Australian Academy of the Humanities

Better targeting the Research and Development Tax Incentive – Exposure Draft, September 2026

The Australian Academy of the Humanities is the national body for the humanities in Australia. As one of the nation's five Learned Academies, we are a unique resource for government, working to ensure cultural, creative, and ethical perspectives inform Australia's plans for now and the future.

The Academy welcomes the Government's consultation on reforms to the Research and Development Tax Incentive (R&DTI) and its objective of simplifying the scheme, encouraging additional business investment in research and development, and improving its long-term sustainability.

The Academy **supports the proposed simplification of the definition of eligible R&D activities, provided that its effect is to establish a genuinely discipline-neutral, activity-based test for R&D**.

Under the current legislation, research in the humanities, arts and social sciences (HASS) is expressly excluded from the definition of core R&D activities. HASS research can therefore enter the R&D Tax Incentive only in particular circumstances, including where an activity qualifies as a supporting R&D activity because of its relationship to eligible core R&D.

The Exposure Draft appears to remove this structural limitation because it repeals the distinction between core and supporting R&D activities. Core R&D activities become "R&D activities". The new legislation does not carry forward the existing exclusion of HASS research in subsection 355-25(2); and it introduces subsection 355-25(2A), making clear that an activity is not eligible merely because it supports another R&D activity (Exposure Draft, items 36–48).

The reform, then, represents an **important opportunity to move from a discipline-mediated definition of R&D to an activity-based definition**. HASS research would be assessed against the same substantive R&D test as research in other disciplines, rather than being excluded because of its disciplinary classification or being required to qualify indirectly as supporting R&D.

The Academy **strongly supports the principle that the R&D threshold is discipline agnostic**. Where research involves the requisite experimental uncertainty, systematic investigation and generation of new knowledge, its eligibility should not depend on whether the researchers are classified as working in STEM, HASS, or across disciplinary boundaries.

We support removing the core/supporting distinction if it produces a genuinely discipline-neutral test. But Treasury should make clear that the same substantive

threshold applies to HASS R&D, and should ensure that "scientific" does not become a proxy for STEM.

This change is particularly important because much contemporary R&D does not map neatly onto traditional disciplinary categories. Artificial intelligence, language technologies, medical technologies, cultural and creative technologies, Indigenous data governance and digital systems increasingly require research into human behaviour, culture, language, ethics, law, history, interpretation and social institutions alongside technical development.

The proposed reform therefore has the potential to recognise an important reality of contemporary R&D: the relevant question is not whether an activity belongs to a particular discipline, but whether it constitutes R&D.

We recommend that:

- Treasury make this intention explicit in the Explanatory Memorandum and subsequent administrative guidance, i.e. confirm that the removal of the existing exclusion means that **all research, including HASS, can be assessed directly against the substantive R&D activity test and be eligible for R&DTI where the activity independently satisfies that test**.
- Treasury **develop examples demonstrating how the discipline-neutral test applies to multidisciplinary R&D, including humanities-led and arts-led R&D**. Such examples would be important to provide certainty to researchers and businesses and to ensure that the removal of the legislative exclusion is reflected in administrative practice.