



FACTSHEET

Venture Capital Limited Partnerships

Programme status: Open for applications

This programme aims to increase foreign investment in the Australian venture capital sector. It provides certain foreign investors with tax exemptions on the profits on their investments.

What is a Venture Capital Limited Partnership (VCLP)?

A VCLP is a venture capital fund structured as a limited partnership that makes equity investments in eligible Australian growth companies.

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

What does it offer?

- It provides flow-through taxation treatment for registered venture capital funds
- Investors (eligible foreign 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.
- A qualifying partnership agreement that runs for between five and 15 years.
- Committed capital of at least \$10 million.

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

How does a VCLP operate?

A registered fund can only make eligible investments.

The *Venture Capital Act 2002* and the *Income Tax Assessment Act 1997* regulates VCLPs. 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*.

Generally, a VCLP can invest in unlisted Australian businesses by acquiring shares, options or units. The businesses they are investing in must have either a company or a unit trust business structure. A VCLP may also invest in companies or unit trusts that will delist within 12 months.

The VCLP must hold the investment for a minimum of 12 months.

The investment must also be at-risk and the investee company must meet the following requirements:

- The total value of its assets is no more than \$250 million.
- At least 50 per cent of employees and at least 50 per cent of assets are located in Australia.
- Its predominant activity is not in property or land development, finance, insurance, construction or infrastructure, or making investments.

Where can I find more information?

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

