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Pre-Budget Submissions  
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28 January 2025

Dear Assistant Treasurer,

**Re: 2025-26 Pre-Budget Submissions**

The Council of Small Business Organisations (**COSBOA**) welcomes the opportunity to provide a submission with respect to the 2025-26 budget. Small and medium businesses are key to the success of Australia's economy and COSBOA thanks the Government for its continuing consultation with COSBOA and its members.

## Background

COSBOA is the national peak body representing the interests of small businesses. Our members represent an estimated 1.3 million of the 2.5 million small and family businesses that operate in Australia. The economic environment has been challenging for many small businesses over the past year. Growth in demand has slowed while input costs remain elevated, putting pressure on profitability – particularly for businesses reliant on discretionary consumer spending.<sup>1</sup>

Approximately 49 per cent of small businesses are not breaking even. Data from the 2024 COSBOA-Square report indicates that Australian micro and small businesses recovered more slowly than their mid-market peers in the first half of 2024. Over the past year, 46% of small businesses have increased prices, and 1-in-5 have streamlined operational processes and changed their approach to marketing or social media in order to cope with current operating conditions. In addition, almost half (49%) of small and medium-sized business owners are

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<sup>1</sup> Reserve Bank of Australia "Small Business Economic and Financial Conditions – October 2024"

feeling less optimistic about the Australian economy in the next 12 months and are calling on policy support from the Federal Government.

Small businesses faced several continuing economic challenges in 2024, including:

- High inflation and stubbornly high interest rates.
- Labour shortages.
- Consumer spending slowdown.
- Industrial relations changes.
- Cash flow and profitability concerns.

Our submission will consider the challenges faced by small business in Australia, and nominate key small business priorities for the 2025-26 budget.

## Key priorities for small businesses in 2025-26 Budget

### Small Business Support

COSBOA continues to support the crucial work of ASBFEO as an independent advocate for small businesses across Australia. ASBFEO aggregates and amplifies shared industry association and stakeholder views, complementing and supporting the work of these advocacy groups without displacing the important and distinct role of organisations like COSBOA.

The \$8 million cut to ASBFEO's budget in 2022 was highly regrettable and COSBOA continues to call for the restoration of ASBFEO's funding base and with appropriate indexation and certainty over the forward estimates.

### Cost of Doing Business

The combined cost of living and the cost of doing business is taking a severe financial and emotional toll on individual business owners and the entire small business ecosystem. The flow-on effects impact the wider economy and, in turn, all Australians. A recent study from MYOB found one-third of small business owners cannot pay themselves due to cash flow challenges, and a quarter have resorted to using their personal savings to keep their businesses running.

COSBOA recommends targeted policy interventions to alleviate business costs including:

- **Energy Prices** - Small business energy efficiency programs, including group buying programs, to negotiate better energy rates.
- **Rental Costs** - Government-backed rent relief programs and tax incentives to landlords who offer affordable rent to small businesses.
- **Insurance Premiums** - Government-backed risk assessment, risk reduction and mitigation programs to promote small business resilience.
- **Barriers to Entry and Exit** - financial support and mentorship for new entrepreneurs.

These interventions will support small business sustainability, enhance business resilience and lead to a reduced cost of living and an environment where both businesses and consumers thrive.

## Tax Reforms

COSBOA strongly advocates that the tax burden on small businesses should be reduced. Small businesses are particularly supportive of the notion that the tax system should be simplified and streamlined to make it more accessible to small business.

Initiatives which proposed include:

- Permanent and larger instant asset write-off
- Consideration of a tax holiday or lower tax rate for new small businesses with appropriate avoidance measures
- A lower company tax rate for small businesses
- Reduction in administrative tax burden

In addition, COSBOA considers that many small businesses face significant challenges when interacting with different state-based taxes. This is particularly the case in relation to payroll tax where the variation in thresholds, rates and administrative requirements creates complexity and unnecessary compliance costs. A harmonised approach to payroll tax with standardised rates and thresholds across jurisdictions would significantly reduce administrative burdens allowing small businesses to focus on supporting their customers. COSBOA submits that taxing employment through payroll taxes is counterintuitive and discourages small businesses from employing more staff.

