



Innovation is Important

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

At the Australian Technology Showcase for Accountants (ATSA) in Melbourne last week, many new types of innovation for accountants were presented by the various presenters and businesses that displayed their goods and services to the accountants who attended.

CCH iFirm and CCH iQ confirmed the Early Stage Innovation Company legislation as a significant opportunity for accountants to illustrate your innovation credentials to small/medium enterprises.

Now is the time to show that you're interested in innovation by becoming a major contributor to identifying companies that could be assessed as being an Early Stage Innovation Company. Why? Well this is the first legislation that encourages business people to invest in young companies which might have a great product in the process that they're developing.

Why don't you undertake a survey of your present clients? Many accountants have been saying to me - *"we wouldn't have anyone who does this"*. Do you actually know? Do you really know? Because if you really know you'll be able to answer the following key statistics about your clients:

- How many companies does your firm have that are less than 3 years old?
- How many companies have undertaken research and development activities in 2015/16?
- How many companies do you have with expenditure, in 2015/16, of under \$1M?
- Have you had any companies that have participated in the Accelerating Commercialisation Grant Programme?
- Have you had any companies that were a participant in an Accelerator Programme?
- How many companies do you have that have income under \$200,000, excluding any income received from an Accelerating Commercialisation Grant?
- How many companies have got a registered patent or plant breeder's right?
- How many companies have an innovation patent or a registered design?
- How many companies have raised \$50,000 from "arms-length" investors in 2015/16?
- Do you have any companies that have developed a new product, service, process, marketing or organisation method?

The reason I've gone through these items in some detail is that these are the key attributes to ensuring that a company is eligible for the classification of "Early Stage Innovation Company" and once they have achieved that, these companies are eligible to obtain investment from investors who will then obtain a special income tax benefit of a 20% tax offset and a potential 9 year capital gains tax exemption category. It is very favourable for investors.

Why don't you analyse your clients on these items and just find out who you have got that you might not be quite aware of. You could then present a seminar to invite those clients to attend, plus others in your organisation. Never assume that your clients are not undertaking innovation. Thankfully, thousands of Australian businesses and companies are undertaking innovation.

Unfortunately, in my experience, many accountants do not know this is happening in the market place. This is an opportunity for you to find out, to show that you are proactive in trying to help the next generation of innovation in Australia.

You could then put out a media release and social media commentary to promote that you're going to offer a seminar to a wider group of people who, at this stage, are probably not using accountancy services because they are conserving every dollar they have to put into their innovation research. Let them know that you're proactive in this space and you might unearth a fantastic new client.

Many of these people at present will not be paying much money; it could be from \$0 to \$3,000 in accounting fees, but if they're successful in being deemed to be an Early Stage Innovation Company, from a fee earning perspective, the fees could be in the vicinity of \$25,000 to \$40,000 to go through the whole investment ready process and then there is the opportunity to offer those companies a wider range of virtual Chief Financial Officer services into the future.

This is a tremendous opportunity for accountants; please don't miss it by being conservative in your views and saying *"none of our clients would be doing that"*. I really challenge you to go through the list that I've outlined and identify the clients within your current client base that might have achieved some of those attributes.

ESS BIZTOOLS has developed a full product package to assist accountants and business advisors to identify companies which might be eligible to be deemed to be an Early Stage Innovation Company and then to assist them through the whole process to produce a certificate and all of the supporting evidence that investors will require before they'll invest funds in these types of companies.

This is new, exciting stuff and it's an opportunity for you and your accounting team to be right at the coalface of the innovation revolution that is occurring in Australia.

Have a great day!

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