We estimate the sensitivity of investment to the cost of outside equity for young firms. For estimation, we exploit differences across firms in eligibility to a new tax relief program for individual outside equity investors in the UK. On average, investment increases 1.6% in response to a 10% drop in the cost of outside equity. This average conceals substantial heterogeneity: 1% of eligible firms issue equity in response to a subsidy that would have doubled investors’ returns, implying large fixed issuance costs for the majority of firms. Conditional on issuing new equity, however, firms invest eight times the issued amount. The results imply a large complementarity between outside equity and other funding sources.