The Federal Government could play a key role in driving harmonisation, particularly in the context of broader tax reform at both state and federal levels and consider any appropriate alternatives to state-based tax through a review of the effectiveness of the federal GST regime and whether there would be benefits to both simplifying that regime across products and industries or using GST as a vehicle to replace certain state-based tax.

Tax policies should be more equitable to ensure small businesses are not disproportionately burdened compared to larger companies. COSBOA members actively support targeted tax incentives for small businesses that invest in local jobs and innovation.

COSBOA supports the Government's Instant asset write off but believes it should be made permanent and increased to \$150,000 per annum. This would allow small businesses to invest in technological advancements that increase productivity.

COSBOA also advocates that the Government should reintroduce the small business technology investment boost whereby small businesses with an aggregated annual turnover of less than \$50 million will be allowed an additional 20% tax deduction to support their digital operations and digitise their operations. The boost was previously available for business expenses and depreciating assets and is capped at \$100,000 of expenditure per income year with a maximum bonus deduction of \$20,000 per income year. The reintroduction of this incentive would be welcomed by many small businesses in the current environment.

## Industrial Relations and Fair Work Commission

COSBOA considers that industrial relations reforms are needed to create clearer, more accessible rules for small businesses. COSBOA seeks several key reforms and support measures from the Government in the upcoming budget to create a more favourable workplace relations system for small businesses in Australia.

First, small businesses seek Fair Work Act Reform that encompasses:

- A comprehensive review of the Fair Work Act, including Awards, conducted by the Productivity Commission.
- Redefining "small business" to include enterprises with up to 50 full-time equivalent employees, excluding casuals
- Enshrining small business support as a core objective in the Fair Work Act with the objective of reducing regulation and promoting growth.

Second, we seek institutional overhaul by:

- Appointing a dedicated Small Business Advocate within the Fair Work Commission and Fair Work Ombudsman.
- Mandating a Small Business Impact Statement when introducing new legislation or changes to current legislation.

Third, Fair Work regulatory reform by establishing a much-needed Small Business Triage service to pre assess and potentially dismiss frivolous and vexatious complaints against a small business in both the Fair Work Commission and Fair Work Ombudsman to reduce unnecessary costs and "try on" claims.

Fourth, small businesses need immediate legislative action with urgent amendments to the Fair Work Act that exempt small businesses from casual conversion requirements and exclude small businesses from complex costly bargaining systems that can inappropriately rope in a small business to an enterprise agreement.

Over the past 2 years of major changes in the application of the Fair Work Act, has seen a major expansion of union influence that undermines the direct relationship between small businesses and their employees. This has invited unnecessary third-party intervention in workplace matters best handled at the enterprise level.

Additionally, the increasing trend of allowing the Fair Work Commission to hear disputes before workplace-level resolution defeats the purpose of enterprise-level dispute resolution and will increase costs and complexity for small businesses and deters small business from directly engaging in good faith bargaining with their employees.

This bold agenda aims to unleash the potential of Australia's small businesses, driving job creation, boosting productivity, and fostering a more competitive economy. By championing these reforms, COSBOA seeks to create a workplace relations system that truly empowers the backbone of the Australian economy.

## Energy Transition

Straddling the frontline of the energy transition, Australia's small businesses find themselves in a precarious position grappling with rising energy costs and varying energy policies nationally. COSBOA's Small Business Perspective Report 2024 identified that nearly half of small businesses have yet to embark on their green transition due to financial barriers and a lack of knowledge and understanding the costs and benefits of energy policies.

Backed by Energy Consumers Australia, COSBOA's Small Steps. Bright Future. Report 2024 research project illuminates this underexplored territory. Nearly half of small businesses have yet to embark on their green transition, hindered by financial barriers and a lack of knowledge.

