

STARTUP **WA**

Parliamentary Submission

Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and a related bill [‘The Bill’]

8 June 2026



Executive Summary

StartupWA (est 2015) advocates for the startup sector in Western Australia.

We understand that the Bill in question was designed to reduce pressure on the property market, by removing a CGT tax discount for investors.

However, as written, this could destroy major investment in the fast-growing, future-orientated industries, startups, scale ups, innovators and innovation-driven small to medium sized businesses.

Startup investing is not like other asset investments. Money is usually provided upfront, with no returns made for years and years. Most investments will go to zero. Meanwhile, the startup founders and staff may pay themselves little or no salaries.

Across a typical portfolio of startup investments, an investor will expect to see nil returns from most of the companies, minimal returns from a handful, and hopefully a huge return from a few (which repay the losses in the others).

This ‘portfolio approach’ is how angel investors and VC funds operate. The tax losses in the majority of investments mitigate the tax paid in the few. Meanwhile, startup founders and staff are working for the share value. Everyone is aligned.

Unfortunately, the Bill as presented will likely kill off these kind of high risk investments, and therefore the scalable startups that rely on them, and the industries that could be created.

Scalable startups can create enormous wealth and jobs on an unprecedented scale. Think Canva, founded in Perth in 2012, which is now worth north of \$60B.

Indeed, the six most valuable companies in the world are all tech companies, with an average age of just 35 years.

Unlike mining companies that have to physically locate where the ore is, tech companies and startups can move. Anywhere. There is a global race to attract the best and brightest, and other countries can easily lure our talent away.

We urge a carve out (from this Bill) of startup investors, founders, venture capital and employee equity.



Charlie Gunningham
Chair, StartupWA

About StartupWA



StartupWA acknowledges the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and community. We pay our respect to them and their cultures and to elders, past and present.

Established in 2015, **StartupWA** is a not-for-profit, peak body for the startup sector in Western Australia.

It seeks to promote and advocate for the growth of the Western Australian startup ecosystem so that it is an internationally recognised, leading centre of early-stage technology, innovation and innovation-driven organisations.

StartupWA operates with a ‘hands-on’ 10-person board of directors. We believe startups are “WA’s next big resource.”

2026 Board members

Main Photo (left to right):

Matthew Larner

Wilson Tucker

Lacey Filipich

Shivani Kartik (intern)

Charlie Gunningham (Chair)

Kate Spencer

Josh van Ross

Jo Hawkins (Secretary)

Inserts:

Sri Mondri

Patrick Jodas (Treasurer)

Paul Robinson

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Our Reaction to the Proposed Bill

The Bill proposes sweeping CGT/tax changes, that could impact startup and innovation ecosystem adversely.

The concern here is the unanticipated (and maybe unforeseen?) impacts, which perhaps belies the low importance given to the sector at governmental level.

Our colleagues in the Tech Council of Australia reported the **tech/startup sector contributed 8.9% of national output in 2025** – making it the **second-largest contributor behind mining, growing fifty per cent faster than the whole economy**, with **tech workers generating around fifty dollars more per hour** worked than the average.

Target: Property

The CGT and family trust changes are clearly aimed at reducing tax breaks for property and share investors – for “intergenerational fairness” reasons, as the Treasurer put it.

We understand that. The whole point of the CGT changes is to redirect investment away from property into ‘more productive’ asset classes.

The CGT 50% discount has been too generous for too long (since 1999) for property investors.

It was long due for a change.

However, if these CGT changes engulf startup/tech investing, then it could be devastating for the sector.

Bad impact: Startup sector

Startup investing is already difficult and risky; with AI cutting jobs, surely we should be encouraging job creation through new scalable venture creation (which is what startups are)?

If anything, we should be **INCREASING** the CGT discount for startup investing.

Less returns to property/other investors (hit by higher CGT) also means less investment in startups and new tech and innovation (something they are now starting to look at in increasing numbers).

Same for venture capital funds, which we are only recently being seen popping up in WA (thanks to concerted WA state government action).

Example: A founder selling for \$1M might have to pay tax on the entire exit (as could their employees through their own share ownership), even though they’d barely paid themselves a salary for many years.

This is because the likely starting valuation is zero. It comes into effect July 2027, so every startup will need a valuation done then – how is this to happen?



Photo: Discussion at a recent StartupWA roundtable

The upshot of all this uncertainty and increased tax burden could be founders & investment and venture/job creation being reduced, cancelled or moving offshore.

While miners cannot move their iron ore activity to Singapore, tech can. (It takes 10 minutes and \$315 to set up a company in Singapore.)

We should be rewarding the risk takers, who are putting up their own money and years of their life. They absorb years of uncertainty before any potential exit becomes clear. Meanwhile, employees put up with lower wages in the hope their shares may be worth something in the future.

Early Stage Innovation Companies (ESIC)

It was good to see that the ESIC rules remain unchanged. A 20% tax rebate on the investment in year 1, and then ten year CGT exemption is something angel investors have been using for almost ten years.

