



Submission on the Strategic Examination of Research and Development System

Responsible Wagering Australia (**RWA**) is the peak body representing the Australian licensed online wagering industry. Our members include Australia's major online wagering service providers (**WSPs**): bet365, Betfair, PointsBet, Sportsbet, and Unibet, who collectively employ hundreds of Australians, invest in technology, and contribute more than *\$2 billion annually* in taxes and levies to governments.

RWA welcomes the opportunity to contribute to the Strategic Examination of the Research and Development (**R&D**) system. We strongly support a framework that fosters innovation, strengthens Australia's competitiveness, and encourages long-term investment. This submission focuses on the importance of maintaining a fair, predictable, and sector-neutral R&D Tax Incentive (**RDTI**). A stable tax environment gives businesses the confidence to invest in new ideas and technologies here in Australia.

RWA recommends that:

- **the RDTI system remain sector-neutral**, ensuring fairness, predictability, and consistency across all industries undertaking legitimate R&D in Australia.
- **eligibility for the wagering sector be immediately reinstated** to support continued innovation, protect high-value jobs, and maintain Australia's global competitiveness.
- **the Government commit to ongoing consultation** with impacted industries prior to making future eligibility changes, to avoid unintended consequences and preserve confidence in the system.

To maximise innovation, the R&D Tax Incentive must remain open to all sectors undertaking genuine R&D. This inclusive approach underpins confidence and ensures that companies, large and small, can access support when investing in qualifying innovation.

Why Sector Neutrality in the Tax System Matters

The R&D Tax Incentive has historically operated on a sector-neutral basis. This approach ensures that support for innovation is available to any business undertaking legitimate R&D, regardless of industry, provided the activity meets the established criteria.

This neutrality is critical for maintaining confidence in the system. It removes subjective value judgements from the tax system, ensures fairness, and encourages diverse, bottom-up innovation. It has enabled Australia to foster unexpected breakthroughs and grow a world-class technology ecosystem.

RWA was particularly concerned at the Federal Government's decision to exclude gambling organisations from accessing R&D Tax Incentives as part of the Mid-Year Economic and Fiscal Outlook 2024-25 (**MYEFO**) - a decision made without consultation with the sector. Singling out the wagering industry (or any sector) for exclusion transforms what should be an economically driven innovation policy into a tool for selective social policy - a shift with serious ramifications. RWA has previously¹ warned that this kind of "cherry-picking approach" undermines the neutrality of the tax system and creates a "slippery slope" where tax policy becomes a tool of moral judgment rather than a driver of economic growth.

The Government's departure from the principle of sector neutrality by excluding specific industries undermines the fundamental purpose of the R&D incentive and sets a worrying precedent. If R&D support can be withdrawn from an industry on moral or political grounds, then no sector is safe from future carve-outs. This politicisation of the tax system damages Australia's reputation as a stable destination for innovation.

Implications of sector-based exclusions

The online wagering sector is a technology-driven industry. The industry has historically invested heavily in R&D across fields such as:

- Real-time data analytics to improve integrity and market fairness
- Enhanced consumer protections through AI-driven monitoring tools
- Advanced cybersecurity and platform resilience
- Personalisation and accessibility tools to improve customer experience

These innovations don't just benefit online wagering customers or our industry - they have broader applications across fintech, cybersecurity, and software development. From a national interest perspective, excluding a major tech-driven industry from R&D incentives risks pushing these innovation activities and associated jobs offshore to jurisdictions that offer more supportive environments.

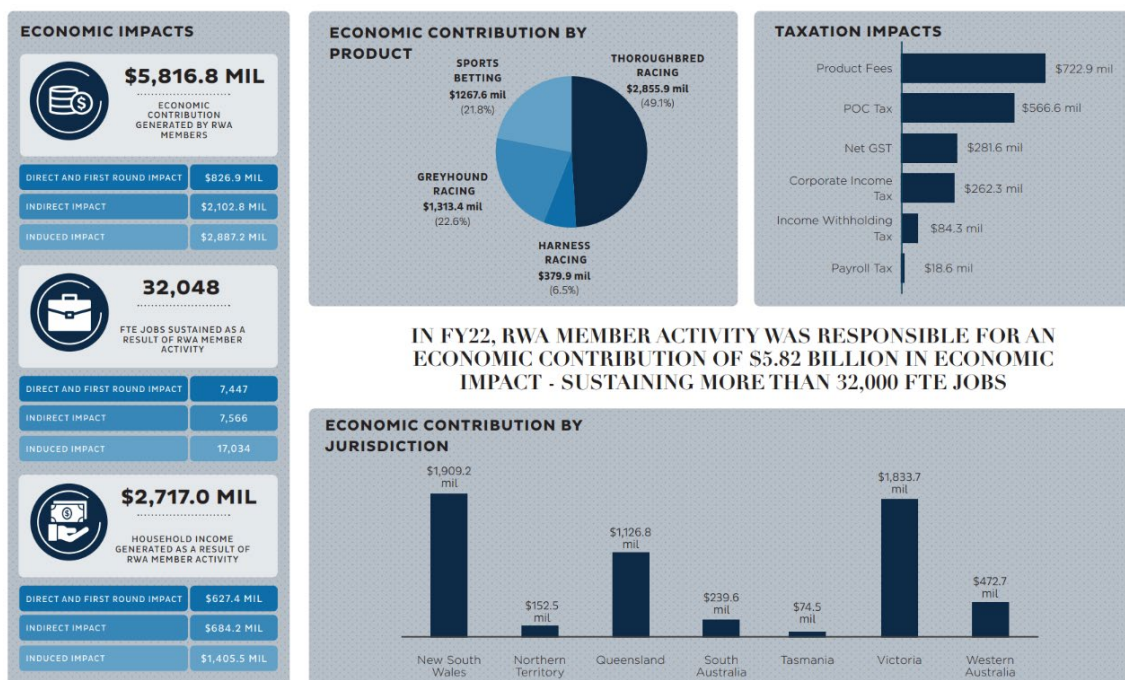
One of the most immediate consequences of sector-based exclusions is the loss of future-facing jobs - particularly those suited to young, highly-skilled graduates. Much of the online wagering industry's R&D activity supports roles in software engineering, data science, UX design, AI development and cybersecurity. These are precisely the kinds of roles that young Australian tech graduates aspire to, and that governments consistently prioritise through innovation and workforce strategies.

