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Frequently Asked Questions

Clothing and Household Textile Building Innovative Capability Scheme (BIC Scheme)

What does the BIC scheme do?

The object of the Clothing and Household Textile (Building Innovative Capability) scheme (BIC scheme) is to foster the development of a sustainable and internationally competitive manufacturing industry and design industry in Australia by providing incentives that will promote innovation for entities that demonstrate a commitment to Australian-based manufacturing.

The BIC scheme provides innovation grants in respect of eligible clothing and household textile expenditure in much the same way as the TCF Post-2005 (SIP) scheme provided Type 2 grants in respect of research and development activity by clothing and finished textile entities.

Who can register?

To be eligible to register, an entity must show that it is undertaking or proposes to undertake eligible activities as defined in the scheme, in the program year for which they are seeking registration.

Potential applicants should examine the eligibility requirements and seek clarification with AusIndustry if necessary, before seeking registration under the BIC scheme.

What are eligible activities?

Eligible activities in the BIC scheme are limited to clothing and household textile manufacturing and/or design for manufacturing activities listed in Parts B and C of Schedule 1 or that result in a household textile product listed in Schedule 2 of the BIC scheme (note: see the section below

relating to household textiles for more information about manufacturing activities that result in household textiles). Certain ancillary activities are also eligible under the BIC scheme. Note: the definition of eligible activity in the BIC scheme is not the same as the definition of eligible activity in the TCF Post-2005 (SIP) scheme.

What are ancillary activities?

Under the scheme, ancillary activities mean:

- an activity listed in Part A of Schedule 1 or
- an early-stage processing activity of a kind mentioned in Part D of Schedule 1 or
- a warehousing and distribution activity.

Ancillary activities are eligible if, and only to the extent that, the operations are wholly and mutually interdependent with eligible manufacturing or design for manufacture activities.

What are household textiles?

For the purposes of the BIC scheme, household textiles are those products listed in Schedule 2 of the BIC scheme (i.e. curtains, towels, bed linen). In the TCF Post-2005 (SIP) scheme, household textile products were generally referred to as finished textiles.

Manufacturing of household textiles is only an eligible activity if the fabric used for the household textile is also manufactured by the same entity, from an activity mentioned in Part A of Schedule 1 by the entity.

What is the duration of the BIC scheme?

The BIC scheme operates from 2010/11 to the 2014/15 program years. The final payments will be made in 2015/16.

When can I register?

Registrations must be made before 1 July of the relevant program year, before expenditure is incurred. For example, to register for the 2012/13 program year, the registration form and all associated documents must be received by AusIndustry before 1 July 2012.

When can I request an advance of grant?

A request for an advance of grant must be lodged after the end of the program year in which eligible expenditure has been made on or before the first working day in January of the relevant financial year. For example, for expenditure incurred in the 2010/11 program year, the request for an advance of grant must be lodged by 3 January 2012.

When can I put in a claim?

Claims for program years must be lodged after the end of the program year in which eligible expenditure has been made and before 1 March of the relevant financial year. For example, for expenditure incurred in the 2010/11 program year, the claim must be lodged by 28 February 2012.

In order for expenditure to be considered eligible, a claim must be lodged. This is the case, even if customers have not met the minimum eligible expenditure threshold.

What grants are available?

The BIC scheme provides innovation grants relating to eligible expenditure that is directly attributable to research and development activities and product development activities carried on by, or on behalf of, a registered entity in respect of an eligible clothing and household textile activity.

How is the grant calculated?

The innovation grant is up to 50% of eligible expenditure incurred by the entity in the program year. Total benefits are limited to 5% of an entity's total eligible revenue (based on sales of eligible products) in that program year. A modulation factor, calculated each year is applied to all grants

to ensure that the total grant amount does not exceed maximum annual funds. The final grant amount is determined by applying the modulator factor to the grant eligibility amount (post sales based cap).

For example, a company incurs eligible expenditure of \$250,000. The grant rate of 50% is applied to the eligible expenditure.

Innovation grant up to:
 $50\% \times \$250,000 = \$125,000$.

The company has generated total eligible revenue of \$2,000,000. The total benefit is limited to 5% of total eligible revenue, \$100,000.

Sales Cap (5% of total eligible revenue):
 $5\% \times \$2,000,000 = \$100,000$.

