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- Business

‘Patent box’ tax concession to unlock Aussie investment, innovation for health and medical companies immediately

The patent box tax concession will unlock investor funds to boost innovation at home now, companies making breakthrough medical and healthcare products say.

Valerina Changarathil

Micro-X managing director Peter Rowland at its Tonsley facility in South Australia.

The new patent box tax concession from 2022 is a clear sign to investors and businesses in the medical and biotech sectors that Australia is ready to confidently back its innovators and advanced manufacturers.

From July 1, 2022, income earned from new patents developed in Australia will be taxed at a concessional 17 per cent rate, nearly half the rate paid by large companies under a the $206.4m patent box scheme revealed in Tuesday’s Budget.

ASX-listed Micro-X, which manufactures lightweight X-ray devices for medical and defence settings, said the initiative will grow the value of the medical devices market from an investor's perspective.

"We expect institutional and private investors will share this view and this will make it easier for companies like Micro-X to raise capital to aid the creation of intellectual property and patents," managing director Peter Rowland said.

Micro-X managing director Peter Rowland, Flinders Uni students Mia Maric and Erica Nunn and Micro-X engineering manager Anthony Skeats working on brain stroke scanner prototype shapes that would suit an ambulance. Picture supplied.

"As a government instrument, it is very clever.

"It is a clear message that if you invest in research and manufacture of medical products you are going to pay less tax in this country."

The SA-based business, valued at $151m, received $8m as part of a $40m grant from the Federal Medical Research Future Fund (MRFF) in March for a brain stroke scanner for emergency response vehicles.

If successful, the scanners will be the country's first mobile stroke detection units for ambulances and medical aircraft.

“We’ll benefit through the development of our Brain CT Scanner in a couple of years, but this announcement also encourages future developments in our mobile x-ray unit business line.”

The country’s only respirator maker ASX-listed CleanSpace Technologies, valued at $127m, is also “thrilled” by the tax concession.

The NSW company, founded by ex-ResMed biomedical engineers, manufactures health and industrial workplace respirators at its North Sydney facility, 80 per cent of which are exported to North America, Europe and South East Asia, including Japan.

“We are active patent developers and continue to file patents and trademarks and other intellectual property,” chief executive Dr Alex Birrell said.

Dr Alex Birrell, chief executive of respirator manufacturer CleanSpace.

“We are revenue generators, exporters and do advanced manufacturing so something like this, where there is some benefit back, particularly on the tax front, is very exciting.

“It’s a real positive for companies like ours and particularly underpins some of the government dialogue and rhetoric along building up manufacturing capability in Australia and supply chains.”

Ms Birrell said there is a “lot of pressure” for companies like CleanSpace to relocate into more “tax-advantageous places” like Singapore and Ireland.

“This potentially makes it far more attractive for companies to remain Australian-grown and Australian-owned and also potentially quite competitive.”

The business has seen high demand globally and domestically through the COVID pandemic for its respirators, developed specifically for medical staff dealing with a pandemic.

While its industrial respirators have received federal support, in 2016, it received a NSW medical device grant that helped it develop a respirator for clinical use during a pandemic, which was launched in 2018.

SA-based orthopaedic implants maker Austofix’s director Johnathon Matthews said tax incentive schemes are vital to help retain ownership of medical and biotech patents in Australia.

“It (patent box) follows many other jurisdictions that have similar regimes, including most of Europe where the effective ‘patent box’ tax rates are even lower at between 5-15 per cent,” Mr Matthews said.

“Given the ease at which the ownership of IP can be transferred, there needs to be a level playing field otherwise IP will continue to leak overseas to companies who become world-leaders, not because they are better than us, but simply because they can take advantage of lower tax rates.”

Most of the medical research work undertaken in Australia is supported by taxpayers and is led by universities.

SA’s Flinders University is supporting new start-ups build strong IP protections through its medical device partnering program (MDPP).

“Such schemes can reduce risk and improve profitability for Australian-based companies seeking to succeed in the difficult task of bringing new high-technology, research-intensive, knowledge-based products onto the marketplace,” said Flinders University’s deputy vice-chancellor (research) Professor Robert Saint.

“We welcome the new Patent Box and related programs which help stimulate additional industry-university collaborations to better impact and improve the lives of Australians,” he said.