



An Australian Government Initiative

**AusIndustry**<sup>TM</sup>

*BUILDING BUSINESS · POWERING PRODUCTIVITY*

## **Clothing and Household Textile (Building Innovative Capability) scheme 2010 (BIC scheme)**

### **Program Guide**

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## ABOUT THIS GUIDE

The information provided in this guide is intended as general guidance only, and is not intended to replace or amend the wording of the *Textile, Clothing and Footwear Investment and Innovation Programs Act 1999* ('the Act') or the *Clothing and Household Textile (Building Innovative Capability) scheme 2010* (BIC scheme). References to relevant sections of the BIC scheme are made throughout this guide, for example (refer Section 1.4) is a reference to Section 1.4 of the BIC scheme. The Act and the BIC scheme can be accessed through the AusIndustry website on [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

## CHAPTER 1: GENERAL INFORMATION

### Privacy and confidentiality

The use and disclosure of information provided to the Australian Government's **Department of Industry, Innovation, Science, Research and Tertiary Education** (the Department of Innovation) is regulated by the relevant provisions and penalties of the *Textile, Clothing and Footwear Investment and Innovation Programs Act 1999*, the *Public Service Act 1999*, the *Public Service Regulations*, the *Privacy Act 1988*, the *Crimes Act 1914*, the Criminal Code and common law.

The Department of Innovation will use information provided for the purposes of discharging its functions under the program, and for related uses. These functions, which are set out in the Act and the scheme, as well as this program guide, include registering eligible entities, calculating the amount of a grant to be paid and assisting with compliance activities. The Department of Innovation may also use information received in any other legitimate departmental business.

While the Department of Innovation will seek to protect sensitive information from disclosure to external parties, disclosure of some otherwise confidential information may occur as specified in this Program Guide.

As part of the Department of Innovation's assessment of an application for registration, request for advance, request for claim/determination and transfer of registration, the Department of Innovation may need to consult with and provide material to other government agencies or bodies, other organisations and/or relevant individuals in order to substantiate any claims or statements made by the entity, or to otherwise assist in the assessment of the application. If this occurs, the Department of Innovation will endeavour to ensure that the parties who are consulted observe appropriate confidentiality.

Detailed confidential information may be disclosed for audit purposes to contractors engaged by the Department of Innovation and to other Australian Government agencies for audit, reporting and law enforcement purposes. Further, the Department of Innovation may release confidential information if it is required or permitted by law to do so. This may happen, for example, if the Department of Innovation is required to respond to a resolution of the Parliament, or the order of a court. The Department of Innovation may also disclose information where it obtains consent to do so.

Following approval of the *Application for Registration*, the broad details of the application may be disclosed by the Department of Innovation for purposes such as promoting the program, reporting on its operation and policy development. Such information may be used in answering questions from the Parliament and its committees. In particular, the entity should be aware that the *Textile, Clothing and Footwear Investment and Innovation Programs Act*

1999 provides for the publication of the name of each entity paid a grant and the total grant amount paid to that entity in a financial year.

### **AusIndustry customer service**

AusIndustry, the program delivery division of the Department of Innovation, aims to provide a high level of customer service in delivering industry programs for the Australian Government. The AusIndustry *Customer Service Charter* is available at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

In delivering the BIC scheme, AusIndustry aims to visit most customers at some point over the life of the program. These visits will provide us with a better understanding of your business and give us an opportunity to expand customers' knowledge of BIC scheme entitlements and requirements. Customer visits also assist the effective delivery of the BIC scheme, including customers' adherence to AusIndustry compliance requirements.

AusIndustry customer service managers (CSMs) are the first port of call should you have questions in relation to any matters relating to the BIC scheme. After registration, each customer is assigned a CSM. Please do not hesitate to contact your CSM directly. Alternatively, please contact the AusIndustry hotline on 13 28 46 or TCF general enquiries on (03) 9268 7555.

## CHAPTER 2: SCHEME OVERVIEW

In the May 2009 Federal Budget, the Government announced that it will drive innovation and renewal in the Australian TCF industries by investing \$401 million in a retargeted TCF innovation package from 2009-10 to 2015-16.

The TCF innovation package includes the \$112.5 million BIC scheme which replaces the last 5 years of the TCF Post-2005 (SIP) scheme from the 2010-11 program year. Funding of \$22.5 million will be available for each program year, with the first funding available from 1 July 2011.

The BIC scheme is aimed at fostering the development of a sustainable and internationally competitive clothing and household textile manufacturing industry and clothing and household textile design industry in Australia, by providing incentives to promote innovation and associated investment.

Responsibility for the delivery of the BIC scheme rests with AusIndustry.

Only eligible clothing and household textile entities undertaking eligible clothing or household textile activities in Australia will be able to access the five years of the program, to 2014/15.

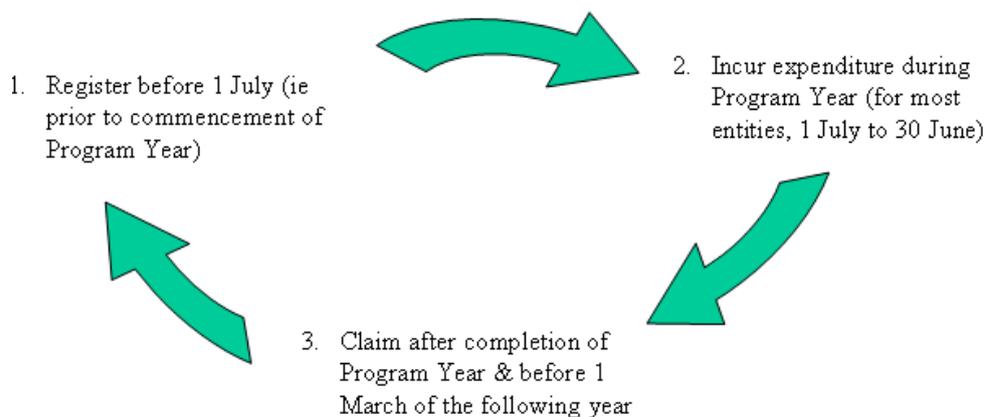
Program years	Allocated Funds per annum
2010/11 to 2014/15 (for entities undertaking eligible clothing or household textile activities only)	\$22.5 million and deferred grant eligibility amounts

The BIC scheme is an entitlement grants program which operates in arrears. That is, grant payments are made in the financial year following the year in which eligible expenditure is undertaken (known as the program year).

In general, the BIC scheme requires an eligible entity:

- to register prior to the commencement of a particular program year (this step is the registration process)
- to incur eligible expenditure during the course of the program year

following the conclusion of the program year, to lodge a claim and request a determination (this step is the claim and determination process).



## Who can register?

To be eligible to register for the BIC scheme, an entity must show that it carries on or proposes to carry on an eligible clothing and household textile activity as defined in the BIC scheme. That is:

- eligible manufacturing activities in Australia
- eligible design for manufacturing activities in Australia
- eligible ancillary activities in Australia.

Applications for registration must be lodged **before 1 July** of the relevant program year and must be accompanied by:

- financial reports or statements for the previous financial year
- a statement of strategic business intent outlining the business, operational and financial strategies that will guide the entity to sustainable operations for eligible clothing and household textile activities beyond the end of the program period.

## What grants are available?

Innovation grants are available for:

- research and development
- product development activities, consisting of:
  1. innovative product design
  2. innovative process improvement
  3. market research
  4. obtaining industrial property rights.

Innovation grants fund up to **50 per cent** of eligible expenditure.

## What is the claim/determination process?

No grants are payable on the basis of registration alone. In order to have expenditure assessed as eligible for a grant for a program year, an entity will have to claim for each program year (even if it has not met the \$200,000 minimum expenditure threshold). Claims and determinations for program years must be lodged after the end of the program year in which eligible expenditure has been incurred, and **before 1 March** of the following financial year.

A completed *Application for Claim/Determination* must be accompanied by an:

auditor's report verifying the eligible expenditure

auditor's report verifying the total eligible revenue (if seeking determination and payment of a grant).

In order to be eligible to receive a grant an entity must have exceeded the \$200,000 minimum expenditure threshold. The eligible expenditure can be accumulated over the life of the program.

