



COUNCIL OF

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Pre-Budget Submissions
Treasury
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Dear Treasurer

2026–27 Pre-Budget Submissions

Introduction

The Council of Small Business Organisations Australia (**COSBOA**) welcomes the opportunity to provide a submission in respect on the 2026-27 budget.

COSBOA is the national peak body representing the interests of small businesses across Australia. Our members represent over 1.3 million of Australia's 2.6 million small and family businesses. In 2022-23, small businesses contributed nearly \$590 billion in revenue to the economy - around one-third of Australia's Gross Domestic Product (GDP).¹ Their viability is essential to employment and Australia's productivity growth.

Small businesses continue to operate in an intensely pressurised environment, from rising costs, workforce shortages, regulatory complexity and an ever-changing digital landscape. These are not new issues, but ones that continue to have a compounding effect alongside long-standing challenges such as a complex tax system and red tape and compliance burdens.

This submission outlines COSBOA's key policy priorities for the 2026-27 Budget.

Executive Summary

COSBOA's pre-budget submission calls for targeted, practical reforms to ensure Australia's small businesses can remain viable, competitive, and confident in investing for future growth. Our key asks are listed below:

- Permanent Instant Asset Write Off Threshold at \$150,000
- Commitment to establish small business energy efficiency programs
- Policy interventions and proposals to address high insurance costs
- Mandatory Small Business Impact Statements with independent verification of compliance cost estimates
- Simplified application and reporting processes for procuring government contracts
- Lower small business tax rate of 20 per cent and tax incentives for unincorporated small businesses
- Overhaul of state payroll taxes
- Support for small businesses to comply with PayDay Super requirements
- Government commitment to reduce regulatory burden and duplication
- Targeted digital literacy training and accessible technology support

¹ Contribution to Australian Gross Domestic Product | ASBFEO 2022-2023 (Accessed July 2025)

- Long-term funding for the Cyber Wardens program
- Continued exemption for small businesses under the Privacy Act
- AI for Small Business
- Targeted incentives for small businesses to offer apprenticeships and traineeships
- Country wide recognition of licenses and qualifications
- Streamlined visa processes and reduced sponsorship fees for small businesses
- Increased funding for skills development in regional and remote areas
- New definition of "small business"
- Dedicated Triage Service be established within the Fair Work Commission
- Continued investment in its Small Business PEAK platform
- Establishment of a National Preventative Investment Framework
- Improved access to high-speed internet and infrastructure for small businesses in regional areas
- Reduce the cost of doing business in regional areas

The following sections set out the key evidence, rationale and actions in detail to support timely budget decisions. A summarised list of the specific policy outcomes requested is at Appendix A.

Key Priorities

Cost of Doing Business

COSBOA's Small Business Perspectives 2025 Report² (**Report**) found that 64 per cent of small businesses reported lower profits than the previous year, highlighting worsening trade conditions. Most small business owners (60 percent) could not pay themselves at some point in the last 12 months, with one quarter frequently using personal savings to keep their business operating.

Small businesses face a disproportionate burden from regulatory compliance, tax system complexity, and disproportionate operational costs that are more easily absorbed by well-resourced larger businesses COSBOA's Small Business Perspective Report 2025 identified that alongside taxes, wages, insurance and compliance, energy was one of the top impacts on small business financial health.

COSBOA continues to support a **permanent Instant Asset Write Off (IAWO) threshold of \$150,000**. Our members have identified computer equipment/software, tools/specialised equipment and vehicles/transport equipment as the top three assets most critical to small business growth. Legislating a permanent IAWO will provide small businesses with the certainty required to invest in these assets to grow their business and increase their output.

Energy Transition

Thirty-one per cent of Report participants rated energy and utility costs as one of the top impacts on their financial position. COSBOA seeks Government commitment to establish **small business energy efficiency programs**, including facilitating group buying schemes to help small business owners better negotiate energy rates.

Accessible Insurance

Rising insurance rates are a core component of escalating costs for small business. A majority of members responding to our Pre-Budget Survey identified the removal of duplicative taxes such as stamp duty on insurance policies as necessary and appropriate government intervention. Members also raised that Government procurement teams are known to incorporate unnecessary insurance

² Small Business Perspectives 2025 Report

requirements and liability caps in contracts, resulting in higher and avoidable insurance costs for small businesses which makes it more difficult for them to compete with larger businesses.

