the policy has been written by scientists, with a bias towards research, whereas the "development" side of the activities is where the real potential lies to create economic wealth. Development in industry is more often driven by engineers, and to that end I suggest more input should be sought, to better define the extent of "development".

#40

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Wednesday, May 09, 2018 11:00:54 AM
Last Modified:	Wednesday, May 09, 2018 12:47:16 PM
Time Spent:	01:46:21
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**iMonitor Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

10 - 19

Q5 (v) What industry sector does your business operate in?

S Other services

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2016**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
GPRSD. TIF. Summer Internships

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Its easy to say they are already funded by the government so what's the point. Except for CRIs and tertiary institutions as far as I'm aware none of them have any additional incentives to undertake R&D. It would be in our country's interest to encourage R&D in all sectors. Treating government employees as just doers ignores their potential as innovators.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

I think the words "scientific method" would put a lot of people off. I undertake lots of research and development but rarely use the scientific method as my guiding approach. It makes more sense in the research end of the spectrum but almost none at the development end. This is why scientists often make such poor entrepreneurs. You need to be guided more by your creative side.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Is designing a Tesla a project run based on the scientific method? Making something never done before and technically challenging doesn't have to be scientific.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Software engineering can be done as a process but it is usually the creative types that create the breakthroughs. Would Facebook count as R&D? Imagine what it or developing Windows would have done for our economy.

These days it is possible to design all new electronic devices by composing together a number of reference designs without ever needing the scientific method.

In mechanical engineering designs are built from components based on their specifications.

Other methods are used during testing such as test driven development, in circuit tests and stress testing. These are loosely based on the scientific method at best.

I don't think I have ever followed the scientific method building a prototype.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

I think the tax credit is putting too much focus on science in the term science and technology!

The point is to grow New Zealands technology sector. The reason silicon valley does so well is that it marries science, the arts and business in one place.

NZ companies should be able to claim a tax credit if they are developing capabilities they do not already have that are technically challenging. Effectively expanding their existing knowledge base.

Huawei and Xaiomi are growing the share of the smart phone market for China even though Samsung and Apple have already developed this technology.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Not that I can see

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

I don't know of any but be careful not to scare off the next Facebook

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

I'm not sure. Would developing the next version of a product be considered R&D? If it added new features and also improved its aesthetics?

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Advantage: it makes it easier to account for if the person only works on the R&D for the entire tax year. But is this practical? In many cases no. Still it is not difficult to track this.

Disadvantages: Many tasks are best done by subcontractors and or involve R&D related expenses such as purchasing materials, components, making prototypes, hiring test equipment and the like.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

I think this makes sense in most cases but would put projects like biotech and semiconductors at a big disadvantage. Perhaps a method is needed to allow the fixed percentage to be waived on request?

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

I can't see why. This would be a form of double dipping.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

I'm not sure but agree this needs to be allowed for.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

These tax credits should make the company more valuable to an investor. Also the IRD already has a credit for losses related to R&D which can help startups. Although this credit is not widely known.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
This will hurt startups. What will you do to help them? They are the future the country so badly needs.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Both are important.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Unsure.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

I think both are important but have no thoughts beyond that.

Except to say is this kind of credit good enough to compete with other countries when big companies are considering where to setup shop? I doubt it.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Not sure

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Only in weeding out some advisors who probably shouldn't be in the business anyway.

Q27 Q21 What is the right level of information required to support a claim?

Not sure exactly. Obviously invoices but also some way to justify that they relate to R&D without being too overbearing and time consuming.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Xero, MYOB and more

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Unsure beyond existing audits and help from Callaghan Innovation

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

If the goal is to grow our economy then we should look beyond just the R&D tax incentive. In Singapore companies can get generous tax credits for investing in things that will improve their productivity. This is very smart.

Also more help for startups in the tech space. I can't even get co funding for the Massey University Sprint Foundation course to help me validate the market for a new business because the business is not trading yet. Of course it's not trading it's a startup trying to validate the market and build a prototype!

#42

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, May 14, 2018 9:38:13 AM
Last Modified: Monday, May 14, 2018 11:10:09 AM
Time Spent: 01:31:56
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**2Shakes Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

2 to less than 6 years

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

1 - 5

Q5 (v) What industry sector does your business operate in?

M Professional, scientific, & technical

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2017**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
We were on MBIE R9 Accelerator 2.0

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

These organisations are already funded by government?

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

R&D is just NO LONG about advancing 'science or technology'.

This is an OLD FASHION idea about how the world was 10-20 years ago. The real challenge for society is no longer about furthering science or technology. Advancing science or technology for its own sake is silly, it is only interesting when it gets applied to a problem of value to solve.

NZ R&D should be focused on finding ways to UNSOLVED THE PROBLEMS THAT MATTER.

The scientific method is probably the best way mankind has of doing this in a trusted structured way. So I absolutely believe that experiments are key.

Could the definition be extended to:

(a) Core activities: those conducted using scientific methods that are performed for the purposes of acquiring new knowledge or creating new or improved materials, products, devices, processes, or services; and that are intended find new solutions to problems that impact NZ society and/or that advance science or technology through the resolution of scientific or technological uncertainty.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

It is important not to short change the problem exploration phase of R&D. The definition races straight to lets do some experiments and gets some fancy new tech?

Do you expect that private sector will need to the research into problems? Some of the best gains and innovation happen in the problem phase.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

The scientific method is fantastic - but it needs to be recognised that it can be applied to both science AND non science outcomes

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Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Again I am not sure why only the fields of science and technology are considered valuable?

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Looks ok?

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Research and market research is key in solving problems?

While it is good that the listed activities qualify as support activities this is good - however what happens if the research ulitmately leads to the discovery NOT to proceed? Can you not claim for it?

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

The reality is that R&D 'done in the wild' by smaller business is not clear cut in terms of expenses. Smaller firms will struggle for example to hire someone only for R&D.

Does this initiative want to incentavise R&D for smaller firms - or is it only for larger firms?

For smaller firms you could use a similar method that IR users to reclaim home office expenses. (Where a proportion of the costs related to the proportion of the work are reclaimable).

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

-

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

-

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

-

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

2Shakes works in the R&D software space.

We work using the LEAN approach - which involves application of the scientific method to iterating experiments to find product market fit.

Finding the problems that matter to solve is key! NZ is so well placed to compete internationally in innovated software development! But it is expensive and HARD to do without support! We have a well educated, well connected, collaborative, high trust society in NZ which means we are uniquely placed to innovated with software - BUT you need to encourage the exploration of the problem definition phase of the work - not just the technological build! Sorry to keep going on about this but it is KEY!

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

-

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
There should be NO THRESHOLD. Innovation comes from small business - large firms don't take risks! If you want some kick butt innovation then its actually the small businesses you need to enable! Also lets face it NZ is mostly small businesses - so you are shooting the growth of R&D in the foot by only funding it once it gets large.....

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

-

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

It would be useful for Ministers to set priorities around R&D and facilitate subjects of interest..... based on their higher level view of NZ and the World economy.

For example, 2018 could be the year of AgTech, or 2019 could be the year of Govt Tech, 2020 could be the year of Food Tech..... 2021 could be the year of blockchain etc.

The would leverage off NZ collaborative type culture to build groups of competancy and a community around a theme - which government could help to seed....

Dosen't mean that only these types of projects get incentives - but rather that extra support goes to this area.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Ideally you would make the process simple to claim but use analytics and take a risk based approach and look for outliers to investigate possible fraud?

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

This is always a good idea!

I find myIR a bit of a dog to use. I don't like it at all....
It seems to me to be a bit of a waste of money, as any change to IR systems seems to cost millions of dollars.
Can't you just reuse Callaghan IMS portal - which is not great, but at least is set for this purpose?

Also if you are going to keep the $100,000 limit, then you should remove the last tax year rule. Then a smaller business can do a project over 2-3 years and then when it reaches your limit make a claim.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Fine.

