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Re: The Raising Of Venture Capital For Small And Medium Sized Enterprises

MORE than 100,000 small and medium sized enterprises could hit the wall this year as banks tighten their lending requirements and big business customers delay paying invoices. The Rudd Government should evaluate bank practices and provide credit to the small and medium enterprise sector as a priority.

Unlike mortgage holders, most business owners will not benefit from the Reserve Bank recommended interest rate cuts. Instead, the major banks are increasing their margins to take into account the greater risks of lending to the sector and the prospect of more bad debts to come.

In many instances the banks lending requirements, which change on a daily basis, will preclude many business customers from obtaining financial accommodation.

In most civilised countries through out the world the business community has the ability to organise their affairs so that their business can operate as a Limited Partnership. In Queensland from 1867 until 19 August 1992 Limited Partnerships were treated for tax purposes in the same manner as General Partnerships with the income, losses and gains passed through to the general partners according to the partnership agreement. The partners would then report the amount allocated on their own income tax returns and pay tax accordingly. Limited liability partnerships were run like general partnerships and with a similar degree of management flexibility.

Under a limited partnership, investors (the partners) have their liability limited to the amount they have invested, similar to a company or unit trust.

There is typically a general partner with unlimited liability who holds the assets of the partnership on trust for the limited partners.

Limited Partnerships are the predominant form of structure used internationally by small and medium sized enterprises for venture capital raising. In Australia small and medium sized enterprises have been precluded from using this structure because of the taxation impositions.

Limited Partnerships in every other country except Australia are a tax flow through vehicle, meaning that the partnership does not pay any tax. Rather, any income or losses of the partnership flow through to the individual partners. Unfortunately the current rules in Australia deem a limited partnership to be a company hence the taxation disincentives preclude the structure to be used for the inexpensive raising of venture capital.

If Mr. Rudd is genuine in helping small and medium sized enterprises his government will repeal the ill conceived legislation that resulted in the tax impost on Limited Partnerships. On the 19 August 1992 it was John Sydney Dawkins as Treasurer in the Paul Keating Labor Government who introduced the ill-fated taxation imposts and other disincentives on Limited Partnerships.

Yours truly,

A handwritten signature in black ink, appearing to read 'Victor Cominos'.

Victor Cominos - President,
EMERALD CHAMBER OF COMMERCE INC.