Venture Capital Partnerships and Early-Stage Ventures Capital Partnerships

Australia's venture capital tax incentives have been in force for over 20 years and are designed to support equity capital investment in relatively high-risk start-up and expanding businesses.

The venture capital tax incentives are available to foreign investors who are limited partners in a Venture Capital Limited Partnership ("VCLP") and domestic and foreign investors who are limited partners in an Early-Stage Venture Capital Limited Partnership ("ESVCLP").

The amendments expand the venture capital tax settings to ensure that an increased scope of entities can receive funding via VCLP or ESVCLP investment. This is achieved by increasing:

- The maximum asset value thresholds for eligible investee entities before investment by a VCLP or ESVCLP – increasing from $250m to $480m and $250m to $420m respectively;
- The committed capital limit for ESVCLP – increasing from $200m to $270m; and
- The maximum asset value of investee entities for ESVCLP's to access tax exemptions on revenue and capital gains - increasing from $50m to $80m.

In addition to the above, the proposed changes seek to close the Eligible Venture Capital Investor ("EVCI") program to new applications from 7.30pm Budget Night (12 May 2026).

A limited partner in an ESVCLP can claim a tax exemption for revenue and capital gains from disposals of eligible investments where the investee has a total value of assets of no more than $420m (assuming the changes are enacted).

Where the investee (and its connected entities) has a total value of assets greater than the $420m, the limited partners in an ESVCLP are to be entitled to a partial exemption.

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