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Respondent skipped this question

#49

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Thursday, May 17, 2018 4:58:15 PM
Last Modified:	Thursday, May 17, 2018 5:50:38 PM
Time Spent:	00:52:23
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Invenco Group Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **6 to less than 10 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **100 or more**

Q5 (v) What industry sector does your business operate in? **S Other services**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2013**
R&D Growth Grant	**2015**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
Ministry of Business,Innovation &Employment Technology Development Grant (2013) $3.7m FUST1202 Foundation for Research Science & Technology Project Grant (2010) $2.6m FUST0901

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

None

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The definition is broad so our R&D would fall within it

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Some of our R&D costs to develop our IP are incurred outside of NZ, but there are no service providers in NZ -such as Certification and Testing Laboratories

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Respondent skipped this question

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

'activities involved in complying with statutory requirements or standards' would exclude Certification processes and lab testing which are a fundamental part of our R&D process

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

It would provide less opportunity to recover these costs and likely result in reduced R&D activity and investment

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

There is no question that there are indirect costs associated with R&D activity within a company and these can be higher as a result of the level of R&D within a business. To the extent they relate in part to R&D they should be recoverable as R&D cannot occur without them

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

this would certainly be an easier approach to calculate and administer, but may leave R&D related costs as unrecoverable and businesses may make adverse R&D decisions as a result to fit within the constraints

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Most R&D activity is initiated and undertaken with a view to commercializing it, although a commercial consideration or sale of the output is often some time after the R&D is undertaken. The R&D tax credit should incentivise companies to undertake the activity to commercialise it to realise profits, hire more people and pay more in taxes

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Software R&D is equally as important as hardware R&D and should naturally be included within the definition.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

many companies undertaking R&D are cash poor and often require injections of capital which change the shareholder register - this should not preclude them from gaining a benefit from the tax credit for eligible R&D

Q21 Q15 Is the minimum threshold set at the right level?

Yes

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

They should have the same or greater duty of care so I see no issue with extending the penalties to advisors where they directly benefit from the Tax credits being claimed

Q27 Q21 What is the right level of information required to support a claim?

Respondent skipped this question

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Ability to audit

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Respondent skipped this question

#50

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Friday, May 18, 2018 10:38:24 AM
Last Modified:	Friday, May 18, 2018 11:01:25 AM
Time Spent:	00:23:01
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Smartrak Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **20 - 49**

Q5 (v) What industry sector does your business operate in? **J Information media &**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
Better by Design cost subsidies, through Callaghan Innovation.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Consistency between R&D definitions in international accounting standards and those used for the R&D tax credit scheme creates clarity for the people administering the system within each business

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Respondent skipped this question

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Respondent skipped this question

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Labour costs (staff and contractor) are a useful driver in our business for calculating eligible R&D expenditure. The labour cost should be calculated with a corresponding overhead loading to recognise overhead costs of labour.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

For our business, labour is the main direct input to R&D activities and as a result it is the appropriate driver of the overhead costs. A percentage of R&D labour costs is the appropriate method.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Yes

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

We agree with the proposed mechanisms.
The current Growth Grant scheme requires preparation and certification by a chartered accountant of the quarterly claims and annual report. In our business, the cost of this certification process is ~ 10% of the total tax credits claimed and this cost, plus the associated work effort is considered non-value added.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

A supporting financial model, with auditable detail would be an appropriate level of information.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

An easy-to-use centralised reporting and claim submission system would be appropriate. Over time, partnering with accounting software providers such as Xero and MYOB would streamline and simplify the process, while increasing the ability to automate compliance.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Respondent skipped this question

#51

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, May 18, 2018 1:21:59 PM
Last Modified: Friday, May 18, 2018 2:56:28 PM
Time Spent: 01:34:29
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	**pertronic industries ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **100 or more**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2015**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

i think the definition of R&D will ensure getting almost anything approved as R&D will be very hard.
"resolve scientific or technological uncertainty" is R&D in it's purest from and in reality will exclude just about what every normal business undertakes in it's "product development"

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

yes, significant development of products which don't actually meet he esoteric criteria but may be break through developments or capability expansions which create business growth and economic benefit

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Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

yes

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

there would be less R&D as we know it

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

whilst most exclusions are fair and reasonable some are not... if a law or regulation is changed so that suddenly existing product does not meet the law requirements the development of new product is excluded (a law could be introduced "the only transportation vehicles allowed on the roads must self levitating and propelling". developing such a vehicle is suddenly not R&D as the requirement is to meet a statutory requirement.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

it all just becomes too hard to bother

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

labour is major component but so too is the cost of prototyping, testing, tooling all of which can sunk cost as failures lead to the next test and prototyping

---

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

% = easy but may not fairly reflect the same % across all businesses. A % by each business may be easier, say a choice.. justify or accept a %

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

i guess the company paying the provider for the R&D would get the credit? that seems reasonable adn teh company doing the work wouldn't "double dip" so to say.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

perhaps it depends on the nature of the reason for continuity. A new investor wanting to genuinely make use of the R&D development is different to an "investor" who only sees value in a business to the extent that they might channel income through it to use up the credits and create a deductible expense in another entity. Same for the "seller" of a business where the only actual value created is the potential to access and use R&D credits against tax.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
too low. i can see a bureaucracy set up somewhere spending a fortune reviewing and approving a plethora of annual R&D claims. that just sound too hard to justify the policing effort

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

i think anything in line with whatever happens now with Callaghan is just right, can't argue it should be less. sometimes more is less too.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

cost to administer... for both the company putting in the claim and the bureaucracy to manage it

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

simplicity. once a project is approved it doesn't need full claim support every year. like the growth grant it should be justified, budgeted, time framed once. Then reported and managed against targets with a time frame ceiling for cessation or reapplication

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

if you've already got or can get some sort of 3rd party approval then that should be acceptable, not just on-line direct to IRD approval requesting

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

the cynic in me sees the administration cost being huge (for both parties in the process), the effort to get approval being more than the benefit so don't bother, the incentive to reject applications by the approvers being greater than the willingness to accept/approve.

#8

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Friday, May 18, 2018 12:45:58 PM
Last Modified:	Friday, May 18, 2018 1:11:38 PM
Time Spent:	00:25:39
IP Address:	s 9(2)(a)

Page 2

Q1 (i) For individuals

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations

Name of organisation	**pertronic industries ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand? Please include full-time and part-time employees but do not include contractors or the business owners.

100 or more

Q5 (v) What industry sector does your business operate in?

Manufacturing

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2015**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
several experience grants

Q8 How likely is it that your organisation will be in a position to use the full amount of an R&D tax credit in the 2019/20 tax year? (Note, to use the full amount of a R&D tax credit in a given year, your business' tax liability needs to be at least as large of the R&D tax credit you are entitled to claim.)

Likely

Q9 How much R&D does your organisation expect to carry out in the coming year?

s 9(2)(b)(ii)

Page 3: Responses to questions in the consultation document

Q10 Q1 What impact will the proposed transition arrangements have on your business? For example, your cash-flow or internal reporting mechanisms? Please describe.

it will have a negative impact on cash flow.. moving from quarterly recovery payments to waiting maybe up to 12 months after yr end (could be 2 yrs from expenditure) and getting a credit? I guess the full tax would have to be paid, awaiting a claim approval?

Q11 Q2 What do you believe to be a necessary transitional period? Please explain the reasons why this is necessary for your business?

what's outlined seems ok.. at least until the current grant finishes

Q12 Q3 What impact will the proposed transition arrangements have on your R&D programme over the next few years?

could see some restraint as cashflow is considered

Q13 Q4 Please provide any other comments about the proposed transition arrangements.

Respondent skipped this question

Q14 Q5 For businesses in tax loss, what impact will the proposed temporary grant have on your business during the transition process? Please describe.

Respondent skipped this question

#53

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Sunday, May 20, 2018 7:30:21 PM
Last Modified:	Sunday, May 20, 2018 9:54:15 PM
Time Spent:	02:23:54
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Novel Ways Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **1 - 5**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**

If yes, please specify names of grant(s)/support.:

TIF schemes over several years. GPSRD grant. 2008 R&D tax credit Earlier types of business grants

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Should not be a big issue as they have other funds to apply for like the Marsden Fund, and they are generally getting up to 100% funding, not 12.5%.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Not so sure, since there is probably too much reliance on a scientific method, less on novelty. If business wants to capture R&D, then surely they need an edge, and will want to protect that edge with IP, patents and the like go hand in hand with their R&D. A business also is not so interested in advancing science or technology unless it happens as a sideline of a new or improved product or service. Uncertainty is also a strange idea, as most firms wouldn't start on a project if they thought that the entire outcome was uncertain or risky. Difficult, yes.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

At the 12.5% level, a lot more could be acceptable. Improving a product with new design work so that it is easier to manufacture or lasts a lot better in use, or has new uses. Especially valid if new IP protects that work.
Also software, see later.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Yes, elegant engineering can be a lot more effective than the scientific method in producing new designs. Our gate timer is a gearbox and timer in a weatherproof enclosure, still a unique product and selling worldwide, involves little science but lots of engineering thought processes.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Again, this is a 12.5% grant. The level of testing is too high. Most claims could be worded to cover this, but a lot of business owners would understand the stretch. The knowledge base would be held within the firm anyway in most cases. I agree R&D doesn't fit with copying existing technology.