The amount of the grant payment may be affected by the operation of the sales-based cap on grants, and the operation of the annual modulation process. Total grants paid under the program in any one year (claim year) are limited to five per cent of an entity's total eligible revenue (TER) in the 12 months preceding the claim year (capping provisions also apply for

entities during eligible start-up periods). Where a grant amount is capped by the five per cent sales-based cap, the excess amount may be carried over to a subsequent year.

*Modulation process and the modulation factor:* Modulation is used to ensure that grant payments for all entities for a particular year do not exceed the allocated funds for that year. A modulation factor will be calculated for each program year to ensure that all claims are accommodated within the available funds.

Under the BIC scheme, each program year will be a modulation year. Depending on the call on the BIC scheme's funds, the modulation process may result in a modulation factor of less than 1 being applied to all grants. An entity's final grant amount is determined by applying the modulation factor to its grant eligibility amount (post sales-based capped).

## **Payment of grants**

All grants will be paid between 1–10 June, or earlier, in the following financial year. For example, claims for the 2010/11 program year will be paid before 10 June 2012. However, a partial payment may be received before this time by requesting an advance of a grant.

An advance of a grant can be requested after completion of the program year in which expenditure has been incurred and payments will be made as soon as practicable after 1 July of the following financial year. For example, advances for the 2010/11 program year can be paid from 1 July 2011.

Note: For advances, a completed form must be received by AusIndustry on or before the first working day in January of the relevant financial year.

## Deadlines

The deadlines for submitting registration, advance of grant and claim/determination requests are set out in the table below:

Program Year	When To Register	When To Lodge An Advance	When To Make A Claim / Determination
2010/11 (PY 1)	Before 1 July 2010	On, or before, 3 January 2012	Before 1 March 2012
2011/12 (PY 2)	Before 1 July 2011	On, or before, 2 January 2013	Before 1 March 2013
2012/13 (PY 3)	Before 1 July 2012	On, or before, 2 January 2014	Before 1 March 2014
2013/14 (PY 4)	Before 1 July 2013	On, or before, 2 January 2015	Before 1 March 2015
2014/15 (PY 5)	Before 1 July 2014	On, or before, 4 January 2016	Before 1 March 2016

## CHAPTER 3: ELIGIBILITY AND REGISTRATION

### ELIGIBILITY

#### **Eligible clothing and household textile activities**

To be eligible, an activity must always be carried on in Australia. Eligible clothing and household textile activities are defined in *Section 1.6* of the *Clothing and Household Textile (Building Innovative Capability) scheme* (the BIC scheme). Eligible clothing activities are listed in *Schedule 1* of the BIC scheme. *Schedule 2* of the BIC scheme lists eligible household textile products. The Schedules are attached to this document as an appendix. Eligible activities fall into three main areas:

#### ***Manufacturing activities***

Manufacturing activities listed in Parts B and C of Schedule 1 of the BIC scheme are eligible if they are carried on in Australia, by an entity, on its own behalf. These are listed under the following general headings:

- Part B Knitting Mills Manufacturing
- Part C Clothing Manufacturing

Manufacturing activity that is carried on in Australia, and results directly and predominantly in the manufacture of a product mentioned in Schedule 2 (eligible household textile products) may also be an eligible manufacturing activity under the BIC scheme. For a manufacturing activity that results in a product listed in Schedule 2 to be eligible, the entity must use a fabric manufactured by the entity as a result of an activity mentioned in Part A of Schedule 1.

#### ***Design for manufacture activities***

Design for manufacture activities are eligible only if:

- the design activities are undertaken in Australia
- these design activities lead to manufacture in Australia by the same entity, or by another entity on behalf of the entity that did the design (that is, the one entity undertakes the design work and also funds, and owns the products of the manufacturing activities)
- the manufacturing activities are eligible clothing and household textile activities and consequently result in an eligible clothing and household textile product, and
- at least some of these eligible clothing and household textile products are intended for sale in Australia

#### ***Ancillary activities***

Under the BIC 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.

For example, fabric manufacturing activities listed in Part A of Schedule 1, that were undertaken by a fabric manufacturer, would be eligible activities if and only to the extent that operations in respect of the fabric manufacturing and the clothing and household textile manufacture are wholly and mutually interdependent. (s1.6(1)(c)).

‘Wholly and mutually interdependent’ relates to the two-way reliance between the ancillary and the manufacturing or design for manufacture activities. The ancillary activities would represent an expansion up or down the value chain by the manufacturing or design entity, either:

- in its own right (that is, within the manufacturing or design entity itself) or
- by way of another entity, where the two entities’ combined operations, except for their separate identities, would be identical to an expanded operation of the manufacturing or design entity itself.

This mutually interdependent relationship goes beyond a normal arm’s length supplier - purchaser relationship, such that if the entity were to stop its fabric manufacturing operations, the remaining entity would not be able to continue its eligible clothing and household textile manufacturing operations, and vice versa.

### **Ancillary Activities - Wholly and Mutually Interdependent - Example 1**

#### ***Entity manufactures clothing and also manufactures fabrics***

An entity manufactures women’s jackets (Part C2 activity) and also manufactures the fabric (Part A1 activity) for the jackets. As the fabric is manufactured by the entity in its own right, and they do not sell fabric to any other entity, the operations in relation to the fabric manufacturing activity are wholly and mutually interdependent with the operations for their eligible clothing manufacturing activity. As such the fabric manufacture is an eligible activity under the BIC scheme.

If however some fabric is also sold to other companies, the fabric manufacturing operations would not be wholly and mutually interdependent with the operations relating to the eligible manufacturing activity.

### **Ancillary Activities – Wholly and Mutually Interdependent - Example 2**

#### ***Fabric making is done by a different entity to the clothing manufacturer.***

If the fabric was manufactured in Australia by entity A, and that fabric is then manufactured into women's jackets by entity B, the manufacturing of fabric would only be an eligible activity for entity A, if it could be established that the activity is wholly and mutually interdependent with the manufacture of the clothing by entity B.

### **Ancillary Activities – Wholly and Mutually Interdependent - Example 3**

#### ***Entity undertakes Part A activities for several entities.***

If an entity undertakes services for Part A activities (i.e. Part A4 finishing activities such as dyeing fabric or clothing, coating, distressing jeans...) to **more than one** clothing manufacturer, it would generally not be an eligible ancillary activity. While the operations may be dependent on its relationship with the other entities, it would not meet the test of being a wholly and mutually interdependent relationship with any of the operations relating to clothing and household textile manufacturing activity.

#### **Scheme exclusions**

A manufacturing activity of a kind referred to in Subdivision 21 or any Subdivisions 23 to 29 of Division C of Australian New Zealand Standard Industrial Classification and not mentioned within *Schedule 1* is not an eligible clothing and household textile activity. In addition, the BIC scheme lists a number of activities that are not eligible clothing and household textile activities. These relate primarily to manufacture of hides or leather used in motor vehicles and various prescribed products such as sanitary napkins, disposable bed protectors and disposable incontinence products (refer *Section 1.6*).

#### **Definition of entity**

For the purposes of the BIC scheme, the meaning of entity is the same meaning as in the *Income Tax Assessment Act 1997*. Entities, including companies, partnerships, individuals and trusts and trustees can register. The scheme operates on a single entity basis. It does not allow for the registration of a group of companies. To be eligible to claim under the BIC scheme, it is the registered entity itself - not some other entity (be it a related, subsidiary or parent entity) - that has to undertake the eligible clothing and household textile activity, incur the eligible expenditure, and undertake sales of eligible clothing and household textile products.

## REGISTRATION FOR THE BIC SCHEME

### Registration deadline

Entities must register before 1 July of the relevant program year.

An entity that is not registered for a particular program year is not eligible to claim for a grant for that year. A decision not to register for the first program year does not preclude entities applying for registration for later program years. Registration of an entity does not, of itself, give rise to entitlement to a grant. Further registration does not constitute acceptance of the eligibility of any item of proposed expenditure, or of all activities mentioned as being eligible activities. Any expenditure incurred may need to be verified during the claims process following each program year.

To register, an entity should show that it carries on, or proposes to carry on, one or more eligible clothing and household textile activities.

