

## EXPORT MARKET DEVELOPMENT GRANTS (EMDG)

### WHO CAN CLAIM?

To be eligible for an EMDG you must meet the following criteria:

1. Be an Australian business with an ABN;
2. Be promoting eligible Australian products overseas;
3. Have spent at least \$15,000 in eligible marketing costs during the grant period;
4. Have total business revenue of less than \$50m;
5. Not have already exhausted all of your EMDG entitlements.

#### **1. Australian business with an ABN**

You must have a current ABN to apply. You can be a sole trader, partnership, company or body/association incorporated/established under an Australian law.

In addition there are two other types of applicants which are entitled to receive grants. These are Approved Bodies and Approved Joint Ventures, both of which need special approval by Austrade.

#### **2. Eligible Australian products**

##### **Goods**

Goods manufactured in Australia are deemed eligible for grant assistance by Austrade.

Goods manufactured overseas can be deemed "Australian made" by Austrade for grant purposes. A separate submission must be prepared addressing specific criteria set out in the legislation. If you are in this situation please let us know as we have a separate document addressing what is required.

##### **Services**

Most services supplied inside and outside of Australia to a non-resident are eligible provided Austrade is satisfied that Australia will derive a significant net benefit from the supply of the service.

There are some specific exclusions to eligible services, mainly revolving around services related to migration, legal/financial services, assets held in Australia and illegal services.

**Tourism services**

Tourism services supplied in Australia to foreign tourists who are visiting Australia on a temporary basis are eligible.

Tourism services generally relate to transport (land, water or air), accommodation, tours, admission to a tourist attraction, admission to an event, rental of space at a convention/exhibition centre, restaurants or licensed casinos.

**Intellectual property rights (IPR)**

The IPR must have resulted substantially from research or work done in Australia or the trademark must have first been used in Australia (or increased in significance or value because of its use in Australia).

**Know-how**

The know-how must have resulted substantially from research or work done in Australia and should involve the provision of something in a written, tangible or material form, e.g. manual or computer software.

**3. Minimum \$15,000 in eligible marketing costs**

A business wishing to access the EMDG Scheme must incur a minimum of \$15,000 in eligible marketing costs to qualify for assistance during any grant year.

A first-year applicant is entitled to lodge an application covering the grant year and the year prior. In this instance it must incur a minimum expenditure of \$15,000 over the two financial years to be eligible.

**4. Total business revenue of less than \$50m**

Total business revenue includes all sales, grants, interest and any other income received.

**5. Have not exhausted all of its grant entitlements**

Under the legislation a business is entitled to receive 8 export grants (Approved Joint Ventures and Approved Bodies are subject to different rules).

When a business lodges its first application covering two financial years, this is only counted as one grant application.

## HOW IS THE GRANT CALCULATED?

The grant for years one and two is calculated as:

**(Eligible marketing costs - \$5,000\*) x 50%**

\* The expenditure threshold of \$5,000 is deducted each application by Austrade.

In years three and beyond an export performance test applies. This can have the effect of limiting your grant entitlement based on your export earnings.

In year 3 and beyond your grant entitlement is the **lesser** of the following calculations:

(Eligible marketing costs - \$5,000) x 50%

**Or**

Year 3	40% of export earnings received
Year 4	20% of export earnings received
Year 5	10% of export earnings received
Year 6	7.5% of export earnings received
Year 7	5% of export earnings received
Year 8	5% of export earnings received

For the purpose of the export earnings test the FOB value is used for goods.

Earnings are counted on the date that funds are received into the applicant's bank account.

## WHAT IS THE MAXIMUM GRANT?

The maximum grant is \$150,000 each grant application. However, this is subject to Austrade's funding.

For the 2014-15 grant year the EMDG scheme has a funding limit of \$137m. To avoid exceeding this limit substantial-size grants will be paid in two parts. Larger claims will receive an initial payment of \$40,000 at the time of determination. The remainder of the claim will go into a pool, which will be distributed at the end of the grant year on a pro-rata basis. This may result in the second payment being less than what was initially determined by Austrade.

## WHAT CAN BE CLAIMED?

### **1. Overseas representation**

Where an applicant engages an overseas representative to represent the company on an ongoing basis, the costs of maintaining the overseas representative will be eligible for a grant.

To be considered as promoting on an ongoing basis, a period of no less than 12 months is required.

The total expenditure which can be claimed for overseas representatives is capped at \$200,000 per application.

Types of representation:

- Arms-length agent or buyer overseas
- Overseas related/associated company
- Overseas branch office
- Director/employee based overseas

### **2. Marketing consultant**

Where an applicant engages a consultant to undertake market research or marketing on a fee basis, provided that the consultant is at arm's length from the applicant, the consultant's fees and expenses may be eligible for a grant.

In order to be considered at arm's length, the consultant must be deemed not to be "associated with" the applicant, i.e. a director of the applicant, a relative of a director of the applicant, an employee, etc.

The total expenditure that can be claimed for marketing consultants is capped at \$50,000 per annum.

### **3. Marketing visits**

#### Fares

This covers airfares, taxis, car hire, petrol, tolls, rail, bus, parking etc (all transport costs) as well as travel insurance, visas and departure taxes.

