
BAS4300**IMPROVING YOUR BOTTOM LINE**

Do you aspire to be able to operate a company that is able to raise capital from investors?

The Australian government has legislated a new type of company which became operational on the 1st July 2016, to assist small/medium enterprises, entrepreneurs, and inventors etc., to be able to raise capital.

The company's classification is an "Early Stage Innovation Company" (ESIC).

Companies assessed as being a Early Stage Innovation Company will prove very attractive to investors because investors receive a 20% tax offset on their investment in the year of investment up to a maximum of \$10,000 (based on maximum investment of \$50,000) for a retail investor and \$200,000 (based on a maximum investment of \$1M) for a sophisticated investor and a capital gains tax exemption on the investment from the end of year one to the end of year ten.

To be classified as an Early Stage Innovation Company, the company needs to pass two or three tests, depending on the individual company's situation.

The first, which we're calling, the "Provisional Test" relates to the age of the company, the amount of expenditure that's been incurred, the amount of income and whether the company is listed on a Stock Exchange anywhere in the world (it cannot be listed to be deemed to be an Early Stage Innovation Company).

Once the Provisional Test has been passed, the process moves to a new series of tests referred to as the "Gateway Test". These tests relate to items such as:

- research and development
- whether the company has been in the Accelerating Commercialisation Grant Program
- whether the company has been a participant in an Accelerator Programme
- whether the company has already raised capital from arms-length investors
- whether the company has any intellectual property that is registered
- whether the company has entered into an agreement with an organisation listed in the Higher Education Funding Act or Research and Development Act who have agreed to cooperate on commercialising the company's products or services

Points are awarded for each of these activities and, if the total points awarded to a company is 100 or more, than that company is deemed to have complied with the self-assessment requirement of the Early Stage Innovation Company.

If the company does not comply with the Gateway Test, the company can then move into the Principles Based Test and five questions then need to be answered in the affirmative:

- The company is genuinely focused on the commercialising of new or improved products, processes, services, marketing or organisational methods?
- Has the company got high growth potential?
- Can the company scale the business?
- Can the products be targeted at more than a local market?
- Has the business got a competitive advantage?

If each of these questions is answered yes, the company can self-assess under the Early Stage Innovation Company's Principles Based Test.

To be able to successfully self-assess, it will be necessary to ensure that all of the supporting evidence is maintained because most investors will closely examine the self-assessment process undertaken prior to making an investment.

It is always difficult to ascertain whether businesses might be interested in this type of entity and, for that reason, we are conducting a special webinar to discuss **Early Stage Innovation Companies** on commencing at to give each attendee an overview of how the legislation will operate and how we can utilise the Early Stage Innovation Company Product Package to be of assistance to you on this journey.

We look forward to hearing from you.