

# Australia

Australia's entrepreneurial ecosystem is growing and lively, but is ripe for disruption from youth. Most Australian entrepreneurs are over the age of 30, having leveraged their traditional career paths to obtain financial security before starting a company. A lack of job security after formal education has led more young Australians to identify entrepreneurship as a preferred career path, but they face challenges in high-living costs and difficulty in raising capital from risk-averse local investors. Nevertheless, recent changes in the political climate in Australia has indicated the country is ready for a change in their approach towards entrepreneurship-focused immigration.

Australia ranks **1st** in the Asia-Pacific region, **5th** in the world, in terms of the quality of entrepreneurship and entrepreneurial ecosystem.

**57%** of Australian start-ups have at least one founder who is a migrant or a child of one.

## Spotlight on young migrant entrepreneurs



**Mana Ohori,**  
Founder,  
[Diamonds from the Sky](#)

### [Mana's journey to Australia to start Diamonds from the Sky](#)

Mana was a Japanese-born international student at UNSW for six years and would carry a student visa into a Masters program. Due to increased tuition and stable employment, Mana left her studies and found herself in a tricky visa situation without the eligibility to stay and work. Her partner secured her sponsorship, but was not granted a work permit. Entrepreneurship doesn't breach any of the conditions of Australian bridging visas and thus, Diamonds from the Sky was born – leveraging her background in material sciences, while playing by the rules.

Describe your experience navigating the visa system in Australia. What would be your one major recommendation to make the process easier?

"I was quite lucky to find a job during my studies, however I heard and saw many international students struggling to find a job after graduation. I think the main reason is that most companies won't employ someone without permanent residency, but in order to get permanent residency, you require work experience in Australia, which puts you in an endless loop of not finding a job and not obtaining permanent residency.

I think it would help a lot of people if the government changes the criteria in the application for permanent residency to allow people to start their own business in Australia after studying, instead of trying to obtain "employment in Australia". Also entrepreneurship will create more jobs in Australia rather "immigrants taking jobs away from locals".

# Visa programs currently available

While there is currently no young entrepreneur visa policy in Australia, there are several other visa programs that may be available for young entrepreneurs to gain entry into the country.

## **Business Innovation and Investment Program (BIIP)**

The BIIP offers five different options for entrepreneurs:

### **1. Business Talent Visa (Subclass 132):**

**Fee:** Starting at AUD\$7,130 (not including costs for additional applicants, costs of health assessments, police certificates and others)

#### **Summary:**

The Business Talent Visa grants permanent residence visa to successful business entrepreneurs looking to develop a new or existing business in Australia. To be eligible, the applicant must be nominated by a state or territory government agency and qualify under either of the following streams:

#### **a. Significant Business History stream**

- The applicant on their own or with their partner must have net assets of at least AUD\$400,000 for two years in the last four years or, if a publicly-listed company, ownership interest of at least 10% of the total issued capital for two years in the last four years;
- Evidence of net business and personal assets of at least AUD\$1.5 million and annual business turnover of at least AUD\$3 million for two years in last four years;
- Applicant must have ownership of at least:
  - 51% interest with turnover of less than AUD\$400,000;
  - 30% interest with turnover of more than AUD\$400,000; or
  - 10% of a publicly-listed company.
- Applicant must demonstrate an overall successful business career, a genuine and realistic commitment to establish business, and maintain direct and continuous involvement in daily management; and
- Applicant must be under the age of 55 years.

#### **b. Venture Capital Entrepreneur stream**

- The applicant must have entered into a formal agreement with and received at least AUD\$1 million in funding from an Australian venture capital firm;
- The venture capital firm must be a member of the Australian Private Equity and Venture Capital Association Limited (AVCAL); and
- Applicants must demonstrate a genuine and realistic commitment to continuously maintain ownership interest and engagement in the business or investment.

