

The ATO Cracks down on Innovation

For years, Seedchange quietly built what Australia's innovation bureaucrats only ever talked about: a functioning, regionally-based startup ecosystem.

CAIRNS, QUEENSLAND, AUSTRALIA, June 15, 2026 /EINPresswire.com/ -- It wasn't fuelled by buzzwords or taxpayer-funded incubators with glossy beanbags. It was fuelled by founders, family investors, and a structure that actually worked. And then the Australian Taxation Office (ATO) came along — and torched it.

A System That Worked Where Others Failed

While self-anointed "innovation hubs" in capital cities endlessly circled the drain, enriching consultants and starving founders, Seedchange was busy doing the unglamorous work of making startups viable. Since 2017, 46 companies had adopted its model. Over \$53 million was raised through 263 investments, creating an estimated \$340 million in enterprise value — much of it in regional Australia, far from the echo chambers of Sydney and Melbourne. Seedchange's secret wasn't a silver bullet. It was realism. It acknowledged that 95% of innovative startups fail — and built efficient wind-up processes into the system from day one. Standardised valuations, five-year funding runways, risk management protocols: it gave founders control and investors confidence. For every dollar of ESIC tax offset, \$35 in value was created. It's hard to find a government program with that kind of multiplier. And it worked. From AI-driven visual platforms to cancer-drug reformulations, Seedchange startups spanned industries with genuine ambition. Regional jobs were created. International products were born. For a moment, it looked like Australia might have found its own grassroots innovation engine.

The Bureaucratic Sledgehammer

Then, in late 2024, the ATO decided to crush it.

With the flourish of a pen, the ATO issued Taxpayer Alert 2024/1, declaring the Seedchange model a potential Part IVA tax avoidance scheme. The document was riddled with errors — the kind that would embarrass a first-year law student.

This was the only Taxpayer Alert the ATO managed to issue that year, in a period when an estimated \$2 billion was being siphoned through fake GST claims involving over 150 compromised tax officers. But rather than cleaning its own house, the ATO trained its sights on a handful of regional startups.

[What followed was a bureaucratic farce.](#) A secretive GAAR Panel review was convened. Seedchange wasn't invited to make submissions. The ATO's case was a fever dream of

innuendo, exaggeration, and power-drunk speculation — and the Panel dutifully rubber-stamped it.

A Personal Feud Becomes Public Policy

As if that wasn't surreal enough, the ATO's crusade appears to have been spurred in part by a family vendetta. The estranged twin brother of the founder of several Seedchange companies, sent a "dossier" of spurious allegations to the ATO and ASIC, vowing to "destroy his businesses."

Instead of treating the dossier as the unverified screed it was, the ATO appears to have embraced it as gospel, weaving it into its narrative against Seedchange.

It would be laughable if the consequences weren't so devastating.

The Fallout: Innovation Scorched Earth

In the wake of Tax Determination 2025/3, which clung stubbornly to the ATO's concocted "scheme" narrative, audits and shareholder interviews began. The result was predictable: investors froze, founders panicked, and companies folded.

Seedchange ceased taking on new startups. The financing company sold off its commercial loan book. Dozens of promising ventures wound up, not because they failed in the market, but because a cloud of ATO suspicion made capital impossible to raise.

A budding pharmaceutical startup case says it all. Negative animal trials had a possible workaround. But ATO uncertainty killed off follow-up development. A potentially life-saving innovation died not in a lab, but in an audit file.

The Ironic Endgame

In the end, the ATO accomplished the very thing it claimed to fear. By throttling ESIC through hyper-literal interpretations and misapplied anti-avoidance provisions, it didn't just regulate the ecosystem — it obliterated it.

Seedchange's model was modest but effective. It nurtured early-stage ventures outside metropolitan bubbles, created real economic value, and gave structure to chaos.

The ATO, in its vindictive and mindless pursuit, has uprooted those shoots of innovation before they had a chance to grow. In a final irony, the agency now points to the shutdowns it caused as proof of its suspicions.

It's the fiscal equivalent of killing your parents and pleading for mercy because you're an orphan.

The Legacy: A Warning

A cautionary tale for anyone who believes Australia's institutions are serious about innovation.

<https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incentives-and-concessions/tax-incentives-for-innovation/tax-incentives-for-early-stage-investors>

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