

### Agreement in Principle

**Mr BARRY COLLIER** (Miranda—Parliamentary Secretary) [8.30 p.m.], on behalf of Mr David Campbell: I move:

That this bill be now agreed to in principle.

The Partnership Amendment (Venture Capital) Bill provides for amendments to the Partnership Act 1892 to complement changes to Commonwealth laws to create a new type of tax-exempt venture capital investment vehicle. These amendments will clear the way for investors in Australian innovations to receive tax-free returns, making New South Wales even more attractive for business investment. Venture capital funds play an important role in financing entrepreneurial start-up companies, and the Government is committed to supporting the venture capital industry and the jobs and investment it creates. New South Wales is the first State in Australia to introduce these laws, which will help maintain Sydney's position as the business hub of Australia and a leading financial centre in the Asia Pacific.

In 2002 the Australian Government introduced a venture capital regime, firstly, to provide incentive for foreign investors to invest in the Australian venture capital industry; secondly, to develop the Australian venture capital industry; and, thirdly, to provide a source of equity capital for relatively high-risk and expanding businesses which find it difficult to attract investment through normal commercial mechanisms. The Commonwealth Venture Capital Act 2002 provides for the registration, administration and regulation of limited partnerships under the venture capital regime. Taxation concessions are provided under the Income Tax Assessment Act 1997 and the Income Tax Assessment Act 1936.

The New South Wales Partnership Amendment (Venture Capital Funds) Act 2004 amended the Partnership Act 1892 to create a new form of corporate entity—the incorporated limited partnership—for use as a structure for venture capital investment funds. This aligned New South Wales with the dominant structure internationally for venture capital investment funds and allowed venture capital limited partnerships to register and locate in New South Wales. In turn, this encouraged longer term economic investment in New South Wales. Eighteen of the 26 limited partnerships registered with the Venture Capital Registration Board as venture capital limited partnerships are located in New South Wales.

Part 3 of the Partnership Act 1892 provides for the registration of incorporated limited partnerships. An application for registration as an incorporated limited partnership may be made only where the partnership or proposed partnership is registered, or intends to apply to be registered, as a specific form of limited partnership under the Commonwealth Venture Capital Act 2002—that is, a venture capital limited partnership [VCLP] or an Australian venture capital funds of funds [AFOF]. The Commonwealth Tax Laws Amendment (2007 Measures No. 2) Act 2007 establishes a new form of limited partnership called the early stage venture capital limited partnership [ESVCLP]. The tax changes in this Act aim to build Australia's venture capital industry to global levels and boost the commercialisation of Australian research and development. These tax changes are an incentive for Australian and foreign investors to invest in innovative Australian companies.

Statistics published by the New South Wales Department of State and Regional Development suggest that in growing areas such as biotechnology and information and communications technology, New South Wales would be the jurisdiction of choice for venture capital investment from overseas and for local investors. The bill amends the New South Wales Partnership Act 1892 to enable persons or partnerships who are, or propose to be, an early stage venture capital limited partnership under the Commonwealth Venture Capital Act 2002 to apply for registration as an incorporated limited partnership. The bill extends the provisions of the Partnership Act that currently apply to persons or partnerships that are or propose to be a venture capital limited partnership or an Australian venture capital funds of funds to persons or partnerships that are or propose to be an early stage venture capital limited partnership.

The Australian Private Equity and Venture Capital Association [AVCAL] strongly supports the amendments in the bill. Several venture capitalists have expressed a strong interest in taking advantage of these amendments as soon as possible. The Government already has the administrative structure to support these amendments and will be ready to process any applications for registration as an early stage venture capital limited partnership incorporated limited partnership as soon as the Partnership Act has been amended for this purpose. I believe the amendments proposed in the bill will ensure that New South Wales is able to capitalise on the economic growth that flows from the recent changes by the Commonwealth to the venture capital scheme. This will further support longer term economic investment in New South Wales, and will sustain our reputation for innovation and prosperity. I commend the bill to the House.