

## **About Us**

Upstart Investments is manager of the Upstart Accelerator program (<http://www.amcomupstart.com.au>) and Investment Manager of the Upstart Accelerator Fund which provides seed capital to startups in the Upstart Accelerator program.

### **4.1 Are there any additional principles that should be included in defining an innovation company?**

No

### **4.2 What gateway criteria would best define an eligible innovation company**

One of the gateway criteria should include application for an innovation patent in Australia.

### **4.3 Do these criteria meet the objective of attracting investment in innovation companies, without unnecessary regulatory burdens?**

The requirement to already have one or more third party investors does not meet the objective.

The requirement to file patents in multiple jurisdictions would require significant capital and is very restrictive.

The gateway criteria should include application for an innovation patent in Australia.

### **4.4 What integrity risks are associated with each of these criteria? How might these risks be mitigated? For example, combining multiple tests together could mitigate risks.**

The gateway criteria are strict and combining multiple tests would be very restrictive.

### **4.5 Are investors open to a process that involves lodging a self-assessment declaration prior to making investments, in order to assist with assessing take up and eligibility?**

Yes

### **4.6 In relation to a gateway requirement that is based on approved accelerator programs, which types of organisations should be included and what qualifying criteria should be specified?**

Accelerator programs which provide seed capital and do not charge people for participation in their program should be the types of programs which are approved.

**4.7 Are there any other investment activities should be excluded?**

No the list is extensive.

**4.8 Is it appropriate for innovation companies to be restricted to companies that are Australian residents for tax purposes?**

Innovation companies should be restricted to companies that are incorporated in Australia.

**Direct investment into an innovation company**

**5.1 Are there any specific requirements that should be included within the sophisticated investor test to ensure that innovation companies are benefiting from both financial and technical/commercial support?**

The incentive should be limited to investors who are wholesale investors as per Corporations law. No additional tests are necessary.

**5.2 Other than the sophisticated investor test contained in the Corporations Act 2001, are there alternative tests that can achieve these same objectives?**

The incentive should be limited to investors who are wholesale investors as per Corporations law. No additional tests are necessary

**Indirect investment via an innovation fund**

**6.1 Is it appropriate for the offset to be available in the year of a cash call in the case of indirect investments through a qualifying innovation fund?**

The tax offset should be 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 could be advised of the tax offset claimable each year in the investor's annual tax statement provided by the innovation fund manager.

**6.2 What is the most appropriate corporate structure for an innovation fund? What registration requirements should exist?**

An innovation fund could be 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).

**6.3 Should the incentive be limited to sophisticated investors in the case of investments through a qualifying innovation fund?**

The incentive should be limited to investors who are wholesale investors as per Corporations law. Retail investors would be available to invest via appropriate suitability sign off via licensed financial advisors

**6.4 Should qualifying innovation funds be proprietary limited companies, unlisted public companies, or some other company governed by the Corporations Act 2001?**

An innovation fund should be 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).

**6.5 Should there be requirements placed on who can manage an innovation fund?**

The manager of an innovation fund should hold an Australian Financial Services Licence (AFSL).

**6.6 Is it appropriate to adopt an approval process similar to the UK Venture Capital Trusts and Australian Early Stage Venture Capital Limited Partnerships?**

Rather than introduce an additional approval process the manager of an innovation fund should hold an AFSL. There is already an approval process in place for who can hold an AFSL.

**Integrity measures**

**7.1 How will the Government maintain the integrity of Australia's tax system while providing the best possible support for innovative startups?**

The manager of an innovation fund should hold an AFSL. Each innovation fund is required to follow AML and KYC relevant legislation via the AFSL holder for each investor in the innovation fund.

Each innovation fund's Australian Financial Services Licence (AFSL) holder should be required to complete a sign off on the eligible investments. Please see Form 1413 from the Significant Investor regime in which licensed fund managers are required to sign off on eligible investments as an example.

**7.2 How could integrity measures be designed to attract and secure investment at the right stage of innovation without creating unnecessary red tape for investors?**