



8 September 2006

Business Tax Review  
c/- Deputy Commissioner  
Policy Advice Division  
Inland Revenue Department  
PO Box 2198  
WELLINGTON

To the Deputy Commissioner

## **SUBMISSION ON BUSINESS TAX REVIEW DISCUSSION DOCUMENT**

Thank you for the opportunity to make a submission on the Business Tax Review discussion document.

The Researched Medicines Industry Association of New Zealand (RMI) is the professional and trade organisation of New Zealand's research-based pharmaceutical industry. Its 18 member companies are engaged in the research, development, manufacture and marketing of prescription medicines and the ongoing improvement of medical and scientific knowledge about their products.

We recognise that this document is a first step towards engaging with the public and industry on tax reforms and we look forward to being further involved as the consultation progresses.

### **Company Tax Rate Reduction and Tax Credits**

The RMI supports the primary proposal to reduce the company tax rate and the concept of tax base initiatives to improve productivity, business investment, innovation and competitiveness. Of particular relevance for the researched based pharmaceutical industry is the option of tax credits for R&D activities.

However it should be noted that while these proposals are a welcome step these initiatives alone are unlikely to result in a major increase in investment in New Zealand by the researched based pharmaceutical industry. Most major R&D investments by international pharmaceutical companies are determined at a global level, often with local operations in several countries competing for projects. Unfortunately for many pharmaceutical companies New Zealand's hostile environment and the fact that New Zealand pharmaceutical management system actively works to devalue innovation will continue to be key factors influencing investment decisions.

There is clear evidence that the difficult and uncertain commercial environment in which the industry has operated in New Zealand for more than a decade has had a knock-on effect on R&D. Major international pharmaceutical companies have disinvested infrastructure and the level of New Zealand based research and clinical trials has fallen.

Tax initiatives may assist in at least slowing this decline but real gains will only be achieved when other policy frameworks are addressed.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Lesley Clarke', is positioned above the printed name.

**Lesley Clarke**  
Chief Executive Officer