### **2. Business Innovation and Investment Visa (Subclass 188A):**

**Fee:** Starting at AUD\$4,875 (not including costs for additional applicants, costs of health assessments, police certificates and others)

**Duration:** Four years and three months. One extension for an additional two years is available.

#### **Summary:**

Applicants are granted a temporary visa, with a pathway to permanent residency that would allow them to establish new or existing business in Australia. To be eligible, entrepreneurs must satisfy the following:

- Be under the age of 55 years;
- Be competent in English;
- Have been nominated by an eligible government agency;
- Provide a statement outlining the intended business or investment activities;
- Evidence of net business and personal assets of at least AUD\$800,000 and annual business turnover of at least AUD\$500,000 for two years in last four years;

- Applicant must have ownership of at least:
  - 51% interest with turnover of less than AUD\$400,000;
  - 30% interest with turnover of more than AUD\$400,000; or
  - 10% of a publicly-listed company.
- Score at least 65 on the Points Test; and
- Demonstrate a genuine desire to continuously own and maintain a management role in a business in Australia.

### **3. Business Investor Visa (Subclass 188B):**

**Fee:** Starting at AUD\$4,875 (not including costs for additional applicants, costs of health assessments, police certificates and others)

**Duration:** Four years and three months

#### **Summary:**

Applicants are granted a temporary visa, with a pathway to permanent residency, provided they intend on investing AUD\$1.5 million. To be eligible, entrepreneurs must satisfy the following:

- Be under the age of 55 years;
- Be competent in English;
- Have been nominated by an eligible government agency;
- Have three years of experience managing one or more qualifying businesses or eligible investments;
- Demonstrate an overall successful record of eligible investment or qualifying business activity;
- Have a genuine and realistic commitment to continuing a business and investment activity in Australia after the original investment has matured;
- Have a genuine intention to live for at least two years in the state or territory in which they have made a designated investment;
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- For at least one of the five fiscal years immediately before they are invited to apply, have directly managed one of the following:
  - A qualifying business in which the applicant, their partner, or the applicant and partner combined had at least 10% ownership interest, or
  - Eligible investments owned by the applicant, their partner, or the applicant and partner combined of at least AUD\$1.5million;
- Have a net value of business, investment and personal assets of at least AUD\$2.25 million that are available for legal transfer to Australia within two years of the visa being granted; and
- Score at least 65 on the Points Test.

### **4. Significant Investor Visa (Subclass 188C):**

**Fee:** Starting at AUD\$7,150 (not including costs for additional applicants, costs of health assessments, police certificates and others)

**Duration:** Four years and three months. One extension for an additional four years is available.

#### **Summary:**

The Significant Investor Visa is designed to attract high-net-worth individuals who are willing to invest in Australia, add value to Australian exports and drive innovation in Australia. While investors are not required to establish a business in Australia, they must make a complying significant investment of at least AUD\$5 million over four years to venture capital and growth private equity funds that invest in start-ups; emerging companies listed on the Australian Stock Exchange (ASX); and invest in a range of assets, including ASX-listed companies, Australian corporate bonds or notes, annuities and commercial real estate.

To be eligible, entrepreneurs must also satisfy the following

- Have been nominated by an eligible government agency;
- Demonstrate a genuine and realistic commitment to reside in Australia for at least 40 days per year for the duration of the visa, and continue the business

or investment in Australia after the conclusion of the provisional visa; and

- Have a net value of business, investment and personal assets of at least AUD\$5 million that are available for legal transfer to Australia.

## **5. Entrepreneur Visa (Subclass 188E):**

**Fee:** Starting at AUD\$3,670 (not including costs for additional applicants, costs of health assessments, police certificates and others)

**Duration:** Four years and three months. No extensions available but holders can progress to permanent residency.

### **Summary:**

Temporary residency is granted to foreign entrepreneurs who intend on undertaking entrepreneurial activity in Australia.

Applicants must have a funding agreement from an approved Australian third party for at least AUD\$200,000 to engage in a complying entrepreneurial or investment activity in Australia. Permissible funding third parties includes: commonwealth government agency, state or territory government, publicly-funded research organization, investor registered as an Australian venture capital limited partnership, early-state venture capital limited partnership or specific higher education provider. Eligible applicants must also meet the following requirements:

- At least 10% of the funding under the funding agreement must be payable to the entrepreneurial entity within 12 months;
- Applicants must hold at least 30% of the interest in the entrepreneurial entity;
- A business plan for the entrepreneurial entity detailing how the innovative idea will lead to the commercialization of a product or service in Australia, or the development of an enterprise or business in Australia. Business activity cannot be related to residential real estate, labour hire, or purchase of an existing enterprise or a franchise in Australia;
- Be under the age of 55 years; and

- Be competent in English.