#### Overseas visits allowance (OVA)

Eligible expenditure includes a travel allowance of \$300 per day to cover accommodation, meals and entertainment up to 21 days per trip per traveller for eligible working days.

#### **4. Communications**

The actual cost of communicating with your representatives, business contacts and for the purpose of soliciting business is eligible, i.e. telephone, facsimile and internet costs.

If actual expenses are not claimed you receive an automatic 3% addition to your calculated grant. This generally is the best option and you don't have to provide any documentation to receive the 3%.

#### **5. Free samples**

The production cost of free samples provided to potential or existing overseas buyers for promotional purposes is claimable, as is the freight to send the goods overseas.

Samples of tourism services provided within Australia are also claimable.

For costs to qualify the samples must satisfy several basic criteria:

- The samples must be representative of goods being promoted and sold, or goods to be promoted and sold by the applicant.
- They must be given away 100% free of charge for eligible promotional purposes.
- The number of samples given should not be related to the level of sales achieved by an agent, distributor or buyer.

#### **6. Trade fairs and similar promotional events**

Expenses in relation to trade fairs, seminars, in-store promotions, international forums, private exhibitions or similar promotional events may be claimed. This includes space hire, booth build, rental of furniture and fittings, conference registrations, sponsorship of events etc.

#### **7. Promotional literature and advertising**

The bought-in costs of producing marketing material or advertising are eligible. This includes design, artwork, photography etc for brochures, production of videos, website design, hosting, domain name registrations, advertising in magazines, newspapers, website/banner advertising, Google AdWords campaigns, other social media marketing etc.

## 8. Overseas buyers

The cost of bringing overseas buyers to Australia for marketing purposes can be claimed. Eligible costs include fares, accommodation and meals.

This expense category is capped at \$7,500 per buyer and \$45,000 per application.

## 9. Overseas patents and trademarks

The cost of international patent and trademark applications/registrations/renewals etc are eligible.

This expense category is capped at a maximum of \$50,000 per application.

## BASIS OF ASSESSMENT OF EXPENDITURE BY AUSTRADE

For expenditure to be assessed by Austrade as eligible for any grant year the expenditure must meet the following criteria.

1. The expenditure must be paid by the applicant in the grant year; and
2. The expenditure is eligible only to the extent to which it relates to the promotion of eligible goods and/or services. Expenditure will be pro-rated if there is:
  - a) Promotion of ineligible goods/services
  - b) Non-promotional activities

For expenditure to be assessed by Austrade as eligible for any grant year, the expenditure must be physically paid prior to June 30 of that grant year by the applicant, i.e. **Austrade works on a cash basis, not accrual**. All amounts that you want to claim must appear on the bank or credit card statement by June 30.

Austrade will accept contra/offset arrangements as evidence of payment only if the contra/offset accounting entries can be shown. Where a contra entry involves an increase in debt, this is unlikely to be accepted by Austrade as incurrence of payment.

Payments made by directors or related companies on behalf of the applicant will be deemed to have been paid by the applicant where the applicant can show this transaction through the loan account. There must be a bona-fide intention to repay the loan. For example, the loan could be reflected as a short-term loan in the balance sheet.

Generally, it is advisable to pay amounts rather than using director/related-company loan accounts or contra/offset arrangements. If you are planning on making a payment in this manner please speak to us for clarification.

Austrade generally does not accept pre-payments of expenditure. However, exceptions are made if the payment is in the ordinary course of business. We suggest providing us with documentation relating to all payments made prior to June 30.

## WHEN DO APPLICATIONS GET LODGED AND PAID?

Claims may be lodged with Austrade from July 1 after the grant year in question is completed.

Exportise can prepare claims for lodgement on July 1 provided all documentation is in place.

Claims are assessed and paid by Austrade roughly in the order in which they are lodged. Claims lodged by the end of September generally get paid within 4-6 weeks, whereas claims lodged in November can take up to six or seven months to get paid.

### **The earlier you lodge the faster you will be paid.**

The assessment process that is carried out varies according to Austrade's risk-assessment process. The risk assessment is based on a number of factors including the accuracy of any previous claims, comparisons with claims made by companies in the same industry and the prior performance of the consultant who has lodged the claim. Accordingly a good risk-assessment result will lead to a speedy grant payment.

## OTHER THINGS TO BE AWARE OF

- 110% Rule

Once a claim has been lodged you are limited to increasing the original assessed claim by a maximum of 10%. It is therefore important to ensure that you provide Exportise with all of the appropriate expenditure prior to lodgement so we can maximise your entitlement.

- Change of ownership or business structure

If you have experienced changes to your business through merger, takeover, joint venture or simply change of legal structure, this could affect your eligibility and it's important that you advise us of such changes.

- Costs associated with New Zealand, North Korea and Iran can't be claimed. Export income from these countries also can't be included in your application.

- The amounts you claim in your application are ex-GST.

- The grant you receive isn't subject to GST but is counted as assessable income for tax purposes.

- Exportise Claim Preparation Pack

For the sake of simplicity in record keeping, we have developed an Exportise Pack as a comprehensive guideline to assist you in gathering documentation for your claim. This system has been designed to ensure all eligible expenditure is captured to maximise your claim.

If you have not already been provided with one of these packs please let us know.