



30 January 2026

The Hon Dr Jim Chalmers, MP  
Treasurer  
C/- The Treasury  
Langton Crescent  
PARKES ACT 2600

via email: [prebudgetsubmissions@treasury.gov.au](mailto:prebudgetsubmissions@treasury.gov.au)

Dear Treasurer

### 2026-27 Pre-Budget Submission

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to contribute to the Australian Government's 2026–27 Budget process.

Small business is a vibrant, fast-growing and dynamic sector that enables enterprising Australians to pursue their ambitions and livelihoods. In 2023-24, small businesses accounted for 32% of Australia's GDP and employed 39% of the private-sector workforce.<sup>1</sup> However, in 2006, small business contributed 40% of GDP and employed 53% of those with a private sector job, showing small business's share of private-sector employment and contribution to GDP has declined relative to medium and large businesses.<sup>2</sup> We describe both this trend, and the limited attention to reversing it, as "*sleepwalking into a big corporate economy*."

The most recent release (November 2025) of ASBFEO's Small Business Pulse finds strong momentum amongst small businesses to explore growth and transformation opportunities. There is strong momentum amongst small businesses to explore growth and transformation opportunities, with small business owners leaning into fresh ways to expand their offerings and delight customers. There has been continued momentum in research into opportunities to harness technology and artificial intelligence to boost efficiency and power new waves of growth.<sup>3</sup>

As noted in our submission to the 2025–26 Pre-Budget process, we launched the '*Energising Enterprise*' policy agenda in August 2024.<sup>4</sup> This was 14 practical, positive measures ranging from targeted improvements to the tax system through improving the regulatory regime to addressing unfair business practices and the impacts of changes to Australia's industrial relations framework. These steps are designed to strengthen small business capacity as major employers, significant contributors to GDP, innovators, productivity drivers and vital anchors of community life. Based on the 14 steps, we wish to draw particular attention to several areas where government action

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<sup>1</sup> Australian Small Business and Family Enterprise Ombudsman, *Small Business Data Portal: Contribution to Australian Employment*, Australian Small Business and Family Enterprise Ombudsman website, 2023-24, accessed 29 January 2026.

<sup>2</sup> Australian Small Business and Family Enterprise Ombudsman, *Energising Enterprise*, Australian Small Business and Family Enterprise Ombudsman website, August 2024, accessed 29 January 2026.

<sup>3</sup> Australian Small Business and Family Enterprise Ombudsman, *ASBFEO Small Business Pulse*, Australian Small Business and Family Enterprise Ombudsman website, November 2025, accessed 29 January 2026.

<sup>4</sup> Australian Small Business and Family Enterprise Ombudsman, *Energising Enterprise*, Australian Small Business and Family Enterprise Ombudsman website, August 2024, accessed 29 January 2026.

could further improve the operating environment for Australia's small businesses and family enterprises.

#### ***Making the tax system work better for small business and family enterprises***

ASBFEO has consistently argued—echoing the findings of the Productivity Commission (PC) in its December 2025 report, *Creating a More Dynamic and Resilient Economy*—that Australia's current corporate tax settings distort and constrain investment. They tend to favour established incumbents over newer and smaller firms, dampening competition, growth, and innovation. We therefore welcomed the PC's recommendation to reduce the company income tax rate to 20 per cent for firms with revenue under \$1 billion.

However, we do not support the proposal to partially offset the revenue impact of this measure by introducing a 5 per cent net cash-flow tax applied to all companies. In our view, such a tax would add significant complexity to an already challenging compliance environment for small businesses and could result in higher overall tax burdens for them.

While we endorse a lower corporate tax rate, we believe government should go further. The early years of a business often experience significant financial challenges including cash flow and access to financing. This period is known as the 'valley of death' for good reason. But those businesses that survive and thrive past this valley become the employers and taxpaying enterprises of tomorrow. We see merit in exploring an early-stage incentive—such as a tax discount or offset—that allows businesses to retain more of their initial earnings for reinvestment when it matters most.