## **Working Holiday Maker Visa (Subclass 417) or Work and Holiday Visa (Subclass 462)**

**Fee:** Starting at AUD\$440

**Duration:** 12 months

### **Summary:**

- The Working Holiday, and Work and Holiday Visas grants young foreign nationals from a country that has an existing bilateral agreement with Australia temporary visas to holiday and work in Australia for up to a year.
- To be eligible, applicants must be between 18 and 30 years of age, have enough money to support themselves for the duration of their stay (approximately AUD\$5000), and to purchase a return or onward travel ticket at the end of their stay. Applicants are not permitted to have a dependent child staying with them during the course of the stay.
- The primary purpose of visit is that of an extended holiday, with the ability to engage in any kind of work over the course of the one-year stay in Australia. As a condition of the visa, holders are limited to working for a maximum period of six months with any one employer, unless given permission by the Department of Home Affairs. This limitation makes self-employment unlikely.



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# Lessons learned and best practices – A critical analysis

Australia is home to one of the world's fastest-growing start-up ecosystems. Over the past five years, the country has experienced record-high growth in capital availability, improvements in the tax structure for Australian venture firms, and the birth of numerous incubators and start-up communities. Yet, the country struggles to attract foreign talent.

## **Application process and eligibility criteria**

In spite of a variety of immigration routes available to entrepreneurs and investors, options for young migrant entrepreneurs are realistically limited to the Entrepreneur Visa (Subclass 188E). Introduced in September 2016, the program had only seen one application in the 12 months following its inception. While volume is not the goal of the Entrepreneur Visa, the low number of applicants may indicate potential flaws in the program.

The application process for the Entrepreneur Visa, like most other Australian BIIIP visas, is relatively straightforward, with readily-accessible documentation. The trouble lies in the high investment threshold imposed on applicants and the lengthy application process. Unlike the other four visas offered by the BIIIP, the Entrepreneur Visa does not require the applicant to provide evidence of substantial net personal or business assets. Applicants' businesses also do not need to meet any business turnover threshold, such as those required by the Business Talent Visa, or the Business Innovation and Investment Visa. Although the Entrepreneur Visa avoids capital requirements, this visa introduces untenable funding requirements in its place. First, applicants are required to secure an investment of at least AUD\$200,000 from an approved Australian funding source. The list of approved funding sources is limited to a select few investors registered with the Australian Venture Capital and Private Equity Association (AVCAL), Commonwealth government agencies, state or territory governments, publicly-funded research organizations, and some specified higher education providers. The AUD\$200,000 investment threshold is problematic, as it is seen as too high of an investment for

a state government agency and venture capital investors. (Powell 2017) (Australian Private Equity & Venture Capital Association Limited 2017) (Innovation and Science Australia 2017) Second, the investment requirement provides a disadvantage to young migrant entrepreneurs who do not have the social capital needed to secure funding from a recognized Australian source. Finally, it is unclear whether the value of the funding requirement is necessarily tied to established markers of success in the Australian market. Without quantitative evidence to support the need for AUD\$200,000 of funding, the funding requirement is arguably arbitrary.

