



3rd September 2019

## **Submission on the Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill**

This submission is made by NZRise, a membership based organisation representing New Zealand owned digital technology businesses.

### **R&D Tax Credit amendments**

NZRise support the proposed changes in clauses 105 and 107, designed to make startups, pre-profits and other loss-making businesses eligible for cash refunds of R&D Tax Credits (within limitations).

We remain very concerned that the 2019 R&D Tax Credits Bill continues to exclude virtually all commercial software research and development (R&D), due to the restrictive nature of that Bill's definition of "eligible R&D". The Bill's restricted eligibility impacts all software businesses, whether loss-making or profitable.

The Bill definition does not incorporate Callaghan's innovation/novelty test for eligibility. The introduction of this Bill also eliminated future access to the Callaghan Growth Grants. We consider this Bill has raised the bar for eligibility beyond the reach of most New Zealand owned digital technology companies who are developing software.

We recommend further consideration be given to the definition of "eligible R&D" for software R&D. The opportunity for significant growth of digital technology exports aligns with the Government's goal of ICT becoming 2<sup>nd</sup> largest contributor to GDP. As it stands, following a recent Court decision over there, Australia may offer a more favourable environment for software R&D and so create the risk of exporting companies shifting R&D activities from Aotearoa into Australia's jurisdiction.

### **About NZRise**

NZRise is a community of New Zealand owned digital technology businesses, incorporated as a not-for-profit society.

Our focus is to represent the interests of NZ owned companies who face a range of challenges when competing at home and abroad. We passionately believe our industry is strategically placed to transform our economy. We believe New Zealand's unique economic and cultural context provides the ideal conditions for building an industry that can meet world demand for agility, rapid development, collaboration, and innovation.

For more information visit

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