Q6. Literature searches sure, but I assume overheads apply here too, see later.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

I would have thought that some collection of information, some patent costs, particularly provisional patents but not PCT type, should be eligible. After all they help confirm another test that there has been an advance of some kind.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

This would be a bad idea. A 12.5% grant when the firm is routing cashflow into an area of their business that is not immediately going to be profitable, is enough of a test surely. There are 528,000 enterprises in NZ, I understand only 300 applied for the R&D credits in 2008-2009, yet $154mill was paid out, so they were virtually all big firms. I thought the whole idea was to allow SMEs to have a simple incentive to increase their R&D activities. Therefore align with SMEs, they will carry out R&D but with an eye to a payback in sales.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

This would be unfair to any small business. Staff efforts will be split into some R&D tasks, and therefore that portion of overall time spent in the enterprise would be apportioned to almost all overheads like lease, power, rates etc.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

A true pro-rata percentage of overheads is the only sensible method for smaller enterprises. It shouldn't be a set percentage, but if a firm spends 10% of time on R&D, then 10% of eligible overheads is also claimed. Remember it's a 12.5% grant, not 20% , 50% or 100% like many others. Also, this grant would I assume be audited in some cases. Very large firms could of course claim a lot of their overheads in this way, that would be expensive for the taxpayer. Perhaps the rules could change depending on the size of the firm.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Badly worded. If a firm pays an external firm to do their R&D then they can't claim it? If a firm claimed for R&D after getting paid for it by another party, then certainly that's not valid.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

There is so much software that could be written to advance NZ's position in the world. Most electronic design already has a large amount of software included. If the definition excluded gaming and suchlike and was weighted into the primary and manufacturing sectors, then surely it should be acceptable.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Always unhappy to see large firms getting big grants in NZ and soon being sold overseas and dismantled, so the govt funds effectively rest with a few individuals. Set time limits and also a refunding option on business sales.

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
The previous limit was $20,000. If only 300 firms applied (the paperwork appeared to be deliberately awkward) then this new $100,000 limit appears to remove smaller SMEs from the scheme. I would estimate that only firms bigger then 3-4 FTEs would apply, unless they are funded to run at a loss. Is that the sort of firm the govt is appealing to, or do they want good honest trading firms to spend more of their time on R&D? Is there a move to limit applications to just a few hundred a year? In which case the data that will be gathered won't even reflect the true R&D in NZ. It will just be the bigger firms and those that pay for their R&D to be done elsewhere. Surely that will not incentivise small but competent SMEs to do their own R&D from cashflow. How about a threshold of $50,000 per year, or firms that spend $100,000 over 2-3 years get to file a return when the limit is reached?

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Unsure, but from the graph only 1600 of 528,000 enterprises do R&D, 0.3%. In 2008-2009 $154mill was claimed, so about $1B of R&D when our GDP is $285B.
I see the potential of the 526,000 enterprises that don't spend much on R&D, or at least don't enter into the stats.
Do those large firms really need the R&D tax credits? Could the scheme cope with large numbers of smaller claims, with the probability of some eventual big winners amongst them? After all, most big firms all started out small at some stage.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Unsure

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

A published list is fine, an audit above certain value would be OK. If the smaller enterprises were included, the data would be more robust.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

External provider invoicing, that should be watched and audited on occasion.

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

No, that seems sensible. The scheme should be simple enough for small business owners to carry out most of their own return. They then carry the full responsibility in any audit.

Q27 Q21 What is the right level of information required to support a claim?

Reduce the paperwork from the previous attempt, a lot of it was repeated passages anyway. Clear example. Clear instructions on claiming a portion of overheads.

The info tendered would be 1-5 pages per project, breakdown on costs, accountant to check overhead claims maybe. Timesheets and invoices held at the firm for checking.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Unsure.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

An audit above some value of claim could be a possibility, I know that occurred last time. They could try a low cost skype call to talk with involved staff and see the areas or products being worked on, as a check.

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Thanks for bringing this scheme back. It's very important we keep it running longer this time. Keep the small businesses in mind. Added together, we are big employers, and new research will mean new staff most likely. Even if we just employ tertiary students in the holidays, it all helps.

#55

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 21, 2018 11:13:42 AM
Last Modified:	Monday, May 21, 2018 11:59:28 AM
Time Spent:	00:45:46
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Gladfield Malt Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **10 - 19**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand? **Respondent skipped this question**

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Agree with the definition, but the definition of terms in the legislation (and examples in the R&D tax incentive guidelines) needs to be clear and relevant to a range of businesses. For example, formulating a new recipe.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Respondent skipped this question

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Depends on the final definition of 'scientific methods'. What about solving problems that have already been solved, but in a different way. e.g. making an existing food product, but using a new process. What if there isn't a problem with the current state?

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

For SME new to R&D, or with limited R&D resource and expertise, it would be an unfair administrate overhead to request a projected financial benefit against something that may be difficult to quantify. A lot of time and effort would go into justification of the problem (or, as above, current state may not be a problem) or demonstrating 'advancement'. Impact is could stifle small-scale R&D in small businesses not routinely doing any R&D.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Disadvantage - Small companies may have the labour, but need incentive to direct part of that FTE into more R&D-focussed activities. Many smaller businesses don't need a whole FTE dedicated to R&D. Support second approach.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Disadvantage for small companies with very low R&D labour costs (e.g. 1FTE), especially if the work is capital-intensive.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?	**Respondent skipped this question**
Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	**Respondent skipped this question**
Q21 Q15 Is the minimum threshold set at the right level?	**No,** If 'no', please provide further details.: This figure is too high for small companies with <1FTE dedicated to R&D activity?
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	**Respondent skipped this question**
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	**Respondent skipped this question**
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	**Respondent skipped this question**
Q25 Q19 Are there any other risks that need to be managed? Please describe.	**Respondent skipped this question**
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	**Respondent skipped this question**
Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Yes,** Contact details: s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

In general, I urge the decision-makers to acid-test decisions with a view to the small businesses out there who may not have a full FTE dedicated to R&D, but who would benefit from a simple, easily-accessible and broad tax incentive

#77

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 28, 2018 9:21:02 AM
Last Modified:	Monday, May 28, 2018 10:35:29 AM
Time Spent:	01:14:27
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**ENL**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **20 - 49**

Q5 (v) What industry sector does your business operate in? **S Other services**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2015**
R&D Growth Grant	**2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Tertiary institutions need to continue to support NZ industry.
Therefore these institute should receive appropriate R&D incentive.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

R&D definition needs to clearly incorporate Development activities as opposed to 'Blue Sky' Research.
SMEs need support in bringing new products to market, especially export market. this includes R and D.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

It is unclear; R&D should include Research and Development. Not just Research.
There should be an extension to include activities required to bring the product to production readiness. For instance to include pre-production R&D activities. The end goal for NZ SMEs to succeed and continue investing in R&D is the ability to bring products to market.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

R&D is both scientific and engineering.
Example; Marin Electronics R&D team will be made up of Computer Scientists, Electronics Engineers, Mechanical Engineers and Analysts ...

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Both are required. Interpretation needs to be pragmatic wrt advancement of science and technology.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

No

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

n/a

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Core for maintaining R&D through to product delivery.
Enable SMEs to grow and incentivise though R&D investment.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Advantages - Non. R&D includes labour, prototyping, equipment and tools etc.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

n/a

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

n/a

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Tools and Materials for development work.
Equipment for test and evaluation.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

No

Q21 Q15 Is the minimum threshold set at the right level? **Yes**

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Only reason for a cap would be to give more focus to SMEs over larger companies.
This is reasonable given the aim is to grow SMEs.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

n/a

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Good

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Larger corporation can afford to dedicate focus on achieving and reporting around grants using internal resource.
SMEs do not have the resource or support to achieve this.
Result; Larger corporations get preferential treatment

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

No

Q27 Q21 What is the right level of information required to support a claim?

