



# R&D Cash Flow Loans

Initiative Guidelines (2021)



# Contents

R&D Cash Flow Loans.....	1
Eligibility .....	2
Eligible entities and activities	2
Prohibited entities and activities	3
Application process .....	4
Step one – Loan enquiry	4
Step Two - Loan application	4
Step Three – Application Assessment	4
Step Four – Credit assessment	5
Step Five - TCV Loan Agreement	5
Step Six- Loan	6
Lending Terms.....	7
How to calculate the interest rate	8
Loan Terms and Conditions	8
Publicity .....	9
Reporting .....	9
Keeping Us Informed	9
Reports and servicing the loan	9
Key dates	11
Victorian Commitments	11
Further Information.....	12

# R&D Cash Flow Loans

The R&D Cash Flow Loans initiative will support innovative Victorian SMEs to invest in research and development activities to develop the products, services and technologies vital to the State's future economy.

R&D Cash Flow Loans will offer low-interest loans provided by Treasury Corporation of Victoria (TCV) of between A\$250,000 and A\$4 million, for a period between 12-28 months, with total funding capped at \$50 million.

Victorian SMEs that currently qualify for the Commonwealth Government's R&D Tax Incentive are eligible to apply for a loan.

Applicants will need to meet all eligibility criteria and initiative objectives and receive approved credit assessments to receive an R&D Cash Flow Loan, which will be **administered strictly in the order that applications are received** by Invest Victoria.

You are encouraged to seek your own professional advice to understand if the R&D Cash Flow Loan is appropriate to your circumstances.

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*Please note: The Victorian Government's R&D Cash Flow Loans initiative and the Commonwealth Government's R&D Tax Incentive are two separate unrelated programs.*

*Receiving a loan under the R&D Cash Flow Loans initiative in no way provides a guarantee of eligibility, or guarantee of receiving a refundable tax offset, under the Commonwealth Government's R&D Tax Incentive.*

# Eligibility

Please familiarise yourself with the eligibility criteria below before submitting an application. Importantly, meeting the eligibility criteria alone does not ensure you will receive a loan under the initiative.

## Eligible entities and activities

You must meet the following criteria to be eligible to receive a loan under R&D Cash Flow Loans.

The business:

- does not engage in prohibited activities (listed below);
- is seeking a loan valued between \$250,000 and \$4 million (within parameters of the lending terms);
- is prepared to enter into a standardised TCV Loan Agreement with non-negotiable terms and conditions in the TCV Loan Agreement;
- has previously received the Commonwealth Government's R&D Tax Incentive refund, and will be eligible to be a recipient for future refunds based on forecast R&D activities;

Businesses that can demonstrate compelling potential for R&D in Victoria, meeting at least two of the following scenarios, may be granted loans:

- expected to lead to meaningful growth in R&D in Victoria;
- expected to lead to meaningful job creation in Victoria;
- expected to fund meaningful expansion of R&D operations into Victoria;
- headquartered in Victoria;

For these purposes growth, job creation and expansion can be regarded as "meaningful" if they are significant in the context of:

- the R&D activities of the applicant;
- the R&D market/industry;
- R&D activities in the geographical area or region of Victoria in which the applicant operates or directs its R&D activities;
- jobs that are permanent, full time, provide good prospects for advancement or training, are to be regarded as of greater significance than jobs that are temporary, part time, have poor prospects for advancement or training.

## Prohibited entities and activities

Prohibited entities refers to all entities that are not eligible to receive a refundable tax offset under the Commonwealth Government's R&D Tax incentive.

Prohibited Activity means an activity which:

- is illegal under Australian laws (including, without limitation, the Labour Hire Licensing Act (VIC) equal opportunity, anti-discrimination, affirmative action legislation and other Victorian laws);
- is inconsistent with policies and procedures of the Victorian Government;
- involves the production, distribution, advocacy, sale, research or development of:
  - tobacco or tobacco-related products;
  - cluster munitions and other controversial weapons;
  - thermal coal;
  - gambling;
  - logging of old growth forests;
  - uranium;
  - unregulated animal testing;
  - live cattle and / or sheep exports; or
  - fracking.

