



EG

A CRITIQUE OF THE 10-YEAR AGE RULE

Re: The Albanese Government's
Proposed Innovative Company
CGT Concession

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EG FUNDS

Executive Summary

EG Funds Management ('EG') is an Australian specialist real estate investment manager with a successful track record of investing in operating businesses that sit at the intersection of property and technology.

In recent years EG has made two investments that are directly and materially affected by the Albanese Government's proposed Innovative Business CGT Concession and, in particular, by its 10-year company age rule. In 2021, EG invested in Reveal (<https://www.reveal.nz> & <https://www.undermaps.com>), a utility surveying business incorporated in 2010. In 2022, EG invested in IBMS - subsequently renamed Avani Solutions (<https://avanisolutions.com>) - an energy optimisation consultancy incorporated in 2005. At the time of EG's investment, both companies had annual revenues of approximately AUD 3.0 million. In each case, EG invested millions of dollars to develop a SaaS technology platform that leverages the firm's domain expertise in utility surveying and building energy management respectively. Both companies are highly innovative, and both have global application.

At the time EG made its investments, Reveal was already 11 years old and Avani was already 17 years old. Under the proposed 10-year age rule, neither company would be eligible for the Innovative Business CGT Concession - not because they lack innovation credentials, but because they were incorporated before an arbitrary calendar threshold.

This paper critiques the 10-year age rule as it applies to exactly these kinds of investments: established businesses with genuine domain expertise and operational track records, into which patient capital is subsequently injected to build transformative technology platforms.

The rule, as designed, systematically excludes this category of investment - arguably among the most commercially credible and economically productive forms of innovation investment - while offering nothing by way of policy justification for doing so.

The paper argues that the rule is arbitrary in its derivation, factually misaligned with the commercialisation timelines of innovative companies, discriminatory in its sector treatment, and liable to produce a range of perverse behavioural consequences. It concludes with specific proposed reforms to the concession's design that would remedy the defects exposed by the EG/Reveal/Avani scenario without undermining the Government's legitimate policy objectives.

Reveal: incorporated 2010, EG invested 2021. Avani: incorporated 2005, EG invested 2022. Both are highly innovative, globally applicable businesses. Under the 10-year rule, neither qualifies - not because of what they do, but because of when the companies were founded.

1. The Rule and its Stated Rationale

The proposed concession, released as a consultation paper on 19 June 2026, limits eligibility to shares issued by companies that have been operating for less than 10 years at the time of issue. The Government's stated reasoning is that the concession targets 'early-stage investors' and that an age cap is necessary to prevent established, mature companies from accessing a discount designed for nascent businesses with low or zero cost bases.

The Treasurer described the concession as addressing the 'special case' of start-ups where cost-base indexation - the replacement mechanism for the 50% general discount - provides little benefit because the shares were originally acquired at little or no cost. For such companies, the new indexation model produces a tax liability on almost the entire gain, because there is little cost base to index. The 50% discount, by contrast, cuts that liability in half regardless of the cost base.

The 10-year threshold, in the Government's framing, represents the outer boundary of what it considers 'early-stage.' The extension to 15-years for biotech and medtech is presented as a recognition that those sectors require longer commercialisation timelines. But neither threshold is accompanied by any economic modelling, industry data, or comparative analysis to justify why those specific numbers were chosen.

Critically, the Government's rationale does not address - and appears not to contemplate - the scenario presented by EG's investments in Reveal and Avani. Both companies had genuine operating businesses before EG's involvement. EG's capital was deployed not to establish a business from scratch, but to fund a technology transformation of an existing operation: building a SaaS platform on top of established domain expertise and client relationships. The policy rationale for the concession - protecting low-cost-base investors in nascent companies - applies with full force to this kind of investment. Yet the 10-year rule excludes it categorically.

"The journey between discovery and becoming a viable entity takes an average of seven-to-ten years." - Industry peak body evidence to Senate, May 2026



2. The Rule Is Factually Misconceived

2.1. The Rule Conflates Corporate Age with Innovation Stage

The most fundamental error in the 10-year rule is its premise: that a company's age is a reliable proxy for whether it is at an early stage of innovation. It is not. Corporate age and innovation stage are independent variables, and the rule's conflation of the two produces outcomes that are directly contrary to the policy's objectives.

