

From: Tony Peacock
Sent: Friday, 16 May 2014 11:07 AM
To: Udwin, Simcha
Cc: TaxBoardMeetings; Pauline Quinane
Subject: Re: Board of Taxation - Review into Small Business Tax Impedi... @ Wed 21 May 2014 10am - 10:45am [SEC=UNCLASSIFIED]

Our main issues are CGT on options for start-up companies (CRCs do spin out some companies). CRCs themselves have some unique tax challenges, but I'm not sure they would be representative of the wider small business sector.

The CGT on options payable earlier than other jurisdictions means that people simply incorporate in other jurisdictions and Australia misses out on the economic activity in the short term and the CGT down the line.

Australia has a massive pool of potential venture capital in the super funds, especially SMSF, that could fund more early/mid stage venture work. Providing options is the normal way startups attract smart young staff, because early pay is really tight. So some changes would have a lot of benefit, I think.

Tech startups are highly mobile. There are entrepreneurs that will work across jurisdictions and Australia should be attractive to them. The San Francisco/Hong Kong/Singapore/Tel Aviv type of model where they really only need their computer to work is related to lifestyle and the entrepreneurial environment. You would think Australia should have the ingredients to see a bigger portion of this action. (Instagram was something like six people, one room and \$2 billion in wealth creation in less than 24 months).

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