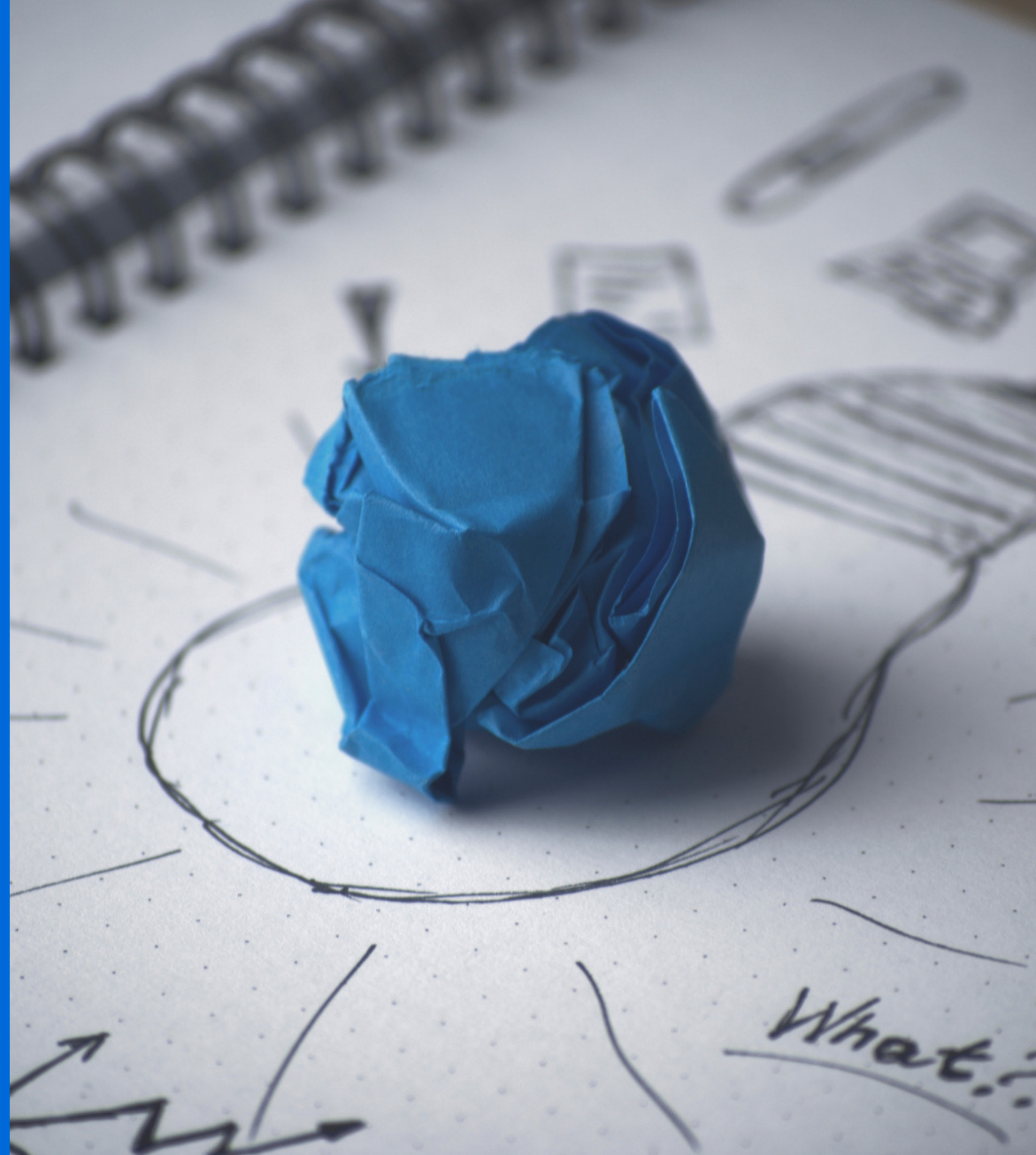


Early Stage Innovation Companies (ESICs)

Presented by Charl Van Den Berg



A lightbulb is centered within a large, hand-drawn thought bubble. The background is a solid blue color. The text is white and bold, positioned to the left of the lightbulb.

***AN INVESTMENT IN KNOWLEDGE
PAYS THE BEST INTEREST***

- Benjamin Franklin

ESICs

Why are they so attractive?

- **20% tax offset for qualifying investment in an ESIC**
 - Capped at \$200k per year ('affiliate inclusive')
 - Maximum annual \$50k investment for retail investors
- **Modified tax treatment of shares**
 - Deemed CGT treatment
 - Disregard gain/loss if sell within 1 – 10 years
 - Market value cost base if still hold at 10 years

ESIC Requirements

1. Early stage test (objective); AND
2. 100-point innovation test (objective); OR
3. Principles-based innovation test (subjective)

Early Stage Test

- **Recently established**
 - Was incorporated or registered on the ABR within the last 3 income years: or
 - Was registered within the last 6 income years and all of its 100% subsidiaries spent \$1m or less across the last 3 income years.
- **Expenses <\$1m in prior year**
- **Revenue <\$200k in prior year; and**
- **Not listed on any stock exchange (Australia or foreign)**

100 Point Innovation Test

Item	Points	Innovation Criteria
1	75	50% plus of total expenses in prior year is R&D expenditure
2	75	Accelerating Commercialisation Grant under the Entrepreneur Programme
3	50	15% - 50% of total expenses prior year is R&D expenditure
4	50	Done or doing an 'independently selected' and 'established' accelerator program
5	50	Raised at least \$50,000 capital from independent parties
6	50	Been granted standard patent rights in Australia within last 5 years (or foreign equivalent)
7	25	Been granted innovation patent rights or registered design in Australia within last 5 years (or foreign equivalent)
8	25	Written agreement with eligible entities to co-develop or commercialise new product etc.

Principles Based Innovation Test

1. Genuinely focussed on '**developing for commercialisation**' new products, process, services etc.
2. Business has **high growth potential**;
3. Demonstrated ability to **scale the business**;
4. Demonstrated ability to **address broader than local market**; and
5. Demonstrated potential for **competitive advantage**

A conceptual graphic featuring a glowing lightbulb centered within a large, hand-drawn thought bubble. The entire scene is set against a solid blue background. To the left of the text, there is a vertical white line.

Ponder This:

***WHICH COMPANY WOULD YOU
INVEST IN?***

Thank you!

CHARL VAN DEN BERG



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