



TREASURY SERVICES GROUP

WORLD-CLASS FINANCIAL PRODUCTS & SERVICES

Manager
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The Treasury
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Via email: startuptaxincentive@treasury.gov.au

To whom it may concern,

Thank you for the opportunity to provide feedback on the policy discussion paper for tax incentives for early stage investors.

Relevant Background

In 2015, Treasury Services Group licensed and established the Upstart Accelerator Fund (“Fund”) on behalf of Upstart Investments (the investment manager of the Upstart Accelerator Fund). The Upstart Accelerator Fund invested seed capital in 8 start-up technology companies for 8% of each start-up company shareholding. Each start-up company participated in the Upstart Accelerator Program www.amcomupstart.com.au/. Upstart Accelerator Fund is structured as a trust (Treasury Services Group as trustee for Upstart Accelerator Fund) and licensed as an unregistered management investment scheme available to wholesale clients.

Policy Comments

I would strongly recommend any policy in regards to any innovation fund structure is consistent with Australian Corporations law.

I would also suggest;

- An innovation fund is either/or a registered or unregistered managed investment scheme under Corporations law (any requirement for an innovation fund to be a company is inconsistent with Corporations law).
- All investments are either eligible innovative start-up companies (as will be defined in the proposed legislation) or cash.
- Each innovation fund’s Australian Financial Services Licence (AFSL) holder is required to complete a sign off on the eligible investments. Please see attached to this email Form 1413 (this is an example from the Significant Investor regime in which licensed fund managers are required to sign off on eligible investments).
- There are no requirements for an innovation fund to have a minimum total investment funds under management for the innovation fund.
- There is no requirement for *“it has no more than 10 per cent of its committed capital, based on total committed capital at fund close, in any single innovation company at any time during the income year”*.



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- The non-refundable tax offset is available to investors in an innovation fund in the year the innovation fund invests in an eligible investment company as per the date of investee company shareholder' agreement. Each investor is advised in the investor's annual tax statement provided by the licensed fund manager.
- Each innovation fund is required to follow AML and KYC relevant legislation via the AFSL holder for each investor in the innovation fund.
- All investors are wholesale investors as per Corporations law. Retail investors be available to invest via appropriate suitability sign off via licensed financial advisors.
- There is no requirement for an ESVCLP style approval process.

I very much appreciate the importance in ensuring the integrity of the policy. The AFSL licensing regime contained in Australian Corporations law would hopefully assist in this regard. I would recommend each investment manager is appropriately licensed.

If there are any questions, please feel free to contact me.

Thank you again for the opportunity to provide feedback on the discussion paper.

Kind regards

Phil Delmenico
Managing Director
Treasury Services Group