



## FAQs Pooled Development Funds Programme

### How do I apply?

***Pooled Development Fund*** registration is no longer available, however funds already registered as ***Pooled Development Funds*** will continue to operate and invest in small Australian companies.

### Who is it for?

***Pooled Development Funds*** raise capital and make equity investments in Australian small and medium-sized enterprises (SMEs).

The aim of the ***Pooled Development Funds*** program is to increase the supply of capital to growing Australian SMEs.

***Pooled Development Funds*** are venture capital funds registered under the ***Pooled Development Funds Act 1992***.

### What does it offer?

***Pooled Development Funds*** and their shareholders receive tax benefits on the income derived from their equity investments.

This is intended to compensate for the higher risk of investing in SMEs.

***Pooled Development Funds*** are taxed at 15 per cent on the income and gains derived from equity investments in Australian SMEs.

***Pooled Development Fund*** shareholders are exempt from tax on the income and gains derived from holding and disposing of ***Pooled Development Fund*** shares.

The extent of the above tax benefits depends upon a number of factors. ***Pooled Development Funds*** and their shareholders should seek professional tax advice.

### What investments are eligible?

Eligible ***Pooled Development Fund*** investments are made by acquiring newly-issued shares in SMEs with total assets of not more than \$50 million.

The investee company must have issued the shares for the purpose of raising capital to:

- establish a new business activity
- substantially expand production capacity or services
- expand or develop markets.

While a ***Pooled Development Fund*** holds an investment, it is allowed to enter into the following transactions with the investee company:

- acquiring non-transferable options to buy shares
- lending money
- charging management fees.

A ***Pooled Development Fund*** cannot invest in companies whose primary activities are retail operations or property development.

### How does a Pooled Development Fund operate?

The operations of a ***Pooled Development Fund*** are governed by the ***Pooled Development Funds Act 1992***. A ***Pooled Development Fund*** is required to self-assess its compliance with the legislation but guidance is provided by Innovation Australia (the Board) in a series of information papers.

***Pooled Development Fund*** reporting requirements consist of investment notifications and an annual report to the Board.