¹ <https://responsiblewagering.com.au/research-and-development-rd-tax-incentive-changes-set-dangerous-precedent-for-australian-industry/>

We live in a global economy where tech talent and investment flow to where they are best treated. Australia can ill-afford to lose high-skill jobs and cutting-edge research projects because of subjective decisions about which sectors are deemed “deserving” of support. Excluding the sector from the R&D Tax Incentive puts these roles at risk of being pushed offshore, undermining Australia’s efforts to build and retain a competitive domestic tech workforce.

Economic and Employment Contribution

The online wagering industry contributes over \$6 billion to the Australian economy each year and supports more than 32,000 jobs, both directly and through downstream services such as racing, media, and technology.



These are not small numbers. For a government focused on jobs, growth and technological leadership, excluding such a sector from accessing RDTI seems out of step with its own goals. Governments that prioritise jobs, innovation, and growth should recognise that this decision is inconsistent with those goals.

Global Best Practice

Australia's stance on R&D incentives does not exist in a vacuum. Around the world, advanced economies are doubling down on R&D investment and do so in an inclusive manner. In fact, Australia is already playing catch-up in R&D: our total R&D expenditure is only about 1.66% of GDP, significantly below the OECD average of 2.73%, and has been trending downward from a peak over a decade ago².

This gap means we need more R&D across all sectors, not less. Competitor nations such as South Korea, Germany, and Israel have demonstrated the effectiveness of sector-neutral policies in fostering strong R&D intensity:

- In South Korea, a robust ecosystem supports R&D across diverse sectors, from technology to biotechnology, enabling companies to harness innovation as a core competitive advantage.
- Germany's commitment to funding projects regardless of their sector has led to a thriving environment for breakthroughs, particularly in engineering and advanced manufacturing.
- Israel stands out as a prime example of how sector-neutral frameworks can catalyse growth and innovation. The Israeli government's support for R&D activities across different sectors has resulted in high levels of investment in technology and start-ups, fostering a culture of innovation that transcends traditional industry boundaries.

Globally, eligibility for R&D incentives is determined by the nature of the R&D activity (not the industry undertaking the R&D), underscoring the principle that innovation can come from any sector. At a time when Australia is trying to "uplift overall R&D intensity" and compete with global innovation leaders, we should be very cautious about policies that shrink the tent. Every industry that innovates can be part of the solution to our nation's productivity and technological progress.

The Importance of Consultation

Consultation with affected industries is essential to avoid unintended consequences and maintain confidence in the tax system. Undertaking this review is a positive step, however the lack of consultation with the online wagering industry prior to the pre-emptive announcement in December 2024 was a significant misstep.

² Strategic Examination of R&D discussion paper, p.9, <https://consult.industry.gov.au/strategic-examination-rd-discussion-paper>

RWA supports the current Strategic Examination as an opportunity to reset that process and engage all sectors constructively. Meaningful engagement with industry stakeholders is essential for crafting effective policies that reflect the realities of the sectors they impact. In sectors like online wagering, where technological advancement is vital, inclusive and reliable tax incentives can provide the necessary support to enhance consumer protections and drive technological innovations and increased employment opportunities in Australia.

Conclusion

RWA appreciates the opportunity to participate in the Strategic Examination of Research and Development System. We reiterate that Australia's R&D tax system should be built on sound economic principles, not moral or political preferences. Innovation can (and does) come from all sectors. Ensuring that all industries (including online wagering) can access R&D incentives will strengthen Australia's competitiveness, drive technological innovation, and support long-term economic growth.

Should you require any further information about these issues, please contact Mr Mike Websdane, Head of Policy and Operations, at mike.websdane@responsiblewagering.com.au.

Yours sincerely,



Kai Cantwell
Chief Executive Officer

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