### How to register

Entities must use an approved form: *Application for Registration*. A PDF version of the Registration form can be downloaded at [www.ausindustry.gov.au](http://www.ausindustry.gov.au). A word-fillable version of the form is available from AusIndustry by calling 03 9268 7555. Please note that a BIC scheme Application for Registration form must be used. Applications for registration submitted using TCF Post-2005 (SIP) Scheme registration forms will not be accepted.

A guide to filling out the registration form is contained in Appendix A.

An application is considered complete if all questions have been answered, the declaration is signed and the following supporting documentation is attached:

- statement of Strategic Business Intent
- financial statements, and
- any supporting information, for example, organisational chart of associated entities

### Statement of strategic business intent (SBI).

The purpose of the SBI is to understand what the applicant does and identify potential eligibility issues, so it should be specific and reasonably comprehensive.

As outlined in Section 3.4 of the BIC scheme, the SBI should be based on the entity's Strategic Business Plan (see below). The SBI should include, but not necessarily be limited to, the following issues:

- background
  - the type of business, ownership details and when established
  - what activities are undertaken and where
  - what products are sold and to whom (types of customers)
  - what proportion of products are imported
- business goals within and beyond the program period
  - the entity's goals and objectives
  - how the entity has demonstrated a commitment to Australian manufacturing

- strategies to achieve those business goals
  - business strategies for exploiting the market opportunities the entity has identified
  - operational strategies including innovation, product development or process improvement
  - investment strategies for ensuring the entity has the necessary technical capability
  - financial strategies for ensuring that the business is profitable and sustainable beyond the end of the program period

### **The strategic business plan**

Entities must have a strategic business plan that indicates the entity's strategic direction for the whole of the program period, that is, to 2014/15. The plan should give details of the strategies (including financial plans) that will enable the entity to carry on sustainable operations for eligible clothing and household textile activities beyond the end of the BIC scheme and include appropriate operational plans, details of financial commitments and controls, financial projections, and assumptions on which forecasts are based. AusIndustry may request a copy of the strategic business plan.

If the information submitted is incomplete or unclear, AusIndustry may request further specified information or even a further application to assist in assessing eligibility for registration. Applicants will be provided with written notice of registration or in the case of registration being refused, the reasons for the refusal. This will be done within 30 days of receipt of a completed registration. Appendix A of this guide provides additional detail on how to complete an *Application for Registration*.

### **Late registrations**

Extensions for registration can be sought only if, due to exceptional circumstances affecting the entity, there is good reason to do so. Failure to apply for registration due to oversight or ignorance is not an exceptional circumstance. An extension cannot be granted beyond the end of the program year for which registration is sought. For example, no extensions for registration for the 2010/11 program year can be granted after 30 June 2011.

### **Renewal of registration**

Renewal of registration for subsequent program years is not automatic. An entity that has already been registered for a program year, needs to renew its registration for each subsequent program year. An entity must complete the *Renewal of Registration* form and include the relevant financial statements. In addition, variation to information provided at initial registration should be updated, including:

- estimated eligible expenditure in relation to an entity's upcoming claim
- estimated eligible expenditure in future years, and
- a statement of strategic business intent

Entities should also advise AusIndustry as to any changes to other aspects of registration details, such as contact details and management and ownership structures.

## **Variation to eligible expenditure**

Registered entities must provide written notice to AusIndustry of any likely significant change in eligible expenditure as soon as possible. A template will become available on the BIC scheme home page.

## **Transfer of registration**

**Registration of an entity is not transferable except with written approval.** A transfer of registration may be requested when the business of a registered entity (transferor) is transferred to another entity (transferee). For example, this could occur on sale of the business, such as when either the entire business is sold or when that part of the entity's business that undertakes eligible clothing and household textile activities is sold (in this case the whole of the eligible clothing and household textile activities must be transferred).

If a transfer of business has occurred, the application for a transfer of registration must be made and approved before the grant for a particular program year is made.

In some circumstances, such as when an entity has received an advance payment prior to requesting a transfer, the timing of a request for transfer of registration is critical to avoid the possibility of a scheme debt. As this and other conditions may affect some transfers, please contact AusIndustry as soon as possible if a transfer of registration is being considered.

In all instances, upon the transfer of business, it is a commercial decision for the parties to decide whether a transfer of registration should be sought. Where a transfer of registration on transfer of business is sought, the transferee must complete the *Transfer* form, which will become available on the BIC scheme home page.

Note: A transfer of registration is not required where the change is to the ownership of the registered entity, as the registered entity continues to undertake the eligible clothing and household textile activity.

For further information on transfers of registration, contact AusIndustry on 13 28 46 or (03) 9268 7555.

## CHAPTER 4: DETAILS OF INNOVATION GRANTS

### Innovation grants

The maximum grant payable to an entity in respect of eligible expenditure for a particular program year is **50 per cent** of total eligible expenditure (refer *Section 6.13*).

Innovation grants relate to eligible expenditure that is directly attributable to any of the following activities carried on by, or on behalf of, the entity, in a particular program year, in respect of an eligible clothing and household textile activity (refer *Sections 2.1 to 2.10*):

- research and development
- product development activities, consisting of:
  - innovative product design
  - innovative process improvement
- market research
- obtaining industrial property rights.

Eligible clothing and household textile expenditure for innovation grants is defined in section 2.7 of the BIC scheme.

### General principles for eligible expenditure

*Basis of cost:* All costs claimed under the BIC scheme must exclude GST, excise or sales tax. Costs must be based on normal commercial values and arm's length transactions. Costs must be incurred in Australia in carrying on the particular activity.

*Salary expenditure:* This means salary costs and associated costs (including on-costs, administrative support costs and overhead costs) set at an additional 75 per cent of salary costs. Salary means those amounts specified on the employee's payment summary issued by the registered entity under *Section 16-155 of Schedule 1 to the Taxation Administration Act 1953*, to the extent that the amounts represent withholding payments covered by *Section 12-35 or 12-40 of Schedule 1 to that Act*. These amounts are salary, wages, commissions, bonuses or allowances as well as remuneration paid to directors and committee members.

A number of payments do not constitute salary. These include:

- compulsory superannuation payments made by an employer under the Superannuation Guarantee Scheme
- superannuation paid by an employer on behalf of the employee as part of an effective salary sacrifice arrangement, where an employee agrees to receive part of their total remuneration before the employee has earned the entitlement to receive that amount as salary or wages. This would be evidenced, for example, where a salary sacrifice arrangement is in place
- car lease payments, purchase of computer equipment or any other form of payment undertaken as part of an effective salary sacrifice arrangement (effective and ineffective salary sacrifice arrangements are defined in Taxation Ruling TR 2001/10)
- payments of exempt incomes (such as pension payments and social security benefits as specified under Section 23AG of the Income Tax Assessment Act)
- living away from home allowances

- expense payment benefits
- partnership and trust distributions
- dividends, and
- workers' compensation, including top-up payments paid by an employer to employees who not attend or perform work.

*Materials:* The cost of materials used in an eligible activity may be claimed. All costs must be at arm's length. This expenditure should also pass the test of 'reasonableness', that is, the amount claimed should be consistent with the nature of the project, and with the other expenditure claimed for the project.

*Contracts:* If an activity is carried out on behalf of the entity by another entity, the activity must be carried out under a written contract or in accordance with detailed written and binding arrangements. The costs that could be claimed would normally be the costs specified in these contractual arrangements, provided they were arm's length and reasonable in the context of normal commercial values.

Where the contractor is not at arm's length, the amount assessed for work performed shall be an amount considered to be a reasonable charge for that work, and contains no unacceptable overheads or in-group profit. Related companies, companies with common directors and/or shareholders, and directors and shareholders of the entity would not be considered to be at arm's length.

*Apportionment:* To ensure that any ineligible items are not included in a claim, expenditure (and total eligible revenue) should, where necessary, be apportioned. For example, if an entity claims for an asset for use in carrying out activities that are partly eligible and partly ineligible under the BIC scheme, it should only claim for expenditure relating to the eligible portion. Expenditure must be apportioned using a reasonable method (for example, by the number of units or value or by other means, if appropriate) capable of being substantiated.

