

Hon Peter Dunne

Minister of Revenue

16 May 2013

R&D tax-break proposal to boost start-ups

Small, innovative businesses are set to benefit from proposed changes that will allow them to claim tax losses on research and development, Revenue Minister Peter Dunne says.

A public consultation paper will be released in June on a proposal to allow tax losses arising from R&D expenditure to be refunded up to a certain limit. It will be targeted at R&D-intensive start-up firms.

“Small, innovative businesses that invest heavily in research and development are doing the right thing and we want more of them.

“However, that expenditure can be crippling for small ventures, given their capital constraints.

“With this proposal, we are effectively recognising that and looking to make sure these small companies are not disadvantaged,” he says.

The proposal is part of the Government’s larger ongoing effort to remove distortions in the tax system that can deflect investment from the productive sector.

“Small R&D-intensive start-ups tend to endure long periods in tax loss as a result of high-risk, up-front investment. Start-ups, by definition, are not swimming in money, and the hit they take on R&D can be a real disincentive to undertaking it,” Mr Dunne says.

“If we can encourage R&D, the economy itself will benefit.

“Our economy is growing, and to help it get stronger we need innovation backed by research. The changes we will be proposing and consulting on in June aim to encourage that.”

Media contact: Mark Stewart 021 243 6985