



**Small Business
Development Corporation**

Our ref: D18/6957

Matthew Sedgewick
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: regmod@treasury.gov.au

Dear Mr Sedgewick

MODERNISING BUSINESS REGISTERS PROGRAM – REVIEW OF REGISTRY FEES

The Small Business Development Corporation (SBDC) welcomes the opportunity to provide feedback to the Federal Government's consultation paper *Review of Registry Fees*, which examines the structure and quantum of fees to be charged under the modernised business registry system.

As outlined in its submission earlier this year, the SBDC is supportive of the Modernising Business Registers Program, recognising the improved outcomes that will be achieved for the wider business community.

The SBDC has reviewed the consultation paper for the *Review of Registry Fees*, and makes the following comments for consideration.

Principles for registry fees

Reviewing the fees that are charged for business registry entrants and those accessing the data is an important step in consolidating the Australian Business Register and the Australian Securities and Investments Commission (ASIC) business registers into a whole-of-government platform. In the SBDC's experience, poorly designed fee structures can add to the complexity of the approval landscape, unfairly impact on smaller businesses, and add an unreasonable financial burden. Examples of the latter include:

- When government moves to a full cost recovery model, with the associated increase in fees being significant (such as over 100% increase). Compounding this further is when regulating agencies introduce the increased payment at one time rather than taking an incremental approach. Examples of this behaviour includes the Western Australian Pawnbroker and Secondhand Dealers Licence, and the levy recently introduced by ASIC for financial advisors.

- When licence types are consolidated for an industry resulting in increased fees for the new licence category. For smaller, niche businesses this can mean that they are required to now apply for a licence covering more categories (and subsequently paying a higher fee) than they were previously required to do.

The SBDC supports the proposal to review business registry fees in line with the principles of making them simpler, easier to understand, equitable to registrants and those accessing information, and that they should be structured in a way that does not disproportionately impact small businesses. Fees should also aim to balance the need to recover government administration costs, incentivising compliance and revenue generation with the creation of economic benefits to the business community.

Registration and review fees

The SBDC supports the reduction of the company registration fee, and the reduction or abolition of the review fees. It is noted that the consultation paper does not outline an option to remove review fees due to these fees being seen as a driver of compliance. When the Commonwealth Treasury undertakes a cost-benefit analysis of the various reform options for fees, the SBDC believes it would be valuable to also assess the reduction or abolition of review fees. Relevant examples from state and territory governments may provide useful insight into the impacts of reduced renewal fees on compliance, and whether there would be an associated increase in the issuing of late fees.

In the absence of other options presented in the consultation paper, the SBDC supports the proposed restructure of review fees to create a differential system whereby small businesses pay a reduced fee compared to larger businesses. A differential rating system is justifiable in this case to ensure equity between small and large businesses. Small businesses do not have the same capacity to pay government fees compared to their larger counterparts and they generally do not derive as much benefit from registration.

When considering the definition that could be adopted for small businesses, the SBDC is mindful that whenever a regulatory threshold is set (such as thresholds based on number of employees or turnover) there will be a cohort of businesses that are at a disadvantage. These businesses are those that sit just over the threshold that are subject to the same fees and requirements as very large businesses, which can be considered unfair. A similar example of this is the payroll tax threshold, which is viewed by the Western Australian business community as too low, and is acting as a disincentive to employment for businesses just below the threshold.

Although this is the case, a differential fee system is undoubtedly reliant on the establishment of a threshold. The SBDC considers that there may be merit in adopting the definition used by ASIC which uses the following thresholds:

- an annual revenue of less than \$25 million;
- fewer than 50 employees at the end of the financial year; and
- consolidated gross assets of less than \$12.5 million at the end of the financial year.

This definition would capture a larger cohort of businesses than the definition used by the Australian Bureau of Statistics¹, and has been in place for some time.

Search fees

The SBDC supports the abolition of fees for searches of publicly available electronic information held on the modernised business register, and a reduced fee for access to older, paper-based information. This position is based on:

- the cost savings that have already been achieved through digitalisation of records, and the estimated cost savings that will be further achieved through the modernised business registry system;
- the responsibility of government to reduce the cost of doing business for small businesses where possible;
- improving certainty for small businesses as to the identity of other businesses they trade with by improving accessibility of assurance data; and
- consistency with the Commonwealth Government Open Data policy.

Late fees

The SBDC supports simplification of late fees, including the development of a streamlined notification system with easier interfaces with government making it simpler for registrants to update information.

The SBDC also supports the introduction of a tiered set of late fees, whereby a registrant that is two days late with their renewal or payment is not charged the same late fee as a registrant that is 30 days late. This system would be considered equitable for all businesses, particularly small businesses that may lack the resources of their larger counterparts and inadvertently miss a review deadline.

If you would like to discuss this submission in more detail, please contact Ms Lauren Westcott, Senior Policy and Advocacy Officer on (08) 6552 3307 or lauren.westcott@smallbusiness.wa.gov.au.

Yours sincerely



Jacky Finlayson
ACTING SMALL BUSINESS COMMISSIONER

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¹ The Australian Bureau of Statistics classifies small businesses as those employing less than 20 people.