

National Innovation & Science Agenda (NISA)

Fact Sheet, July 2019

The Government announced its \$1.1 Billion National Innovation and Science Agenda (NISA) in early December 2015, with most initiatives starting from 1 July 2016. Below is an overview of the key reforms that are now in place to assist enterprise and investors.

1. Tax incentives for early stage investors

This initiative is designed to promote investment in innovative, high-growth potential start-ups.

The Australian Government now provides concessional tax treatment for investors, including:

- + A 20% non-refundable, carry-forward tax offset on investments, capped at \$200,000 per investor per year
- + A 10 year exemption on capital gains tax, provided that investments are shares held for at least twelve months and do not constitute more than a 30% interest in the early stage innovation company (ESIC).

The incentive is available for investments in companies that:

- + Are involved in innovation (must satisfy a test or receive determination from ATO)
- + Were incorporated during the last three income years
- + Are not listed on any stock exchange
- + Have expenditure and income of less than \$1 million and \$200,000 in the previous income year respectively.

2. New arrangements for Venture Capital Limited Partnerships

This initiative is designed to attract more investment into Australia's high potential start-ups.

The Australian Government offers beneficial tax treatment of Early Stage Venture Capital Limited Partnerships (ESVCLPs) as follows:

- + Partners in a new ESVCLP receive a 10% non refundable tax offset on capital invested during the year.
- + The maximum fund size for new and existing ESVCLPs has been increased from \$100 million to \$200 million
- + ESVCLPs are no longer required to divest a company when its value exceeds \$250 million.
- + A limited partner in an ESVCLP can be a trust.

Eligibility and investment requirements for ESVCLPs and Venture Capital Limited Partnerships (VCLPs) now allows managers to undertake a broader range of investment activities and to enable a greater diversity of investors to participate.

3. Increasing access to company losses

This initiative is designed to allow companies to claim losses when they seek out new opportunities to innovate and grow.

The Australian Government has reformed the rules as follows:

- + 'The same business test' now allows businesses to access past year losses when they have entered into new transactions or business activities, provided the company conducts the same business until the loss is utilised.

The Government intends to introduce a 'similar business test' which will apply to losses made in the 2015-16 and future income years.

- + Under this 'similar business test' companies will be able to access losses where their business, while not the same, uses similar assets and generates income from similar sources.

4. The Entrepreneurs Program & incubator support

This initiative aims to grow Australian business competitiveness and productivity by delivering support services to Australian businesses through four elements.

- + Accelerating commercialisation — helps small and medium businesses, entrepreneurs and researchers to commercialise novel products, services and processes.
- + Business management — provides access to experienced business advisers to help businesses become more competitive and take advantage of opportunities to increase their capability to trade in Australian markets and/or markets in other countries.
- + Incubator support — assists new and existing incubators to help Australian start-ups to achieve commercial success in international markets.
- + Innovation connections — provides experienced Innovation facilitators to work with businesses to identify knowledge gaps preventing business growth. The outcome is an Innovation Facilitation Report.

5. Insolvency Reform

These reforms are designed to encourage entrepreneurship and innovation by improving inflexible insolvency laws.

The consultation process on the Government's proposal paper has now been completed, but legislation is yet to be introduced. The following changes are planned:

- + Reducing the current default bankruptcy period from three years to one year
- + Introducing a 'safe harbour' for directors from personal liability for insolvent trading if they appoint a restructuring adviser to develop a turnaround plan for the company
- + Making 'ipso facto' clauses, which have the purpose of allowing contracts to be terminated solely due to an insolvency event, unenforceable if a company is undertaking a restructure.

6. Supporting innovation through visas

The Australian Government has enhanced the visa system to attract the best entrepreneurial talent and skills to Australia.

The Business Innovation & Investment visa allows you to own and manage a business or undertake an entrepreneurial activity in Australia. There are a number of subclasses of visas for different activities:

- + Business Innovation visa — allows people with business skills to operate a new or existing business in Australia.
- + Investment Stream visa — requires an investment of at least AUD1.5 million in an Australian State or Territory and maintaining business or investment activity in Australia.
- + Significant Investor Stream visa — is for people who invest at least AUD5 million in Australian investments that meet certain requirements and maintain investment activity in Australia.
- + Entrepreneur stream visa — lets people carry out entrepreneurial activities in Australia.

7. Other Australian Government Initiatives and Investment

As part of NISA, the Australian Government plans to invest heavily in the following areas over the next decade, creating business opportunities in related industries:

- + Maintaining world-class national research infrastructure
- + Commercialisation of biomedical discoveries
- + Commercialisation of research from the CSIRO, other research organisations and universities
- + An industry-led Cyber Security Growth Centre
- + The development of silicon quantum computing technology
- + Research and industry grants to stimulate collaboration between universities and business.
- + Inspiring Australians to engage with science, technology, engineering and mathematics
- + Equipping students to create and use digital technologies and better prepare for the jobs of the future.
- + Expanding opportunities for women in science, technology, engineering and mathematics
- + A digital and data innovation group to capitalise on the data revolution.
- + Setting up a Digital Marketplace to make it easier for innovative small and medium sized companies to do business with government.
- + Publishing and sharing public data to improve service delivery and inform policy development
- + Innovation in regional and rural areas to commercialise new ideas
- + Making it easier to access crowd-sourced equity funding to develop innovative ideas.

For more information, see the Australian Government website: www.industry.gov.au/strategies-for-the-future/boosting-innovation-and-science

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