6 October 2026

Commissioner Barry Sterland and Commissioner Angela Jackson
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

via email: businessreporting@pc.gov.au

Dear Commissioners,

Productivity Commission Inquiry into Business Reporting: Payment Times Reporting Scheme

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to make a submission to the Productivity Commission's inquiry into business reporting.

The ASBFEO supports efforts to ensure business reporting requirements are risk-based, proportionate and effective. Where reporting obligations are imposed on business — whether directly or indirectly through a supply chain — its requirements should be made clear and supported by guidance that explains the link between reporting and the policy objective.

The Payment Times Reporting Scheme was introduced with an important objective: to improve transparency around the payment practices of large businesses and to help small businesses make more informed decisions about who they do business with. Greater visibility of payment performance was intended to encourage better payment practices and provide small businesses with information that could inform commercial decisions.

Feedback received through our engagement with small businesses suggests the practical experience of business relationships is more complex.

For many small businesses, particularly those supplying into concentrated markets, there is often limited ability to choose between customers. In sectors such as grocery retail, a small number of large businesses may account for a significant share of the available market, while many small suppliers compete for the opportunity to sell to them.

This dynamic is also evident in construction and industrial sectors such as mining, where access to work may depend on a relatively small number of large customers, principal contractors or project operators. In these circumstances, a small business may have little practical ability to move from a slow-paying customer to one with better payment practices, even where that information is publicly available.

This does not diminish the value of transparency. Rather, it highlights that information alone may not be sufficient to change outcomes where bargaining power is uneven and commercial alternatives are limited.

Timely payment can have a significant impact on small business viability. Unlike larger organisations, many small businesses operate with limited cash reserves and less capacity to absorb delayed payments. Cash flow pressures can quickly affect a business's ability to pay wages, meet tax obligations, purchase stock or invest in growth. In some circumstances, prolonged payment delays can contribute to financial distress for an otherwise viable business.

The recent announcement by the ATO that it will no longer accept credit card payments will further exacerbate cash flow pressures on small businesses who were already adjusting to the introduction of Payday Super.

Our experience suggests that payment delays remain a significant issue for small businesses. In the June quarter 2026, payment disputes accounted for about 26% of the ASBFEO's new actively managed cases, making them one of the most common reasons small businesses sought our assistance.

By the time a small business seeks our assistance they have typically exhausted other avenues to secure payment and may already be experiencing significant cash flow pressures. This suggests that delayed payment continues to affect the operating environment for many small businesses and, in some cases, may contribute to financial distress for otherwise viable businesses.

We have consistently advocated for payment practices that better reflect the operating realities of small businesses. Shorter payment timeframes can improve cashflow certainty and reduce the extent to which small businesses carry working capital costs associated with longer payment terms.

We acknowledge the improvements made to the Payment Times Reporting Scheme following the 2022 statutory review. However, the scheme remains focused on large reporting entities and does not provide visibility of payment practices among small and medium-sized businesses that fall outside the reporting threshold. While large businesses are often the focus of payment times discussions, poor payment practices can occur throughout supply chains.

Many small businesses continue to accept payment terms set by large customers regardless of reported performance. Maintaining access to a major customer may provide commercial benefits (real or perceived) that outweigh concerns about longer payment terms. As a result, while reporting may influence behaviour at the margins, it does not always provide small businesses with the leverage or choice originally envisaged by the scheme.

As the Commission considers opportunities to improve the efficiency of business reporting, it may be useful to recognise that the effectiveness of transparency-based schemes can be influenced by market structure. Where a small number of large purchasers interact with many competing suppliers, the ability of small businesses to act on disclosed information may be constrained.

Notwithstanding these challenges, the Scheme has provided valuable insights into the payment practices of large businesses and has contributed to greater awareness of the importance of prompt payment. Retaining this transparency while ensuring reporting requirements remain proportionate and targeted will be important to preserving the Scheme's benefits.

As discussed at our meeting on 22 September 2026, we are currently finalising our submission to Treasury's consultation on *Improving the Efficiency of Climate-related Financial Disclosures* and will provide a copy to the Commission once we have submitted to Treasury. We have also been undertaking our own work into the impact of some aspects of business reporting on smaller suppliers and will be happy to share our observations with you when we are able to do so.

If you require any further information, please do not hesitate to contact the Policy and Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

Lynda McAlary-Smith

Australian Small Business and Family Enterprise Ombudsman