COSBOA seeks policy interventions to **address high insurance costs** for Australia's small business community noting a recent report from the Insurance Council of Australia³ Found that regulation alone is costing insurance customers up to \$3.5 billion each year with more than 30,000 regulatory obligations enforced by 25 different authorities under 300 different regulatory instruments The ICA report identifies the practical steps that regulators can take to make regulation more effective and less costly, including consolidating duplicative provisions, aligning definitions across legislation and regulation, and coordination across agencies.

Competition and Productivity

Small businesses drive innovation, competition and employment. The National Competition Principles were revised in 2025, and, under the National Competition Policy, reforms are underway to boost productivity and competition across Australia. COSBOA reiterates the importance of ensuring small business impact assessments are undertaken by all levels of government when considering legislative or policy reform. We support the Productivity Commission's recommendation⁴ **for greater scrutiny of regulatory proposals** and the appointment of an **independent statutory commissioner** for the **Office of Impact Analysis**. All proposed workplace relations changes should require mandatory Small Business Impact Statements with independent verification of compliance cost estimates.

Accessible procurement opportunities are essential to effective competition. Tendering for government contracts is onerous, expensive and daunting for small businesses, who lack the resources of larger businesses to cost-effectively navigate these processes. COSBOA seeks a **simplified application and reporting processes for procuring government contracts**.

Tax Reforms

The current corporate tax system is not fit for small business purposes. Small businesses are bearing the brunt of the ongoing cost-of-living crisis, while the compliance burden is increasing and skilled labour is more difficult to find. We commend the Government for initiatives announced in 2025 such as cuts to personal income taxes from 1 July 2026 which is likely to benefit sole traders. However, the current small business company tax rate of 25 per cent is negatively impacting entrepreneurs' ability to invest in and grow their small businesses and start-ups.

As recommended by the Productivity Commission, COSBOA supports a **lower tax rate** of 20% for small and medium businesses earning less than \$20 million. However, COSBOA is concerned that potential benefits for small businesses would be wiped out by the proposal to also implement a 5 percent cashflow tax. In our Pre-Budget Survey, members indicated that decreasing the corporate tax rate and GST reform were priority issues for small business. COSBOA also seeks appropriate tax incentives for unincorporated small businesses such as sole traders, partnerships.

An overwhelming majority of pre-budget survey respondents (89%) indicated that COSBOA's policy agenda should prioritise the **overhaul of state payroll taxes**. The resounding view is that payroll taxes are regressive and in effect, a tax on both jobs and growth. Lack of harmonisation across

³ 'The Cost of Regulatory Burden' November 2025

⁴ Productivity Commission, Creating a more dynamic and resilient economy Inquiry report, recommendation 2.3.

jurisdictions impose an unnecessary administrative burden on business and impede the ambition of those small businesses seeking to expand or employ staff across jurisdictions.

The implementation of the PayDay Super regime from 1 July 2026 has created significant uncertainty for small business owners, the majority of whom outsource to third-party payment processors. Our members have identified **significant support** they will require to comply with the new legislation, including significant educational resources and guidance (83%), technical and system support through a directory of approved payroll software providers (76%), subsidies and cash flow management support (53%).

Better Regulation and Reduction of Red Tape

Small businesses spend disproportionate time and resources navigating complex regulatory frameworks across federal, state, and local governments. The cumulative burden of overlapping regulations, inconsistent requirements between jurisdictions, and frequent regulatory changes creates significant barriers to business growth and competitiveness. 45 per cent of respondents to our Report identified regulatory/compliance burdens as a top challenge in 2025. Only 38% respondents said they felt confident in understanding all their regulatory obligations, with 42% indicating they had some understanding but did not feel fully confident. A further 14% were not confident at all.⁵

COSBOA seeks Government commitment to **reduce regulatory duplication** across jurisdictions, including federal legislation and other instruments. Inconsistent requirements inhibit the free movement of labour and create unnecessary barriers to entry. Ongoing work within the National Competition Policy framework is necessary to achieve this aim across differing tiers of government.

Digitisation and Innovation

COSBOA's State of Small Business Report 2025, in partnership with Square, found 85% of businesses use at least one digital tool, with 39% adopting AI for tasks like marketing content generation, customer analytics and social media automation.⁶ Small businesses are at the forefront of digital transformation and require **targeted digital literacy training and accessible technology support**.

We request **long-term funding for the Cyber Wardens program**, which has successfully bolstered the cyber capabilities of both small business operators and employees, making it easier for Australia's small business community to become cyber aware and implement appropriate defensive mechanisms to mitigate potential risks and harms.

