

## Tax Competitiveness for Advanced Manufacturing the key to commercialising Australian R&D

A more competitive corporate tax rate would enable Australia to attract valuable investment in advanced manufacturing and in turn convert its world leading R&D into fully-fledged industries located in Australia, according to CSL Limited, Australia's largest biotechnology company.

Australia has a skilled workforce, quality education and strong research base. These are the pillars of advanced manufacturing industry throughout the industrialised world that create valuable products, sustainable revenues, and high quality employment. Australia needs to develop a substantial and vibrant advanced manufacturing sector if it is to realise the same potential benefits enjoyed by comparable highly educated societies elsewhere. To do so, it must offer corporate tax rates on advanced manufacturing that are competitive with Switzerland, Ireland, Singapore, the UK and a rapidly growing list of other jurisdictions.

Australia secures a disproportionate share of government revenues from corporate tax. As things currently stand, it cannot afford the large across the board business tax cuts that have featured in Ireland and, more recently, the UK. But a corporate tax rate capped at 10%, confined to advanced manufacturing derived from Australian innovations and in line with the serious global competition, would close the gap.

Targeted at new investment, an Advanced Manufacturing Tax (AMT) would not reduce Treasury revenue, since Australia is not attracting significant investment of this type in any case. Rather, the addition to output and employment made possible by a genuinely more competitive tax rate would be expected to increase Government revenues.

These conclusions are contained in CSL's submission to the Government's "Re-think" tax discussion paper. They are underpinned by CSL's own experience in deciding where to locate a A\$500 million plant to manufacture synthetic and enhanced versions of the body's own blood clotting agents. CSL chose Switzerland before Australia although a large share of the foundation R&D for these highly sophisticated products was undertaken by CSL in Australia.

A range of factors, including for example, proximity to market, availability of staff with relevant regulatory and market experience and favourable industrial relations, influenced CSL's decision. But corporate tax rates were undoubtedly significant and the effective tax rate available in Switzerland is substantially lower than that of Australia.

"CSL is currently investing in Australia for some of our existing products, which reflects CSL's strong Australian skills base. This is largely contract production in support of existing facilities using existing Intellectual Property from elsewhere in our international supply chain. Much greater taxable profits, new jobs and economy-wide supply linkages could be generated if companies established in Australia entirely new global production facilities capitalising on IP developed or enhanced in Australia," said CSL's Chief Financial Officer, Mr Gordon Naylor.

The submission says that investment in advanced manufacturing is essentially "footloose", that is, it will go to jurisdictions that offer the right investment climate. Attracting this investment to Australia would represent the single most important step towards leveraging Australia's high quality R&D base. Tax is a significant impediment to achieving this goal.

“Australia possesses excellent universities and a highly effective research sector, in large part as a result of governments’ policies and support. It’s clear that we need to look at our tax competitiveness if we want to take the next step to build the advanced manufacturing, to commercialise our innovations, and to knit Australia into global supply chains” Mr Naylor said.

“CSL is Australia’s largest home-grown advanced manufacturer. We’d like to do more in Australia and we want to see Australia perform to its potential. Because we operate globally we know what’s required if Australia wants to be a serious advanced manufacturing player.”

To access CSL’s submission to the Taxation Discussion Paper, click [here](#).

## **About CSL**

The CSL Group has a combined heritage of outstanding contribution to medicine and human health with more than 90 years’ experience in the development and manufacture of vaccines and plasma protein biotherapies.

With major facilities in Australia, Germany, Switzerland and the US, CSL employs over 13,000 employees working in 27 countries.

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