



Welcome to Accountants Minute. I'm Peter Towers, Managing Director of ESS BIZTOOLS.

Accountants – Innovation Companies Are A Great Opportunity!

The Federal Parliament has finalised the legislation for Crowd Funding Companies and Early Stage Innovation Companies. This is a great opportunity for accountants to get ready to service a brand new emerging market.

Crowd Funding Companies are public companies which will have:

- a maximum investment in assets of \$5M;
- turnover is restricted to \$5M per annum; and
- they will be available to raise capital of up to \$5M every twelve months.

The maximum investment for a "retail investor" is \$10,000 and there is no restriction of investments by a "sophisticated investor". A "sophisticated investor" is a person who has net assets of \$2.5M or has a gross income of \$250,000+ per annum.

Each company will need to appoint an intermediary who holds an Australian Financial Services Licence who will act as the "gatekeeper" under the legislation.

Early Stage Innovation Companies must be formed in the last three years and have:

- expenditure of less than \$1M;
- income of less than \$200,000.

The companies will need to pass a 100 point test to be eligible. That test involves:

- a review of their expenditure in research and development;
- Whether they have received an Accelerating Commercialisation Grant;
- whether they have participated in a Accelerator Program;
- whether the company has already raised in-excess of \$50,000 from arms' length investors;
- whether the company has registered any patents or plant patents over the last five years;
- whether the company has registered any innovation patents or registered designs; or
- the company is generally focused on developing for commercialisation one or more new or significantly improved products, processes, services or marketing or organisational methods.

"Retail Investors" will be able to invest up to \$50,000 per annum per company and there will be no limit for "sophisticated investors".

Investors are going to be very interested in these companies because they will be able to obtain a 20% tax rebate up to a maximum of \$200,000 for investments they made to a company each year.

There is also a Capital Gains Tax exemption from the end of year 1 to the end of year 10.

In both cases these companies are going to need material such as:

- Business Plans;
- Budgets and Cashflow Forecasts;
- Marketing Plan;
- Intellectual Property Strategy;
- Commercialisation Strategy;
- Perhaps some Government Grants;
- Calculations of share price.

These companies are going to be very much in need of accountancy services. Accountants are going to be needed to act as Chief Financial Officer, Company Secretary and Directors. Remember, the Crowd Source Funding Companies have to be public companies so they need a minimum of three directors.

This is a significant opportunity for accountants to tap into a brand new stream of corporations. We are going to conduct a special webinar of Tuesday, 17 May 2016 at 2pm AEST on “**Investment Readiness For Capital Raising**”. [Click here](#) to register to attend, free of charge. This webinar is restricted to **1,000** registrations, so please get in quick because I believe there is going to be a lot of interest in this subject.

If you have any questions on any aspect of the new companies that the Federal government has legislated for relative to Crowd Funding Companies or Early Stage Innovation Companies, please do not hesitate to contact us.

We will be releasing our new product packages on both of these companies in two weeks' time and we look forward to being able to talk to you and to help you on this exciting new aspect of Business Advisory Services that you will be able to offer.

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