Details of the costing methodology used may be required. This methodology could be by percentage of time, volume, unit sales, dollar value or other means as appropriate. In particular, estimates involving time apportionment should use sound activity-based costing principles and any assumptions should be fully articulated.

## **Eligible innovation grant expenditure**

### ***Research and development activities***

Research and development activities have the meaning given by *Section 73B* of the *Income Tax Assessment Act 1936* (refer *Section 1.4*). That is, they must be:

- Systematic, investigative and experimental activities that involve innovation or high levels of technical risk and are carried on for the purpose of acquiring new knowledge or creating new or improved materials, products, devices, processes or services, or
- other activities that are carried on for a purpose directly related to the carrying on of activities of the kind referred to in the above paragraph.

### **Systematic, investigative and experimental activities**

The requirement for activities to be systematic, investigative and experimental is applied to the project as a whole. Indicators that the activities are eligible under the criteria include the following:

- Systematic: the activity has been undertaken as part of a logical progression of activities
- Investigative: a search or investigation into technical problems is undertaken
- Experimental: there has been consideration of competing possible solutions that establishes the framework for later trials or testing.

**High levels of technical risk:**

The term ‘high levels of technical risk’ is defined in section 73B (2B) of *the Income Tax Assessment Act 1936*. The criterion of high levels of technical risk is defined in terms of uncertainty as to whether the technical or scientific outcome can be achieved on the basis of current knowledge or experience, and this uncertainty can only be removed through a program of systematic, investigative and experimental activities in which scientific method has been applied, from hypothesis to experiment, observation and evaluation followed by a logical conclusion. The features of technical risk can be summarised as follows:

- technical outcome cannot be known in advance on the basis of current knowledge
- there are a number of potential solutions, and
- uncertainty is addressed through investigation, experimentation and analysis.

The following activities are excluded from being systematic, investigative and experimental:

- market research
- quality control
- prospecting
- cosmetic modifications
- management studies or efficiency surveys
- research in social sciences, arts or humanities
- the making of donations
- pre-production activities
- routine collection of information
- preparation for teaching
- patenting, licensing or other activities
- complying with statutory requirements or standards
- specialised routine medical care, and
- reproduction of a commercial product or process.

Research and development activities must be directed at a product or process. The activity need not necessarily be Australian-based, but if it is not, the activity must be necessary to:

- carry on an Australian-based research and development activity (for example, product testing at a facility that is not available in Australia), or
- tailor an Australian-based research and development activity to the requirements of a particular market.

Research and development activities may be contracted to another entity as long as a written contract or written detailed and binding arrangements are in place. If the activity is Australian-based, it must be carried out by a registered Australian research agency. A list of registered research agencies can be found on the [R&D Tax Concession](#) home page.

Eligible expenditure relates to salary costs, associated on-costs set at 75% of salary costs, pilot plant or plant prototype, non capitalised prototype expenditure, or materials costs. If the R&D activity is carried out on behalf of the entity by another entity, then eligible expenditure relates to that incurred under a written contract or in accordance with a detailed written and binding arrangement (refer *Section 2.9*).

### **Pilot plant**

An experimental model or other plant for use in research and development activities or for use in commercial production, being a model that is not for use in commercial production but has the intended essential characteristics of the other plant of which it is a model. The BIC scheme utilises the definition of pilot plant contained in *Section 73B (1) ITAA 1936*. Expenditure on pilot plant must also comply with the requirements in *subclause 2.9(3)* of the BIC scheme.

### **Non-capitalised prototype expenditure`**

This expenditure must relate to the making of an initial model, mock-up or similar thing for an innovative eligible clothing and household textile product or process, including expenditure on dies, jigs and testing materials, but not including expenditure on general sales samples. It is taken to be the *net expenditure* after the deduction of the proceeds (if any) of the sale of materials acquired for the above purpose.

### ***Product development activities***

#### **Innovative product design**

This is an Australian-based activity which is directly concerned with the:

- design, testing, trial and sample production of a particular innovative eligible clothing and household textile product, or
- innovation in the design, testing, trial and sample production of a particular eligible clothing and household textile product (refer *Section 2.3*)

Eligible expenditure relates to salary costs, associated on-costs set at 75% of salary costs, or materials costs. If the process improvement activity is carried out on behalf of the entity by another entity, then eligible expenditure relates to that incurred under a written contract or in accordance with a detailed written and binding arrangement (refer *Section 2.9*).

#### **Innovative process improvement**

This is an Australian-based activity which is directed at innovative improvement of a production process for an eligible clothing and household textile product (refer *Section 2.4*).

Eligible expenditure relates to salary costs, associated on-costs set at 75% of salary costs, or materials costs. If the process improvement activity is carried out on behalf of the entity by another entity, then eligible expenditure relates to that incurred under a written contract or in accordance with a detailed written and binding arrangement (refer *Section 2.9*).

### ***Concept of Innovation***

As the terms ‘innovation’ or ‘innovative’ are not defined in the BIC scheme, the natural and ordinary meaning is applied. A useful reference is the *Macquarie Dictionary (revised third edition, 2001)*: “innovation”: “something new or different introduced; the act of innovating, introducing of new things or methods”; and “innovative”: “to bring in something new; make changes in anything established; to bring in (something new) for the first time.”

However, if the activity is routinely undertaken (for example, it is the usual or regular way to achieve the outcome) it would fall outside the BIC scheme. While the BIC scheme covers the initial development of a particular innovative product design or innovative process improvement activity, it does not cover the repeated application of the same claimed innovation.

Similarly, if the innovative product design activity is directed solely at achieving visual product differentiation (for example, it has no other purpose than to effect a fashion change) then it would also fall outside the ambit of the BIC scheme.

### **Market research**

Eligible expenditure under market research comprises market testing, market development, or sales promotion (including consumer surveys), that is not related to trade showings and in-store promotions and that has as its main purpose the introduction of an innovative eligible clothing and household textile product (refer *Section 2.5*). These activities must be carried out before the product goes into commercial production. Routine market research activities are ineligible.

### **Obtaining industrial property rights**

Industrial property rights mean the rights (including equitable rights) possessed by a person under a law of Australia (or an equivalent right under the law of a foreign country) as the:

- patentee of a patent in force for an invention, or
- patentee of an innovation patent in force for an invention, or
- owner of a registered trademark, or
- owner of a registered design.
- In respect of an innovative eligible clothing and household textile product, obtaining industrial property rights comprises:
  - the preparation and lodging of applications in Australia or elsewhere, for the initial grant, registration or certification of the rights, and
  - the initial grant or registration of those rights (refer *Section 2.6*).

Eligible expenditure is limited to the costs and fees directly related to these matters.

## CHAPTER 5: CLAIM AND DETERMINATION

### Claim/determination deadline

Entities must lodge a claim/determination before 1 March of the relevant financial year.

No grants are payable on the basis of registration alone. In order to have expenditure assessed as eligible, an entity will have to claim for each program year (even if it has not met the \$200,000 minimum eligible expenditure threshold).

Assessment of a claim resulting in eligibility for a grant of a particular amount does not, by itself, mean that an entity will be entitled to a grant. If the entity is eligible to be paid a grant it must, at the time of making a claim, request a determination and payment of its grant. This includes payment of any deferred grant eligibility amount that has previously been set aside or any excess amounts.

Even if you do not have any eligible expenditure for a particular program year, you must submit a claim/determination to request payment of excess amounts (amounts in excess of the 5 per cent sales cap). If you do not request a determination for payment of excess amounts in the following program year, that amount will not be able to be subsequently claimed.

In order to receive a grant, an entity is required to:

- have registered for the relevant program year
- still be carrying on at least one eligible clothing and household textile activity
- lodge an Application for Claim/Determination before 1 March of the relevant financial year, and
- provide all necessary supporting documentation, including auditor's reports.

### How to make a claim/determination

To make a claim/determination you must complete the *Application for Claim/Determination*. This will be made available in Word-fillable format which can be emailed to entities or will be available on the AusIndustry website by 1 July 2011. A claim/determination form will be considered complete if all questions have been answered, the declaration is signed and the following supporting documentation is attached:

- an auditor's report verifying the eligible expenditure being claimed
- an auditor's report verifying the total eligible revenue (or eligible start-up investment amount)
- detailed project description for each eligible activity claimed.

