

Submission to the Economics Legislation Committee

Treasury Laws Amendment (Tax Reform No. 1)
Bill 2026 (and related Bill)

Medical Technology Association of Australia (MTAA)

Tuesday, 9 June 2026

About MTAA:

The Medical Technology Association of Australia (**MTAA**) is the peak body representing companies in the medical technology (**MedTech**) industry.

MTAA's mission is to ensure that the benefits of modern, innovative and reliable medical technologies are delivered effectively to improve health outcomes to the Australian community.

MTAA's membership spans Australian start-ups through to global MedTech leaders.

MTAA members develop, manufacture and supply technologies used in the **diagnosis, prevention, treatment and management of disease and disability**. The range of medical technology our members deliver is diverse, with products ranging from familiar items such as syringes and wound dressings to high-technology implantable devices such as pacemakers, defibrillators and orthopaedic implants. Products also include hospital and diagnostic imaging equipment such as ultrasounds and magnetic resonance imaging machines, as well as digital health technologies such as remote monitoring devices and digital therapeutics.

MTAA members supply the majority of non-pharmaceutical technologies used across the Australian healthcare system and play a critical role in:

- Enabling clinical care; and
- Providing education and training to healthcare professionals to ensure safe and effective use of these technologies.

About the MedTech Industry:

The MedTech industry is a significant contributor to Australia's economy, innovation system and healthcare capability.

The industry:

- Contributes more than \$5 billion to Australia's GDP annually;
- Supports over 50,000 jobs across the economy, including more than 17,000 directly;
- Exports close to \$2 billion in medical technologies globally.

Beyond these economic impacts, the industry:

- Is integral to Australia's healthcare system, enabling diagnosis, monitoring and treatment across all stages of life;
- Underpins clinical trials, advanced manufacturing and research translation;
- Supports a strong and growing pipeline of innovation.

The MedTech industry faces unique structural challenges, including:

- Long development timelines (often 10–15 years before revenue);
- High upfront capital requirements;
- A complex pathway from research to commercialisation.

These characteristics mean that MedTech investments are **long-horizon, high-risk, and often associated with low initial cost bases but high potential upside, making the design of capital gains settings particularly important for the industry.**

A defining feature of the Australian system is the “valley of death” funding gap, where companies struggle to secure the capital needed to progress from early research through to clinical validation and market entry.

Executive Summary:

MTAA supports the Government’s broader reform objectives but considers that targeted exemptions or appropriate carve-outs should be considered for the MedTech industry, given its reliance on high-risk, long-horizon investment, to avoid unintended impacts on investment and commercialisation.

Australia has built a globally competitive MedTech innovation pipeline, supported by strong university research, public funding and early-stage grant programs. However, the country continues to struggle at the point of commercialisation.

Too often, Australian companies are forced to seek capital offshore to progress to clinical trials and market entry, relocating intellectual property, jobs and economic value in the process. The result is a cycle where Australia funds the development of world-leading technologies, only to import those same technologies back at a higher cost once they have been commercialised overseas.

The proposed CGT reforms (and related research and development tax incentive reforms) will further entrench the loss of Australian-developed innovation and economic value overseas, at the very point where the country should be capturing the return on its investment.

This submission focuses on the implications for:

- Early-stage investment;
- Company formation and growth; and
- Australia’s ability to retain the economic value of its innovation.

It is important to note, although not detailed at length in this Submission, the research and development tax incentive reform proposed in the 2026-27 Budget would significantly negatively affect early-stage Australian MedTech companies.

Australia’s pre-existing capital constraints

Australia already faces a structural shortage of early-stage capital for MedTech:

- The domestic venture capital ecosystem is limited in size and depth;
- Investment is concentrated in a small number of funds and investors;
- Early-stage companies often struggle to secure funding to progress to clinical trials and commercialisation.

While the Government has flagged consultation with early-stage investors and start-ups, the concentrated nature of the local investor base creates a real risk that consultation does not capture investors supporting MedTech and potential impacts are not fully understood.

Impact of CGT reforms on MedTech investment

1. Weakening an already constrained capital base

The removal of the 50% CGT discount materially alters the risk-return profile for early-stage investment.

MedTech investment is characterised by:

- High failure rates;
- Long investment horizons;
- Returns concentrated in a small number of successful exits.

