



ESS AccountantsMinute

Accountants/Advisers, Capital Raising Opportunities Give You a New Income Stream!

There are a number of opportunities for accountants/advisers arising out of the Crowd-Sourced Funding legislation with the first listings on intermediaries' platforms (website) scheduled from 29th September 2017. Now is the time to get prepared to assist your clients and prospects to be able to avail themselves of this unique opportunity to be able to raise capital from the "crowd".

At this stage Crowd-Sourced Funding is only available for unlisted public companies. The legislation enables proprietary limited companies to be converted to an unlisted public company. Whilst there has been some debate about the requirement for companies to be unlisted public companies, some people with considerable experience in the process of raising capital for small companies are very supportive of the concept that capital is to be raised by unlisted public companies primarily because of the structure of public companies, corporate governance requirements and constitutions that reflect that the shareholders will be more than family and friends which is normally the case within a proprietary limited company.

However in the Federal Budget announcement on 9th May 2017 the government announced that it is exploring the possibility of proprietary limited companies being able to raise capital utilising Crowd-Sourced Funding. The budget allocated \$4.5 million over four years for ASIC to implement appropriate policies for this process. The government has released an exposure draft on the possible legislation. Comments on the draft legislation are currently being sought with the closing date for comments being 6th June 2017.

Crowd-Sourced Funding is not the only new capital raising legislation that is available for small/medium enterprises to use. Early Stage Innovation Companies legislation has been operating since July 2016. The Early Stage Innovation Company legislation is targeted at a different group of companies than the Crowd-Sourced Funding Company targets.

The key components of Early Stage Innovation Company requirements are:

- company incorporated in the last three years but there is some opportunity for companies incorporated as long as six years ago
- the company must have had expenses of less than \$1 million in the previous financial year
- the company must have had income of less than \$200,000 in the previous financial year
- the company cannot be listed on a stock exchange anywhere in the world
- the company must have developed a product, process or service that it requires assistance for the commercialisation process.

There are two tests. Companies must comply with one of the tests:

- Gateway Test
- Principles Based Test

Gateway Test

The company needs to have been involved in some of the following activities for which points are allocated. The company needs to have at least 100 points from this process.

- research and development
- a participant in the accelerating commercialisation grant program
- the company has had a patent or plant patent issued somewhere in the world
- the company has been a participant in an accelerator program
- there are also a few other tests that the company can earn points from.

Principles Based Test

To qualify under the Principles Based Test the company needs to be able to satisfy the Australian Taxation Office and AusIndustry that the following items would apply:

- the company is generally focused on developing a new products, processes or services
- there is high growth potential for the company's activities
- there is potential to scale the business operations
- there is potential for the company to be able to develop broader markets
- there is a potential competitive advantage for the company
- investors can obtain a significant income tax advantage by investing in a ESIC. These are:
 - sophisticated investors can obtain a 20% tax offset to a maximum of \$200,000
 - retail investors can obtain a 20% tax offset to a maximum of \$10,000
- retail investors can only invest a maximum of \$50,000 into a company whilst there is no limit on the amount that a sophisticated investor can invest

ESS BIZTOOLS has produced two detailed product packages to assist accountants and business advisors in offering professional services to clients and prospects on Crowd-Sourced Funding and Early Stage Innovation Company.

We are presenting to special webinars

- Wednesday 17th May 2017 at 12:30pm AEST "Introducing A Crowd-Sourced Funding Service for Accountants" ([Click here to register](#))
- Tuesday 30th May 2017 at 12:30pm AEST "Opportunities for Accountants to Assist SMEs to Raise Capital from Crowd-Sourced Funding, Early Stage Innovation Companies, section 708 of the Corporations Act." ([Click here to register](#))

If you require any further information please do not hesitate to contact us.

If you require any additional information on any of the products or services produced by ESS BIZTOOLS, ESS BIZGRANTS and ESS BASIP please contact us at peter@essbiztools.com.au or visit our websites:

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Have a wonderful day.

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