Report should include summary of activities and outcomes.
Substantiating evidence should be available if required (typically captured in internal company systems)
Audit of activities which then determines with a substantiating report is required.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

n/a

Q29 Q23 What integrity measures do you think Inland Revenue should use?

n/a

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

Any incentive scheme needs to be lightweight wrt application and reporting, in order to support SMEs.
Application and reporting should be carried out internally and not using external consultants.
Reporting should be able to be aligned to the company's internal tools for tracking work and outcomes.
Tax incentive should not negatively impact companies financially relative to the Growth Grant.
Project Grants should be available alongside tax incentive.

#79

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 28, 2018 10:24:43 AM
Last Modified:	Monday, May 28, 2018 12:12:37 PM
Time Spent:	01:47:53
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Orillion (the trading name of Animal Control Products Ltd)**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **10 years or more**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **10 - 19**

Q5 (v) What industry sector does your business operate in? **C Manufacturing**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**

If yes, please specify names of grant(s)/support.:
We undertake research and product development for the Department of Conservation, we collaborate in research with Landcare Research (some of which utilises KiwiNet funds), and we have support from G2G (the MFAT and NZTE organisation that supports Government to Government exports) to develop products.

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

1.Our company is an SOE. We are expected to compete with other companies both domestically and internationally. We cannot see why an SOE should be disadvantaged by being ineligible for a tax credit.
2.SOEs are expected to show leadership in their sector, and to meet broader government objectives. In our case we develop products to protect New Zealand's biodiversity and biosecurity and the reason we are an SOE is in fact the strategic importance of that. Our R&D expenditure is focused on developing 'tools' to achieve protection from pests and diseases. This can include new pesticide products, non-toxic solutions, new IT based tools to monitor and manage pests. Our research tends to take far longer than other industries as we are developing mostly unique solutions for NZ's particular environmental risks, and any product that includes a toxin must undergo extensive testing and registration. The proposed tax incentive scheme would allow us to invest in more R&D, it would provide focus to significant projects rather than ad hoc activity, and it would encourage us to enter into longer term projects with greater certainty.
3. In particular, the incentive scheme would allow us greater opportunity and more confidence to link our R&D activities to the government's objective of a Predator Free New Zealand by 2050. It would also lead to the development of new more effective tools and ultimately better returns by way of dividend to our shareholder, the government.
4. s 9(2)(b)(ii) . We estimate that eligibility for the proposed tax incentives would result in a 33% increase in R&D expenditure.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

We believe that the definition is suitable. One issue that we have is the limit on expenditure undertaken overseas. We develop products for export that must be tested and registered overseas. s 9(2)(b)(ii) The testing and development cannot be undertaken in New Zealand (we need access to the pest and non-target animals that do not exist here). Once we have developed and registered the products overseas we will manufacture and export them from New Zealand, and all revenue will return here. We appreciate the difficulty in monitoring and accounting for overseas expenditure, but access to the incentive for our overseas work would boost our exports.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples? **Respondent skipped this question**

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples? **Respondent skipped this question**

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology? **Respondent skipped this question**

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

We believe that the exclusion proposed to activities involved in complying with statutory requirements or standards may need further thought. In our industry that involves working with hazardous substances that are then used to develop products that used in the environment, we see a continuing tightening and change to regulatory standards that leads to a significant R&D effort to make safe and effective products.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?	**Respondent skipped this question**
Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.	**Respondent skipped this question**
Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.	**Respondent skipped this question**
Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.	**Respondent skipped this question**
Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**
Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?	**Respondent skipped this question**
Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.	**Respondent skipped this question**
Q21 Q15 Is the minimum threshold set at the right level?	**Yes**
Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	**Respondent skipped this question**
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	**Respondent skipped this question**
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	**Respondent skipped this question**
Q25 Q19 Are there any other risks that need to be managed? Please describe.	**Respondent skipped this question**
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	**Respondent skipped this question**

Q27 Q21 What is the right level of information required to support a claim?

The administrative effort required to make applications and the timeliness of approvals will play a significant part in usability of the scheme, and uptake.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Yes**
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	**Respondent skipped this question**

#80

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 28, 2018 11:41:29 AM
Last Modified:	Monday, May 28, 2018 12:35:53 PM
Time Spent:	00:54:24
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Belong Services Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **2 to less than 6 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **6 - 9**

Q5 (v) What industry sector does your business operate in? **S Other services**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **Respondent skipped this question**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

It could double-subsidise them as R&D providers to private business. It would benefit bigger private businesses with established science links to CRIs/SOEs already (eg Zespri, Fonterra et al) and could crowd out smaller business R&D.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Frascati definition may be too narrow for the New Zealand experience. Resolving scientific and technical uncertainty is fine.. but much of New Zealand's innovation also involves how that resolved uncertainty is then applied to the market or the human experience. This is also highly uncertain, but is not generally supported with Frascati definition.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Let's imagine 'faster blockchain processing' driven by a combination of technical algorithms combined by hypotheses on how legal frameworks will adapt to them, and how human and machine behaviour will respond. 'R focused on the technical algorithm would likely be supported. 'D' focused on market and customer testing, legal and governmental assessments, etc, would not. Yet the two concepts are absolutely intertwined.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Respondent skipped this question

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

It could have a chilling effect - business is very unlikely to focus on the advancement of science as an end in itself, and would likely be dismissive of 'government tests' that attempted to put a 'price' on what they would perceive as 'public good' science funded through public science R&D vehicles like universities and CRIs.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

I can't think of many examples, precisely because social science/human behavior research has been quite specifically excluded from past business R&D support vehicles.

This is arguably more important than it has ever been. In the past, businesses had to travel to foreign markets to understand their customers and their behaviours and motivations. Today, this is happening more and more online, and will soon also morph into understanding how external AI algorithms interact with your business.

CI and NZTE should be orienting 'human/market research' jointly and massively in this direction.

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Advantage - simple to administer. Disadvantage - won't be the same for all.

Please remember that part of the benefit of going 'tax credit' should be 'simpler administration' for both Government and recipient. So any rules developed here should ideally marry general business taxation rules and practices.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Yes

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

A cap is a rationing mechanism. If the intent is mainly to protect tax loss then the suggested cap is fine.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Pre-registration. Ministerial discretion immediately makes it a political decision which no one wants.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Transparency is good as long as it is universal. My concern about publishing a record of an R&D tax credit received is that it shines a spotlight on a narrow part of tax and incentives that a business might receive in their general business activities (what about local rates relief? What about tax credits that might be used in other parts of their business (eg to comply with a new statute)? In other words, show everything, or show nothing. Otherwise, it just winds up being a cheap annual 'news story' for lazy journalists and opposition politicians - 'look who got a tax break!' Government doesn't publish Working for Families tax credit recipients. Same principles should apply to business.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Support advisor penalties with the caveat that the regime could take some genuine advisors out of the market as a result.

My experience generally is that the simpler and clearer you make the scheme, the less necessary specialist advice is. The goal should always be to deliver a scheme that is straightforward enough for a businessperson to apply for and receive without feeling like they need to engage a specialist advisor to get it. In my experience businesses hire advisors because they can't invest the time required to engage with the application and approval process. Hopefully a credit based scheme will make this less time consuming.

Q27 Q21 What is the right level of information required to support a claim?

It should be at a similar level of detail and substance relative to other information a business must currently provide to substantiate tax positions. One of our greatest disappointments in the Growth Grant program was the insane level of detail that was asked for in order to substantiate claims. If IRD are looking to build software integrations to make this easier - please ensure that they go beyond integrating accounting packages, and also consider integrating work management and timekeeping systems.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

As above. If IRD are looking at integration, they could integrate with the likes of the Atlassian JIRA application, which many software companies use to manage projects. It should go beyond simple accounting integration if the businesses are going to be required to provide details evidence of time spent. Saying that - there are diminishing returns for all in providing levels of detail that aren't truly necessary for the task at hand.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

No

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

A little out of scope - but once again Government fails to look at things holistically from a business perspective. Great to zero in on incenting a particular activity, but wouldn't it be far more effective if it was also linked explicitly to 'go to market' support for the same effort? I'm thinking linking R&D support to NZTE market development support and MPI / Customs non-tariff barrier support....all of the friction currently in 'R&D support' is at the 'D' part of it, not the 'R' part of it. My view is that more 'D' focus will naturally drive the 'R' as well.