# Application process

There are six steps in your application process.



## Step one – Loan enquiry

To register your interest please submit a [loan enquiry](#). Be sure to include your business information and an indicative loan amount. Once your enquiry is received, a loan application pack will be emailed to you for completion.

## Step Two - Loan application

For the loan application you will be required to provide critical details about your business, the R&D activities being undertaken, financial documentation and other supporting documents.

You must submit your loan application via email.

Please note: Only complete applications will be accepted by Invest Victoria. Incomplete applications will be returned to you and considered when you resubmit a complete application.

## Step Three – Application Assessment

Applications will be assessed by Invest Victoria against the eligibility criteria and program objectives and must include all required documents.

If your application meets these requirements, it will progress to the credit assessment stage.

If your application does not meet these requirements, it will not progress, and you will be notified in writing.

## Step Four – Credit assessment

Applications will be assessed by independent credit advisors. This includes analysis of financial, non-financial and R&D Tax Incentive specific risks.

If your application is successful, Invest Victoria will make a final ruling on the appropriate loan amount and terms based on the credit assessment and you will progress to the TCV Loan Agreement.

Note: loan terms, including loan amounts offered, may be lesser than those originally requested by you.

If your application is unsuccessful, it will not progress, and you will be notified in writing.

Decisions made by Invest Victoria, based on independent credit advice, will be final.

## Step Five - TCV Loan Agreement

If your application is successful, Invest Victoria will send you a TCV Loan Agreement and associated finance transaction documentation detailing the loan terms and conditions. The loan terms and conditions will be non-negotiable.

In addition, you will be provided TCV's client account onboarding documentation which include forms relating to Know Your Client, the TCV Online client portal, direct debt arrangements and your bank account details and authorised personnel.

You will be required to complete all finance transaction and TCV client account onboarding documentation prior to drawing down any funds.

You must sign and return the original documents within 10 business days from the date of offer via post to:

**R&D Cash Flow Loans  
Invest Victoria  
Level 32, 121 Exhibition Street  
Melbourne VIC 3000**



## Step Six- Loan

Once you have signed the TCV Loan Agreement and associated finance transaction documentation, and TCV's client account onboarding has been finalised, Invest Victoria will coordinate with TCV to enable your company to receive the loan.

You must draw down the loan within 45 business days from the date of offer. If loans are not drawn down in this period, the loan (or any part of it) may be withdrawn.



## Lending Terms

If you are eligible, the table below outlines indicative loan terms available to you.

<b>Minimum Loan Amount</b>	\$250,000
<b>Maximum Loan Amount</b>	\$4 million
<b>Facility Term</b>	12 to 28 months
<b>Loan Facility</b>	11am loan facility (interest only, renegotiated daily by 11am)
<b>Interest Rate</b>	Variable TCV 11am loan interest rate  Interest will be calculated daily and payable monthly.
<b>Loan to Value Ratio (LVR)</b>	≤80% of the anticipated amount of the annual R&D Refundable Tax Offset
<b>Security Required</b>	R&D Tax Offset and Related Assets
<b>Drawings</b>	2  First draw: within 45 business days of loan offer  Second draw: between 1 January 2022 and 28 February 2022
<b>Fees</b>	Nil



The loan facility will allow for two draws, with the first draw made at commencement of the loan, and the second draw made between 1 January 2022 and 28 February 2022.

The draw amounts are based on the forecast R&D expenditure provided by your appropriate Cash Flow Forecasts, with loan terms (including loan value and draw amounts) subject to credit assessment outcomes. The Conditions Precedent to the first draw, and Conditions Subsequent to the second draw are detailed in the TCV Loan Agreement.