Reveal and Avani demonstrate this clearly. Both companies were incorporated well before EG's investment. But the technology platform that represents the innovation - the SaaS application that leverages the firms' domain expertise in utility surveying and energy optimisation - did not exist in any meaningful form before EG's capital was deployed. In economic substance, EG was funding a greenfield technology venture. The host company's incorporation date is irrelevant to the nature of that innovation investment. What matters is the stage of development of the technology, the amount of capital at risk, and the uncertainty of the commercial outcome - all of which are classic early-stage innovation characteristics.

The 10-year rule sees none of this. It sees only the date of incorporation and draws a binary line: before 10 years, qualifying; after 10 years, excluded. A company incorporated in 2015 that has spent a decade building a consumer app is treated more favourably than a company incorporated in 2010 that has just begun a multi-million-dollar technology transformation with global market potential. That's neither a fair nor a good outcome for the country.

2.2. The 10-Year Threshold Does Not Reflect How Innovative Companies Actually Develop

Even setting aside the EG scenario, the 10-year threshold is not supported by the evidence on innovation company development timelines. Research on publicly listed technology companies consistently shows that the journey from founding to exit - whether by IPO or acquisition - routinely exceeds 10 years.

Data tracking exit timelines of 129 publicly traded tech companies found that hardware companies took a median of 11 years to exit since founding, and SaaS companies took a median of 9 to 10 years. Research from the University of Florida found that the median age of a startup at the time of IPO was 13.5 years in 2024 - down from 15 years in 2022, but still well above the 10-year threshold. Among the largest tech exits, the path to a billion-dollar-plus outcome typically takes 10 to 12 years.

These are medians, not outliers. A rule that draws the eligibility line at 10 years excludes a substantial proportion of innovative companies at exactly the stage at which external investment is most consequential.

2.3. Australia's Own Innovation Champions Illustrate the Problem

The deficiency of the 10-year rule is made clearer when measured against Australia's most celebrated technology success stories.

Atlassian was founded in 2002 and did not IPO until December 2015 - 13 years after incorporation. Canva was founded in 2013 and, as of mid-2026, remains privately held with its IPO expected no earlier than 2027 - placing its listing at 14 years after founding. Both companies would have exceeded the 10-year eligibility cap before achieving the exit event at which the concession would have provided meaningful value.

The same pattern holds in sectors the Government explicitly identifies as national priorities. Quantum computing companies supported by the Australian Government - such as Silicon Quantum Computing and PsiQuantum - are capital-intensive, pre-revenue, and unlikely to achieve commercially significant exits within a 10-year window.

A concession that cannot accommodate these celebrated innovation successes fails the common sense test. The current concession works only for a narrow subset of asset-light consumer internet businesses with short development cycles.

Atlassian: 13 years from founding to IPO. Canva: founded 2013, IPO expected 2027 (14 years). Reveal: founded 2010, technology transformation begun 2021. Avani: founded 2005, technology transformation begun 2022. All would be excluded under the 10-year rule.

2.4. Interaction of the 10-Year Age Cap with the 5-Year Holding Period

The age cap compounds with the mandatory five-year holding period to produce results that are even more restrictive than the headline threshold suggests. To access the concession, an investor must hold qualifying shares for at least five years. Those shares must be issued while the company is under 10 years old. This means that to benefit from the concession, an investor must acquire shares in a company that is no more than five years old — because otherwise the five-year holding period cannot be completed within the eligibility window.

In EG's case, this arithmetic is not even close. EG invested in Reveal when it was 11 years old and in Avani when it was 17 years old. Both investments were made outside the eligibility window entirely. But the point is broader: even investors who acquire shares in companies aged six to nine years old will find that the five-year holding requirement pushes their exit beyond the company's tenth birthday, eliminating the concession altogether.