If the information submitted as part of the claim is incomplete or unclear, AusIndustry may request further information.

### Who may claim?

There are a number of specific provisions governing the circumstances under which entities may make a claim for a grant (refer *Section 6.2*). Eligible clothing and household textile entities includes those entities which not only manufacture, but also those which undertake eligible design for manufacture in Australia. An entity:

- that does not carry on a manufacturing activity may make a claim relating to eligible expenditure in respect to design for manufacture activities, only if its primary business is design, it undertakes the entire design activity and the manufacture of the product is carried on in Australia on behalf of the entity
- may make a claim for an eligible ancillary activity only if it also makes a claim (in the same year) for expenditure relating to an eligible clothing and household textile manufacturing, or design for manufacture activity, of a kind mentioned in Parts B-C of Schedule 1 of the BIC scheme
- which is not carrying on either an eligible manufacturing, or design for manufacturing activity, but which undertakes a ‘wholly and mutually interdependent’ ancillary activity, may make a claim in relation to an eligible ancillary activity only if the entity with which it has a ‘wholly and mutually interdependent relationship’, also makes a claim in that year.

## **What may be claimed?**

### ***Eligible clothing activity***

This means one of the eligible clothing and household textile activities mentioned *in Part B or C of Schedule 1* of the BIC scheme.

### ***Eligible household textile activity***

These are activities that result directly and predominately in the manufacture of a product mentioned in *Schedule 2*. These categories consist of products to which the subheadings of *Chapter 63 of Schedule 3 of the Customs Tariff Act 1995* apply. For example, the tariff classifications for household textile products refer to things such as bed linen, toilet linen or kitchen linen of terry towelling, and curtains.

To be eligible products, the household textile products listed in *Schedule 2* must be manufactured by the entity using a fabric resulting from an activity listed in Part A of schedule 1 of the BIC scheme undertaken by the entity.

### ***Tariffs***

Relevant tariff classifications for household textiles are identified in *Schedule 2*. The interpretation of tariffs is complex and AusIndustry is not able to provide advice on matters relating to tariffs. For general information on customs matters and informal tariff advice, you can email the Customs Information and Support Centre at [information@customs.gov.au](mailto:information@customs.gov.au) - or contact them on 1300 363 263. Formal confirmation from the Australian Customs Service of the tariff classification of goods can be sought by contacting the tariff section at Customs House in the capital city of your state. This is a free service which takes about three to four weeks.

## **Minimum expenditure threshold**

A minimum expenditure threshold of \$200,000 applies, so that an entity must incur in excess of \$200,000 of eligible expenditure before a grant can be made. The expenditure threshold of \$200,000 can be accumulated over the five years of the BIC scheme. Expenditure incurred by TCF Post-2005 (SIP) registrants may be taken to be expenditure incurred under the BIC scheme for the purpose of determining if the entity has exceeded the threshold for the BIC scheme. (refer Sections 5.8 and 6.22 of the BIC scheme)

## **Total eligible revenue**

Total eligible revenue (TER) is the total revenue derived by an entity from sales (except sales to New Zealand) of the entity's eligible clothing and household textile products during the period, excluding any GST, excise or sales tax and any subsidy given during the period by the Australian Government, or a State or Territory.

Eligible clothing and household textile products are any products resulting directly and predominantly from an eligible clothing and household textile activity, being an activity of a kind mentioned in *Section 1.6 (1)*, if they are manufactured in Australia. In some situations, an eligible clothing and household textile activity may be carried out on a fee or commission basis. In this case, the total eligible revenue for the entity is the total of the fees and commissions earned by the entity for that activity, excluding any GST and any subsidy given during the period by the Australian Government, or a State or Territory (refer *Section 1.9*).

## **Sales-based cap**

Benefits paid under the program in any one year are limited to five per cent of an entity's total eligible revenue in the 12 months preceding the year in which it is claimed. A modified cap applies in relation to entities which incurred expenditure during an eligible start-up period.

### ***Excess amounts***

Where a grant amount is capped by the five per cent sales cap, the excess amount may be carried over to the next program year for which an entity makes a claim. This five per cent cap applies to all claims for expenditure incurred otherwise than in a start-up period. If you do not request a determination for payment of excess amounts in the following program year, that amount will not be able to be subsequently claimed.

As a transitional arrangement, an *excess amount* generated under TCF Post-2005 (SIP) is to be recognised as an excess amount for the purposes of the BIC scheme.

### ***Eligible start-up investment amounts***

If, during the period that eligible expenditure was incurred, the entity is or was in a start-up period, the total of grants that become payable for that year and any earlier years will be capped at 15 per cent of the total eligible start-up investment amount over that period. There is no provision for excess amounts to be carried over to a subsequent year.

An eligible start-up investment amount is the total expenditure incurred in a financial year on the acquisition of any land, building, structure, plant, materials or other asset for carrying on an eligible clothing and household textile activity for the first time (refer *Section 6.23*). An eligible start-up period begins when you first enter a commitment to carry on an eligible clothing and household textile activity for the first time and ends 12 months after the commencement of commercial production of an eligible clothing and household textile product. The production of an eligible clothing and household textile product for stockpiling is taken to be commercial production.

Carrying on an eligible clothing and household textile activity for the first time means that you have not previously carried out an eligible clothing and household textile activity. An entity that purchases, or takes-over, a business with an existing clothing and household textile business activity is not considered a start-up entity for the purposes of the BIC scheme.

## **Modulation**

Under the BIC scheme, each program year will be a modulation year. A modulation factor will be calculated for each program year to ensure that all claims are accommodated within the available funds. Depending on the call on the BIC scheme's funds, the modulation process may result in a modulation factor of less than 1 being applied to all grants.

An entity's final grant amount is determined by applying the modulation factor to its grant eligibility amount (post sales-based capped).

## **Payment of grants**

All grants will be paid between 1-10 June, or earlier, in the relevant financial year. For example, claims for the 2010/11 program year will be paid before 10 June 2012. However, a partial payment may be received before this time by requesting an advance of a grant.

## **Advances of grants**

Under the BIC scheme, an entity may request an advance payment of its grant (often referred to as an 'advance') by lodging a *Request for an Advance of a Grant*. This form must be lodged after the completion of the entity's program year and **on, or before, the first working day in January** in the following financial year.

If an entity submits a completed claim/determination on or before the first working day in January, it may elect to request an advance without having to complete a separate form. If the entity is not in a position to submit a completed *Application for Claim/Determination*, before the due date, it can use the *Request for Advance*, and submit a completed claim/determination later.

Payments on advances are made as soon as practicable after 1 July of the relevant financial year. For example, advances for the 2010/11 program year can be paid from 1 July 2011 onwards. Advances do not need to be submitted with an audit report verifying eligible expenditure or total eligible revenue.

An entity can submit an advance for some or all of its expenditure. The advance of grant provides up to 25 per cent of eligible expenditure.

**Note:** In order to be paid an advance, an entity must be carrying out an eligible clothing and household textile activity, and it must have exceeded the \$200,000 minimum eligible expenditure threshold.

## **Assessment of claims and advances of grants**

Under the BIC scheme, most claims will undergo the usual up-front assessment. However, there is provision under the BIC scheme for the self-assessment of claims.

Any claim approved on a self-assessment basis, it may later be assessed as a compliance activity. If ineligible expenditure is identified, the relevant grant amount will be repayable to the Department of Innovation.

AusIndustry will advise applicants, within 60 days after receipt of a claim, of the decision as to the applicant's eligibility for a grant. If the decision cannot be made within 60 days, the applicant will be advised of when the decision will be made and reasons for the delay. In this instance, AusIndustry will advise the applicant of our decision within 7 days of the decision being made.

The purpose of the claim assessment process is to assess, and verify, whether claimed expenditure meets the requirements of the BIC scheme. To assist the process of claim assessment, applicants should ensure that the completed claim form contains sufficient detail for AusIndustry to assess the eligibility of the activities and expenditure amounts claimed.

In assessing a claim, AusIndustry will be seeking to establish whether the claimed expenditure:

- can be attributed to an activity listed in the relevant sections of the BIC scheme
- was undertaken in respect of an eligible clothing and household textile activity
- was incurred in the correct program year; and
- meets other BIC scheme requirements.

