



**Australian Academy of the Humanities**  
**Submission to the Tax White Paper**  
**June 2015**

The Australian Academy of the Humanities welcomes the opportunity to comment on the Government's *Tax White Paper*. As one of Australia's four Learned Academies, a key role of the Academy is to provide independent expert advice to government and policy makers, promoting the social significance of humanities research and its importance in shaping effective public policy.

The Academy's brief submission focuses on one area of the Tax White Paper – the Research and Development (R&D) Tax Incentive. It remains the Academy's position that the current exclusion of research in HASS from core R&D activities acts as a disincentive for industry to engage with a significant component of the Australian research sector.

At a time when the Government is looking at ways to catalyse connections between industry and university-based research, there is significant, though currently under-realised, potential in the humanities, arts and social sciences (HASS) sector to contribute to these objectives. As outlined in the Academy's recent report, *Mapping the Humanities, Arts and Social Sciences in Australia*:

- HASS researchers comprise 43% of the university-based research system
- HASS research receives 16% of industry income (HERDC category 3)
- HASS research accounts for 30% of research outputs
- 22% of HASS funding for research is derived from ARC Linkage Projects demonstrating increasing and important linkages with industry partners, with standout fields including Built Environment and Design, and Commerce, Management, Tourism and Services<sup>1</sup>
- 67% of research outputs in ERA 2012 that had an Asia focus were from HASS field

Removing the exclusion of HASS research is entirely in keeping with the stated aims of the R&D Tax Incentive to boost competitiveness and improve productivity across the Australian economy; and to encourage industry to conduct research and development activities that may not otherwise have been conducted.

As the Academy noted in October 2009 in its Submission in response to the Treasury's consultation paper, *The new research and development tax incentive*, (and reiterated in the follow-up response in 2010) the blanket restriction on disciplinary grounds such as

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<sup>1</sup> Turner, G, and Brass, K (2014) *Mapping the Humanities, Arts and Social Sciences in Australia*, Australian Academy of the Humanities. Available from [http://www.humanities.org.au/Portals/0/documents/Policy/Research/MappingProject/txt/Mapping\\_HASS\\_Aust\\_FinalReport\\_All\\_Oct2014.pdf](http://www.humanities.org.au/Portals/0/documents/Policy/Research/MappingProject/txt/Mapping_HASS_Aust_FinalReport_All_Oct2014.pdf)

that adopted in the current R&D Tax Incentive, fails to encourage the participation of all parts of the research sector in the innovation economy. Our overarching argument against the exclusion then remains valid now: 'It rules out exactly the kind of activity the entire regime is designed to support, solely on the basis of the discipline in which the work is done. It contradicts declared Government policy in innovation, industry and research, by militating against the full and proper involvement of all relevant parts of the research sector, including research-active industry, in the evolution of the Australian Innovation System'.

As noted in the Academy's submission to the 2014 Inquiry into Australia's Innovation System, innovations which take into account the social context of change, and which are designed from their inception with humanistic and sociological considerations in mind, tend to be adopted more quickly, to impact more deeply on society and to more efficiently interact with existing ways of doing things. Human values, practices, and arts and artefacts are not merely the support context for the adoption of technology but are the grounding in which the possibility of innovation itself arises.

Industries and organisations that wish to innovate need access to researchers who "understand systems, cultures and the way society uses and adopts new ideas".<sup>2</sup> This is HASS knowledge. If the science, technology, engineering and mathematics (STEM) disciplines contribute numeracy and technological proficiency, it is the humanities disciplines – together with arts and social sciences – that deliver Australia's literacy and communication skills and knowledge of social systems, governance structures, community habits, beliefs and behaviours. The 'wicked problems' we face – including health, food, water and the environment more broadly – can only be solved with an interdisciplinary approach which considers the human and social dimension, along with the technical.

Australia therefore needs to adopt a broad view of innovation that explicitly acknowledges the fundamental role of non-technological innovation. The removal of the current exclusion of research in HASS from core R&D will provide for the more effective functioning of the incentive, as it will be able to fulfil its objectives across the full range of research and development fields. Further, it will improve the alignment of the incentive to the objective of encouraging private sector investment in research.

The Government's own Industry Innovation and Competitiveness Agenda singles out services as a growth sector for Australia.<sup>3</sup> Professional and financial services, health, education and tourism services are all areas of growth for Australia, with great potential for industry players to build research partnerships with HASS researchers to pilot and test innovative partnerships to find cost-effective solutions for critical issues in ageing, disability, health, unemployment, and related services.

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<sup>2</sup> Bell, J, Frater, B, Butterfield, L, Cunningham, S, Dodgson, M, Fox, K, Spurling, T and Webster, E (2014) *The Role of Science, Research and Technology in Lifting Australia's Productivity*, Australian Council of Learned Academies, p. 19. Available from <http://www.acola.org.au/PDF/SAF04Reports/SAF04%20Role%20of%20SRT%20in%20lifting%20Aus%20Productivity%20FINAL%20REPORT.pdf>

<sup>3</sup> Australian Government (2014) *Industry Innovation and Competitiveness Agenda*, p. 8. Available from [http://www.dpmpc.gov.au/publications/Industry\\_Innovation\\_and\\_Competitiveness\\_Agenda/docs/industry\\_innovation\\_competitiveness\\_agenda.pdf](http://www.dpmpc.gov.au/publications/Industry_Innovation_and_Competitiveness_Agenda/docs/industry_innovation_competitiveness_agenda.pdf)

The Academy commends to this current review our previous 2009 submission<sup>4</sup>; and that of our colleagues at the Council for Humanities, Arts and Social Sciences (CHASS)<sup>5</sup>. The arguments presented then against the arbitrary exclusion of research in the HASS disciplines remain equally valid today.

The Academy recommends that the efficacy of existing R&D tax incentive provisions are examined to ensure that opportunities for cultural industries, digital R&D, design for social innovation, and future service-oriented industries embracing social enterprises are maximised.

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<sup>4</sup> [http://archive.treasury.gov.au/documents/1664/PDF/Australian\\_Academy\\_of\\_the\\_Humanities.pdf](http://archive.treasury.gov.au/documents/1664/PDF/Australian_Academy_of_the_Humanities.pdf)

<sup>5</sup> [http://archive.treasury.gov.au/documents/1664/PDF/Council\\_for\\_the\\_Humanities\\_Arts\\_and\\_Social\\_Sciences.pdf](http://archive.treasury.gov.au/documents/1664/PDF/Council_for_the_Humanities_Arts_and_Social_Sciences.pdf)