



Australian Government  
Australian Trade Commission



## Invitation for Public Submissions – Draft Complying Investment Options for the Significant Investor Visa (SIV) and Premium Investor Visa (PIV) programmes

Please send your submission to Austrade by **5pm AEDT 3 March 2015**

By email: [investorvisas@austrade.gov.au](mailto:investorvisas@austrade.gov.au)

Please limit your submission length to a total of five pages

|                  |                                       |       |    |
|------------------|---------------------------------------|-------|----|
| Name             | Elizabeth Foley                       | Title | Ms |
| Organisation     | Research Australia                    | Type  |    |
| Telephone number | 02 9295 8545                          |       |    |
| Email address    | Elizabeth.foley@researchaustralia.org |       |    |
| Website          | www. researchaustralia.org            |       |    |

**Austrade is seeking comments and suggestions on the draft complying investment options, and any supporting material or data to support your views. Input received will inform recommendations on the complying investment options for the SIV and the design of a new PIV.**

**Comments and suggestions on the draft complying investment options for the SIV. For example, comments on what is proposed to be included or excluded, and whether the quantum and measures listed are appropriate.**

**Research Australia supports the inclusion of philanthropic donations to health and medical research in complying investments for the PIV, and proposes that it should also be included in the Balancing Investment component for the SIV.**

Australian health and medical research (H&MR) is of a high standard and is well regarded globally.<sup>1</sup> There is also significantly more research capacity in Australia than funding. The majority of H&MR in Australia is conducted in the higher education and not for profit sector by publicly funded research organisations such as universities and medical research institutes.<sup>2</sup> Health and medical research has been identified by the Australian Government as

<sup>1</sup> Australian Government, Office of the Chief Scientist, Benchmarking Australian Science, Technology, Engineering and Mathematics November 2014, p.10

<sup>2</sup> <http://www.researchaustralia.org/health-medical-research/funding-hmr>

one of Australia's research strengths, with the medical technologies and pharmaceuticals identified as a key future growth area.

However, a lack of investment remains a barrier to further development. In particular there is a significant difficulty in attracting investors to fund the early stage research & development that is required to take publicly funded research findings to the commercial proof of concept stage. Initial engagement through a donation to support a publicly funded research organisation has the potential to lead to a commercial investment in subsequent later stage R&D which is 'spun out' on a commercial basis. In this manner the donation has several benefits:

- it supports Australian H&MR;
- it advances the research to the point where a commercial investment becomes viable; and
- it provides the initial basis for establishing a relationship with an individual who can be a future potential investor.

**Research Australia submits that this is a strong argument for permitting philanthropic donations to health and medical research to be included in the complying investments for both SIVs and PIVs.** Please refer to Box 5 for more detail.

### **Comments and Suggestions on Box 1 – Regulatory Requirements for the SIV and PIV.**

Research Australia has no comment in relation to Box 1.

### **Comments and Suggestions on Box 2 – Mandatory Investment in Venture Capital Funds as part of the SIV.**

Research Australia has no comment in relation to Box 2.

### **Comments and Suggestions on Box 3 – Mandatory Investment in Small and Micro Capital Funds as part of the SIV.**

Research Australia has no comment in relation to Box 3.

### **Comments and Suggestions on Box 4 – Balancing Investment Items for the SIV.**

**Research Australia proposes that philanthropic donations to health and medical research should also be included in the Balancing Investment component for the SIV.**

Research Australia understands the Department's desire to ensure that the two visas are sufficiently differentiated and to avoid complicating the existing categories of Complying Investment for SIV. However we believe that philanthropic donations to support H&MR can be an important component of the SIV and help foster productive strategic business partnerships with the H&MR sector. Philanthropic donations can be relatively easily included in both SIVs and PIVs.

Please also refer to our response to the first question above, and at Box 5.

## Comments and Suggestions on Box 5 – Design of the PIV.

The options paper poses the following question under section 5:

***Should philanthropic donations be allowed as defined as core R&D activities by the R&D tax incentive legislation in medicine and health, agriculture, and ICT or subject to S&T government approval?***

In the case of philanthropic donations Research Australia proposes that it is necessary to define:

- a) the types of organisations to which the donation can be made; and
- b) the activity for which the donation can be used.

**Research Australia proposes that the type of organisation to which the donation can be made should be limited to organisations that are eligible to receive tax deductible donations- i.e. donations that have ‘Deductible Gift Recipient’ (DGR) status under Division 30 of the Income Tax Assessment Act 1997.** If it is considered necessary to further limit the eligible organisations, the legislation could specify organisations included under one or more of the following, which are the categories under which not for profit health and medical research institutions are usually registered:

| Section | Table Item |
|---------|------------|
| 30-20   | 1.1.4      |
| 30-20   | 1.1.5      |
| 30-20   | 1.1.6      |
| 30-25   | 2.1.1      |
| 30-40   | 3.1.1      |
| 30-45   | 4.1.1      |

In terms of the purpose for which the donation can be used, it would be possible to use the ‘core R&D activities’ definition as proposed in the options paper. Research Australia suggests however that it would be more appropriate to use the expression ‘research into the causes, prevention or cure of disease in human beings’. This expression is already used in Subdivision 30-B and is generally well understood by the sector. If philanthropic donations for agriculture are to be allowed as proposed, the definition can be extended to ‘research into the causes, prevention or cure of disease in human beings, animals or plants’ (which is also already used in Subdivision 30-B).

The reason for proposing this as an alternative is that organisations conducting health and medical research which are capable of accepting donations are typically universities and medical research institutes. Unlike companies operated for profit these companies may not be claiming an R&D tax incentive for any part of their research expenditure, and may be less familiar with the R&D Tax Incentive regime. The expression also aligns more closely with the organisations’ eligibility as DGR recipients and the restrictions on how donations can be used generally. Research Australia submits that this approach would be administratively easier and better understood by donors and recipients alike.

### **Private Ancillary Funds**

Private Ancillary Funds (PAFs) provide a vehicle for philanthropy in Australia. While the definition of complying investments for SIVs currently includes the use of trusts where the investor and/or their spouse is the beneficiary, it does not include a PAF. Research Australia proposes that philanthropic donations made to a PAF which is restricted by its governing rules to donating to health and medical research (as defined above) should be considered a complying investment for both SIVs and PIVs

**Research Australia submits that philanthropic donations which meet the above criteria should be included as complying investments for both SIVs and PIVs.**

### **Other comments or suggestions.**

Research Australia has no other comments.