The most common actions taken by small businesses are installing solar panels (21%) and implementing energy efficiency practices (21%). However, 63% say it will be difficult to fund the transition to renewable energy, and 36% report low knowledge about what is required.

COSBOA would like the government to support targeted education, advice, and financial resources to help small businesses through the energy transition.

## Cyber Security, Privacy and Artificial Intelligence

COSBOA was relieved that the Government opted not to remove the small business exemption from the Privacy Act 1988 in the recent tranche of privacy reforms and advocates to maintain the exemption into the future. The review of the migration strategy, small businesses continue to face difficulty in attracting

In late 2024, Parliament introduced the mandatory ransomware reporting for businesses that experience a cyber security incident and pay ransomware or cyber extortion payment of money. However, COSBOA notes that turnover thresholds have not yet been defined by Rules and therefore strongly advocates the threshold be defined in the rules as \$10 million which aligns better with more commonly understood definitions of small business. The \$3 million threshold in the Privacy Act has not been indexed since its introduction over two decades ago.

The 72-hour period for mandatory reporting after a ransom payment has been made or knowledge is acquired of a payment being made will significantly impact small businesses already under the stress of dealing with a cyberattack. The Government needs to ensure that sufficient guidance and support is in place for small businesses bound by these new requirements.

COSBOA continues to strongly advocate that education not punishment should be the key driver when managing cyber security in the small business arena. In case studies with small business there were some simple "fixes". Some common risks related to their websites:

- simple website configuration settings that pose significant risks for the business but are relatively easy and cheap to fix.
- how websites could potentially be utilised by hackers and scammers whilst also suggesting remedial action that can be taken through their current IT service providers or website hosts.

COSBOA proudly encourages all small businesses to join our Cyber Wardens program and is appreciative of ongoing Government support for the Program. In tandem to educating small businesses on cyber risks and mitigating steps they can take to avoid an attack, COSBOA believe that government should provide practical assistance in the form of IT, legal or other mechanisms to small businesses dealing with cyber-attacks who do not have these resources and may change the outcomes in terms of ransom payments. From a small business perspective, educating small businesses about where to get support and offering support would potentially provide much more optimal outcomes for dealing with cybercrime and ransom payments than mandatory reporting after the event.

COSBOA believes small businesses hold the key to unlocking Australia's productivity through the responsible use of artificial intelligence (AI). AI can unlock significant productivity gains, providing a potential solution to Australia's productivity challenges. Despite the rapid uptake in some parts of the small business community, many small business owners are concerned at the astonishing speed of AI growth and capabilities, as well as the potential risks they present.

COSBOA advocates for a comprehensive national plan, including education, training, and appropriate regulatory frameworks for the safe and responsible adoption of AI across the small business community. This might include providing resources to assist small businesses in adopting AI tools (for example via an AI Resource Hubs), enforcing transparency and accountability in public sector AI applications, and partnering with industry associations to test AI use cases in small businesses. Furthermore, COSBOA recommends expanding grant programs to foster responsible AI adoption.

### Worker Shortages and Migration

Whilst COSBOA welcomes the review of the migration strategy, small businesses continue to face difficulty in attracting the right workers to fill current shortages across industries. A recent analysis showed more than one-third of occupations nationwide are experiencing shortages, with 50% of technician and trade worker groups particularly affected. This is particularly relevant in respect of industries hiring lower paid workers with essential skills and in regional areas. Migration policies should be made easier to fill critical workplace gaps for small businesses. Appropriate pathways should be created for small businesses to sponsor workers for specific industry needs.

Increases in the Temporary Skilled Migration Income Threshold (TSMIT) from \$53,900 to \$72,000 over recent years have significantly impacted the ability of small businesses to recruit skilled labour in industries where the average salary is lower than the TSMIT. COSBOA would discourage any further increases to the TSMIT at this time,

A comprehensive and strategic approach to worker and skill shortages is needed to support and foster productivity and innovation in Australia's small businesses. This approach should include targeted migration policies, enhanced support systems, and integration of small businesses' needs into national workforce planning. Other support could include tax incentives or breaks to encourage small businesses to upskill and re-skill their employees without fear of losing jobs.

