

Manager
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Peter Dickinson
74 Peter St
WAGGA WAGGA NSW 2650

22nd February, 2016

RE: TAX INCENTIVES FOR EARLY STAGE INVESTORS

To Whom It May Concern:

Regarding above, I wish to submit feedback in the following three areas:

1) Innovation Company: Inclusion of non University/CSIRO Innovation:

An extremely important aspect of the National Innovation and Science Agenda is industry – research collaboration. However, this must not be used to unnecessarily narrow the scope of defining an Innovation Company.

Places such as Silicon Valley have shown the world that world class, innovative companies are just as likely to come from government funded research as they are to come from within large, established companies or Universities. More importantly, Silicon Valley has shown time and again that many of the most innovative companies have been born in dorm rooms and garages without the direct involvement of established research organizations.

I respectfully suggest that the definition of “Innovative Companies” must NOT be tied solely to innovations that originate at Universities or the CSIRO.

SUMMARY: The definition of an Innovation Company must include privately developed technologies.

2) Founders classed as “Qualified Investors”:

Generally speaking it is important that inexperienced investors are protected from complex or predatory investment schemes and therefore it is important to protect the typical “mum and dad” investor. However, we wish to encourage the creation of new, innovative companies so as to drive the next phase of Australia’s growth.

The founding of a company requires significant risk on the part of founders and these individuals should not share the same, broad profile as “mum and dad” investors. Unfortunately, these same risk-taking founders do not typically fit the standard “qualified investor” profiles that are often based on either high net worth or high annual income. In fact, most founders have risked significant net worth and income in order to try and create great companies.

Many times, it takes multiple attempts at creating an Innovative Company which further reduces a founders net worth and historical income. Some may have even experienced bankruptcy in the quest to build the next great company.

To that end, I respectfully suggest that founders who invest their own funds and time into building an innovation company are provided with the same incentives as high net worth individuals who make the secondary investments in startups. To do otherwise would be to implement a discriminatory tax benefit for high net worth individuals who take a lesser risk in comparison to the individuals who originally found AND fund a new venture.

SUMMARY: The proposed Tax Offset and Capital Gains Tax provision should be extended to include the initial investment made by the founder(s) without regard to net worth or past income.

3) Suggestions for “Innovation Companies” Definition

Respectfully listed below are some general suggestions for creating the definition of an Innovation Company in 2016:

1. **Artificial Intelligence (AI):** AI is a rapidly advancing field that is attracting significant investment and interest across the world. Clearly, companies looking to *develop, extend and commercialize AI* should be included in the definition of an Innovation Company.
2. **Connectivity, Supply Chain and Logistics:** As the world becomes more connected both digitally and physically, Australia must develop and support the technologies that will allow our technology and solutions to be rapidly delivered to customers across the globe. A new Hardware startup in Australia must have faith that they can utilize a *dynamic and accessible* delivery system to all of its customers.
3. **Advanced Manufacturing:** Building on points 1 and 2, there is a significant opportunity to continue building Australia’s advanced manufacturing capability. As Australia’s car manufacturing industry declines, we must rapidly *support the retention of our unique skills and value* in this sector.
4. **Renewable Energy and Smart Grid:** Australia has developed world leading technologies in this area for decades and we must continue to support those

- companies looking to *reduce our society's environmental impact and improve the robustness of our public infrastructure.*
5. **Space Technology:** Space is rapidly becoming more accessible to the consumer through the work of innovators such as Elon Musk, Jeff Bezos and Richard Branson. The inclusion of *space related technology* must be included in any definition of an Innovation Company.
 6. **Education:** Developing the next generation of innovative Australians must involve innovations in the way we educate and engage our children.
 7. **Entertainment:** New developments in Virtual Reality (VR) and Augmented Reality (AR) are rapidly advancing the way we consume entertainment. Australia's film and video games industry's work in these areas should be supported through inclusion of these and similar technologies in the definition of Innovation Companies.
 8. **Medical Technology:** New tools, treatments, diagnostics, care methods and similar should be supported in the Innovation Company definition.
 9. **Unknown Innovation:** Over the next decade, there is a high likelihood that new areas of Innovation will develop that can't be imagined today. Scope should remain in the Innovative Companies definition that allows Australia to remain open to support new innovations that we can't imagine today.

Should you wish to contact me regarding any of the above, please don't hesitate to email me.

Regards,

Peter Dickinson
CTO BuildingIQ
0466 183 063
peterd@buildingiq.com