# FA 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.