COSBOA has long advocated that education is key to mitigating cyber security risks across the economy. Small businesses typically lack dedicated IT personnel, operate within limited budgets and do not have the capacity to navigate complex cyber security frameworks designed for larger organisations. We continue to support maintenance of the **small business Privacy Act exemption for businesses** with a turnover of less than \$3 million. However, we concur with the Productivity Commission that for privacy regulation must be right sized for all businesses, including those small businesses with turnovers over \$3 million. COSBOA requests that future privacy legislation considers the more limited resources of small businesses and ensures that the concerns of the broader public in ensuring data protection are matched with requirements that mitigate those concerns without over-regulating and burdening small businesses with unnecessary red tape. Again, the provision of

⁵ Small Business Perspectives 2025 Report, page 29.

⁶ State of Small Business Report 2025, page 3.

suitable small business focused education and compliance tools will be key to achieving community privacy and data protection objectives

AI for Small Business

Australia wastes 1.51 billion hours annually on small business administration and compliance—equivalent to 725,000 full-time employees doing nothing but paperwork. This administrative burden directly contributes to business failure, with over half a million small businesses currently operating with zero financial reserves.

COSBOA proposes government invest in AI-enabled advisory services for small business - a technology-agnostic platform that integrates with government systems and business software to provide Australia's small business community with real-time support across compliance, tax, employment and operational matters. By meeting small businesses in spaces where they already operate—through their accounting software, business registers and government portals — such tools could dramatically reduce the time and cost of navigating regulatory obligations.

As a peak body, COSBOA is uniquely positioned to confer with government agencies, corporate technology partners, and industry associations in ways that commercial providers cannot. Our technology-agnostic approach ensures any platform leverages the most effective AI solutions available, unconstrained by a single technology ecosystem.

Workforce Skills

Small businesses require flexible, fit-for-purpose training pathways. Skill shortages across all sectors are crippling small business. Industrial relations obligations make it difficult to recruit the right person to meet the differing needs of small business operations. Small businesses are not big businesses on a smaller scale.

Current training and employment models fail to meet the needs of small businesses who often require adjustments and additional support for flexible employment and technical apprenticeship requirements. **Targeted incentives** are needed to address the barriers faced by small businesses so that they can support workers with lifelong skill development in areas such as regional and remote Australia.

COSBOA seeks **recognition of licenses and qualifications** gained in other Australian states and territories within an agreed National Framework. We broadly support the Productivity Commission's recommendation that Jobs and Skills Councils (JSC) should lead the development of toolkits to support streamlined recognition of prior learning assessment practices in high-priority and high-volume pathways. However, we recommend additional funding be provided to JSCs to carry out small business feedback programs in their relevant industries in partnership with associations business representative associations. JSCs and Jobs and Skills Australia need to pay more attention to life small business feedback.

We continue to support work underway by the Government to improve recognition of work-related training and skills through an agreed model. However, **any model must have low administrative costs to ensure uptake.**

Additionally, COSBOA requests Government review of its migration policies to make it easier to address critical workplace shortages for small businesses. We seek **streamlined visa processes** and **reduced sponsorship fees for small businesses**. The Core Skills Occupation List (CSOL) does not fully

capture the lived experience of Australian small business. Shortages continue to affect a range of industries that frequently get left off the list.

We seek increased **funding for skills development in regional and remote areas**. Workers and students in regional and remote Australia need improved access to training programs and digital connectivity to undertake online training.

Workplace Relations

COSBOA members have identified workplace relations and employment obligations as one of the greatest regulatory challenges of business operations.

COSBOA continues to advocate for a **new definition of "small business"** to include businesses with up to 50 full-time equivalent employees, excluding casuals, to reflect modern business structures. We consider **legislative intervention** essential to mitigate the effect of the recent Woolworths/Coles annualised salary interpretation handed down by the Federal Court, by providing clear safe harbour provisions for small businesses operating in good faith.

COSBOA recommends implementing a **dedicated Triage Service be established within the Fair Work Commission** with strict timeframes and simplified procedures tasked with pre-assessing and dismissing vexatious or frivolous complaints and protecting small businesses from costly speculative claims.

COSBOA requests continued and **continued investment in its Small Business PEAK platform**, providing digital compliance tools and plain-language guidance to reduce the burden on time-poor small businesses. Government should consider automatic small business exemptions from non-core workplace relations requirements (unless specifically opted in), to ensure proportionate regulation aligned with business capacity,

Prevention Programs

Small businesses are major providers of care-related services, from general healthcare and allied health to and community care. They play a central role in supporting the wellbeing of Australians and their local communities. COSBOA seeks Government commitment to establish a **National Preventative Investment Framework**. Further, one of the key recommendations by the Productivity Commission was to consolidate multiple registration systems across healthcare. COSBOA considers that this recommendation aligns with its longstanding position requesting a reduction in red tape and compliance costs need to be reduced. Similarly, consolidating multiple accreditation systems across providers across Private Health Insurance, NDIS, DVA and Aged Care would have a similarly beneficial effect and would be welcomed by small businesses in the healthcare sector.

