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Strategic Examination of R&D

Issues paper 3 – RD&I incentives: incentivising breakthrough innovation and ambitious R&D

Science & Technology Australia (STA) thanks the Strategic Examination of R&D (SERD) Panel for the opportunity to respond to the SERD targeted issues papers.

STA is the peak body for the nation's science and technology sectors, representing nearly 150 member organisations and more than 235,000 scientists and technologists. We connect science and technology with governments, business and the community to advance science's role in solving some of humanity's greatest challenges.

What aspects of the model would work well?

The RD&I Incentives paper proposes several good high-level ideas including RDTI reform and increasing funding opportunities to engage and strengthen the R&D sector.

Much of the effectiveness of this paper's proposals will depend on how well they are connected and iterate across the entire sector. It is currently unclear how the proposals across all six papers will come together to deliver system-wide transformative reform.

For startups, income-contingent loans supporting repayment upon startup success or access to public interest grants and establishing pre-accelerators and accelerators can reduce financial pressure and incentivise greater ambition. Implementation of these supports should have mandatory diversity targets including for First Nations led RD&I businesses. The [2024 Startup Muster report](#) found that the top three barriers to startups were financial, highlighting how crucial this support can be.

STA supports enabling access to entrepreneurial, commercialisation and mentorship for researchers. STA is currently developing a program to fill an identified gap in the current system with respect to training for STEM researchers to broaden their skills in both leadership and translation. The program's goal is to better connect STEM research with the broader economy. This program would both deliver training and professional development to STEM researchers and also build mobility pathways across the sector.

Creating incentives to support growth and strengthen national capacity in national focus areas from startups to large enterprises can lead to a resilient and dynamic R&D sector. This includes facilitating challenge-based funding mechanisms to guide business R&D growth towards national focus areas, RDTI reform and promoting sector engagement.

On RDTI reform, introducing premiums for collaboration between academia and industry, concentrating effort on national focus areas and simplifying eligibility tests to promote accessibility to the arrangement will better support incentivisation and drive ambition.

[Australian startups have called for RDTI improvements](#) including reducing administrative burden, improving clarity and guidance on rules and eligibility, and enabling quarterly payments over annual payments. These should be considered for the proposed RDTI startup stream.

What could be improved and how?

STA supports many of the paper's high-level proposals in principle, but the paper lacks a coherent description of how R&D reform should be implemented in a systematic way – how each element works and how they would connect across the entire system.

Better use of evidence to support R&D sector reform is necessary to demonstrate proposals' merit to both government and R&D stakeholders.

STA also recommends the Panel considers:

- Restructuring the RDTI to be a tax credit, rather than a tax offset, which companies would be required to re-invest in further R&D.
- Removing the cap on company revenue for claiming RDTI, but tighten areas and categories that are eligible.
- Including a 20% collaboration premium for activities undertaken with universities and/or other SMEs, to drive an ecosystem multiplier effect.

Linking incentives to other benefits like visas and PhD programs should be made available to all types of businesses rather than just large businesses.

Skills and workforce development are essential to our long-term R&D sustainability. The panel should call for a payroll tax concession for companies employing recent PhD graduates. The Australia IP Report 2024 indicates Australian startups employing a recent PhD graduate are [9 times more likely](#) than the average new firm to file and be granted patents.

Another way to incentivise research commercialisation and develop Australian ideas in Australia is to implement a competitive tax concession on profits derived from newly patented Australian IP. This would encourage businesses to stay onshore and help build new Australian industries. Eligibility for tax concessions could be aligned with the NRF or other strategic priorities to boost sovereign domestic capability and support economic resilience.

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