## Education

COSBOA submits that vocational education and training programs need to be aligned with the needs of small businesses. Our members across a wide range of industries have identified worker and skills shortages as well as a lack of appropriate training. Greater emphasis should be placed on completion of training and education for workers whilst also providing incentives to small business employers to provide training and mentorship.

COSBOA is concerned by current proposals to legislate for fee-free TAFE to the extent it would undermine training offered by independent registered training providers who should be given a level playing field to offer courses. This is very important in “thin markets” where TAFE is not able to provide that service due to lack of student numbers and being locked into an inflexible system. COSBOA seeks a commitment from Government to ensure the budget continues to support programs for all learners to gain new skills and existing workers to update skills to meet the needs of a growing and productive workforce and economy.

COSBOA submits that vocational education and training programs need to be aligned with the needs of small businesses beyond the National Training Packages and qualifications. The improvement in productivity can be gained by investing in current employees to be re-skilled or upskilled to meet changing skill needs including AI and digital.

## Procurement

Despite accounting for almost all businesses in Australia (97.5%) and one-third of the country's Gross Domestic Product, small businesses miss out on most Commonwealth government contracts. Tendering for government contracts is expensive and daunting for small businesses lacking the resources to navigate these systems effectively.

To give small businesses a fair chance, the process must be simplified, with less red tape and complexity, COSBOA appeals to the government to simplify the process and act on the Small Business Ombudsman's recommendations to systematically address and remove barriers to Commonwealth procurement contracts. It would also be useful to establish specific programs to assist small businesses to navigate the procurement system and increase the opportunities of success in securing government contracts.

## Regional Development

Small businesses report difficulty attracting staff in remote and regional areas such as the Northern Territory. COSBOA also submits that there should be increased funding for skills development in regional and remote areas.

Access to high-speed internet and infrastructure should be improved for small businesses in regional areas. Similarly, improvement to transport and logistics to and around regional areas would help reduce the cost of doing business in these areas.

Financial incentives to small businesses in regional and remote areas could assist in addressing the liveability issues in attracting talent to those areas, particularly in the context of wellness small businesses. Consideration should also be given to the various Regional reports and submissions from locals that provide solutions to some of their immediate issues.



## Competition and Consumer Reforms

COSBOA is supportive of the ongoing work of the Competition Review. COSBOA has welcomed the introduction in 2024 of the mandatory merger regime to cover creeping acquisitions. We look forward to working with Government to ensure that relevant industries are included in the mandatory merger regime where small business operations could be negatively affected by merger activity.

COSBOA understands that the National Competition Principles were created 30 years ago to address anti-competitive regulations and structures of some public enterprises and services at all three levels of government. COSBOA broadly supports a revitalised principle that ensures consideration of how government processes can limit competition. COSBOA considers that given the nature of change within the economy particularly in respect of the use of digital technologies and AI, the Legislative Review Principle should not be a set and forget process but one capable of regularly considering legislative review based on changes in the economic and competitive landscape. A vital piece for any review of existing or contemplated legislation should involve a comprehensive small business impact assessments at all levels of government to understand the challenges small businesses face in competing on a level playing field.

COSBOA also welcomes the notion regarding the promotion of national coherence of regulatory frameworks and/or mutual recognition. Current discrepancies across jurisdictions create more duplication and reduce productivity for businesses of all sizes and inhibits the free movement and creates barriers to entry in different jurisdictions.

## Conclusion

Government should be committed to ensuring small business owners are supported to be more productive, rather than deterred from employing others and increasing their productivity. Small business owners need a break from the pressures they are currently experiencing in a very difficult operating environment.

We continue to advocate for small business stakeholder consultation in relation to the 2025-26 budget and we look forward to assisting you in this regard wherever possible.

Kind regards,



**Luke Achterstraat**  
Chief Executive Officer