#83

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Monday, May 28, 2018 3:41:58 PM
Last Modified:	Monday, May 28, 2018 3:57:13 PM
Time Spent:	00:15:14
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Engaged Social Science | Hui Rangahau Tahi**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **6 to less than 10 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **1 - 5**

Q5 (v) What industry sector does your business operate in? **S Other services**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**
R&D Growth Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

While we recognise there is an urgent need to incentivise R&D in the firms sector in NZ – and that this is long overdue – we don't feel this should be an 'either / or' solution.
The impact on for-profit firms (businesses) is a likely
a) 'jostling' between existing collaborators of where accountability, prestige, kudos, and profit will likely lie. Those excluded from the tax incentive may feel disincentivised to collaborate in some of the ways they already do and reluctant to pursue new options that demonstrably benefit one sector over another.
b) A 'cultural shift' whereby existing communities of practice may feel compromised by a perception of 'unfair' allocation of resource advantage and non-firm partners may be disinclined to continue their collaboration – to the detriment of firms.
c) Job creation targets will not be met unless they are remarkably low, as small to medium firms are not in a strong position to hire staff in the early startup phase. SOEs etc, on the other hand, are already established and with these kinds of tax incentives could hire more research scientists, technicians and support staff. According to the Parliamentary report (https://www.beehive.govt.nz/sites/default/files/2017-12/Small%20Business%20-%20Annex%203%20Small%20Business%20Factsheet.pdf) on small businesses, which seem to be the target demographic for this incentive, an average of 8.5% of small businesses last year were undertaking R&D. Firms that are R&D intensive tend to spend their early years in a tax loss position, so offering an incentive will not actually allow for startups to hire more staff, but rather put them in a position where they will be in less debt (https://simmondsstewart.com/guides/startup-company-guide/).

We believe that making a specific distinction between 'business R&D' and R&D in other (unspecified) circumstances is curious given that many SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions already work in partnership with businesses to implement product design solutions and or produce innovative design ideas that are precursors to the products themselves and without which the products could not exist. It feels a little like offering to incentivise the development of a new truck to carry water carrier without determining the nature and quality of the water to be carried, or indeed, whether there is any demand for water trucks at all. While it is plausible that the assumption is being made that SOEs etc, have access to research funding elsewhere (through various MBIE contestable funds and NSCs in particular) there are many kinds of innovation that can be developed outside these high compliance cost contexts.

It would be useful if research were to be commissioned to determine how and in what ways non-business organisations contribute directly to R&D in the 'product innovation' space as well as to determine the extent to which these non-firm sectors contribute to the development of the 'ideas innovation' space.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The definition draws on some standard ambiguities in New Zealand language use and without defining them clearly the scheme runs the risk of not only perpetuating ambiguities but also creating contradictions in the policy intent. In particular, In New Zealand (although not elsewhere in the world except perhaps Australia) we systematically exclude 'social science' from the 'idea of science'; valorise the concept of the 'scientific method' (when it is only one of a number of possible approaches to knowledge-based questions); and tend to see 'products' only as 'things' (or widgets) rather than products also as 'ideas'. So that by these ambiguous and narrow definitions this tax incentive is conceiving of Business R&D as 'engineered' or technical products only.

For example:
The statement "Core activities: those conducted using scientific methods that are performed for the purposes of acquiring new knowledge or creating new or improved materials, products, devices, processes, or services" openly includes social science activities (a core science by any definition) and 'services' (which do not otherwise feature in the more 'widget making' focus of this scheme.

The definition as it stands whitewashes the R&D landscape and denies full space for mātauranga Māori, or any other indigenous knowledges at all, despite the Frascati Manual's definition of experimental development as including the creation and implementation of 'new methodologies'.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

This definition currently includes the possibility of incentives for the development of, say, an innovative social science model for the organisation of service delivery (the kinds of models currently being developed to visualise systems thinking in organisational change, for example) but such innovation is explicitly excluded under the 'research in social sciences, arts or humanities' exclusion (p17).

By specifying that the tax incentive is not for R&D in the fields of social science or humanities, the current iteration of the incentive excludes any attempt at using indigenous research methods that are being developed, thus failing the Frascati Manual definition of Research and Development 2.2:2.32-2.33 which encourages research bodies to look at "new ways of doing things" as well as creating new things with established methods. As the development of new indigenous methodologies generally falls under the domain of mātauranga Māori or the social sciences, excluding these is problematic.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Yes, relying only on the so-called Victorian-age 'scientific method' actively excludes researchers, research and innovation that is managed through design thinking, developmental evaluation approaches, systems science or kaupapa Maori science. Reliance on the 'scientific method' alone is reductionist and outmoded.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

If the materiality tests envisaged here are audits on high expenditure, then this could be useful accountability. In the absence of any other evaluative criteria suggested as part of the eligibility criteria this could be one way of ensuring some greater financial transparency. However, it begs the question of whether it is a 'materiality test' or an 'evaluative framework' that should be required. Asking businesses to wrap their proposal in an evaluative framework could ensure that the process from innovation to marketing is more carefully considered.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

By relying on the Frascati model, the tax incentive scheme has opted for a very conservative approach. Our view is that what is required in NZ is an innovative science infrastructure that enables R&D to develop. The infrastructure needs to support 'making stuff' as well as thinking about the kind of stuff that might need to be made and how to bring collaborations together to make both these things happen. This incentive scheme, overall, is antithetical to the infrastructure approach and specifically excluding 'support' services is extremely short-sighted.

Consultation
By specifying that the tax incentive is not for market research there is no room for discussion of whether or not the project in question has, for example, any real benefit for tangata whenua or is even applicable to Māori at all. Whether this clause has been put in place on the assumption that the market research has already been done and been found to be useful is unclear and needs to be defined.

Ethics
Specifying that the incentive excludes humanities research denies the opportunity to explore more ethical ways of performing research as the philosophy of ethics is a property of the Humanities. The spheres of STEM research have demonstrated a consistent gender bias (Robnett, R (2016) Gender Bias in STEM Fields https://doi.org/10.1177/0361684315596162) and challenging these kinds of biases requires new ethical orientations.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

As economics is a social science, it is difficult to imagine business R&D anywhere without social science. Psychology, sociology, and anthropology also play roles in business R&D as the creation, maintenance, improvement, and expansion of a business is driven by the humans that operate it, and understanding human behaviour is vital to any firm's success. While it is difficult to argue that social science plays a 'core' role (according the definitions employed in this document) they certainly play a very significant role in understanding what is missing from the 'science infrastructure' in New Zealand. Some specific examples of social science research being useful for business R&D are:

• Entrepreneurship and Maori Cultural Values: Using 'Whanaungatanga' to Understanding Maori Business New Zealand Journal of Applied Business Research Volume 7 Issue 1 (2009) (Sociology, anthropology, economics)

• Report on the incorporation of traditional values/tikanga into contemporary Māori business organisation and process. Landcare Research. (Sociology, anthropology)

• "Managing diversity" meets Aotearoa/New Zealand. Personnel Review (anthropology, sociology, psychology)

• Employment and parental leave around the time of birth: evidence from Growing Up in New Zealand (Policy paper)(Sociology)

• I hardly see my baby: challenges and highlights of being a New Zealand working mother of an infant. Kotuitui: New Zealand Journal of Social Sciences (Psychology, anthropology, sociology)

• The U-Curve on trial: a longitudinal study of psychological and sociocultural adjustment during Cross-Cultural transition. International Journal of Intercultural Relations (Psychology, sociology)

• Halal Food in New Zealand Restaurants: An Exploratory Study. Int. Journal of Economics and Management (Economics, sociology)

• Evaluation of the environmental impacts of apple production using Life Cycle Assessment (LCA): Case study in New Zealand. Agriculture, Ecosystems & Environment (Economics)

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Respondent skipped this question

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

Respondent skipped this question

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Respondent skipped this question

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Respondent skipped this question

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Respondent skipped this question

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.	**Respondent skipped this question**
Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.	**Respondent skipped this question**
Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.	**Respondent skipped this question**
Q25 Q19 Are there any other risks that need to be managed? Please describe.	**Respondent skipped this question**
Q26 Q20 Are there risks with extending penalties to external advisors in this way?	**Respondent skipped this question**
Q27 Q21 What is the right level of information required to support a claim?	**Respondent skipped this question**
Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?	**Respondent skipped this question**
Q29 Q23 What integrity measures do you think Inland Revenue should use?	**Respondent skipped this question**
Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Respondent skipped this question**

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

As an organisation that supports the research work of social scientists, eSocSci, we are interested in the claims made in relation to job creation, Mātauranga Māori, inclusivity and ethical considerations as well as the role of the social sciences and humanities in the R&D space more generally and believe these need to be differently thought through in relation to how to use a tax incentive scheme to produce a collaborative innovation infrastructure.
In its current form, we believe the incentive scheme is too narrowly focused.