3. The Rule Is Internally Inconsistent with Existing Policy

3.1. The ESIC Framework Uses a Materially Different Age Test

Australia already has a legislated framework for incentivising early-stage investment in innovative companies: the Early Stage Innovation Company (ESIC) regime, introduced in 2016 under Division 360 of the Income Tax Assessment Act 1997. The ESIC framework provides eligible investors with a 20 per cent non-refundable tax offset and a 10-year exemption on capital gains.

Critically, the ESIC framework does not define 'early stage' by reference to the company's age in years. Instead, it defines it by reference to the company's economic characteristics at the time of investment: the company must have total expenses of \$1 million or less and assessable income of \$200,000 or less in the prior income year. This is a functional test - it identifies companies at an early stage of commercial activity by measuring their actual commercial footprint, not by counting calendar years.

The Government does not explain why it has chosen a calendar-year test for the new concession rather than a functional test consistent with the ESIC regime. The inconsistency creates two parallel frameworks for the same policy problem, with outcomes that cannot be reconciled on principled grounds.

The ESIC thresholds (\$1 million in revenues and \$200,000 in expenses) are highly restrictive, appropriately so as it is a tax-free concession for 10-years. An expanded threshold for the restoration of the 50% CGT concession might be \$10m in revenues (and \$5 million in expenses)

The ESIC regime tests commercial maturity - expenses and revenue at the time of investment. The 10-year rule tests calendar age. Under a revised ESIC approach, EG's investments in Reveal and Avani would have qualified. Under the 10-year rule, they cannot.

3.2. The R&D Tax Incentive Does Not Use an Age Test

The Research and Development Tax Incentive - Australia's primary innovation tax concession by cost - applies no age test to eligibility. A company can access the R&D incentive regardless of how long it has been operating, provided it meets the activity-based eligibility criteria. Reveal and Avani would, in principle, be able to access R&D incentives for their technology platform development regardless of their incorporation date. It is anomalous that the CGT concession - which operates at the other end of the investment lifecycle - imposes an age test that the R&D incentive does not.

The policy logic of the R&D framework is sound: innovation does not stop at a particular corporate birthday. A company's tenth year of operation is not a natural boundary for its capacity to generate or commercialise genuine innovation. The introduction of a hard age cap in the CGT concession is therefore inconsistent with the broader architecture of Australia's innovation tax framework.

3.3. The Government's Own Sector Investment Policies Assume Longer Timelines

The Albanese Government has committed substantial public investment to sectors whose commercialisation timelines demonstrably exceed 10 years. The \$470 million invested alongside the Queensland Government in PsiQuantum, the \$18.4 million in the Australian Centre for Quantum Growth, and the ongoing investment in critical technologies through the National Reconstruction Fund all proceed on the explicit assumption that technology ventures will require a decade or more to achieve commercial viability.

The same principle applies to the kind of technology transformation EG has undertaken in Reveal and Avani. Building a SaaS platform from domain expertise is not a short-cycle activity. It requires sustained investment over multiple years to develop the product, validate the technology, build the sales pipeline, and achieve the scale at which a meaningful exit becomes possible. The Government's industrial policy recognises this; its CGT concession does not.

4. The Rule Discriminates Between Sectors and Investment Types Without Principled Basis

4.1. The Biotech and Medtech Carve-Out Creates a Two-Tiered System

The Government has indicated it will consider extending the age cap to 15-years for biotech and medtech companies. This acknowledgment is revealing: it concedes that 10-years is an insufficient horizon for many innovative sectors. But the proposed remedy - a sector-specific extension - is worse than the original problem.

By identifying biotech and medtech as deserving special treatment while leaving all other sectors at the 10-year cap, the Government creates a two-tiered system based on sector identity rather than economic substance. The utility surveying and building energy management sectors - in which Reveal and Avani respectively operate - are not biotech or medtech. They receive no extended cap. Yet the policy rationale for extending the window - that genuinely innovative businesses require longer than 10 years to achieve commercial scale - applies to them with equal force.

Sector classification is not a principled basis for differential tax treatment.

4.2. The Rule Penalises Investment in Business-Embedded Innovation

The 10-year rule reflects an implicit model of innovation in which innovative companies are founded from scratch by technology entrepreneurs and develop their products before achieving commercial scale. This model fits a narrow slice of the actual innovation landscape.

