

Answers to questions on notice

Public hearing in Melbourne on 6 March 2018

The Treasury

QUESTION:

Senator KETTER: *In relation to the angel investors, my understanding is that you're experiencing a double-dipping effect where individuals were claiming an offset and then claiming another offset through their trust. Is that essentially what you were saying just before?*

Mr Derlacz: *No, that is not what I was saying. There was a situation where, if an investor was investing in an early-stage venture capital limited partnership, there was an interpretation that could be taken under the law, potentially, where they may have thought they could access in addition the 20 per cent early-stage innovation company offset. That was not intended by the legislation. We've since tightened the law as part of these amendments.*

Senator KETTER: *How did this double dipping—I'm going to call it a double-dipping effect—come about?*

Mr Derlacz: *Would you be able to clarify that question?*

Senator KETTER: *Was this a failure, I suppose, of the drafting of the 2016 legislation?*

Mr Derlacz: *I may need to take that on notice. I'm not intimately familiar with the details of that particular arrangement.*

Senator KETTER: *Does it reflect the operation of a specific policy objective from the original bill? Anyway, if you could take that on notice that would be good. Were the original arrangements for angel tax incentives based on the UK Seed Enterprise Investment Scheme?*

ANSWER:

Response regarding technical amendments:

The Bill makes several technical amendments to improve the operation of the ESIC and ESVCLP regimes and clarify the wording of the law. These technical amendments have been informed by the ATO's administration of the regimes since 2016 and are supported by industry stakeholders.

More broadly, the ESIC and ESVCLP regimes have been well received by investors and complement the Government's broader Fintech agenda.

Response regarding UK SEIS:

The UK Seed Enterprise Investment Scheme generally provides tax relief to individual investors. Further details about the SEIS are available through the www.gov.uk website.