We agree that it is a good idea for New Zealand to have a research and development tax incentive scheme and regard it as rather unusual that we do not have one already. The 2015 DeLoitte Global Study of R&D Incentives (https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/tax/deloitte-nl-tax-global-survey-r-and-d-incentives-2015.pdf), lists countries having anything from 40%-300% tax deductions in multiple forms (super, tax credits, social security contributions, and so on.) It has been argued that the proposed New Zealand 12.5 percent with a cap of $15 million cannot be competitive in this space (https://www.nbr.co.nz/article/coalitions-rd-tax-break-unworkable-uncompetitive-ck-p-214882) for a range of reasons.
1. 12.5 percent is too small an amount to benefit small start-ups, which along with the larger international firms seem to be the target for this particular venture.
2. New Zealand's relative lack of international economic competitiveness is also a reason that the R&D work that is started here may not stay here. We do not have the well-funded research infrastructure and staff that overseas firms do. International firms buying the IP from the next 'Great Kiwi Startup' will shift the R&D and consequent jobs to their home facilities. While many startups do stay here because New Zealand is a wonderful country to live in and raise a family, this does not improve job-creation levels in the short term.
3. A social science perspective on job creation in small and medium enterprises is also concerned with migration and the reality that new migrants are seldom incentivised to bring either their R&D capability or their labour into business startups. We propose that the incentive remit be extended to specifically consider ways in which New Zealand can more actively engage the talent and labour of new settlers and migrants. This may include tax incentives for firms that focus on upskilling staff in English and or diversity.

Conclusion
We agree that a tax incentive for research and development in New Zealand industry is desireable, however, in this current proposal, the tax incentive is too narrowly conceived, relies heavily on a Frascati definition of R&D which we regard as on an outmoded representation of R&D, fails to adequately support Mātauranga Māori, and is short-sighted in its exclusion of 'support services' and social science and humanities contribution.

#85

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, May 29, 2018 5:04:07 AM
Last Modified: Tuesday, May 29, 2018 6:42:08 AM
Time Spent: 01:38:01
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**EvolutionFX Limited**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **Less than 2 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **1 - 5**

Q5 (v) What industry sector does your business operate in? **M Professional, scientific, & technical**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**None**

Q7 (vii) Has your organisation ever received any other R&D government support? **No**

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Much of the data from these organisations provide the groundwork for our product development. Highlighting issues of health and impact of poor housing is important for us to develop products to improve the well-being of New Zealanders.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The scope fo R & D needs to be extended. Business R & D has to have a commercial payback to be considered.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

We have several R & D projects around the design of buildings which are processed based. These would improve the energy requirements of a home, improve Indoor Air Quality and cheaper to install. As there is no commercial benefit to the company they are not developed.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Yes, as above. not all R & D is product based. Innovation development with processes and efficiencies is just as important.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Delays to project deadlines and the speed of our development would be affected. Also would question if there is enough expertise around to conduct these sorts of test.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

Respondent skipped this question

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

Companies like ours will relocate overseas. We are a knowledge-based company so location is not important.
It provides no incentive to continue R & D in New Zealand and with cloud-based computing we can operate in the virtual space.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

70% of our R & D cost is labour. Developing software for our products is a key factor. Also a lot of R & D is about design and process. If you think every R & D project ends in a "widget" then your scope of R & D is to narrow.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Does not work for the different type of projects we do. Some of our projects a very labour intensive like knowlegde development, and others are on product testing and development.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

As a company we have to make products that are commercial payback as it pays the wages of the staff. These products fund further research and cover the cost on non commercial projects. Not all commercial projects are successful.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

No,
If 'no', please provide further details.:
Many of our projects do not meet this threshold. Some projects are small but have the lower risk and highest chance of success. Also a lot of R & D has indirect cost which not accountable, eg overseas research partnerships or manufacturing development.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Only if it is done by experienced and knowledgeable people who understand the R & D process of our business.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Our biggest risk is government. Regulation and compliance are issues we face. We have to develop product around no existing standards. ie E3 Prioritisation on energy efficiencies. 10 Years overdue. Also building codes lags the rest of the world.

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Respondent skipped this question

Q27 Q21 What is the right level of information required to support a claim?

Currently the process is already to slow.

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

It is of no use to us and will do nothing to grow the R & D sector in New Zealand. It shows this government has a very limited view of what R & D is, and puts this sector back to the good old days where only funds for R & D were for Dairy, Wine and Forestry. It will not develop investment in to R & D companies like ours, and is clearly for business which are in the 30 million turn over who invest 5% back into R & D.
The benefits of our R & D products are currently reaped by the overseas investors and manufactures and their governments which they pay their taxes in. We are starting to use overseas engineers and companies to take our R & D and turn the designs and knowledge into product.
Much of the work we currently do is now outsourced overseas due to cost and a lack of financial support. We also have to seek funding from overseas manufacturing companies. A lot of this work could be done within New Zealand, using resources at Auckland University Newmarket, using local young engineers and manufactures and grow a solid R & D culture and future tech centre. This tax incentive does none of this for us, so we will to look and locate overseas. We have to profitable to stay in business.

From: s 9(2)(a)
To: RD Incentive
Subject: Transition from GG Funding to R&D Tax Incentive Scheme - Feedback
Date: Thursday, 31 May 2018 2:05:00 p.m.

To whom it may concern,
This is supplemental to feedback already provided on-line.
Based on information that has been made available to date, this transition will have a significant negative impact on our business operation and presumably our investors' confidence.
The main points to note are:

1. The proposed funding rate for the R&D Tax Incentive (12.5%) appears to be much less than the current 20% Growth Grant, assuming the full tax credit will apply. As a company operating a low PBT model, under the current proposals the R&D tax credits will offer negligible funding.
2. The proposed definition of R&D is seemingly research focused, where as our business is more focused in the development space. This needs clearer definition – it is R&D, not just R!
3. We will retain GG funding until 31 March 2020 – what happens after that is a complete unknown, thereby making longer term strategic planning and growth decisions very risky for our investors.
4. As mentioned previously, we are not profitable enough to benefit from the Tax Incentive scheme as it stands, though we are a significant contributor to the Canterbury R&D community. We are a 100% R&D business, that's all we do. There is little information on what will come after 31 March 2020 but an alternative grants system, similar to the current GG, should be considered albeit at a lower than 20% rate to match the lesser funding (even for those businesses able to take full advantage of the scheme) provided by the proposed Tax Incentive scheme.

As a final comment, overseas investment is critical to the growth of R&D in NZ and it would appear the thinking and rationale behind the R&D Tax Incentive scheme has completely overlooked this aspect.

Regards,

s 9(2)(a)
Enphase_esig_logo6.jpg
Energy Evolved ™

#88

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, May 29, 2018 11:46:17 AM
Last Modified: Tuesday, May 29, 2018 1:50:16 PM
Time Spent: 02:03:58
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Email address	s 9(2)(a)

Q2 (ii) For organisations:

Name of organisation	**Enphase Energy NZ Ltd**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?
6 to less than 10 years

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.
20 - 49

Q5 (v) What industry sector does your business operate in?
M Professional, scientific, & technical

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support?
Yes,
If yes, please specify names of grant(s)/support.:
Callaghan Experience Grant

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

Difficult to determine. Unlikely to impact us.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

Not happy with the phrase "through the resolution of scientific or technological uncertainty".
R&D is much broader than that.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

The commercialisation of a product.
Cost focused technology development.
Field failure analysis to determine root cause - resulting in subsequent design enhancements/improvements.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

If Engineering is a subset of scientific method, no problem. Engineering will include requirements definition and specification through to product verification and validation - including compliance.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

A question of scope. Businesses may seek to solve a problem, within the scope of their organisation, that may already have been solved in a different context or different organisation. A materiality test is a starting point but is likely to be very subjective.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

As a 100% R&D business, support is integral to our ability to conduct R&D and be successful in doing so.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Some aspects of use-case development revolves around social sciences. Peoples needs, the way they do things, the way they use things, etc. Nothing specific but I can see a potential relationship. E.g. Human - machine interfaces (HMI's).

