



**Welcome to the June 2016 alert from ESS BIZTOOLS and ESS BIZGRANTS.**

**This alert contains comments on the following:**

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## **A. Early Stage Innovation Companies Product Package**

ESS BIZTOOLS will launch the Early Stage Innovation Companies (ESIC) Product Package, which is now part of ESS BIZTOOLS, on Wednesday 6<sup>th</sup> July 2016 at 12pm AEST.

As a member, we urge you to familiarise yourself with the package. The government definitely believes that there are going to be large numbers of current companies and new companies seeking advice on the requirements to be deemed to be an ESIC.

We've developed three new papers:

- Early Stage Innovation Companies – Paper 003-045
- Investment Readiness – ESIC – Paper 040-010
- Investment Pitches for ESIC – Paper 040-096

The legislation for ESIC commences from 1<sup>st</sup> July 2016.

ESIC has benefits for companies that have developed some new innovation products, services, processes, marketing or organisational methods and wish to raise capital. There are also significant benefits for investors via a tax offset based on an investor's investment in an ESIC and a potential CGT exemption on that ESIC investment.

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To be an eligible ESIC, the company must:

- Have been incorporated in the last 3 years (in some cases, 6 years).
- Have incurred total expenses of less than \$1M in the income year, before the current income year.
- Have earned total assessable income of less than \$200,000 (excluding any grants from Accelerating Commercialisation) in the income year before the current income year.
- Not be listed on a stock exchange anywhere in the world.
- Have passed one of the two tests – the Gateway Test or the Principles Based Test.

### **Gateway Test**

The company must earn over 100 points from a series of questions relating to:

- Research and Development expenditure
- Received an Accelerating Commercialisation grant
- Accelerator Program participation
- Have already received in excess of \$50,000 equity capital from an arms-length investor(s)
- Have already registered some Intellectual Property registration in Australia or overseas relating to:
  - patents
  - plant patents
  - innovation patents
  - registered design
- Have agreements with certain organisations to co-develop and commercialise the product, process, service, marketing or organisational method

### **Principles Based Test**

The company must be able to positively answer 5 questions relating to the potential to commercialise a new product, process, service, marketing or organisational method. The Gateway Test and Principles Based Test are self-assessment tests.

Companies would be wise to obtain independent verification of eligibility to satisfy investor due diligence enquiries. Companies will need to develop an outstanding investment ready presentation for investors, to be able to supply information at a sufficient standard for investors to be happy with investment opportunities in the company. These include:

- Market Research
- Marketing Plan
- Management Team
- Directors
- Business Plan
- Budgets/Cashflow Forecasts
- Share Pricing Report
- Information Memorandum
- Investment Pitch Presentation

Investors can obtain a tax offset calculated at 20% of the investment, up to a maximum of \$200,000 per annum for sophisticated investors and \$10,000 per annum for retail investors. The maximum investment that a retail investor can make is \$50,000 per annum.

CGT exemption is available if the shares in the ESIC are held for more than one year and less than 10 years.

ESS BIZTOOLS has developed the ESIC package, to assist you to offer a differentiated service to your clients.

The government has indicated that it believes thousands of companies were unable to raise capital in 2015. That is the reason why this legislation has been introduced and passed.

Unfortunately, the Crowd Funding Equity legislation wasn't passed by the Senate before the Senate adjourned for the election. Hopefully, this legislation will be re-introduced when the new Parliament meets.

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The ESIC Product Package is part of the ESS BIZTOOLS' Gold, Silver and Bronze packages. If you have a subscription other than these packages and you would like to access the ESIC Product Package, you can sign up for this stand-alone package for \$299 including GST.

### **Promotion for SMEs**

We're promoting the ESIC Product Package to small businesses, companies, innovators, inventors, etc to go to ESS Small Business to find out more about ESIC.

ESS Small Business will be referring those people to the "Find an Accountant/Adviser" directory so they can find details of accountants/advisers in or near their area. Hopefully, you will be contacted by some of these potential clients.

If your firm hasn't already given us permission to place your firm's information in the Find an Accountant/Adviser directory, we invite you to publish your information on our directory. [Click here](#) to fill in the form and send back to [peter@essbiztools.com.au](mailto:peter@essbiztools.com.au).