The pre-modulated grant eligibility amount is \$100,000.

The modulation factor is then applied to this amount. If the Modulation rate is 0.55, then:

Grant amount:
 $0.55 \times \$100,000 = \$55,000$.

The company will be paid a grant of \$55,000.

Note that the modulation factor will vary each year and will depend on the amount of eligible expenditure claimed.

How is GST treated?

Grants made under the BIC scheme are GST exempt, but are subject to income tax. The Total Eligible Revenue (TER) and all costs claimed under the BIC scheme must exclude GST, excise or sales tax.

What is eligible expenditure?

Eligible expenditure is set out in sections 2.7, 2.9 and 2.10 of the BIC scheme. It can include expenditure relating to the sum of salary costs of employees of the entity engaged primarily and directly on core elements of the eligible activity, comprising: salary costs; and associated costs (including on-costs, administrative support costs and overhead costs) set at 75% of salary costs;

material costs, and in certain circumstances may include expenditure spent on the acquisition of pilot plant or plant prototypes (section 2.9(3)).

Have the type of grants I can apply for changed from TCF Post-2005 (SIP)?

Yes, under the BIC scheme, companies are no longer able to apply for grants that were categorised as “Type 1” in the TCF Post-2005 (SIP) scheme. These include grants in respect of TCF capital investment expenditure, including new plant/building expenditure, brand support such as trade shows and in-store promotions, and non-production related IT equipment.

What are the threshold requirements to receive a grant payment?

A minimum expenditure threshold of \$200,000 applies, which can be accumulated over the life of the program. Expenditure incurred under the TCF Post-2005 (SIP) scheme will be able to be taken into account when meeting the threshold expenditure under the BIC scheme.

Will excess amounts under TCF Post-2005 (SIP) be carried over into the BIC scheme?

Yes, as a transitional arrangement, for the purpose of calculating the sales based cap for grants (section 8.2) an excess amount under TCF Post-2005 (SIP) scheme will be carried over into the BIC scheme.

What are the key differences between the BIC scheme and TCF Post-2005 (SIP)?

Eligible activities under the BIC scheme are limited to clothing (Schedule 1 Part B: Knitting Mills Manufacturing and Part C: Clothing Manufacturing) or household textiles (Schedule 2 i.e. bed linen, curtains, terry towelling). In addition, manufacturing of household textiles is only an eligible activity if the fabric used for the household

textile is also manufactured by the same entity, from an activity mentioned in Part A of Schedule 1.

Part A activities are eligible only as ancillary activities if, and only to the extent that they are wholly and mutually interdependent with a Part B or C activity or a Household Textile activity.

The following activities that were eligible under TCF Post-2005 (SIP) are not eligible under the BIC scheme:

- textile floor covering manufacturing
- footwear manufacturing
- leather manufacturing
- made-up textile and leather product manufacturing, and
- technical textile manufacturing.

Under the BIC scheme, only innovation grants will be available. Innovation grants equate to Type 2 grants in the TCF Post-2005 (SIP) scheme.

The maximum payment rate for innovation grants will be 50%, compared with a maximum of 80% for Type 2 TCF Post-2005 (SIP) grants.

What will remain the same?

Most of the scheme parameters remain the same. For example the definition of innovation is unchanged. Activities that were funded under Type 2 grants in TCF Post-2005 (SIP) scheme (such as innovative product design, and innovative process improvements) will continue to be funded through innovation grants as part of the BIC scheme. Other elements of the scheme that have not changed include:

- excess amounts and deferred eligibility amounts, which will continue to be carried over between program years,
- the sales-based cap for grants, which remains at 5% of total eligible revenue,
- modulation of grant amounts, and
- key dates for submitting registration, advances of grant requests, and claims each program year.

What are schedules 1 and 2?

Schedule 1 of the BIC scheme lists eligible manufacturing or design for manufacturing activities.

Schedule 2 of the BIC scheme lists eligible household textile products.

Refer to Chapter 6 of the [Program Guide](#).

Where can I get further information?

Further information about the BIC scheme can be found in the Program Guide on the AusIndustry website at www.ausindustry.gov.au.

Alternatively, contact AusIndustry on 13 28 46 or (03) 9268 7555 or at hotline@ausindustry.gov.au.