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

As a 100% R&D business, this is not applicable to us. However I can see how such a business may operate and carry out legitimate R&D activity.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

This is counter productive to providing incentives for R&D activity and growth. Labour cost, though significant, are only part of the overall costs.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

Sounds like a question asked by an accountant!
Would be attractive to an organisation with minimal overheads, otherwise not a good option. I.e. Financially disadvantageous. The Growth Grant method of RDI works well.

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

No opinion.
The answer should be apparent when considering the very purpose for providing R&D incentives to commercial organisations, some of whom will be reliant on funding and others not.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Embedded SW development is integral to the development process. We need to ensure definitions are broad enough to include that activity rather than having general exclusions with specific SW inclusions.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

As with Q12.
Focus should be on insentivising R&D investment not on rejecting incidental beneficiaries.

Q21 Q15 Is the minimum threshold set at the right level?

Yes,
If 'no', please provide further details.:
Could consider going lower to accommodate smaller enterprises.

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Even as a 100% R&D business, our R&D expenditure is well below the proposed cap.

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

No opinion.

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Transparency is important. Recipient names being published is acceptable, amounts involved could have business impacts, particularly in competitive environments.

Q25 Q19 Are there any other risks that need to be managed? Please describe.

NZ companies that are owned by oversees investors often get a bad wrap. Many of the public, spurred on by misguided and misinformed press, are simply not aware of the benefits and spin-offs resulting from such overseas investment.

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

Ultimate responsibility should be with the recipient business.

Q27 Q21 What is the right level of information required to support a claim?

R&D Growth Grant administration has set a good baseline and should be considered when setting up for the Tax incentive scheme. Callaghan have a good track record, not so sure about Inland Revenue?

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

That will depend on the level of reporting and supporting documentation required. No reason why the numbers can't be done through (for example) MYOB, Xero, etc.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

For Growth Grant quarterly claims, 10% is retained until an annual audit of R&D expenses has been conducted and a Review Certificate issued.
A similar approach could be taken?

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,

Contact details:

s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

At this stage there is very little detail relating to businesses operating with a low PBT financial model. Growth Grant funding has been instrumental in our business doubling it's R&D capability over a 3 year period and though we have certainty through to 31 March 2020, beyond that is very much unknown.
I would like to be involved in further discussion around this issue. The R&D Tax Incentive scheme as it currently stands has nothing to offer for now and sadly may result in a change in strategic thinking for our overseas investors currently focused on growth of the NZ entity.

#90

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Tuesday, May 29, 2018 2:15:02 PM
Last Modified:	Tuesday, May 29, 2018 2:40:26 PM
Time Spent:	00:25:24
IP Address:	s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals: **Respondent skipped this question**

Q2 (ii) For organisations:

Name of organisation	**Virsae**
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand? **2 to less than 6 years**

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners. **10 - 19**

Q5 (v) What industry sector does your business operate in? **M Professional, scientific, & technical**

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Project Grant	**2013**
R&D Growth Grant	**2017**

Q7 (vii) Has your organisation ever received any other R&D government support? **Yes,**
If yes, please specify names of grant(s)/support.:
Income tax related R&D tax loss cash out (effectively an interest free loan rather than a grant - so help in the sense of short term cash flow).

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?	**Respondent skipped this question**
Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?	**Respondent skipped this question**
Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?	**Respondent skipped this question**
Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?	**Respondent skipped this question**
Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?	**Respondent skipped this question**
Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.	**Respondent skipped this question**
Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?	**Respondent skipped this question**
Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.	**Respondent skipped this question**
Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.	**Respondent skipped this question**
Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.	**Respondent skipped this question**
Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.	**Respondent skipped this question**

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Modern software development processes often don't align to project style activity with clear start and end points. Instead development is often on platforms or solutions which are continually evolving and incrementally improving with new ideas. We would support an extension of the definition of R&D to explicitly include software development subject to a number of exceptions (e.g. maintenance, bug fixing etc.). This would allow easy application of the incentive especially for early stage software based start-ups.

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Shareholder continuity rules should not apply to tax credits as the discussion document points out, equity often changes at different stages of businesses as they develop. The issue however is broader with respect to losses incurred in early years by founders and angels only to be lost when later investors invest to scale businesses to generate profits. Making the tax credits exempt therefore goes some way to resolving this issue.

Q21 Q15 Is the minimum threshold set at the right level?

Respondent skipped this question

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

We would support penalties being extended to advisors when their remuneration is contingent on outcome. The opportunity for incentives to become perverse should be mitigated where possible.

Q27 Q21 What is the right level of information required to support a claim?

Respondent skipped this question

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

Respondent skipped this question

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?	**Respondent skipped this question**
Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.	**Respondent skipped this question**

#92

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, May 29, 2018 2:58:06 PM
Last Modified: Tuesday, May 29, 2018 5:12:53 PM
Time Spent: 02:14:46
IP Address: s 9(2)(a)

Page 2: Your contact details

Q1 (i) For individuals:

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations:

Name of organisation	s 9(2)(b)(ii)
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand?Please include full-time and part-time employees but do not include contractors or the business owners.

100 or more

Q5 (v) What industry sector does your business operate in?

C Manufacturing

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2014, 2015, 2016, 2017**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
Capability grants - R&D Experience and R&D Careers

Page 3: Questions asked in the discussion document

Q8 Q1 If SOEs, Crown Research Institutes, District Health Boards, Tertiary Institutions, and their subsidiaries are excluded from the R&D tax incentive, what will the likely impact be on business R&D in New Zealand?

I'm not sure there would be any great impact on business R&D in NZ. It is difficult for business to engage with research providers (different timelines to outcomes etc). If however the tax incentive can somehow be used to encourage collaboration with business then this would be a good outcome eg R&D support conducted with NZ business is eligible for these organisations then it may be helpful.

Q9 Q2 How well does this definition apply to business R&D carried out in New Zealand?

The definition seems okay, although the use of "Scientific methods" suggests a highly structured process with quite a high level of uncertainty. This is tempered somewhat with the use of technological uncertainty.

As food for thought were do the following fit in this definition:
- engineering optimisation/safety factor work eg for new processes, products?
- R&D conducted using agile innovation (rapid prototyping, early customer feedback, early go/kill). This is a less structured approach that is purported to get faster returns from R&D investment. We are trying to use this style of innovating to speed up our return on R&D investment.

Q10 Q3 Does this definition exclude R&D that you think should be eligible, please illustrate with examples?

Some exclusions need consideration
- Trials prior to taking a product to market need to be included, as until this trial work is completed you can't guarantee you have a commercially viable product.
- Market research conducted to inform an R&D business case. We do this try and increase the likelihood of success and customer pull.

Q11 Q4 Does the scientific method requirement exclude valid R&D in some sectors, please illustrate with examples?

Please consider whether the definition sufficiently covers engineering? Note the difference in definition between science and engineering.

Q12 Q5 What would the impact be on business R&D in New Zealand if a materiality test was applied to both the problem the R&D seeks to resolve and the intended advancement of science or technology?

Much of R&D in business is relatively low risk so meeting an advancement test could be extremely difficult. Surely it would only need to be an advancement for the business and not for science/technology.

Q13 Q7 Are there any reasons why the exclusions should not apply to support as well as core activities? Please describe.

I had never considered that support (ie non-core) activities may be included in the first place.

Q14 Q8 Please provide any examples where social science research is/has been a core part of business R&D in New Zealand?

Respondent skipped this question

Q15 Q9 What is the likely impact on business R&D in New Zealand if dual purpose activities are ineligible for the R&D Tax Incentive? Please describe.

The dual purpose clause focuses on R&D combined with Business as Usual expenses. This I understand but two related areas I'd like you to consider are:

1. We have a customer pull model to much of our R&D program. In instances we will develop new IP, solutions and modules within a customer-funded project with us owing the IP (and then we roll the new IP out into other subsequent projects). We claim this in our Growth Grant.

