



Welcome to the April 2016 alert from ESS BIZTOOLS and ESS BIZGRANTS.

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A. Innovation Company Legislation in the Senate

The Federal government has introduced the legislation for the two new types of companies to be available to be formed as a consequence of the government's innovation strategy. These are:

- Corporation Amendment (crowd-sourced funding) Bill 2015
- Tax Laws Amendment (tax incentives for innovation) Bill 2016

Neither bill has yet been passed by the Senate, however the government has indicated that the plan is that the legislation will be operating from 1st July 2016.

We will be preparing new papers for inclusion within ESS BIZTOOLS as soon as these bills have received the Royal Assent.

A brief summary of the legislation that has been approved by the House of Representatives is as follows:

Crowd-Sourced Funding

- Type of company – public company
- Maximum capital to be raised - \$5M
- Maximum investment per retail investor - \$10,000 per investor per 12-month period

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- Maximum turnover of \$5M on a 12-month period

The legislation requires companies to appoint an intermediary who holds an Australian Financial Services Licence (AFSL) and may also be required to obtain an Australian Market Licence (AML). The intermediaries will perform specific duties including a requirement to conduct checks on issuers of shares before listing their offer.

The government is proposing certain relaxations of the rules, normally pertaining to public companies, which will be available for a period of up to 5 years. The items to be relaxed include:

- The need to hold an Annual General Meeting.
- Having the annual accounts audited if the company has raised less than \$1M from crowd-sourced equity funding.
- No need to provide annual reports to investors other than by publishing an annual report on the company's website.

The disclosure requirements that have to be made available to investors will be lower disclosure than what currently applies to a public company.

The company's asset value is to be under \$5M.

This legislation is currently in the Senate. Within the Senate, the Federal Opposition has proposed amendments that will enable the asset limit to be increased to \$10M and the turnover test to be increased to \$10M.

As soon as the legislation is granted the Royal Assent, we will be finalising a range of material relative to a paper, including a new business advisory services product on crowd-sourced funding equity companies.

Early Stage Innovation Company (ESIC)

This legislation has passed the second reading in the House of Representatives. The objective of the amendment is to encourage new investment in small Australian innovation companies with high growth potential, by providing qualified investors with a tax offset and a modified CGT treatment.

The key points contained within this legislation are as follows:

- Eligible companies must satisfy a test that relates to the date of incorporation. The company could've been incorporated in Australia within the last 3 income years or incorporated in Australia within the last 6 income years and, across the last 3 of those income years, the company and its 100% subsidiaries (if any) incurred total expenses of \$1M or less.
- The company is registered in the Australian Business Register within the last 3 years.
- The company and its 100% subsidiaries (if any) incurred total expenses of \$1M or less in the income year before the current year.
- The company and its 100% subsidiaries (if any) had a total assessable income of \$200,000 or less in the income year before the current year.
- The company may disregard any Accelerating Commercialisation Grant from income that was received during that income year.
- At the test time, none of the company's equity interests were quoted on a Stock Exchange.

The company also has to pass a 100-point innovation test that states as follows:

Item	Points	Innovation Criteria
1	75	At least 50% of the company's total expenses for the previous income year is expenditure that the company can notionally deduct for that income year under Section 355205 (about R&D expenditure)
2	75	The company has received an Accelerating Commercialisation Grant under the program administered by the Entrepreneurs' Program
3	50	At least 15% but less than 50% of the company's total expenses for the previous income year is expenditure that the company can notionally deduct for that income year under Section 355205 (about R&D expenditure)

