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The Treasury
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Submission: Capital gains tax reforms – arrangements for innovative start-ups

Consultation paper dated 18 June 2026 — Innovative Business CGT Concession (IBCC)

Robotics Australia Group (RAG) welcomes the opportunity to respond to the Treasury consultation paper *Capital gains tax reforms – arrangements for innovative start-ups* (18 June 2026). RAG is the national peak body for Australia's robotics, autonomous systems and deep technology sector, bringing together start-ups, scale-ups, integrators, automation providers, investors, researchers and ecosystem partners.

This submission reflects consultation with RAG members active across the robotics and deep tech ecosystem, including early-stage start-ups, scale-ups, robotics integrators, automation providers, investors and industry bodies. Member views are presented in aggregate. Individual members are named or directly quoted only where they have expressly consented to that use; other contributions inform this submission on a summarised, non-attributed basis.

RAG supports the Government's intent that the tax system continues to reward high-risk, high-growth innovation, and we welcome the IBCC as a meaningful improvement on the broader CGT changes for the start-up sector. However, members consistently advise that the proposed settings do not yet reflect the realities of robotics and deep tech, where hardware development, validation and commercialisation routinely take well beyond a decade and require substantially more capital than software businesses. Our targeted recommendations follow.

Summary of recommendations

- **Age limit.** Extend the eligibility age limit from 10 to at least 15 years for robotics, autonomous systems and physical AI, alongside biotech and medtech, and consider a 20-year pathway where safety, regulatory, defence, medical, field-validation or complex hardware cycles materially extend commercialisation.
- **Turnover threshold.** Support indexation or periodic review of the \$50 million turnover threshold - which dates from the 2015 ESS start-up concession - with consideration of a higher figure such as \$75 million so the concession keeps pace with the revenue profile of modern high-growth companies.
- **Lifetime cap.** Increase and index the \$10 million lifetime cap, and consider replacing or supplementing it with a US QSBS-style structure - the greater of a fixed dollar amount or a multiple of capital invested (for example 10×), applied per company and per holder - so it does not cap founder ambition, penalise serial founders or incentivise relocation offshore.
- **Employee equity.** Ensure employee share scheme (ESS) and option (ESOP) participants are fully accommodated - in particular, the interaction of the holding period with options exercised on a liquidity event.

- **Innovation principles.** Simplify and clarify the innovation principles, and provide a low-cost route to certainty (for example, a binding determination), to minimise administrative burden on small companies.
- **Holding period.** Retain a five-year horizon for the full concession but introduce a taper, with a partial concession available from year 3 - particularly for ESS/ESOP participants, mobile employees and genuine commercial early exits such as strategic acquisitions and spinouts.
- **Transition.** Clarify the transition arrangements to avoid inequities between shares issued before and after 1 July 2027, and to fairly treat companies already older than 10 years, university spinouts and existing employee shareholders.
- **Defining deep tech.** Define eligible robotics and deep tech by characteristics (R&D intensity, proprietary hardware, IP creation, long validation cycles, export potential, advanced manufacturing and university commercialisation) rather than a single age or turnover measure.

Response to the consultation questions

1. Is the IBCC an appropriate arrangement to support investment in innovative start-ups?

Members broadly welcome the IBCC as a substantial improvement on the general CGT reforms for the start-up sector. On balance, however, members advise that as currently designed it does not yet adequately support robotics and deep tech. Concerns centre on the 10-year age limit, the \$10 million lifetime cap and the treatment of employee equity, each addressed below. A recurring theme is that the concession should be simple to access and broad in its definition of innovation, so that it incentivises risk-taking rather than adding administrative burden for companies already stretched across R&D, fundraising and grant processes.

As Troy Krogh, Partner at Intelligent Robotics Pty Ltd, put it: “while we support the introduction of the concession, the proposed framework does not adequately recognise the characteristics of robotics and deep technology companies, which typically require longer development timeframes and significantly more capital than software start-ups.”