To assist the process of claim assessment, it is important for entities to:

- have sufficient documentation to substantiate expenditure including, where necessary, how expenditure was apportioned (refer fact sheet on record keeping and substantiation); and
- provide a detailed description of the activities undertaken.

The information provided should contain a level of detail that will allow AusIndustry to understand the nature, aims, technical risks, methodology and outcomes of a particular innovative activity. If a project continues over more than one program year, it is not acceptable to simply provide the same information in subsequent program years. Entities will need to identify the particular activities which were undertaken in subsequent years.

## **Conditions of grants**

The Act and BIC scheme provide that grants paid to entities are subject to various conditions, including that the entity does not provide any false or misleading statements, and that it will comply with all relevant provisions of the Act and BIC scheme. For an entity to be paid an advance of a grant, make a claim or be paid a grant, it is a condition that, at the time of doing so, it is undertaking an eligible clothing and household textile activity.

## **Post-payment compliance**

In addition to providing for pre-payment assessment, the BIC scheme also provides for post-payment compliance monitoring. AusIndustry has a comprehensive risk compliance strategy, which includes an annual program of substantiation visits of the BIC scheme customers under our Compliance Appraisal Program. The Act also provides that grants paid to entities are subject to various conditions; one of which is that an entity must allow authorised Departmental officers access to its premises for the purpose of monitoring compliance with the BIC scheme.

## **Record-keeping and substantiation**

AusIndustry requires that sufficient and appropriate evidence be maintained to ensure that grant entitlements under the BIC scheme are correctly allocated. *Section 6.9* of the BIC scheme provides that an entity's claim must contain information sufficient to establish the entity's eligibility for a grant amount. Further, *Section 7.7* provides that payment of a grant or an advance is subject to the condition that the entity retains relevant documentation for not less than five years from the date of payment of the grant or advance.

## **Review provisions**

If an applicant is dissatisfied with a decision under the BIC scheme, the applicant may request that the decision be reconsidered. The request must be in writing and provide reasons why the applicant is seeking a review. AusIndustry must receive the request within 21 days after the applicant has been notified of the decision. Applicants may also request a review to the Administrative Appeals Tribunal.

Applicants will be notified in writing whether or not the original assessment decision has been confirmed, revoked or varied, and the reasons for the decision. If this is not done within the 30 days the applicant may take the original decision as being confirmed.

## **Revocation and the remaking of determinations**

In certain circumstances, AusIndustry has the capacity to remake a determination. If the determination in relation to a grant that has been paid is revoked, and the revised grant is less than the original grant, the difference must be repaid.

## **Extension of time for making a claim**

If the period for making a claim cannot be met, an extension of time in which to lodge a claim can be sought. In relation to requests made before 1 April, an extension may only be granted because of exceptional circumstances affecting the entity. If the request is made after 31 March and before 30 June an extension can only be granted because of exceptional circumstances affecting the entity, if there are overwhelming reasons to do so.

There is no capacity to extend the period for lodging a claim if the application is made after the end of the relevant financial year. For example, no extensions for the 2010/11 program year can be sought after 30 June 2012. Further, an extension will not be permitted in relation to a claim for a program year for which the entity has already made a claim under the BIC scheme.

Note: Failure to lodge a claim within the deadline due to oversight or ignorance is not regarded as an exceptional circumstance.

The period for providing an auditor's report for total eligible revenue (or eligible start-up investment amount) may not be extended, unless an extension of time to lodge a claim is granted. In which case, the auditor's report may be provided within that extended period.

## **Grants and GST**

Grants made under the BIC scheme are GST exempt, but are subject to income tax. Entities are encouraged to contact the Australian Taxation Office for specific advice. Customers are reminded that it is a requirement of the BIC scheme that claims for grants must be net of GST.

## **CHAPTER 6: Schedules 1 and 2**

### **Schedule 1 Eligible clothing activities etc**

(section 1.6)

*Note* The activities listed in this Schedule are based on Division C, Subdivision 22 of ANZSIC.

#### **Part A Textile Fibre, Yarn and Fabric Manufacturing**

##### **1 *Man-Made Fibre Textile Manufacturing (including blends)***

This category consists of manufacturing continuous fibre filament, fibre staple or yarns, tyre cord yarn or fabrics woven, non-woven, felted, tufted, crocheted or knitted from those yarns, or mixed yarns, wholly or predominantly of man-made fibres. Manufacturing of elastic or elastomeric yarns or threads or fabrics are also included.

- Fibres, manufacturing
- Filament, manufacturing
- Yarns, manufacturing
- Yarns, elastic or elastomeric, manufacturing
- Tyre cord yarns or fabrics, manufacturing
- Fabrics or other textiles, manufacturing
- Fabrics, elastic or elastomeric, manufacturing
- Lacing, woven, manufacturing

##### **2 *Cotton Textile Manufacturing (including blends)***

This category consists of manufacturing of yarns, fabrics woven, non-woven, felted, tufted, crocheted or knitted, wholly or predominantly of cotton or similar fibres including flax, jute, hemp or kapok.

- Yarns, manufacturing
- Tyre cord yarns or fabrics, manufacturing
- Fabrics or other textiles, manufacturing

##### **3 *Wool Textile Manufacturing (including blends)***

This category consists of the manufacturing of yarns, fabrics woven, non-woven, felted, tufted, crocheted or knitted, wholly or predominantly of wool or other animal fibre including mohair, angora, cashmere, alpaca or silk.

- Fellmongered, slipe or skin wool, manufacturing
- Yarns, woollen or other animal fibre, manufacturing
- Fabrics or other textiles, from woollen or worsted manufacturing processes, derived from animal fibres

#### **4     *Textile Finishing***

This category consists of any activities involved in the processes of dyeing, printing, and finishing, including any process of impregnation, coating or lamination for imparting particular end use properties to yarns, fabrics or other textiles except wool tops.

- Textile dyeing, including textile pigmentation
- Textile printing, including flock printing
- Label, printed cloth, manufacturing
- Impregnation, coating or lamination

#### **5     *Textile Product Manufacturing n.e.c.***

This category consists of textile product manufacturing n.e.c.

- Cleaning cloth, manufacturing
- Embroidered fabrics, manufacturing
- Fabrics, manufacturing n.e.c.
- Flock, manufacturing
- Hemp product, manufacturing n.e.c.
- Hessian goods, manufacturing n.e.c.
- Kapok, manufacturing
- Labels or badges, woven cloth, manufacturing

### **Part B     **Knitting Mills Manufacturing****

#### **1     *Hosiery Manufacturing***

This category consists of manufacturing of hosiery.

- Panty hose, manufacturing
- Socks, manufacturing
- Stockings, manufacturing
- Tights, manufacturing

#### **2     *Cardigan and Pullover Manufacturing***

This category consists of the manufacturing of knitted cardigans, pullovers or similar garments.

- Custom knitting, of pullovers or cardigans
- Jackets, knitted, manufacturing
- Sweaters, knitted, manufacturing

- Twin sets, knitted, manufacturing
- Waistcoats, knitted, manufacturing

### **3      *Knitting Mill Clothing Manufacturing n.e.c.***

This category consists of the manufacturing of knitted or crocheted clothing n.e.c.

- Outerwear, knitted, manufacturing (except hosiery, cardigans or pullovers)
- Sleepwear, knitted, manufacturing
- Swimwear, knitted, manufacturing
- Underwear, knitted, manufacturing (except hosiery)

## **Part C      Clothing Manufacturing**

### **1      *Men's and Boys' Wear Manufacturing***

This category consists of the manufacturing of men's or boys' outerwear from purchased or transferred in materials.

- Coats or jackets, men's or boys', manufacturing (except from fur or leather)
- Dust coats, manufacturing
- Jeans, men's or boys', manufacturing
- Overalls, manufacturing
- Shirts, men's or boys', manufacturing
- Shorts, men's or boys', manufacturing
- Suits, men's or boys', manufacturing (except from leather)
- Trousers, men's or boys', manufacturing
- Uniforms, men's or boys', manufacturing

The manufacturing of men's or boys' headwear, footwear, or garments made from leather or fur, is excluded from this category.