You should familiarise yourself with the standard form TCV Loan Agreement and seek independent legal, financial and taxation advice to determine whether the TCV Loan Agreement and Specific Security Agreement is suitable.

## How to calculate the interest rate

The agreement between the Borrower and TCV provides for an 11am loan facility. The interest rate on the TCV 11am loan facility is variable and is determined with reference to the Reserve Bank of Australia's target cash rate and TCV's client lending fees. Currently (29 April 2021), TCV's 11am loan interest rate is 0.265% (per annum).

Please note, that as a variable interest rate it is subject to change. It is recommended that Borrowers monitor changes in the RBA target cash rate. Any changes to TCV's client lending fees over the life of the TCV 11am loan facility will be communicated to Borrowers.

## Loan Terms and Conditions

The terms and conditions as outlined in the TCV Loan Agreement are non-negotiable. We recommend that you seek appropriate legal and financial advice prior to executing a TCV Loan Agreement to ensure it is appropriate to your individual circumstances and that you are aware of the risks and conditions.

The TCV Loan Agreement, once executed, is a legally binding document.

# Publicity

Invest Victoria may publicly reference the R&D Cash Flow Loans via media releases or case studies.

If you would like to reference the R&D Cash Flow Loans in you publicity or marketing you must first seek prior written consent from Invest Victoria .

# Reporting

## Keeping Us Informed

If anything is likely to affect your organisation, research and development activities or ability to service the loan you must let Invest Victoria know.

We need to know of any key changes to your organisation or its business activities, particularly if they affect your ability to complete your project, carry on business and pay debts due.

You must also inform us of any changes to the company:

- name
- addresses
- nominated contact details
- company ownership structure
- bank account details.

If you become aware of a breach of terms and conditions under the TCV Loan Agreement you must [contact us](#) immediately.

## Reports and servicing the loan

You will be required to provide reports in line with the TCV Loan Agreement.

We will expect :

- progress and status of R&D Tax Incentive activities and claims;



- financial statements (with a preference for audited financial statements);
- project expenditure, including expenditure of loan funds; and
- information on any changes to your business that may impact upon your ability to repay the loan.

We will monitor the status of your loan by assessing reports and may need to re-examine claims, seek further information or request an independent audit of claims and payments where required. The reporting requirements are explicitly referred to in the TCV Loan Agreement.

You will be required to enter into a direct debit agreement with TCV. Interest payments are in arrears and will be debited from a nominated bank account on the first business day of the following month and the final repayment date. Principal repayments will also be made via direct debit.

TCV's 11am loan confirmations and monthly interest statements will be available on TCV Online.

## Key dates

The TCV Loan Agreement stipulates dates the Borrower must adhere to for Final AusIndustry Registration Dates, and Final Claim Dates, in relation to the R&D Tax Incentive. The following key dates ensure that all Borrowers are meeting the requirements of the Loan

Final AusIndustry Registration Date (FY22)	12 August 2022 <b>Important:</b> This is the final date by which we require you to lodge your application with AusIndustry in respect of the Eligible R&D you undertook in FY22.
Final AusIndustry Registration Date (FY23)	11 August 2023 <b>Important:</b> This is the final date by which we require you to lodge your application with AusIndustry in respect of the Eligible R&D you undertook in FY23.
Final Claim Date (FY22)	7 October 2022 <b>Important:</b> This is the final date by which we require you to lodge your income tax return with the ATO for FY22.
Final Claim Date (FY23)	6 October 2023 <b>Important:</b> This is the final date by which we require you to lodge your income tax return with the ATO for FY23.

## Victorian Commitments

The applicant must:

- maintain a permanent office in Victoria; and
- employ R&D professionals that are based in Victoria.

## Further Information

You might like to visit our [Frequently Asked Questions](#) support page where we have answers to common questions about the program.

[Enquire now](#) for further information regarding R&D Cash Flow Loans.