2. Does the 10-year age limit and \$50 million turnover threshold appropriately target small innovative start-ups?

There is strong consensus among members that a 10-year age limit is too short for robotics and deep tech. Hardware development proceeds through multiple multi-year generations, each requiring engineering, prototyping, field validation and in many applications - regulatory approval before commercial revenue is achieved. Members reported from direct experience that robotics companies commonly reach a liquidity event such as an IPO or acquisition well beyond ten years from incorporation, and that a 10-year cut-off would exclude many genuinely successful Australian companies before they reach commercial maturity.

Voltron Dwyer, Head of Impact at Hullbot, noted that “robotics development cycles can extend 5+ years per generation, and multiple generations required for commercialisation,” and offered his own company as an example: incorporated on 1 January 2018, Hullbot reached its Series A in 2025 and is generating revenue but still requires further venture capital.

Members regard the \$50 million turnover threshold as broadly workable and see the age limit as the more pressing constraint. RAG nonetheless supports indexation or periodic review of the threshold. The \$50 million figure aligns with the ESS start-up concession settings dating from 2015; indexing it for inflation, and recognising that modern high-growth companies can reach revenue at scale faster, would put it closer to \$75 million and

help ensure the concession does not become outdated over time. RAG offers this as a supporting point rather than a central ask - the age limit remains the priority for robotics and deep tech.

3. What eligibility criteria for a longer 15-year age limit would be appropriate for deep tech?

Members strongly support extending the 15-year pathway proposed for biotech and medtech - to robotics, autonomous systems and physical AI. The rationale is the same: long, capital-intensive development and validation cycles driven by the physical and often safety-critical nature of the technology. This is consistent with broader technology-sector feedback that deep technology requires longer timeframes and should not be assessed using the same age thresholds as software-only start-ups.

RAG recommends *at least* a 15-year pathway for robotics and deep technology, and that Treasury consider a longer 20-year pathway for companies whose commercialisation is materially extended by safety, regulatory, defence, medical, field-validation or complex hardware-deployment requirements - for example defence, medical, field, mining and resources, space and marine robotics, and other safety-critical autonomous systems. Company formation dates can be somewhat arbitrary, and a longer pathway avoids arbitrarily penalising firms that incorporated early or pivoted.

Rather than relying on a single measure such as company age or turnover, members recommend defining eligibility by the characteristics of deep technology businesses. Troy Krogh recommended eligibility be based on companies demonstrating one or more of: significant and sustained R&D investment; development of proprietary hardware, robotics, autonomous systems or physical AI; creation and ownership of valuable intellectual property; long product development, testing and commercialisation timeframes; extensive field validation, safety, regulatory or customer-qualification requirements; advanced manufacturing or systems integration; strong export potential; and commercialisation of university or publicly funded research.

Members also suggested practical, verifiable anchors already used elsewhere in the tax system - such as R&D Tax Incentive registration reflecting substantial activity, and prior Early-Stage Innovation Company (ESIC) eligibility - as ready-made markers of genuine deep tech activity that would reduce administrative complexity.

4. Are the proposed innovation principles appropriate and workable?

Feedback on the innovation principles is mixed. Members accept the ESIC-derived principles as a reasonable starting point, but caution that several concepts - "significantly improved," "high growth potential," "scalability" - are subjective and difficult to apply consistently, particularly for hardware businesses whose growth is real but slower to appear in early revenue. There is a shared concern that assessment should not become a costly administrative exercise for small companies, and that eligibility should not turn on how well a company can tell its story.

Members recommend that Treasury clarify edge cases through regulation, guidelines and glossaries; keep the test broad and technology-neutral; and provide a low-cost route to certainty - for example the binding determination from the Department of Industry, Science and Resources contemplated in the paper - so founders and investors can rely on eligibility before committing capital.

5. Is the five-year minimum holding period appropriate?

Members are divided. Many accept a five-year minimum as consistent with patient capital and note that robotics investments typically exceed it in any case. The concern is not the length itself but its interaction with employee equity and with genuine early exits.