A substantial portion of commercially significant innovation occurs within or adjacent to established businesses - where deep domain expertise, existing customer relationships, and operational infrastructure provide the foundation for technology development. This is precisely the pattern EG has pursued with Reveal and Avani. The businesses were not founded as technology companies; they became technology companies through deliberate investment and strategic transformation.

This model of innovation is, in many respects, more commercially robust than the clean-sheet start-up model. It benefits from existing revenue (reducing burn rate), established customer relationships (providing validation pathways), and domain expertise that is difficult to replicate. It is also the model most likely to produce technology that addresses real-world operational problems rather than theoretical market opportunities.

The 10-year rule cannot see any of this. It treats a technology-enabled transformation of a 15-year-old business as categorically less deserving of tax support than a two-year-old app company with no revenue and no customers. This is not good policy.

4.3. The Rule Entrenches Existing Sector Biases in Australian Venture Capital

Australian venture capital has historically concentrated in software, fintech, and consumer internet - sectors with shorter development cycles more likely to achieve exit within a 10-year window. Capital has flowed less readily into sectors characterised by longer development timelines, higher capital intensity, and stronger dependence on operational domain expertise - the sectors in which EG's Reveal and Avani investments sit.

A CGT concession structured around a 10-year age cap reinforces this existing bias. It preferentially rewards capital that flows into fast-cycle consumer technology and disadvantages patient capital that flows into operational technology businesses with longer development arcs. This is the opposite of the incentive structure a well-designed innovation policy should produce.

5. The Rule Will Produce Perverse Behavioural Consequences

5.1. Investors Will Pressure Premature Exits

A hard age cap creates pressure on investors to extract value before the clock runs out. Where a company is approaching the 10-year mark and the five-year minimum holding period has been satisfied, the tax incentive creates a powerful pull toward exit - even if the commercial fundamentals of the business support continued private development.

In EG's case, this dynamic does not arise because Reveal and Avani are excluded from the concession entirely. But for investors in companies that are within the eligibility window, the pressure to exit before the age cap is reached will distort investment decision-making in ways that damage company development, employee outcomes, and ecosystem health.

5.2. Founders Will Be Incentivised to Delay Incorporation

If the age of a company is measured from the date of incorporation, founders will have strong incentives to delay formal incorporation for as long as possible. A research team that has been working on a technology for three years in a corporate or academic context may delay establishing a company vehicle until the point at which external equity investment is needed - precisely to preserve as much of the 10-year window as possible.

This distortion is harmful on multiple grounds. Early incorporation provides a stable legal and commercial foundation for a venture. It enables IP to be properly vested in a commercial entity, facilitates employment and incentive structures, and provides the legal personality needed for contracting and government engagement. Incentivising founders to delay incorporation sacrifices all of these benefits in pursuit of a tax outcome.

5.3. The Rule Creates a Capital Formation Desert for Mature Innovative Companies

The most significant perverse consequence of the 10-year rule is the incentive it creates for capital to flow away from companies that have been operating for more than a decade - regardless of their innovation credentials or investment potential. This is not a hypothetical. EG's investments in Reveal and Avani are the concrete manifestation of exactly the kind of capital that the rule will discourage.

Venture capital and growth equity allocation is highly sensitive to expected after-tax returns. A concession that provides a 50 per cent CGT discount only on investments in sub-10-year companies is, in economic terms, a penalty on investment in companies older than 10 years. Capital that might otherwise flow to a technology transformation of an established operational business - the Reveal and Avani model - will be preferentially directed toward an asset-light software start-up, not because the latter represents better economic value, but because it qualifies for a more advantageous tax treatment.

A tax rule that excludes EG's investments in Reveal and Avani — multi-million-dollar technology transformations of genuine, globally-applicable businesses — while rewarding seed investment in asset-light consumer apps, has failed on its own terms

6. Proposed Reforms: A Concession That Would Protect Investments Like Reveal and Avani

The issues identified above are not inherent to the concept of an Innovative Business CGT Concession. They are the product of a specific design choice that can and should be replaced.

The following reforms would preserve the Government's legitimate policy objectives while remedying the arbitrary and perverse outcomes the current design produces.