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Item	Points	Innovation Criteria
4	50	a. The company has completed or is undertaking an accelerator program that: <ol style="list-style-type: none"> i. provides time-limited support for entrepreneurs with start-up businesses; and ii. provided to entrepreneurs that are selected in an open, independent and competitive manner b. The entity providing that program has been providing that or other accelerated programs for entrepreneur for at least 6 months c. Such programs have been completed by at least one cohort of entrepreneurs
5	50	a. A total of at least \$50,000 has been paid for equity interest that are shares in the company b. The company issues no shares to one or more entities that: <ol style="list-style-type: none"> i. were not associates of the company immediately before the issue of those shares; and ii. did not acquire those shares primarily to assist another entity become entitled to a tax offset
6	50	a. The company has rights (including equitable rights) under a Commonwealth law as: <ol style="list-style-type: none"> i. the patentee, or a licensee, of a standard patent; or ii. the owner, or a licensee, of a plant breeder's right; granted in Australia within the last 5 years (ending that the test time) b. The company has equivalent rights under a foreign law
7	25	Unless item 6 applies to the company at the test time: <ol style="list-style-type: none"> a. The company has rights (including equitable rights) under a Commonwealth law as: <ol style="list-style-type: none"> i. the patentee, or a licensee, of an innovation patent granted and certified in Australia; or ii. the owner, or a licensee, of a registered design registered in Australia; within the last 5 years (ending at the test time) b. The company has equivalent rights under a foreign law
8	25	The company has a written agreement with: <ol style="list-style-type: none"> a. an institution or body listed in Schedule 1 to the Higher Education Funding Act 1988 (about institutions or bodies eligible for special research assistance); or b. an entity registered under Section 29A of the Industry Research and Development Act 1986 (about research service providers); to co-develop and commercialise a new or significantly improved product, process, service or marketing or organisational method

Or:

- the company is genuinely focused on developing for commercialisation one or more new, or significantly improved, products, processes, services or marketing or organisational methods; and
- the business relating to those products, processes, services or methods has a high growth potential; and
- the company can demonstrate that it has the potential to be able to successfully scale that business; and
- the company can demonstrate that it has the potential to be able to address a broader than local market, including global markets, through that business; and
- the company can demonstrate that it has the potential to be able to have competitive advantages for that business.

Within the Business Advisory Services Products, we will be developing a detailed checklist for you to complete, to determine a company's eligibility.

Retail investors can invest up to \$50,000 per annum.

Investors will be eligible for a 20% carry forward, non-refundable tax offset on investments capped at \$200,000 per year.

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Capital Gains Tax Treatment

In the first instance, the government has indicated that a CGT holiday was available if shares were held for more than 3 years but less than 10 years. This has been changed in the legislation, as it currently stands, whereby a shareholder will obtain a CGT exemption if the shares are held for more than one year but less than 10 years.

The legislation also indicates that the entity must disregard any capital loss it makes from any CGT event in relation to the share, if the CGT event happens before the 10th anniversary of the issue of the share.

We will be writing new material on the Early Stage Innovation Companies as soon as the legislation receives the Royal Assent.

B. Special Webinar on the New Innovation Companies

We're organising a special webinar on the proposed legislation. We will be joined by representatives of Business Angel Groups who will outline their approach to investment in these new types of companies. We will also be joined by the Director of Bistorque Pty Ltd, a company that has a network of experts who will be able to assist companies to gain the necessary documentation to support that the applicant has complied with the conditions outlined in ESIC.

The webinar is to be presented on Thursday 21st April 2016 at 12pm AEST. [Click here](#) to register to attend, free of charge.

Attending this webinar will give you access to current information and the views of the Business Angels, to assist you with discussions with any clients who seek your advice at this stage.

We will run a further webinar in mid-May when the legislation should've received the Royal Assent.

We're also presenting a special webinar, targeted at small/medium enterprises, start-up, inventors, etc, featuring the same guest presenters. This webinar will be held on Wednesday 27th April 2016 at 1.30pm AEST. If you have any clients or prospects who you believe may be interested in attending a webinar targeted at business people, please feel free to invite them to [click here](#) to register their attendance, free of charge.

To assist you in issuing this invitation to your clients, [click here](#) to obtain a copy of a suggested communication. You're most welcome to utilise this material to send to your clients and prospects to advice them of this special webinar.

If you have any questions, please don't hesitate to contact us.