If you have any questions on any aspect of the ESIC Product Package, please don't hesitate to contact us.

## **B. Happy New Financial Year!**

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Happy new financial year from 30<sup>th</sup> June 2016.

It will be good to get on after the election campaign and tackle some of the significant problems that are confronting businesses.

From an accountant's point of view, 2016/17 should be a very interesting year. The Commonwealth Bank's "Accounting Market Pulse" has predicted that "business advisory services" will be a very important component of accountant's services in 2016/17.

We look forward to supplying you with the various tools to assist your firm to deliver a range of non-compliance services to your clients.

## **C. Free Webinars**

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We're presenting a special members' webinar, introducing the ESS BIZTOOLS' ESIC Product Package. We invite you to attend this webinar, free of charge, which will be held on Wednesday 6<sup>th</sup> July 2016 at 12pm AEST (10am AWST/11.30am ACST). [Click here](#) to register to attend.

We will be recording this webinar to allow you to recap on the presentation.

To view other upcoming webinars and to watch previous webinars, exclusive to members of ESS BIZTOOLS and ESS BIZGRANTS, [click here](#).

## **D. Accelerating Commercialisation Is A Very Important Grant**

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The significance of the importance of the Accelerating Commercialisation Grant has been highlighted by its inclusion in the 100-point eligibility test for the new Early Stage Innovation Companies (ESIC).

If a company has participated in the Accelerating Commercialisation Program, they receive favourable points recognition in determining eligibility for the new type of corporate entity.

Companies that have participated in the Accelerating Commercialisation Program can also receive a "leg up" in determining eligibility for the Innovation Connections Grants.

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The normal entry requirements for an Innovation Connection Grant, which supplies special research funding, is that the company will have a minimum turnover of \$1.5M and a maximum turnover of \$100M, except for companies located in Northern Australia (North of the Tropic of Capricorn in Queensland, Western Australia and the whole of the Northern Territory), where the minimum turnover is \$750,000. However, if the company has participated in the Accelerating Commercialisation Grant program, the minimum turnover requirements don't have to be met.

The Accelerating Commercialisation Grant is one of the Federal Government's major grant programs, which supplies a grant of up to \$1M on a 50/50 basis for an eligible applicant. Applications can be submitted by individuals and companies with turnovers as low as \$0. An individual has to agree that, if they're given an invitation to participate in the Accelerating Commercialisation Grant, they then have to incorporate a company.

The Accelerating Commercialisation Program assists with the commercialisation process that logically follows after research and development expenditure has concluded and an entrepreneur is seeking assistance in successfully commercialising their research and development phase.

To be eligible for admission to the program, projects must involve the commercialisation of novel Intellectual Property in the form of a novel product, process or service. The aim is to achieve one of the following:

- Complete development of a novel product, process or service.
- Prove commercial viability of a novel product, process or service to a customer, investor or strategic partner.
- Make the first sale of the novel product, process or service in Australia or overseas.
- Drive the business towards commercialisation of its novel product, process or service in the marketplace by engaging an experienced executive.

If you have any questions relative to the Accelerating Commercialisation grant, which has to be applied for in a two-stage process, please don't hesitate to contact us.

## E. Government Grant Application Closing Dates

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The government grant application closing dates are available within ESS BIZTOOLS, 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

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A reminder that the previous webinars on ESS Small Business are available for viewing.

The recent webinars that you might be interested in are as follows:

- "Grants are Available to Assist your Business" – Monday 6<sup>th</sup> June 2016 – [click here to view the recording](#)
- "Innovation Companies Capital Raising for Businesses" – Wednesday 27<sup>th</sup> April 2016 – [click here to view the recording](#)
- "Improving Debtors' Management" – Thursday 21<sup>st</sup> April 2016 – [click here to view the recording](#)
- "Vehicle Financing for SMEs" – Wednesday 13<sup>th</sup> April 2016 – [click here to view the recording](#)

To view other recorded webinars or to register for our upcoming webinars, free of charge, [click here](#).



## G. Conclusion

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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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