However, ESIC only works for a certain small, early stage of the startup sector. The startups that create real jobs are the 'rocket ships'. Many of these will require enough 'rocket fuel'. So, relying on ESIC alone is not going to be the answer.

Early Stage Venture Capital Limited Partnerships (ESVCLPs)

StartupWA welcomes the \$200M increased cap for the ESVCLPs, with the 10% non-refundable offset retained. However, the abolition of the 50% discount for larger VC companies could severely impact larger investments across the tech, scale up and startup sector.

Proposed Amendments

We are proposing amendments to the Bill, as read, that include:

- 1. A strict carve-out and complete exemption from the 30% minimum tax floor** for ALL venture funds, angel investors, founder shares and employee share schemes from the new indexation rules: ones that would qualify under the ESIC rules (which makes the definition tight).
- 2. Expand ESIC qualification test to incorporate more tech/scalable companies:** increase the income test from \$200K to \$3M, and the expenses from \$1M from \$5M. Allow incorporation in the past 5 income years (up from the current 3).
- 3. Allow eligible startups to register a “deemed” or “notional” cost base** (up to \$50M) upon reaching a growth milestone. This ensures a substantial baseline asset value to index against inflation.

As it stands, the Bill threatens to inadvertently dismantle Australia’s sovereign innovation ecosystem by treating high-risk, wealth-generating technology ventures with the exact same tax heavy-handedness meant for passive property speculation.

The government has already conceded this is the real problem. Cabinet Secretary and Assistant Minister **Andrew Charlton** acknowledged that the new inflation-indexed regime **“doesn’t interact well if you have a really low capital base because you’ve got nothing to inflate off”**, adding that the point startup founders and small businesses have been making is **valid**, (as quoted in AFR, 22 May 2026.)

Treasury’s stated hesitation is definitional porousness – a concern that a loose “tech startup” test could be gamed (as quoted in AFR, 25 May 2026). That potential problem is solved by using the ESIC definition, as noted above.

Mixed reviews for R&D tax overhaul amid 'complexity' and investment fears

By Sam Jones



Anthony Albanese and Charlie Gunningham. Photos: Michael O'Brien.

Changes to the research and development tax incentive have received a mixed review from industry and experts, with some warning it risked legitimate research missing out on funds.

As part of changes announced in Tuesday's Budget, the offset rate of



TAXING TIMES AS STARTUPS FACE 'DEVASTATION'

CHEYENNE ENCISO
 WA startups fear Treasurer Jim Chalmers' capital gains tax overhaul could dampen investor appetite in what they say is already a dire funding landscape, warning of "devastating" impacts on the system. They say the proposed overhaul – which would scrap the 50 per cent CGT discount and impose a minimum 30 per cent tax on gains from selling shares and business assets – announced in last week's Federal Budget could lead to talent moving offshore, undermine employee share options or lead to startups failing completely. This said because the changes would leave founders, employees and venture capitalists paying higher taxes on their profits when companies are sold, go public or allow secondary share sales. While Dr Chalmers is consulting the tech sector on how CGT should be applied to startups to ensure the new tax settings do not suppress innovation, entrepreneurs are calling to be carved out entirely from the proposed changes. Perth-based entrepreneur Erin Bell, pictured left, said without careful consultation and targeted exemptions, there was a real risk these reforms would unintentionally weaken one of the new sectors' "actively building Australia's future economic competitiveness". While Ms Bell – a former fly in, fly out worker who founded an app called CoConnect aimed at boosting female safety in the resources sector – welcomed budget measures like the permanent instant asset write-off and reducing startup losses, she said "every one of those sits on the back end". "You still have to find the upfront capital, spend it, and then claim the benefits back later. When capital is already the biggest thing holding early stage businesses back, that timing matters a lot", she said. "Perth-based startups operate at a disadvantage compared to Sydney and Melbourne due to a smaller and more conservative investor ecosystem, fewer active venture networks and a market heavily weighted toward traditional industries and resource investment. "If the proposed changes reduce the attractiveness of high-risk startup investing, even marginally, the impact will not be evenly distributed nationally. Emerging ecosystems like Perth are likely to be disproportionately affected." She said consequences included longer capital raising cycles, lower company valuations, increased pressure for founders to relocate interstate or offshore to secure growth capital and worst case, startups failing completely. Fellow Perth founder Lucy Cooke said the proposed CGT changes would have been a "handicap at the gate" if it existed when she established her visual planning tool SourceDraft in 2018. "Founders are not building companies for short-term gains. They are taking years of personal and financial sacrifice to create jobs, new industries and Australian individual prosperity", she said. "My concern is that a blunt CGT change could unintentionally punish genuine long-term business creation at the exact moment Australia needs more innovation, not less." Ms Bell said if investment appetite declined, startups not only lose access to funding but also to the ecosystem support required to scale successfully. "In the technology sector, venture capital investment often unlocks access to broader support programs, mentoring, strategic infrastructure credits, accelerator programs, marketing, strategic partnerships, procurement pathways, technical expertise, and international growth networks", she said. "For many early stage startups, these additional benefits are just as critical as the capital itself." The comments come after a meme campaign taking aim at the

Media attention around new CGT rules

STARTUPWA

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