The most consistent issue raised is employee share schemes and option plans: options are frequently exercised only on a liquidity event, which can fall before an individual has held the underlying shares for five years, and employees or later-stage investors brought in at, say, year three may be disadvantaged relative to founders. Members recommend the rules explicitly accommodate ESS/ESOP timing, and that flexibility be provided where an earlier exit occurs for genuine commercial reasons such as a strategic acquisition, spin-out or corporate restructure. Troy Krogh recommended that Treasury “retain the five-year minimum as a general rule but allow flexibility where early transactions are undertaken for genuine commercial reasons.”

On balance, RAG recommends that Treasury retain a five-year horizon for the full concession but introduce a taper, with a partial concession available from year 3. This mirrors the tapered approach in the United States’ Qualified Small Business Stock regime, and would better accommodate ESS/ESOP participants, mobile employees and common sub-five-year trade-sale exits without abandoning the patient-capital intent.

6. Does the \$10 million lifetime cap strike the right balance?

This question attracted the strongest and most consistent feedback: members consider the \$10 million lifetime cap too low for robotics and deep tech. Because these companies are capital-intensive and target global markets, successful ventures will frequently generate gains beyond \$10 million, and often involve a larger number of founders and early employees sharing the upside. Members raised several specific problems: the cap is not indexed and will erode in real terms; it penalises serial and repeat founders who reinvest their proceeds into new ventures; and, most seriously, it risks capping founder ambition and encouraging relocation to jurisdictions with more generous settings.

Members repeatedly contrasted the proposal with comparable overseas regimes - including the United States’ Qualified Small Business Stock regime - which they regard as materially more generous for early-stage founders and investors, and therefore a live incentive to build offshore.

Troy Krogh recommended that Treasury “consider either increasing the cap for eligible deep technology businesses or indexing it over time.” Voltron Dwyer went further, recommending the lifetime cap be removed, describing it as “a disincentive to grow a startup past a certain value in Australia.” A deep tech hardware start-up member observed that \$10 million is a modest sum once the time value of money and a decade of personal financial risk are taken into account and warned that Australia needs its most successful companies to remain onshore if the productivity, employment and sovereign-capability benefits of the sector are to be realised here.

Accordingly, RAG recommends that, beyond indexation, Treasury consider replacing or supplementing the flat \$10 million cap with a structure similar to the United States’ Qualified Small Business Stock regime - a cap set at the greater of a fixed dollar amount or a multiple of capital invested (for example 10×), applied per company and per holder. A multiple of capital invested better recognises the capital genuinely at risk and avoids penalising serial founders and angel investors who reinvest their proceeds into further Australian innovation.

7. Are the proposed transition arrangements appropriate and workable?

Members regard the transition arrangements as a reasonable starting point but in need of clarification. Two issues predominate. First, the pre/post 1 July 2027 distinction risks creating two classes of otherwise-similar shareholders, and members sought clarity on edge cases and on companies that are already older than 10 years by virtue of long development cycles - many of Australia’s most advanced robotics companies fall into this category and should not be excluded simply for having been established earlier. Second, employee equity again arises: members flagged that ESS/ESOP holders may be pushed to exercise options before the commencement date without the capital to do so.

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Members asked Treasury to provide clear guidance on how the concession applies to existing founders, employees participating in ESS arrangements, university spinouts and existing investors, so that established innovative businesses that meet the innovation criteria are treated fairly and the policy supports both new and existing companies.

Closing

RAG welcomes the Government's recognition that the tax system should support high-risk, high-growth innovation, and we are keen to work with Treasury on the detailed design of the IBCC so that it delivers for Australia's robotics and deep tech sector. Australia has genuine advantages in robotics - world-class research institutions and strong domestic demand in mining, agriculture, defence and marine applications - and well-calibrated CGT settings can help ensure Australian companies own and commercialise that technology onshore, retaining the resulting jobs, exports and sovereign capability. We would welcome the opportunity to discuss this submission further.

Yours sincerely,

A handwritten signature in black ink that reads "P. Mason".

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This submission is made by Robotics Australia Group on behalf of its members. It draws on member consultation conducted in July 2026; individual members are identified only with their consent.