C. Business Advisory Services Introduction Package

The training videos for the 11 modules within the Business Advisory Services Introduction Package will now be included within ESS BIZTOOLS by Friday 15th April 2016.

When you go to the site, you will notice that there's a notification that you can access the BASIP training for this package. Please click on that notification and it will take you to the training packages for each of the 11 modules.

We've developed the training modules to assist our members to be able to adequately train your team on business advisory services processes.

If you have any comments or questions, please don't hesitate to contact us.

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D. Business Advisory Services Products

We will now be commencing the uploading of the Business Advisory Services Products training videos from the week ending 22nd April 2016. This will take until approximately mid-June.

You can still utilise the Business Advisory Services Products modules as they currently stand. The training packages will be progressively available to you.

E. Government Grant Application Closing Dates

We've commenced a new service, summarising the closing dates for Federal, State and Territory government grants.

To view the list of government grants and their application expiry dates, [click here](#).

F. ESS Small Business – Webinars

A reminder that the previous webinars on ESS Small Business are available for viewing. For a list of our previous webinars and to watch them, [click here](#).

We will also be presenting the following webinars, free of charge. Please advise your team and any clients whom you think might be interested.

“Vehicle Financing for SMEs”

Wednesday 13th April 2016 – 2pm AEST

Guest Presenter – Bud Verheijen – AutoMates

If a business requires several vehicles, the business will need a large amount of money to be able to purchase them which, in most cases, small/medium enterprises in particular don't necessarily have.

Vehicle financing or hire purchase is a cost-effective way of obtaining the required vehicles to keep your business running.

This webinar will provide an overview of how vehicle financing works and some tips on selecting the right finance to suit your business.

[Click here](#) to register to attend this webinar.

“Improving Debtors' Management”

Thursday 21st April 2016 – 4pm AEST

An effective debtors' management system is vital for keeping a business afloat and will help with promptly generating the income a business requires.

This webinar will provide some helpful tips on how you can improve your debtors' management. This webinar will also provide some resources available for small/medium enterprises.

[Click here](#) to register to attend this webinar.

“PPSR – System for Individual Businesses”

Thursday 28th April 2016 – 6pm AEST

In order to protect your business from the implications of the Personal Property Securities Act (PPSA) and the Personal Property Securities Register (PPSR), you will need to develop a system to keep track of any transactions that will be affected by the PPSA.

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This webinar will provide an overview of how you can determine an appropriate PPSR system for your business and the type of assistance you can obtain from your commercial solicitor and your accountant/adviser.

[Click here](#) to register to attend this webinar.

G. Free Webinars for Members

The free members' webinar programme for April/May 2016 is as follows:

- [ESS BIZGRANTS: "Skills Grants" – Wednesday 20th April 2016 – 2pm AEST](#)
- [ESS BIZGRANTS: "Accelerating Commercialisation Facilitator Role and Charging" – Wednesday 18th May 2016 – 12pm AEST](#)
- [ESS BIZTOOLS: "Business Advisory Services – Products" – Wednesday 18th May 2016 – 2pm AEST](#)

H. Free Webinars for New Members

We look forward to welcoming new members and any current members who want to have a refresher or have new staff who could benefit by attending a new members' webinar, FREE of charge. These are held monthly for ESS BIZTOOLS and ESS BIZGRANTS.

Details of the new members' webinar programme for April/May 2016 is as follows:

- [ESS BIZTOOLS: "Business Advisory Services Introduction Package" – Thursday 21st April 2016 – 2pm AEST](#)
- [ESS BIZGRANTS: "Accelerating Commercialisation Facilitator Role and Charging" – Monday 9th May 2016 – 12pm AEST](#)
- [ESS BIZTOOLS: "Introduction" to Business Advisory Services Products" – Monday 16th May 2016 – 12pm AEST](#)

I. Conclusion

Thanks for your support of ESS BIZTOOLS and ESS BIZGRANTS.

If you have any suggestions on content or material to be incorporated within any of the products of ESS BIZTOOLS or ESS BIZGRANTS, please don't hesitate to contact us.

Kind regards



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