



FACT SHEET

Early Stage Venture Capital Limited Partnerships

Programme status: Open for applications

This programme aims to stimulate the Australian early stage venture capital sector. It provides all investors with tax exemptions on the profits of their investments.

What is an Early Stage Venture Capital Limited Partnership (ESVCLP)?

An ESVCLP is a venture capital fund structured as a limited partnership that makes equity investments in eligible Australian startup and growth companies.

Innovation Australia registers ESVCLPs under the *Venture Capital Act 2002*.

What does it offer?

- It provides flow-through tax treatment for registered venture capital funds.
- Investors (limited partners) are exempt from capital gains tax on their share of any profits made by the fund.
- The fund manager can claim their carried interest in the fund on the capital account rather than revenue.
- The extent of the tax benefit depends on a number of factors. Fund managers seeking to register their partnership should seek professional tax advice.

How do I apply?

Potential fund managers must submit an application for registration to Innovation Australia. For a copy of the application form please email AusIndustry at venturecapital@industry.gov.au.

Innovation Australia will grant registration if the fund has:

- An incorporated limited partnership structure and operates in either Australia or a foreign country that has a double tax agreement with Australia.
- A general partner who is a resident of either Australia, or a foreign country that has a double tax agreement with Australia.
- Not been structured as part of a bigger fund (or attached to a unit trust) and is stand-alone.
- A qualifying partnership agreement that runs for between five and 15 years.
- An investment plan with an appropriate focus on early stage venture capital investment.

- Access to the skills and resources necessary to implement its investment plan.
- Committed capital of at least \$10 million and no more than \$100 million. Investors are limited to contributing no more than 30 per cent of a fund's committed capital, unless they are a bank, life office, super fund or approved by Innovation Australia.

The programme is for new funds. It is not possible to restructure an existing fund.

How does an ESVCLP operate?

A registered fund can only make eligible investments.

The *Venture Capital Act 2002* and the *Income Tax Assessment Act 1997* regulates ESVCLPs. The fund manager must self-assess activities to ensure the fund complies with the legislation.

The fund manager must submit quarterly and annual activity reports. AusIndustry and the Australian Taxation Office (ATO) will monitor the fund to assess compliance.

Innovation Australia may revoke registration if a fund contravenes the legislation.

What investments are eligible?

Eligible investments are defined in subdivision 118-F of the *Income Tax Assessment Act 1997*.

Eligible investments are:

- Investments made in accordance with the legislation.
- An ESVCLP's approved investment plan.

Broadly, this includes acquiring new shares, options or units, or convertible notes that have an equity characteristic, in Australian entities (companies or trusts):

- The total value of its assets is no more than \$50 million;
- That does not have property development, land ownership, finance or construction as their predominant activity; and,
- That is unlisted.

Where can I find more information?

Visit business.gov.au/ESVCLP or call **13 28 46**.

