

1 July 2026

Senator Lisa Darmanin
Chair
Senate Standing Committee on Economics - Legislation
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator Darmanin and Committee Members,

Submission to the Inquiry into the Treasury Laws Amendment (Tax Reform No.1) Bill 2026

The Australian Academy of Technological Sciences and Engineering (ATSE) is a Learned Academy of independent, non-political experts helping Australians understand and use technology to solve complex problems. Bringing together over 950 of Australia's leading thinkers in applied science, technology and engineering, ATSE provides impartial, practical and evidence-based advice on how to achieve sustainable solutions and advance prosperity.

ATSE thanks the Senate Legislation Standing Committee on Economics for the opportunity to respond to the proposed changes to the Treasury Laws Amendment (Tax Reform No.1) Bill 2026 and the Income Tax Rates Amendment (Tax Reform No.1) Bill 2026. We note the short timeframe for responses to this inquiry and note that ATSE has not been able to fully consult our expert Fellowship to provide a more detailed response. Broad taxation is generally beyond ATSE's purview, and as such this submission is limited to the possible impacts of the proposed changes on Australian innovation, research and development.

Start-ups play an integral role in the difficult challenge of moving research into commercialisation and adoption. Leading a start-up is a risky endeavour often undertaken with the intention of proving the viability of an innovation, scaling up a business and selling the business. Many of our Fellows in industry have raised concerns that the proposed changes to the Capital Gains Tax will reduce the rewards of such a risky endeavour. Deep technology companies, in particular, rely heavily on the anticipated net return to compensate for the longer time it takes to get to market. Australia already has a missing middle where start-ups are unable to sustain growth or are forced to move offshore to continue operations. ATSE is concerned that this may reduce the ability of Australian start-ups and innovative small businesses to attract initial investment to bring new products to market.

The proposed changes may also make it more difficult to attract talent to Australian start-ups. With limited capital, start-ups often partially pay early employees with equity. This allows start-ups to compete with salary packages of established businesses and encourages employees to take a stake in the success of the business. In many innovative fields, start-ups are competing for a highly mobile international workforce. As firms scale, they need to attract and retain experienced managers and commercialisation leaders. [Industry Innovation and Science Australia](#) found that these management skills sets have been declining in Australia in recent decades, causing limits on the innovation capacity of Australian businesses. ATSE is therefore concerned that the Capital

Gains Tax changes may have the effect of deterring start-ups from being founded or restrict business access to the highly skilled workforce needed to grow and scale up.

These risks need to be carefully assessed prior to implementing these changes. ATSE therefore welcomes indications that the Government is consulting on changes that might help to ensure that start-ups and small businesses are protected from unintended consequences of changes to the Capital Gains Tax. ATSE believes that these considerations are valuable in ensuring a thriving innovation pipeline that allows Australian research to be commercialised. We encourage the Treasurer and Minister for Science, Industry and Innovation to consult widely with the research commercialisation sector to ensure Australian innovations can continue to be commercialised.

Australian research and development require coordinated policy settings that support both the creation and growth of innovative companies, allowing Australian innovation to be applied and commercialised effectively. The Capital Gains Tax is only one of the policy levers available to the Government. The recent Federal Budget announced several changes affecting research and development. These include changes to the Research and Development Tax Incentive (R&DTI) and the Venture Capital Limited Partnerships (VCLP) and Early Stage Venture Capital Limited Partnership (ESVCLP) programs, which are aimed at improving research commercialisation and deployment. R&DTI changes focus funding on core activities and increase the offset rate, while also chaining expenditure and offset thresholds. The VCLP/ESVCLP program changes will allow larger investors to gain tax benefits for investing in Australian venture capital funds and connect to innovative local businesses. The proposed changes to the Capital Gains Tax should be considered in terms of their impacts on the full suite of tax and innovation changes to ensure that effects of changes are not working at cross purposes and are coordinated for maximum impact.

ATSE would welcome the opportunity to discuss the potential impact of these changes on Australian innovation. We can also connect the committee to our network of industry experts to answer any of the committee's questions about these changes. Please do not hesitate to contact academypolicyteam@atse.org.au at any time for further information.

Yours sincerely

Dr Cathy Foley AO FTSE FAA PSM
President

Professor Kylie Walker AM
Chief Executive Officer