As with all BIIIP visas, a state or territorial government nomination is required before a formal visa application can be made with the Department of Home Affairs. The processing time for applications can be up to two years for Business Innovation and Investors Visas, while an undisclosed amount of wait time is involved with the Entrepreneur Visa (estimated by some as nine months or longer). (Australian Government Department of Home Affairs n.d.) This processing time is further extended by the time required to secure AUD\$200,000 of funding from a qualified source, making it likely unworkable for many. Finally, BIIIP applications may be cost prohibitive for young entrepreneurs, particularly when additional costs are considered, such as application fees for dependants and legal fees. In a fast-paced, bootstrapping environment, such as that of a start-up environment, the untenable funding requirements, slow process and high cost of an application, likely act as major deterrents for many high-quality young candidates. (McCauley, Kinner and Gruszka 2017)

The Australian entrepreneur visa strategy reflects that of a points-based or human-capital-focused system; that is, it relies upon the merits of the applicant rather than endorsement. While this may be a more holistic approach, the weighting of the points needs to accurately reflect the intended purpose of the visa program. Currently, the weighting is heavily focused on previous ownership interests held by the applicant, yet the aim of the program is to encourage innovative business ventures. Although the business plan is assessed as part of the application, it is not the primary focus. Many of the BIIP visas also rely on defined terms for “ownership interest”, “qualifying business”, or “eligible investments”. By imposing a strict interpretation of these terms, with an emphasis of ownership interest, the current scheme may discount a large number of candidates who have extensive business experience but lack ownership. (Law Council of Australia 2017) Similarly, the points test weighs on English language proficiency and formal qualifications. While ownership, language proficiency and formal qualifications are not irrelevant factors of consideration, many business people do not hold formal qualifications and their industry often only require basic English competency. (Law Council of Australia 2017) Policy-makers must ensure the test is balanced and does not unnecessarily disadvantage high-quality young business people.

Additionally, under the current scheme, the merits of each application—including the genuineness of the applicant to establish a business, the viability and credibility of the business plan—are all determined by the Department of Home Affairs, with little consultation with industry leaders; though the Australian government has indicated it may be open to industry bodies’ involvement. Starting July 1, 2018, Australia will be piloting a new Global Talent Scheme Visa, aimed at assisting companies attract highly-skilled global talent to Australia. (Australian Government 2018) To be eligible, start-ups will need to be recognized by a “start-up authority” and demonstrate they prioritize the employment of Australians. While it is unclear who will act as a start-up authority, it demonstrates Australia’s willingness to consult and involve industry leaders. The Global Talent Scheme Visa may serve as a possible model for the young entrepreneur visa.

Given the BIIP, namely the Entrepreneur Visa, has attracted limited interest from the global community, it may be worthwhile for the government to re-evaluate the application process and eligibility criteria. As advised by

the AVCAL, it may be worthwhile for Australia to focus not only on attracting the most experienced entrepreneurs, but also start-up stage businesses with great potential. (Australian Private Equity & Venture Capital Association Limited 2017) By redirecting the immigration policy to a broader audience, Australia may be able to reap significant “early-adopter” benefits.

### **Renewal requirements**

Described as a “lifestyle superpower”, Australia is known to be a desirable place to work and live. Young entrepreneurs in Australia benefit from a clearly laid out legal, tax and financial system. According to the World Bank, Australia is among the fastest places in the world to start a business, taking only three days to complete the formal process. (The World Bank n.d.)

Entrepreneur Visa holders are not required to satisfy any specific post-arrival requirements, with the exception of utilizing the funds in accordance with the funding agreement. However, the Entrepreneur Visa is a provisional visa with no opportunity for an extension. Therefore, visa holders would need to apply for a Business Innovation and Investment (Permanent) Visa (subclass 888). Unlike the Entrepreneur Visa, advancement to a Business Innovation and Investment (Permanent) Visa requires particular benchmarks, or “success factors”, to be satisfied. More specifically, Entrepreneur Visa holders are required to provide a successful achievement of at least two key success factors or a combination of one key success factor and three supporting success factors. Key success factors include:

- Employing two or more Australians, permanent residents or other eligible persons;
- Generating an annual turnover of at least AUD\$300,000;
- Filing a provisional patent, or acquiring a standard or innovation patent;
- Receiving ongoing funding or investment in entrepreneur activity;
- Entering into a partnership with a university; and
- Selling an entrepreneurial venture for AUD\$2 million.

Supporting success factors include:

- Diversifying entrepreneurial activities into other business areas;
- Receiving a statement of success from a state or territory government nominator;
- Receiving sponsorship from the corporate sector;
- Starting at least one other business or contributing to at least two other businesses;
- Receiving formal awards or recognition; and
- Raising or contributing to social capital. (Australian Government Department of Home Affairs n.d.)