Better Infrastructure in the Regions

The economic potential for regional small businesses is substantial. These businesses require targeted support and structural improvements so that sustainable economic growth is not limited. COSBOA seeks policies to **improve access to high-speed internet and infrastructure** for small businesses in regional areas.

Inefficient and disconnected regional supply chains create significant cost pressures for small businesses. COSBOA seeks policies to **reduce the cost of doing business in regional areas**.

In addition, lack of affordable housing limits the ability to attract and retain skilled workers, while workforce shortages constrain production capacity and business expansion. We recommend the Committee consider opportunities to address housing affordability and workforce development in

regional areas. Without this, small businesses will continue to face structural limitations that impede their growth potential and economic contribution.

Conclusion

The challenges outlined in this submission are not isolated issues. Rising costs, regulatory complexity, skills shortages and inadequate infrastructure have compounded to create an environment where small business owners spend more time on compliance and administration than on growing their businesses.

These measures are not simply concerned with supporting individual businesses but about underpinning the structure of Australia's small business community which is essential to Australia's economic resilience, productivity and international competitiveness.

COSBOA urges the Government to prioritise the small business sector in the 2026-27 Budget. The proposed reforms outlined in this submission are achievable, evidence-based and urgent. We will continue to work co-operatively and constructively wherever possible with the Government to deliver positive outcomes for small business.

Kind regards,



Matthew Addison

Chair, COSBOA

Appendix A

Tax and Financial Measures

- Legislate a permanent Instant Asset Write-Off threshold at \$150,000
- Reduce the small business corporate tax rate from 25% to 20% for businesses earning under \$20 million
- Introduce tax incentives for unincorporated businesses (sole traders, partnerships)
- Overhaul state payroll taxes to reduce burden and harmonize across jurisdictions
- Provide subsidies and cash flow management support for PayDay Super compliance (from July 1, 2026)

Energy and Insurance

- Establish small business energy efficiency programs
- Facilitate group buying schemes for energy rate negotiations
- Remove stamp duty on insurance policies
- Review government procurement insurance requirements to reduce unnecessary costs for small businesses
- Implement regulatory consolidation to reduce insurance compliance costs

Regulatory Reform

- Mandate Small Business Impact Statements for all legislative/policy reforms with independent verification of compliance cost estimates
- Appoint an independent statutory commissioner for the Office of Impact Analysis
- Reduce regulatory duplication across federal, state, and local governments
- Implement automatic small business exemptions from non-core workplace relations requirements
- Simplify application and reporting processes for government contracts

Digital and Cybersecurity

- Provide targeted digital literacy training and accessible technology support
- Secure long-term funding for the Cyber Wardens program
- Maintain the Privacy Act exemption for small businesses with turnover under \$3 million
- Ensure right-sized privacy regulation for businesses over \$3 million
- Invest in AI-enabled advisory services for small business compliance and operations

Workforce and Skills

- Provide targeted incentives for small businesses to offer apprenticeships and traineeships
- Establish nationwide recognition of licenses and qualifications within a National Framework

- Provide additional funding to Jobs and Skills Councils for small business feedback programs
- Streamline visa processes and reduce sponsorship fees for small businesses
- Increase funding for skills development in regional and remote areas

Workplace Relations

- Adopt a new definition of "small business" to include businesses with up to 50 full-time equivalent employees (excluding casuals)
- Implement legislative intervention to provide safe harbour provisions for small businesses on annualised salary arrangements
- Establish a dedicated Triage Service within the Fair Work Commission to dismiss vexatious claims
- Continue investment in the Small Business PEAK platform for digital compliance tools

Healthcare and Prevention

- Establish a National Preventative Investment Framework
- Consolidate multiple registration and accreditation systems across healthcare sectors (Private Health Insurance, NDIS, DVA, Aged Care)

Regional Infrastructure

- Improve access to high-speed internet and infrastructure for regional small businesses
- Implement policies to reduce the cost of doing business in regional areas
- Address housing affordability to help attract and retain skilled workers in regional areas

Education and Support

- Provide significant educational resources and guidance for PayDay Super compliance
- Create technical support through a directory of approved payroll software providers
- Develop small business-focused education and compliance tools for privacy/data protection