A useful reference point is Singapore's start-up tax exemption, which grants eligible new companies tax relief for their first three years by reducing taxable income by 75 per cent on the first \$100,000 and by 50 per cent on the next \$100,000. Recognising Australia's fiscal constraints, an Australian approach need not be as generous. A phased discount—50 per cent in the first year, 33 per cent in year two, and 25 per cent in year three—would nevertheless provide critical cash-flow support during the most challenging phase of a new enterprise's life cycle.

In our submission to the Red Tape Reduction Review being undertaken by the Board of Taxation, we also identified a range of opportunities for further improvement, including:

- streamlining and better synchronising ATO and State Revenue Office lodgement, reporting, and payment programs
- improving the clarity and predictability of Pay As You Go Instalment (PAYGI) obligations.

In addition, in our response to the Tax Ombudsman's review of the Australian Taxation Office's (ATO's) management of remission of the General Interest Charge (GIC), we supported the view that the GIC should not operate as a punitive measure against taxpayers who are making genuine efforts to meet their obligations. We also expressed concern that the ATO's increasingly strict approach to debt collection and GIC remissions decisions risks placing further pressure on small businesses already experiencing financial distress.



### *Making the regulatory framework work better for small business and family enterprises*

Making the regulatory framework work better for Australia's small businesses and family requires change at both the macro-level—such as how governments develop regulation—and at micro-level issues such as the management of coercive directorships and workplace relations.

At the macro level, we were very pleased to see the PC's recommendations in its December 2025 report, *Creating a more dynamic and resilient economy*, particularly those relating to improving how government develops regulation. We have long argued for right-size regulation. Indeed, this is the second step in our 14 step policy agenda, '*Energise Enterprise*' which is designed to enable small business who do not have the resource of big businesses to meet their obligations.

We particularly support the Productivity Commission's proposal that "*the government should strengthen Cabinet's scrutiny of regulatory proposals by applying similar methods used to scrutinise budget proposals.*" However, we consider that the government should go further. As set out in the third step of the '*Energise Enterprise*' policy agenda, we recommend mandating that every Cabinet submission, preliminary and formal regulatory impact statement, and new policy proposal include a small business impact statement. Adopting this approach would ensure measures intended to affect, or likely to impact, small and family businesses are informed by practical insights and direct input from this community. This, in turn, would lead to policy settings that are more responsive to the scale, resources, operating methods, and real-world constraints of small and family businesses. It would also ensure that decision-makers—namely ministers—are better informed about the needs and challenges faced by this critically important sector of the economy.

Two areas of possible regulatory change at the micro level we have publicly commented on in 2025 are outlined below.

#### *Combatting financial abuse perpetrated through coerced directorships*

In our submission we supported the Government efforts to address misuse of company directorships through coercive control. More specifically we called for greater public awareness of coercive directorship and its illegality, strengthened director identification and removal processes, and legislative amendments to make coerced appointments harder to perpetrate. We also argued for inclusion of coercive control as a statutory defence, and new powers for the ATO to waive debts incurred through coercion. We also recommended training for professional advisers, increased access to free specialist assistance, dedicated agency teams, and clear legislative definitions of coercive control and coerced directorship.

#### *Fair Work Ombudsman's review of the small business employer definition*

In our submission we recommended the definition of a small business employer in section 23 of the *Fair Work Act 2009* reflect modern labour market conditions – i.e. the threshold be increased to fewer than 20 employees with all casual employees excluded. We called for the development of enhanced interactive self-auditing tools to support real-time compliance. We also recommended establishing a dedicated Small Business Commissioner and Small Business Division within the Fair Work Commission to provide simpler, educative and proportionate processes tailored to small business circumstances.



