

## Collins Hume assists businesses to future proof with ESIC

**ESIC (Early-Stage Innovation Company) journey creates new, interesting projects and growth opportunities to assist proactive business owners to future proof their businesses.**

The government realised that, for companies that innovate, most would require assistance if they were going to convince arm's-length investors to invest in products or services which, at this stage, is probably unproven. Legislation was subsequently introduced with an amendment to the *Taxation Act* in 2015/16 addressing ESIC.

The ESIC journey normally commences with research and development (R&D) around the development of a new product, process, service, organisational or management methodology. Businesses undertaking R&D will require assistance with:

- the establishment of appropriate R&D systems
- records
- registration of the R&D project with AusIndustry
- submitting applications to the ATO relative to overseas expenditure (if any)
- lodgement of the company's income tax return to claim the R&D tax rebate

Most businesses undertaking R&D activities do require assistance from their accountants to legally maximise their R&D rebate claim.

### Intellectual Property Protection

The next stage is considering if the R&D project requires specific protection. This could involve documenting "trade secrets" or developing Confidentiality Agreements and assigning Intellectual Property Agreements, possibly involving discussions with a patent attorney on the submission of an application for a patent to IP Australia.

Whilst some of this work is not directly attributed to accountants, our clients benefit from project management or concierge services that Collins Hume provides to ensure that appropriate systems are implemented.

### Government Grants

Many businesses are unaware of the grants available to assist with developing new products and/or services. The largest grant available is the [Accelerating Commercialisation](#) grant, which provides up to \$1M on a 50% funding basis. Most businesses require our assistance in preparing the two-phase Accelerating Commercialisation grant application. Collins Hume offers this service to our clients.

### Business Plan

If successful in your application to the [Entrepreneur's Programme](#) for an [Accelerating Commercialisation](#) grant, it is normal for that funding to contribute towards developing [your Business Plan](#).

### Capital Requirements

Having completed R&D and developed a prototype, a company is perhaps in a position to apply for the Accelerating Commercialisation grant to take the project closer to commercial reality. Most applicants run short of money at this stage and seek ways to raise capital.

### Investor Benefits

To facilitate this, two major inducements for investors were introduced:

1. A 20% tax offset based on the original investment in the company for arm's-length investors subject to the maximum investment for a retail investor being \$50,000 with the offset been limited to \$10,000 and a 20% or \$200,000 maximum offset is available for sophisticated investors;
2. A capital gains tax exemption on the original investment if the shares are retained for 12+ months and less than 10 years.

### Tests for Companies

Most companies aspiring to be an ESIC will require our assistance to satisfactorily navigate the due diligence requirements. Call Collins Hume on 02 6686 3000 to investigate your business' potential to start the ESIC journey.