### **2      *Women's and Girls' Wear Manufacturing***

This category consists of the manufacturing of women's or girls' outerwear from purchased or transferred in materials.

- Blouses or shirts, manufacturing
- Coats or jackets, manufacturing (except from fur, leather, plastic or rubber)
- Jeans, women's or girls', manufacturing
- Outerwear, women's or girls', manufacturing (except from fur, leather, plastic or rubber)
- Suits, women's or girls', manufacturing (except from leather or plastic)

- Tunics, women's or girls', manufacturing
- Uniforms, women's or girls', manufacturing

The manufacturing of women's or girls' waterproof clothing or clothing made from fur, leather, plastic or rubber, is excluded from this category.

### **3 Sleepwear, Underwear and Infant Clothing Manufacturing**

This category consists of the manufacturing of foundation garments, underwear, sleepwear or infants' clothing from purchased or transferred in materials.

- Brassieres, manufacturing
- Corsets, manufacturing
- Foundation garments, manufacturing
- Girdles, manufacturing
- Infants' clothing, manufacturing
- Sleepwear, manufacturing
- Underwear, manufacturing

### **4 Clothing Manufacturing n.e.c.**

This category consists of manufacturing of headwear, fur or leather clothing, clothing or clothing accessories n.e.c.

- Belts, manufacturing (for clothing)
- Clothing accessories, manufacturing n.e.c.
- Clothing, fur, manufacturing n.e.c.
- Clothing, leather or leather substitute, manufacturing n.e.c.
- Clothing manufacturing n.e.c., including clothing for protective or safety purposes
- Gloves, manufacturing (except plastic or rubber gloves)
- Handkerchiefs, manufacturing
- Hats\* or headwear,\* manufacturing
- Laces, manufacturing (for footwear)
- Leather or leather substitute suit, coat or uniforms, manufacturing n.e.c.
- Recreational clothing, manufacturing n.e.c.#
- Swimwear, manufacturing (except rubber bathing caps)
- Ties, manufacturing
- Waterproof clothing, manufacturing (except headwear, footwear or leather clothing) n.e.c.

## **Part D Early-stage Processing**

### **1 Natural Fibre Processing**

This category consists of natural fibre processing.

- (a) **Wool or other animal fibres** - all processing activities up to and including top making, including:
  - Scouring
  - Tops, unspun, manufacturing
  - Carding or combing
- (b) **Cotton** — all processing activities up to and including sliver production, including the following:
  - Ginning, cleaning, baling and classing of cotton
  - Doubling and drawing of cotton
  - Carding, slivering and combing of cotton
- (c) Others, including flax, hemp, jute or silk — all processing activities up to and including:
  - Tow, manufacturing

### **2 Man-made Fibres**

This category consists of man-made fibre processing.

**Early-stage processing activities relating to man-made fibres** — all processing activities up to and including man-made tows and tops, including:

- Synthetic fibre tops, unspun, manufacturing
- Tow, manufacturing

### **3 Leather**

This category consists of early-stage leather processing.

**Early-stage leather processing** — all processing activities up to and including wet blueing or equivalent stage, including:

- Fleshing, de-hairing, fellmongering, skin pickling, wet blueing and wet whitening of hides and skins

### **Definitions**

In this Schedule:

*n.e.c.* means not elsewhere classified.

*man-made fibres* include cellulosics and synthetics.

### **Symbols**

# If made predominantly from the products of activities listed in items 1, 2, 3 and 5 of Part

A, or in item 3 of Part B.

- \* If made predominantly from leather or the products of activities listed in items 1, 2, 3 and 5 of Part A or in item 3 of Part B.

## Schedule 2      Eligible household textile products

(section 1.6)

This category consists of a product to which any of the following subheadings of Chapter 63 of Schedule 3 to the *Customs Tariff Act 1995* apply:

- 6302.10.00 – Bed linen, knitted or crocheted;
- 6302.21.00 – Other bed linen, printed: of cotton;
- 6302.22.00 – Other bed linen, printed: of man-made fibres;
- 6302.29.00 – Other bed linen, printed: of other textile materials;
- 6302.31.00 – Other bed linen: of cotton;
- 6302.32.00 – Other bed linen: of man-made fibres;
- 6302.39.00 – Other bed linen: of other textile materials;
- 6302.60.00 – Toilet linen and kitchen linen, of terry towelling or similar terry fabrics, of cotton;
- 6302.91.20 – Other goods, NSA, as follows: (a) face washers; (b) towels;
- 6303.12.10 – Synthetic fibre curtains, knitted or crocheted;
- 6303.19.10 – Other textile material curtains, knitted or crocheted;
- 6303.91.10 – Cotton goods as follows: (a) bed valances (ruffles); (b) curtains;
- 6303.92.10 – Synthetic fibre goods as follows: (a) bed valances (ruffles); (b) curtains;
- 6303.99.10 – Other textile material goods as follows: (a) bed valances (ruffles); (b) curtains.

## **ADDITIONAL INFORMATION**

If, after reading the *Customer Information Guide* you still have any queries regarding the BIC scheme, please contact:

- the AusIndustry hotline on 13 28 46 for referral to a CSM
- clothing and household textile general enquiries on (03) 9268 7555
- Complete details regarding the administration of the BIC scheme are set out in:
- the Textile, Clothing and Footwear Investment and Innovation Programs Act 1999 and
- the Clothing and Household Textile (Building Innovative Capability) scheme 2010 (BIC scheme)

These documents and other information regarding the BIC scheme and other industry assistance to the clothing and household textile sector are available on the AusIndustry website: [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

Additional information about the TCF sector and government initiatives is at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

Other Acts referred to in the *BIC scheme* are the:

- Administrative Appeals Tribunal Act 1975
- A New Tax System (Australian Business Number) Act 1999
- A New Tax System (Goods and Services Tax) Act 1999
- Corporations Act 2001
- Income Tax Assessment Acts 1936 and 1997
- Industry Research and Development Act 1986
- Taxation Administration Act 1953

## APPENDIX A: GUIDE TO COMPLETING THE BIC SCHEME APPLICATION FOR REGISTRATION FORM

For assistance completing the BIC scheme application for registration form, call AusIndustry on 13 28 46 or (03) 9268 7555.

The following guidance is provided **only** for those questions requiring some explanation:

### (A3) Date of incorporation

Provide for:

- corporations: the date of incorporation
- trusts: the date of the trust deed governing the trust
- partnerships: the date of the partnership agreement
- individuals: the date of commencement of the business

### (A3) Trust/trustee

If the applicant is a trust or trustee, please ensure that all relevant details regarding the trust and trustee are provided. The entity will also need to provide information of any beneficiaries to the trust.

### (A5) Applicant's financials

Turnover figures should include all turnover *net* of sales returns, from all activities the applicant undertakes, including clothing and household textile activity, both eligible and non-eligible, and all forms of non-clothing and household textile activity. The last financial year should be taken as the last completed financial year.

#### Early/late balancers:

For entities with an approved non-standard accounting period, a reference to the program year is a reference to the equivalent 12-month accounting period for that entity. However, the program period for such an entity cannot exceed five years (or for clothing or finished textile expenditure 10 years). Early balancers are entities that have an approved accounting period that ends before the standard financial year close of 30 June. Late balancers are entities that have an approved accounting period that ends after the standard financial year close of 30 June. For example, a late balancer will finish its financial year later than registered entities that have a standard financial year accounting period.

### (C1) Applicant's employment levels

**Full Time Equivalent (FTE)** is a standardised way of describing the size of the workforce based on the total number of ordinary time paid hours worked (excluding overtime and unpaid work). The FTE workforce describes the total number of full-time employees required to account for all ordinary time paid hours work. It is not a count of the number of employees. For example, two employees, both working half the standard number of full-time hours for their position, will together be counted as one FTE employee.

The **total number of employees** working on both eligible and ineligible activities should be recorded. It should include permanent full time and part time employees, casual employees and staff on contracts.

Estimates of the number of **employees working on eligible BIC activities** should be based on those staff engaged primarily and directly on core elements of the activity (for example, design, manufacturing or ancillary activities). Those employees working primarily in sales, marketing, accounting, human resources, administration etc should be recorded as working on ineligible activities.