The CGT discount has historically helped make this model viable. Reducing after-tax returns will:

- Reduce participation in high-risk investment;
- Shift capital toward lower-risk sectors;
- Further constrain an already limited capital pool.

2. Impact on angel and early-stage investors

Early-stage MedTech companies are heavily dependent on angel investors, who provide the first capital into the sector, often before institutional investors are willing to engage and invest on the basis that most investments will fail, with returns driven by a small number of successes.

The proposed changes:

- Materially reduce the after-tax return on successful investments;
- Weaken the portfolio economics that underpin angel investing;
- Are likely to result in capital flowing away from high-risk sectors like MedTech into lower-risk alternatives.

3. Impact on employee share schemes (ESPOs)

MedTech companies rely heavily on **equity-based remuneration** to attract and retain talent:

- Early-stage companies cannot compete on salary;
- Employees accept lower cash compensation in exchange for equity upside;
- That equity is typically illiquid and high-risk over a long period.

The CGT discount is a core part of that value proposition and would make many ESPOs unviable.

4. Impact on founders and company formation

CGT settings also influence founder incentives and the decision to build companies in Australia.

Australian founders **already typically have significant incentives to build their companies overseas** (for example, far more capital is available in the US, regulatory systems are faster and market size is bigger).

For MedTech founders:

- The pathway to exit is long, uncertain and capital-intensive;
- Success depends on sustained commitment over a decade or more.

Higher taxation of eventual gains:

- Reduces the incentive to undertake that level of risk domestically;
- Increases the attractiveness of relocating or establishing companies in jurisdictions with more favourable settings;
- Contributes to Australia's existing challenge of losing innovation at the commercialisation stage.

5. Short-term impact on government

Although MedTech investments are typically characterised by long development timelines, the proposed reforms **risk the Australian health system foregoing near-term health and productivity gains. Technologies such as AI-enabled diagnostics, remote monitoring and clinical decision support**

are already delivering measurable improvements in healthcare productivity—reducing hospital utilisation, improving workforce efficiency, and enabling earlier intervention.

Digital Health Technology – amplified exposure

Digital health companies face an even more acute impact due to additional structural barriers:

- No established reimbursement pathways;
- No standardised procurement frameworks;
- Continuous R&D requirements to maintain safety, compliance and clinical relevance.

As a result, digital health companies are more reliant on external capital over longer periods and weakening CGT settings directly constrains their ability to raise funding.

Research and Development Tax Incentives (RDTI)

While not the subject of this Bill, the proposed changes to the Research and Development Tax Incentive (RDTI) are highly relevant, as they operate alongside CGT settings to shape investment decisions.

The proposed RDTI reforms would withdraw critical support at precisely the point MedTech companies are:

- Mid-clinical trial;
- Pre-revenue; and
- Operating at peak cash burn.

Given MedTech development timelines typically extend beyond 10 years, the introduction of a cap on refundable offsets risks rendering the incentive ineffective for many companies, while the removal of eligibility for supporting R&D activities excludes critical components of MedTech commercialisation, including clinical trials and regulatory approval.

These activities represent substantial and unavoidable elements of MedTech R&D. Taken together, the changes would materially reduce both the capacity to fund innovation and the incentives to invest in it, further forcing companies to relocate offshore or not innovate here at all.

Conclusion

The Australian MedTech industry is a key contributor to the economy, a driver of innovation and critical to the future sustainability of the healthcare system.

MTAA supports the Government’s broader reform objectives but considers that targeted exemptions or appropriate carve-outs should be considered for the MedTech industry, given its reliance on high-risk, long-horizon investment, to avoid unintended impacts on investment and commercialisation.

In this context, the proposed CGT reforms risk:

- Reducing early-stage investment;
- Widening the “valley of death”;
- Accelerating the offshoring of companies, intellectual property and economic returns, at a time when Australia should be looking to bolster its return on investment.

MTAA is also concerned that these impacts may not be fully captured through consultation because of the small number of venture capital and angel investors domestically yet will be felt across the entire MedTech ecosystem.

It is also important that these reforms are not considered in isolation. Proposed RDTI incentive reforms are anticipated to have significant effects on Australian early-stage companies, and ultimately Australian patients and economy.

MTAA welcomes continued engagement with the Committee and Government to ensure reforms are:

- Evidence-based; and
- Appropriately calibrated for industries critical to Australia’s future growth, such as the MedTech industry.