

EXPORT MARKET DEVELOPMENT GRANTS ADMINISTRATIVE GUIDELINES

SPECIAL GUIDELINE FOR EXPENSES CLAIMED FROM 1 JULY 2017

Note: These changes are now also reflected in the full administrative guidelines.

SPECIAL GUIDELINE

The *Trade Legislation Amendment Act (No. 1) 2016* was passed by both Houses of Parliament and received Royal Assent in March 2016. This Act contained a number of amendments to the *Export Market Development Grants Act 1997* (the EMDG Act) that affect an applicant's EMDG entitlement, for claims lodged from 1 July 2017. This Special Guideline is for EMDG claimants incurring expenditure in the 2016-17 financial year (and later years), and lodging a claim from 1 July 2017. It should be read in conjunction with the EMDG Administrative Guidelines.

Section 33 (2) of the EMDG Act (Marketing Visits)

For claims lodged from 1 July 2017, the daily visits allowance for marketing visits has been increased from \$300 to \$350 per day. At the same time the provision for the reimbursement of all transport expenses (other than airfares) has been repealed.

Ground transport costs, such as buses, taxis and trains are no longer eligible expenditure in the marketing visits expenditure category. Austrade expects that the \$50 per day increase to the daily allowance will help offset some of the costs of ground transport. Applicants will also save time by not having to collect receipts and account for ground transport costs in their claims. Applicants are also not able to claim visa and travel insurance costs in this expenditure category.

All other provisions, such as the 21 working day limit, air fare and the Australian departure tax remain as eligible marketing visit expenses, noting that in the great majority of cases the Australian departure tax is included in the cost of an air ticket.

Austrade considers the following services provided to a passenger by an airline to be eligible: costs incurred for baggage; airline food and drinks, seat allocations, linejumping or upgrades, the use of inflight entertainment, green credits for environmental rebates and ticket cancellation or baggage insurance.

Guideline 5.5.19 clarifies Austrade's position where marketing visit claims include air fares and daily overseas visit allowance for time spent travelling within Australia to connect with international flights being undertaken for approved promotional purposes. For claims lodged from 1 July 2017, domestic ground transport costs will no longer be eligible expenditure.

EXAMPLE

The applicant travels from a regional centre in Victoria to Melbourne by train and taxi on 1 August 2016 and, being required to leave for the United Kingdom at 7am on 2 August 2016 stays at a Melbourne airport hotel that night. Where the marketing visit is made for eligible purposes, Austrade will not allow the actual train and taxi fares of the traveller, but will start the \$350 per day calculation on 1 August 2016, thus providing EMDG assistance for the travel and overnight accommodation in Melbourne.

Section 33 (3) of the EMDG Act (Communications expenses)

For claims lodged from 1 July 2017 the communications expenditure category has been removed. This means that claimants will not be able to include either an automatic three per cent adjustment for communications expenses or a reimbursement of actual communications costs.

Section 33 (4) of the EMDG Act (Free samples)

Section 33 of the EMDG Act provides that the provision, primarily for an approved promotional purpose, of free samples to a person who is not a resident of Australia is eligible expenditure. All reasonable expenses incurred by the applicant that are attributable to the actual cost of providing the samples are permitted. There is currently no cap on the maximum value of free samples.

For claims lodged from 1 July 2017, a cap of \$15,000 will be placed on the total value of all free samples in any one claim.

Transitional arrangements are in place so that a cap on the free sample category is not imposed on first year applicants combining two years of expenditure and lodging an EMDG claim from 1 July 2017 until 30 November 2017 (or 28 February 2018 for applicants lodging a claim through a consultant with access to extended lodgement). This is because they were not aware that a cap would be applied to this category at the time they gave away their free samples.

EXAMPLE 1

Company A will make its first claim for EMDG assistance in August 2017. As a Year 1 claimant, it has decided to combine expenses incurred in the 2015–16 and 2016–17 financial years.

One item of expenditure for Company A is \$30,500 for the cost of providing free samples across both the 2015–16 and 2016–17 financial years. Company A would not be subject to a cap on the free sample expenditure category for this claim only. This is because, at the time Company A incurred free sample expenditure in the 2015–16 financial year a cap on the free sample category was not known.

EXAMPLE 2

Company B will make its first claim for EMDG assistance in August 2017. Although it is a Year 1 claimant, it has decided to only claim expenses incurred in the 2016–17 financial year. Company B's free sample expenditure is \$20,000, but its claim would be subject to the \$15,000 cap. However, applicants like Company B, who have incurred expenses of over \$15,000 in the free sample category during a grant year should include the entire amount of otherwise eligible expenditure on their claim form – not just \$15,000 of it.

Section 40 – excluded expenses

A new item has been added to the table at section 40 of the EMDG Act – list of excluded expenses. This item is: Expenses relating to things that may have had a detrimental impact on Australia's trade reputation.

Section 57C – Expenses relating to things that may have had a detrimental impact on Australia's trade reputation.

For claims lodged from 1 July 2017, expenses may be considered by the CEO of Austrade to be excluded expenses if the activity may have had, or involved a thing that may have had a detrimental impact on Australia's trade reputation. Similarly, expenses may be excluded expenses if the purpose related to an otherwise eligible product that may have had a detrimental impact on Australia's trade reputation.

While an activity or a product may not in itself be illegal, the Government's support of such products or activities by way of a grant may cause detriment to Australia's standing as a trading nation.

A finding that an expense is an excluded expense does not immediately render the entire claim ineligible (unless the claim was comprised entirely of excluded expenses).

EXAMPLE 1

Company A promotes its live entertainment production overseas. Some of the themes of the show are graphic and extreme, and lead to negative publicity in the local and overseas media. Some of the comments in the media are critical not only of the company, but also of Australia, with the media outlets encouraging people not to trade with or visit Australia as a result.

Austrade would consider the extent of the coverage and the impact it had on Australia's reputation in determining if the expenses were excluded expenses.

EXAMPLE 2

Company B promotes a product in a foreign country. While the product itself is legal and inoffensive, the company uses promotional methods that are offensive in that foreign country. As a result, the company is the subject of adverse media coverage, which also points out that the company is an Australian company.

Austrade would consider the extent of the coverage and the impact it has had on Australia's reputation overseas.