**(C4) Details of major shareholders/beneficiaries:**

Entities must provide details of major shareholders/beneficiaries.

**(C5) Corporate groups:**

If part of a group of companies, the entity must provide an organisation chart and details for each entity in the group, including the names of directors and major shareholders.

**(C8) Statement of strategic business intent (SBI):**

This should be drawn from the strategic business plan and give details of the strategies that will enable an entity to carry on sustainable operations for eligible clothing and household textile activities beyond the program period. The SBI should be a reasonably comprehensive document that will enable AusIndustry to gain an understanding of your business, its operations and goals, and the financial and business strategies in place to achieve those goals.

For more information on what should be included in a Statement of Strategic Business Intent, refer to pages 6-7 of this guide.

**(C9) Financial statements:**

Provide financial statements for the previous complete financial year, for example 2008/09 financials would usually be provided with the registration for the 2010/2011 program year:

If the entity is required to prepare audited financial reports (under the *Corporations Act 2001*), these should be attached, including a copy of the auditor's report.

Otherwise, attach financial statements - including balance sheet, profit and loss statement, and notes to the statements and underlying assumptions. These do not need to be signed.

The financial report or financial statements provided should be those of the applicant entity. If required, consolidated group reports or statements may be requested by AusIndustry. If the applicant is a start-up entity, financial statements for a partial period are acceptable.

**(D2) Eligible Clothing Activities:**

Mark the box for each activity undertaken. For example, if the entity undertakes manufacturing and design activities in relation to "jackets, knitted, manufacturing" the boxes under the "M" and "D" columns should be marked for that activity.

**(D3) Eligible household textile products:**

Eligible household textile products are those listed under Schedule 2 of the BIC scheme.

For a manufacturing activity that results in a household textile product in schedule 2 to be eligible, the product must be manufactured by the applicant from a fabric, manufactured as a result of a Part A activity by the applicant. Applicants should review Schedule 1 of the BIC scheme (see the appendix to this document) and write the Part A fabric manufacturing activity undertaken that results in the fabric used in the manufacture of the household textile product, in the box provided.

Applicants should then review schedule 2, (attached to this document as an appendix) and identify the household textile products manufactured by the applicant in Australia as a result of the Part A Activity undertaken by the applicant, and mark the box for each household textile product identified.

For general information on customs matters and informal tariff advice, you can email, the Customs Information and Support Centre at [information@customs.gov.au](mailto:information@customs.gov.au) or contact them on 1300 363 263. Formal confirmation from Customs of the tariff classification of goods can be sought by contacting the tariff section at Customs House in the capital city of your state.

**(D4) Ancillary activities undertaken by the applicant entity – Schedule 1 Part A and Part D:**

Ancillary activities are defined on pages 3-4 of this Guide.

If the applicant is undertaking an eligible manufacturing or design for manufacturing activity, and also undertakes any Part A or Part D ancillary activity in its own right that is integrated within the same manufacturing and design entity, the applicant should mark the appropriate box. A brief explanation of how the Part A or D activity relates to the eligible clothing and household textile manufacturing activity must be included in the box provided.

Note: If the applicant ticked either “yes” box in this question, the applicant must complete Appendix 2 of the application form and attach it to the application.

**(D5) Ancillary activities within the same entity – warehouse and distribution:**

For information on wholly and mutually interdependent relationships, see pages 3-4 of this Guide.

**(D6) Ancillary activities on behalf of a separate organisation:**

If the applicant is undertaking an ancillary activity **on behalf of a separate entity** (for example, the applicant produces a fabric (Part A) that is sold to another entity who undertakes an eligible manufacturing activity) the relationship between the two entities must be wholly and mutually interdependent.

If the applicant ticks “yes” to question D6, the applicant must:

- provide details of the entity on behalf of whom it undertakes the Part A or Part D activity and
- describe the applicants operation, and explain on what basis the relationship between the two entities is wholly and mutually interdependent

For more information on wholly and mutually interdependent relationships, see pages 3-4 of this Guide.

**(D7) Main eligible clothing and household textile activities:**

The applicant must describe their main manufacturing activities and the resulting eligible clothing and household textile products. The level of description should be such that the processing steps are transparent and enables AusIndustry to verify whether the clothing and household textile products are based on an eligible clothing and household textile activity. For example, the description should not refer to just ‘clothing’ as the eligible product, but ‘knitted clothing’ and ‘sleepwear’, along with a description of the processing steps for each category.

This section also requires the applicant to specify any activities relating to eligible products that are contracted out to another entity, such as printing, cut make and trim, or other finishing activities.

## **Part E – Business Information**

### **(E1) Is the customer in a start-up period:**

An eligible start-up period commences on the day the entity first enters into a financial commitment to carry on an eligible clothing and household textile activity, not having previously carried on an eligible clothing and household textile activity. The period ends 12 months after the day when the entity first begins production (other than sample production) of an eligible clothing and household textile product. Carrying on an eligible clothing and household textile activity for the first time means that you have not previously carried out an eligible clothing and household textile activity. An entity that purchases, or takes-over, a business with an existing clothing and household textile business activity is not considered a start-up entity for the purposes of the BIC scheme.

If the entity is in an eligible start-up period, an estimate of its eligible start-up investment amount should be provided. This means the total expenditure incurred by the entity during the income year on the acquisition of any land, building, structure, plant, equipment, materials or other asset for the carrying on of an eligible clothing and household textile activity for the first time.

### **(E2) Other business activities:**

When an entity undertakes both eligible and ineligible activities, the entity must estimate total turnover that comes from the ineligible activities. This is used to estimate the Total Eligible Revenue.

There are several reasons an activity might be ineligible, including:

The activity is not carried on in Australia. For a manufacturing activity to be eligible under the BIC scheme, the activity must be carried on in Australia. For a design for manufacturing activity to be eligible, the design activity must be carried on in Australia for manufacture in Australia of eligible clothing household and textile products, some or all of which must be intended to be sold in Australia.

The activity is not listed in Parts B and C of Schedule 1 of the BIC scheme, and is not a manufacturing activity that results in a household textile product listed in Schedule 2 of the BIC scheme. (For further information on eligible household textile products refer to question D3.) Activities listed in Part A of Schedule 1 are only eligible as ancillary activities. Activities such as footwear manufacturing, leather and leather product manufacturing and made-up textile and leather product manufacturing activities, which were eligible in the previous TCF Post-2005 (SIP) Scheme, are no longer eligible activities.

The entity imports/purchases finished products for sale.

If the applicant ticks a “yes” box, the applicant must estimate the proportion of the entity’s total turnover that comes from this activity.

### **(E3) Total Eligible Revenue (TER):**

Total Eligible Revenue means the total revenue derived by the entity from sales, except sales to New Zealand, of the entity’s **eligible clothing and household textile products**, for a

period, excluding: any GST, excise or sales tax; and any subsidy given during the program year by the Commonwealth or a state or territory.

Eligible clothing and household textile products are those produced as a result of an eligible clothing and household textile activity (Section 1.6 of the BIC scheme). Applicants can refer to Appendix 1 of this document for a list of eligible clothing and household textile activities.

When calculating the TER, the applicant should exclude revenue from the sale of products that were not the result of an eligible TCF activity, such as the activities outlined in question E2. Sales of eligible clothing and household textile products to New Zealand should also be excluded when calculating TER.

Total grants paid under the program in any one year (claim year) are limited to five per cent of an entity's total eligible revenue (TER) in the 12 months preceding the claim year (capping provisions also apply for entities during eligible start-up periods). Where a grant amount is capped by the five per cent sales-based cap, the excess amount may be carried over to a subsequent year.

#### **Part H Declaration:**

If the applicant is not an individual/sole trader, then this form must be signed by an authorised officer of the applicant (for example, a director or employee). No other person can make the declaration on the entity's behalf.

#### **(APPENDIX 2 – ANCILLARY ACTIVITIES)**

If the applicant indicated in D4 or D6 that they undertake either Part A or Part D activities, the applicant should locate the specific Part A or Part D activities they undertake in the list, and tick the box next to that activity. This appendix should then be attached to and submitted with the application.

This appendix can also be used to identify the Part A activity undertaken, as required for the manufacturing eligible household textile products.