Rather than relying on overly-restrictive, and often arbitrary, measures of success, Australia's Entrepreneur Visa takes a more flexible approach; giving entrepreneurs some latitude to grow their business. Additionally, as the provisional visa grants four years' temporary stay, it gives sufficient time for entrepreneurs to explore their business idea and thoughtfully grow their venture. Nevertheless, the uncertainty involved in applying for a Permanent Visa can create unnecessary pressure on entrepreneurs. This is particularly true in the event of a business failure. Under a temporary visa, it is unclear how the visa status would be impacted by the failure of a business, or the failure to satisfy the terms of the funding arrangement.

Since Entrepreneur Visa holders, who do not intend on pursuing permanent residence, are not required to meet particular post-arrival requirements, there is no assurance the entrepreneur pursued an activity that relates to an

innovative idea that led to the commercialization of a product or service in Australia, or the development of an enterprise or business in Australia. Furthermore, as not every entrepreneur seeks permanent residency, policymakers need to be mindful of incentivizing successful entrepreneurs to keep their business on Australian soil such that the country can benefit from its success.

### **Mentorship and enforcement**

Although there is no formal mentorship strategy integrated into the immigration policy, several government-operated mentorship programs are made available to entrepreneurs. (Australian Government 2018) As Australia is home to one of the world's fastest growing start-up ecosystems, there is also a growing number of support networks and informal mentorship opportunities. In spite of this, start-ups continue to struggle to globalize. (McCauley, Kinner and Gruszka 2017) As Australia's start-up community is still relatively young and immature, more programs are required to help foster companies' capacity to grow internationally. (McCauley, Kinner and Gruszka 2017) As migrant entrepreneurs are naturally positioned to export internationally, the provision of programs to facilitate such growth may help capitalize on this opportunity.

Accurate data collection is vital for effective policy-making and public confidence building. Yet, official sources of data do not appropriately capture information of applicants. Although visa holders are required to remain in contact with nominating state or territory governments, there is no central data collection done assessing the experience and progress of entrepreneurs. Without such data, it is difficult to monitor the success of immigration policies moving forward.



# Looking Ahead

## Australia is in the midst of major immigration reform.

In March 2018, the federal government announced that, in an effort to attract seed-stage entrepreneurs to Australia, it will introduce a new visa for foreign entrepreneurs looking to start a business in Australia. (Perez 2018) Unlike the existing BIIP model, the new program will not impose any capital requirement and only requires applicants to demonstrate vocational English proficiency.

Though, the proposal makes no mention of other concerns, such as the involvement of industry experts to review business plans, mentorship, preparation for business failures, and data collection, the proposed changes could make Australia home to the world's most progressive entrepreneur visa strategy.

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## **G20 YEA recommendations**

1. Funding requirements should be removed or relaxed for young entrepreneurs, such that it aligns with the practical realities. In the alternative, the list of qualified funding sources should be extended to allow for potential sources, like accelerators or incubator programs. The inclusion of an alternative qualification requirement, aside from capital requirements or funding arrangements, may also help ensure that early-stage but high-potential entrepreneurs are still considered.
2. Processing time for all entrepreneur or investor visas needs to be significantly reduced.
3. Application fees associated with Australian entrepreneur visas should be reduced.
4. The Australian government should solicit the help of industry bodies and G20 partners in the development and execution of the program
5. Australia should make it clear that failure does not necessarily translate to visa revocation. Entrepreneurs should be permitted an opportunity to try again. It may also be worthwhile to offer opportunities to those who have failed, to transition to another category of visa, such as employment, study or a higher-ranking category of entrepreneur visa.
6. Incentives should be considered to help ensure that the successful entrepreneurs under the BIIP retain sufficient connection with Australia after their four-year term.
7. The Australian government should integrate an entrepreneurial immigration policy with an existing state or territory mentorship program. The implementation of a formal mentorship program provides a natural opportunity for observation and enforcement, in addition to aid in cultivating successful migrant young entrepreneurs.

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