6.1. Replace the Age Test with a Functional Innovation Test

The most direct remedy is to abandon the calendar-year age test altogether and replace it with a functional test that measures the nature of the investment rather than the age of the company. The ESIC regime's approach - testing the company's commercial footprint at the time of investment - provides a sound legislative precedent.

For the Innovative Business CGT Concession, a suitable functional test might require that, at the time the qualifying shares are issued, the company:

- Is developing or has recently developed a new product, process, or service that represents a material technological departure from its prior operations;
- Has revenues of less than \$10 million.

Under this approach, EG's investments in Reveal and Avani would be assessed by reference to the SaaS platform development EG funded - which is plainly early-stage, capital-intensive, and innovative - rather than by reference to the companies' original incorporation dates. The outcome would correctly reflect the economic substance of the investment.

6.2. If an Age Test Is Retained, Apply It to the Innovation Activity, Not the Company

If the Government is committed to retaining some form of time-based limitation, the test should be redesigned to measure the age of the relevant innovation activity rather than the age of the corporate entity. Specifically, eligibility could be conditioned on the qualifying shares being issued within 10 years of the company commencing the relevant innovation activity - with commencement defined by reference to the first material R&D expenditure, the lodgement of a relevant patent application, the first revenues earned from that innovation or the first issuance of new equity specifically for innovation purposes.



Under this approach, Reveal's technology transformation - funded by EG's 2021 investment — would be assessed by reference to 2021 as the commencement date, not 2010 as the incorporation date. The 10-year window would run from 2021, meaning EG's investment would be eligible, and any further investment in Reveal's technology platform over the following decade would similarly qualify.

This approach preserves the Government's objective of limiting the concession to genuinely early-stage innovation investment while targeting the test to the thing that actually matters — the age of the innovation, not the age of the company.

6.3. Adopt a Universal Extended Window

If a company-age test is retained in any form, the 10-year threshold should be extended to at least 20 years and applied universally across all sectors. As the data shows, the median time from founding to exit for technology companies is 13.5 years. A 20-year window would accommodate the majority of innovative companies at all stages of their development cycle and would eliminate the need for sector-specific carve-outs that introduce arbitrary distinctions between otherwise equivalent investments.

A 20-year universal window would encompass both Reveal (incorporated 2010, now 16 years old) and Avani (incorporated 2005, now 21 years old, and just outside even the extended window). For Avani, the window would still not be sufficient — which reinforces the case for the activity-based approach in 6.2 above as the preferable primary remedy.

Conclusion

EG's investments in Reveal and Avani are precisely the kind of investments the Innovative Business CGT Concession should be designed to support. They involve millions of dollars of patient capital deployed into genuinely innovative technology platforms built on deep domain expertise, with global commercial application. They represent the kind of business-embedded innovation that is most likely to produce durable, scalable and economically significant outcomes.

The 10-year age rule excludes both investments categorically - not because they lack innovation credentials, not because the capital at risk is insufficient, and not because the policy rationale for the concession does not apply. They are excluded because Reveal was incorporated in 2010 and Avani was incorporated in 2005. Calendar age is the only disqualifying criterion.

A concession intended to support innovative companies and their investors ends up penalising a category of investment - technology transformation of established operational businesses - that is among the most commercially credible and economically significant forms of innovation capital deployment in Australia.

Moreover, EG's investments in Reveal and Avani would have qualified for the concession if EG had structured its investment differently – by insisting that existing shareholders in Reveal and Avani sold the businesses as a going concern into a newly-incorporated special purpose company, prior to EG's fresh equity investment. EG is effectively being penalised retrospectively for not structuring its venture capital investments in that way.

What is required therefore is a shift from calendar-age testing to functional innovation testing - a test that asks not 'when was this company incorporated?' but 'is this investment funding genuine early-stage innovation?' The ESIC regime shows that this kind of functional test is administratively workable. The R&D Tax Incentive shows that the tax system can support innovation across the full corporate lifecycle. The proposed amendments in Section 6 show how these principles can be applied to the Innovative Business CGT Concession.

We urge the government to adopt a function-based approach before the concession is legislated.

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