2. R&D conducted for offshore industry bodies. This work may be co-funded by us or in higher risk areas, fully funded. IP is owned by us. Currently, we regard our co-funding portion as being eligible for the Growth Grant.

Q16 Q10 What are the advantages and/or disadvantages of limiting eligible expenditure to R&D labour costs? Please describe.

The disadvantage of labour only is it's like to drive DIY behaviours. Rather than say buying in a module/part or leveraging something existing from a supplier, if it can be built in house then it's more likely to be. This is unlikely to be the most efficient.

Q17 Q11 What are the advantages and/or disadvantages of setting overhead costs as a percentage of R&D labour costs? Please describe.

We work on a recovery rate plus overheads for all staff. If the overhead portion of R&D activities is not included then the value of the tax incentive is markedly reduced (eg 15%).

Q18 Q12 Are there any reasons why expenditure related to R&D activities for which commercial consideration is received should be eligible for a tax incentive? Please describe.

Yes (see Q9)

We have a customer pull model to much of our R&D program. In instances we will develop new IP, solutions and modules within a customer-funded project with us owing the IP (and then we roll the new IP out into other subsequent projects). We very selectively claim the "new IP" portion of this in our Growth Grant.

Note: The only difference between conducting R&D within a commercial project compared to prior to a commercial project is "Timing". So, rather than the R&D happening before a commercial job we will often integrate within a commercial job. This is the lowest risk way that we have found to get new developments to the market.

Q19 Q13 What variations or extensions to the definition of core activities are required to ensure it adequately captures R&D software activities?

Respondent skipped this question

Q20 Q14 Are there reasons why continuity rules should not apply to tax credits? Please describe.

Respondent skipped this question

Q21 Q15 Is the minimum threshold set at the right level?

Yes,
If 'no', please provide further details.:
If you assume R&D is 5-10% of revenue then the $100k cut off represents businesses with turnover of $500k to $1M. is this going to capture enough of the SME's that the government wishes to attract?

Q22 Q16 How important is a cap or a mechanism to go beyond the cap? Please provide further details.

Respondent skipped this question

Q23 Q17 What features of a Ministerial discretion or pre-registration would make them most effective? Please describe.

Respondent skipped this question

Q24 Q18 What are your views on the proposed mechanisms to promote transparency and enhance evaluation? Please describe.

Respondent skipped this question

Q25 Q19 Are there any other risks that need to be managed? Please describe.

Respondent skipped this question

Q26 Q20 Are there risks with extending penalties to external advisors in this way?

The last time Tax credits were rolled out, advisors were the winners. The fact that penalties are being considered suggests government is expecting this again. If this is to be avoided then some significant training and support of Callaghan staff and innovation staff within business is going to be required.

Note: The tax incentives drive innovation in business back to the finance department. Where the consideration of R&D is VERY backward looking. Compared to the Growth Grant it will be more difficult to budget and plan unless you have detailed knowledge of tax accounting and the eligibility of R&D for tax adjustment.

In my view tax incentives will drive R&D in businesses from R&D teams to finance teams. As a result everything is going to get far more conservative - at odds with the intent of R&D.

Q27 Q21 What is the right level of information required to support a claim?

The same as the current growth grant

Q28 Q22 What opportunities are there for customers to submit R&D Tax Incentive claims via third party software?

It's interesting that the govt seems to be considering the development of new spillover business opportunities as the result of setting up this incentive.

Q29 Q23 What integrity measures do you think Inland Revenue should use?

Respondent skipped this question

Q30 Q24 Would you be willing to be contacted in future on the R&D tax incentive and/or implementation process?

Yes,
Contact details:
s 9(2)(a)

Q31 Q25 Please provide any other feedback you may have on the proposed R&D tax incentive here.

The proposed 12.5% is lower than the equivalent of the R&D Growth Grant (as a tax credit) ie 14.4%. The effective decreased level of support will discourage more R&D. If the purpose is to encourage R&D then it needs to be at least equivalent to the Growth Grant. I think of the % offered in terms of business risk/technical uncertainty, the higher the % of the support then the more inclined I believe business will be to be more innovative as the risk/uncertainty is shared. The colorary being a decrease in support will push businesses to a more conservative R&D program.

#44

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, May 30, 2018 1:44:00 PM
Last Modified: Friday, June 01, 2018 4:44:55 PM
Time Spent: Over a day
IP Address: s 9(2)(a)

Page 2

Q1 (i) For individuals

Name	s 9(2)(a)
Email address	

Q2 (ii) For organisations

Name of organisation	s 9(2)(b)(ii)
Contact person name	s 9(2)(a)
Position	

Q3 (iii) How long has your business been operating in New Zealand?

10 years or more

Q4 (iv) How many employees (FTEs) are employed by your business in New Zealand? Please include full-time and part-time employees but do not include contractors or the business owners.

100 or more

Q5 (v) What industry sector does your business operate in?

Manufacturing

Q6 (vi) Has your organisation ever received a R&D project or R&D growth grant?

R&D Growth Grant	**2014**

Q7 (vii) Has your organisation ever received any other R&D government support?

Yes,
If yes, please specify names of grant(s)/support.:
Capability
grants

Q8 How likely is it that your organisation will be in a position to use the full amount of an R&D tax credit in the 2019/20 tax year? (Note, to use the full amount of a R&D tax credit in a given year, your business' tax liability needs to be at least as large of the R&D tax credit you are entitled to claim.)

Don't know

Q9 How much R&D does your organisation expect to carry out in the coming year?

s 9(2)(b)(ii)

Page 3: Responses to questions in the consultation document

Q10 Q1 What impact will the proposed transition arrangements have on your business? For example, your cash-flow or internal reporting mechanisms? Please describe.

s 9(2)(b)(ii) At the outset it was looking like we would be without any support as early signals suggested we could not reapply. If this was the case it would have a large impact. I understand however that we may now be eligible for an extension. We really do need this as otherwise our programme would hit a cliff edge and many initiatives (eg setting up our R&D unit) would have to be shelved.

Regarding impact on cahsflow, we are currently budgeting for our 2019 financial year (our year end is 31 Aug) along with forecasts for the next 5 years. Should we not receive the grant this would have a tangible impact on cashflow. Should we not receive this, higher risk R&D would have to be shelved along with new R&D appointments into areas such as the Industrial Internet of Things.

We had to set up an R&D financial recording system for the Growth Grant. This took us well over a year to get right between finance and innovation staff as we all learnt the eligibility criteria etc. With proposed changes we would prefer to learn and set this up in advance rather than have to do it on the fly.

Q11 Q2 What do you believe to be a necessary transitional period? Please explain the reasons why this is necessary for your business?

As noted above it took us a year to get our systems in place and working smoothly for financial recording of R&D. Subject to the level of changes to eligibility, it will take us equally as long after getting clear definition of the criteria, to be able to evaluate our likely tax credit and set up accrual's for this.

So, assuming April 2019 will have the R&D criteria defined, and noting our financial year end is 30 Aug, with guidance from tax accountants, we may be able to start on the Tax credits in our 2020 financial year (ie starting 1 Sept 2019) ie in 15 months time.

Note, we are expecting that our financial and innovation team will both need training on the tax credits and then we will set up an adjusted R& D recording system. I am assuming that the govt and/or Callaghan will give us access to trained experts soon after April 2019, so that we are ready for our budget planning in May 2019. If not, then more time would assist us.

Q12 Q3 What impact will the proposed transition arrangements have on your R&D programme over the next few years?

The transition will likely mean a very conservative year of R&D spend in the 1st year of the tax credits as we find our feet with the new system. The change combined with the effective decreased level of support (12.5% vs 20%), has a multiplier effect.

Q13 Q4 Please provide any other comments about the proposed transition arrangements.

We have been operating in NZ for over 100 years and recently have had a large global expansion through acquisitions. Our ability to grow has all stemmed from key IP we have developed here in NZ with industry and government support. We're very proud of this.

As a result of the expansion we now conduct R&D in both NZ and Australia. Our Board includes two representatives from Australia and there is strong interest in leveraging more of the industry and government support in Australia. I mention this only to make you aware that decisions made around the Tax incentives are best put in the international R&D context.

Finally, I would hope that the tax credits are simple enough for us not to have to engage tax accounting experts. Last time tax credits were used, this is what happened.

Q14 Q5 For businesses in tax loss, what impact will the proposed temporary grant have on your business during the transition process? Please describe.

Respondent skipped this question