

## Second Reading

**The Hon. JOHN HATZISTERGOS** (Attorney General, and Minister for Justice) [8.41 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

### Leave granted.

This 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 NSW even more attractive for business investment.

Venture Capital funds play an important role in financing entrepreneurial start-up companies, and the lemma Government is committed to supporting the Venture Capital industry and the jobs and investment they create.

NSW is the first State in Australia to introduce these laws—they 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 to:

provide incentive for foreign investors to invest in the Australian venture capital industry

develop the Australian venture capital industry, and

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 NSW *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 NSW.

In turn, this encouraged longer-term economic investment in NSW. 18 of the 26 limited partnerships registered with the Venture Capital Registration Board as venture capital limited partnerships are located in NSW.

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 only be made 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 NSW Department of State and Regional Development suggest that in growing areas such as biotechnology and information and communications technology, NSW would be the jurisdiction of choice for venture capital investment from overseas and for local investors.

The bill amends the NSW *Partnership Act 1892* to enable persons or partnerships who are, or propose to be, an ESVCLP 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 an VCLP or AFOF to persons or partnerships that are or propose to be an ESVCLP.

The Australian Private Equity and Venture Capital Association (AVCAL) strongly support 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 the

process any applications for registration as an 'ESVCLP Incorporated Limited Partnership' as soon as the *Partnership Act* has been amended for this purpose.

Honourable Members, I believe the amendments proposed in the Bill will ensure that NSW 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 NSW and will sustain our reputation for innovation and prosperity. I commend the Bill to the House.