



## Early investors tax offset: new guidance released

We've released a new Taxpayer Alert in response to a new tax avoidance scheme being promoted in the community.

**Last updated** 11 December 2024

We've released Taxpayer Alert TA 2024/1 *Early stage investor tax offset claimed using circular financing arrangements* in response to a new tax avoidance scheme being promoted in the community.

Under the scheme, an investment opportunity in a start-up company is promoted to individuals by the scheme operators. The operators assure interested individuals that the start-up qualifies as an **early-stage innovation company** (ESIC) and that they can claim the early-stage investor tax offset (tax offset). The operators lend the individual money to buy shares in the start-up and then funds are moved around between the start-up, the individual investor, and the operator to access the tax offset. We're concerned that these start-ups don't qualify as ESICs.

These types of circular financing arrangements where participants inappropriately claim a tax offset and associated deductions can see honest individuals caught up in a tax avoidance scheme with serious consequences. Promoters of these types of arrangements may face serious penalties under Division 290 of Schedule 1 to the *Taxation Administration Act 1953*. TA 2024/1 doesn't apply to genuine investments in qualified ESICs.

We take tax avoidance schemes very seriously. Further, promoter penalty law changes that came into effect from July 2024 mean those entities found to be promoting schemes could face significant penalties for each contravention of these laws.

For more information on identifying and reporting schemes visit [Tax schemes](#).

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