

**To:** [RDincentive@MBIE.govt.nz](mailto:RDincentive@MBIE.govt.nz)

**Submission on:** Fuelling innovation to transform our economy – A discussion paper on a research and development tax incentive for New Zealand

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## **Submission on: Fuelling innovation to transform our economy**

### **1. Introduction**

- 1.1 Agcarm welcomes the opportunity to comment on the Research and Development tax incentive for New Zealand discussion document.
- 1.2 As an industry association representing members who are focussed on development of new products, we have a strong priority on encouraging policy and regulation that accelerates innovation. Hence, we are very supportive of the government's goal of increasing R&D expenditure to 2 per cent of GDP over ten years.
- 1.3 Agcarm is supportive of the key points and recommendations raised by Business NZ, and we support their submission.
- 1.4 We note that the current regulation (e.g. HSNO Act) around development and research of innovative products within the crop protection and animal medicines sectors is very restrictive. We request that in addition to encouraging tax credits, a focus is placed by MBIE on reviewing relative regulation, specifically in providing more encouragement for biotech (e.g. GMO, gene editing) to be researched and products registered for use within New Zealand.

### **2. General Comments**

- 2.1 Agcarm represents a range of businesses, from small New Zealand enterprises through to global corporates (refer to Appendix 1 for our current membership list). Based on our broad representation we submit that tax credits should be made available to all businesses regardless of their legal structure.
- 2.2 The new definition (as below) outlined for R&D, appears to be weighted towards research, rather than development. Therefore, there is a risk that if the current definition is introduced, the ability for many businesses to apply for and succeed in obtaining the R&D tax credit scheme will be greatly affected. Especially, in relation to small businesses.

As a first step we recommend that the word 'development' is included within the definition. This will enable businesses to both develop ideas, and then research them to develop new beneficial products.

*(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 to advance science or technology through the resolution of scientific or technological uncertainty.*

OR

*(b) Support activities: those that are wholly or mainly for the purpose of, required for, and integral to, the performing of the activities referred to in paragraph (a).*

- 2.3 Agcarm supports the principle that up to 10 percent of the eligible expenditure on an R&D project can be for overseas costs. Due to a lack of particular species of crops or animals, or regulatory restrictions within New Zealand, it may not be possible for all the development and research to be carried out locally by our members. Hence, the idea of expenditure overseas being eligible for tax credits is supported. There is some thought that this cost could be increased to 20 percent, given the increasing emphasis on global research for innovative solutions within New Zealand.

- 2.4 When it comes to transparency around the allocation of substantial government funds, the disclosure of relative information that falls within the requirements of the Privacy Act could be released. A similar approach could be adopted as per the Primary Growth Partnership programme, where details on funding are released via an annual report.
- 2.5 On the evaluation side, Agcarm recommends that a comprehensive review and cost-benefit analysis is undertaken within four years of the introduction of tax credits to ascertain their success or otherwise in promoting innovation and investment to increase New Zealand's productivity.

### **3. Conclusion**

- 3.1 Agcarm is supportive of any government initiative aimed at increasing innovation, along with R&D. We acknowledge that R&D tax credits are just one means of encouraging innovation, and recommend that MBIE look at additional means such as removing regulatory barriers.
- 3.2 The key risk of the R&D tax credit scheme is ensuring the correct balance between the correct targeting of tax payer money towards genuine R&D expenditure, while ensuring that any R&D tax credit thresholds are not so constrained as to deter worthwhile businesses from applying for a credit, so that the scheme remains underutilised.

### **4. About Agcarm**

Agcarm is the industry association for manufacturers and suppliers of crop protection and animal health products. For further information and a full list of members, see [www.agcarm.co.nz](http://www.agcarm.co.nz).

Agcarm member products protect public health, improve animal welfare and help environmental management. They:

- Play a pivotal role in growing high yield, sustainable food and fibre products;
- Help supply healthy, nutritional and affordable food;
- Keep New Zealand's agriculture, horticulture and forestry sectors internationally competitive.

Our members are committed to safety, innovation and product stewardship.

Appendix 1: Agcarm Membership



MEMBERS LIST / 2018

ANIMAL HEALTH  
MANUFACTURERS



CROP PROTECTION  
MANUFACTURERS



DISTRIBUTORS



CORPORATE ASSOCIATES



INDIVIDUAL ASSOCIATES