### ***Making the enterprise environment work better for small business and family enterprises***

Improving the enterprise environment for Australia's small businesses and family enterprises requires:

- transparent merchant fee structures and the ability for small businesses to recover the reasonable costs of processing electronic payments where least-cost routing is unavailable
- access to affordable insurance cover
- access to the support they need from government(s) at all levels
- access to skilled workers at a reasonable cost.

The first three of these priorities are reflected as discrete action areas in our '*Energise Enterprise*' policy agenda. In 2025 and early 2026, we made public submissions addressing the first two of these matters, as well as the final issue, as outlined below.

#### *RBA's review of merchant card payment costs and surcharging*

In our submission, we called for mandatory least-cost routing, supported by an appropriate regulatory framework, to be the default for all card transactions, including online and mobile wallets. We also argued that merchants should retain the ability to apply surcharges until both the structural issues within the payments system are resolved and a standardised, transparent fee framework has been developed and implemented.

#### *Department of the Treasury's review of the Terrorism and Cyclone Insurance Act 2003*

In our submission, we acknowledged while the Cyclone Reinsurance Pool is moderating premiums in areas of moderate to high cyclone risk, access to affordable insurance remains an ongoing challenge for many small businesses. We therefore urged the government to further examine the underlying factors contributing to elevated insurance premiums and to identify practical pathways to sustainably lower insurance costs for small businesses.

#### *Inquiry into the value of skilled migration to Australia*

In our submission to the Joint Standing Committee on Migration inquiry we noted Australia's small businesses often face persistent and structural skills shortages; particularly in hard-to-fill occupations. As access to skilled migrants is critical to viability, productivity and growth, we argued the current migration settings are poorly aligned with small business realities. This is due to excessive costs, administrative complexity, income thresholds and inflexible occupation lists.

We therefore called for better labour-market alignment, clearer pathways from temporary to permanent visas, lower fees, and tailored government support to enable small businesses to access and retain skilled workers.

### **Responding to the internal review of the Australian Small Business and Family Enterprise Ombudsman and other capability improvements**

Since its establishment almost a decade ago, ASBFEO has grown to provide an essential service to small businesses through its assistance and advocacy roles. The Ombudsman's independence gives stakeholders confidence that it can appropriately represent the views of small businesses, and its assistance function provides a mechanism for efficient dispute resolution.



The final report of the third independent review of ASBFEO was tabled by the Minister for Small Business 2 September 2025. The review found ASBFEO's services are highly valued by small businesses, their representative bodies, and state and federal government agencies. It did however make a series (15 in total) of recommendations to improve both our effectiveness and efficiency. Most of these recommendations, many of which overlap, are suggestions for enhancing ASBFEO's principle areas of activity as follows:

- Advocating effectively for small business — Recommendations 1, 2, 3 [part], 4, 9 [part], 13 [part] and 14 [part]
- Providing assistance to small businesses — Recommendations 3 [part], 5, 6, 7, 8, 9 [part], 10, 11, and 13 [part].

For ASBFEO to initiate any of the changes associated with these recommendations, its baseline resourcing would need to be increased. Enhancing our ability to advocate effectively for small business would only require a small increase in staffing levels. However, enhancing our assistance capability by, for example increasing the utilisation of AI functionality to our dispute resolution services, will require additional resourcing to support both system development and increased staff levels.

The Australian Government is yet to publish its response to the Review. However, as part of its development, we would urge the Government to explore mechanisms, such as a New Policy Proposal (NPP) for increasing ASBFEO's funding.

We encourage the Government to give serious consideration to the issues and proposals outlined above as it develops its 2026–27 Budget. If you would like to discuss any of the issues raised in this submission further or require further information, or clarification, please contact ASBFEO via email at [advocacy@asbfeo.gov.au](mailto:advocacy@asbfeo.gov.au). Please note that I have chosen to share this submission with your colleague, the Minister for Small Business, the Hon Dr Ann Aly, MP.

Yours sincerely

**The Hon Bruce Billson**

Australian Small Business and Family Enterprise Ombudsman