



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

31 January 2025

The Hon. Stephen Jones MP

Assistant Treasurer and Minister for Financial Services

PO Box 6022

House of Representatives

Parliament House

CANBERRA ACT 2600

via email: prebudgetsubmissions@treasury.gov.au

Dear Minister

2025-2026 Pre-Budget Submissions

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to provide a submission to the 2025-2026 Budget process.

Small business is a dynamic, fast-growing and exciting sector that allows people with an entrepreneurial spirit to pursue their dreams and livelihoods. It is rightly celebrated for generating 33% of our nation's Gross Domestic Product and providing jobs for 5.36 million people – 42% of the private workforce¹. However, in terms of both share of total private sector employment and contribution to GDP, small business share, when compared to both medium and large business, has declined over the last 15 years. I have characterised trend and the lack of concern or attention to redress this trajectory as “*sleepwalking into a big corporate economy*”.

The most recent release (November 2024) of the world-leading composite index, the **ASBFEO Small Business Pulse** shows that the business environment is way below the long-term average. Small business owners have described the current operating environment to be as challenging as they can recall with greater headwinds than wind in their sails.

In August 2024, we launched **Energising Enterprise**; 14 steps of positive practical action, necessary to boost small business's capability to realise its potential as the major employer, substantial contributor to GDP, innovator, productivity driver and community vitality generator.

These 14 steps include measures such as possible tax offsets, recognising small business expertise, access to judicial redress, improved insurance and addressing the power imbalance between small and large business. While all 14 steps contribute to achieving the goal outlined above, we would suggest that the following are appropriate to be considered as part of the 2025-26 pre-budget process at this time of fiscal constraint.

¹ Selected industries in the private sector. Australian Small Business and Enterprise Ombudsman, *Data portal: Contribution to Australian Gross Domestic Product and Contribution to Australian Employment*.



Review of the tax discount/offset schemes

The early years for a new business can be tricky in terms of cash flow. Having the ability to re-invest every available dollar in the business will help more small business owners to survive this cashflow ‘Valley of Death’ and build the foundations for success. We therefore consider there is merit in exploring the feasibility of introducing an early-stage incentive in the form of a tax discount or offset scheme to support businesses retaining more of the early-stage earnings for reinvestment in the business when it is needed most. Such an incentive would encourage business formation and reward risk-taking to energise enterprise.

The scheme could be based on Singapore’s start-up tax exemption scheme. This scheme provides eligible new companies with a tax exemption for their first three years that reduces their taxable income by 75% for the first \$100,000 of income and by 50% for the next \$100,000 of income.

In addition, we would suggest that consideration be given to increasing the size and durability of the instant asset write-off scheme as well as reactivating the digitisation technology boost and the energy efficient/electrification tax bonus measure. These later two schemes help support small business to invest in capacity and productivity enhancing, efficiency lifting of enterprise durability through targeted capital and system expenditure.

Prime Minister’s Small Business Awards Scheme

There are already appropriate and well-deserved mechanisms for Prime Ministerial recognition of exemplar figures in fields of endeavour such as science, literature, public administration, etc. To encourage more people to consider an enterprising path, we need to herald the importance of small and family business to the economy and our communities. Creating the Prime Minister’s Small Business Awards to celebrate excellence and achievement will send a clear message that small business owners matter and that they, and the contribution they make, are recognised and valued.

Create a Federal Small Business and Codes List in the Federal Circuit and Family Court

Business owners should be able to defend their economic interests in an accessible and affordable way when the ‘rules of the road’ are infringed and their business is harmed. At the state level, small claims tribunals provide a simple, quick and cost-effective way of seeking justice. However, if it is a federal matter, seeking your day in court means going to the Federal Court which requires a small business to have at least \$200,000 ready to spend on their own case. Not only can take it two years to get an outcome, but there is the risk of an order to pay the other party’s legal costs. It is no surprise most cases involving a small business never make it to court as this is neither an affordable nor timely solution for a small business which may go out of business waiting.

The introduction of a Federal Small Business and Codes List into the business agenda of the Federal Circuit and Family Court of Australia would provide small business with a pathway to justice that is right-sized, affordable, and timely. Not only would such a mechanism empower a small business owner to defend their own economic interest, but also low-cost – i.e. no cost orders except where a judge determines the matter is vexatious or frivolous and any awards/penalties capped at \$1 million. Other cost saving initiatives could include:

- proceedings to be delivered via online hearings
- mandatory alternative dispute resolution before a matter is listed.



Workplace relations

Australia has some of the most complicated workplace laws in the world. Even the biggest companies, government departments, universities and institutions struggle to comply at all times. Having access to specialised external or internal resources should not be a prerequisite to operating a business. Yet increasing complexity and the administration burden it imposes is disproportionately borne by small businesses.

The *Fair Work Act 2009* specifically requires acknowledgement of the special circumstances of small and medium-sized businesses. Yet the procedures, modes of engagement and terminology of the Fair Work Commission are unfamiliar and intimidating for small-business owners. To recognise the special circumstances of small and family businesses, the Fair Work Commission should have a Small Business Division led by a dedicated Small Business Commissioner. This would enable the Commission to have people who understand the unique challenges for small businesses and their employees and provide a simpler and more streamlined jurisdiction, support an educative posture towards compliance, enforcement and engagement, and ensure right-sized processes and procedures.

Support for digital enablement

Research by the government and technology providers suggests the deeper a small business's digital engagement, the more robust, profitable, likely to add employees and inclined to innovate the business is likely to be. Digital business systems are increasingly helpful in meeting more complex reporting and compliance obligations. Allowing business owner's to concentrate attention on growing the business and implementing digital tools that open up new markets and channel opportunities to find and delight customers.

While governments, financial institutions, business systems providers and service platforms are seeking to equip and support small and family businesses with appropriate digital tools and know-how, it is often a confusing, and difficult to navigate. Current support mechanisms, resources and capacity building assistance are too often siloed and not specifically relevant to small and family businesses. Support should focus not solely on raising digital knowledge and know-how, but also on deployment. We consider that by focusing on aspects such as:

- business system and reg-tech solutions
- information management (including cyber resilience, invoicing, data management, privacy duties and CDR awareness), and
- understanding the benefits and risks of AI

we can drive both digital uptake and the development of business benefitting applications. This approach will help develop a clearer understanding about what these tools and initiatives mean for the individual small or family business, and how technology can support innovation, advance business objectives, streamline compliance, improve financial outcomes and energise enterprise.

Making it easier to access available support

There is no shortage of resources, guides and assistance available to small and family businesses about any and all considerations and challenges across the business life cycle. The challenge is how do they find these resources and determine which should they choose? A free, readily accessible and easily navigable central 'resource hub' that is supported and 'powered by' government but delivered by a 'near' government provider is needed. It would showcase 'best of



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breed' actionable information, supports, 'how to' guidance, helpful programs and available assistance, conveniently brought together ready for small business use.

If you would like to discuss this matter further or require any further information, please contact the ASBFEO via email at advocacy@asbfeo.gov.au

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman