



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

17 December 2020

Pre-Budget Submissions
The Treasury
Langton Crescent
Parkes ACT 2600

via email: prebudgetsubs@treasury.gov.au

Josh

Dear Treasurer

2021-2022 Pre-Budget submission

The Reserve Bank of Australia has projected that it will take until the end of 2021 for our economy to return to the size it had reached by the end of 2019.¹ While the October 2020 Budget rightly focused on measures to support the economy through the pandemic, the next budget must now deliver an ambitious reform agenda to boost productivity and make up for two years of lost economic growth.

Procurement

In 2018-19, only 26% of the total value of Commonwealth Government contracts published on AusTender went to SMEs. Government can help boost jobs and economic growth by giving local small businesses a fairer go at winning government contracts. Specifically, the Commonwealth Government should:

1. Establish a small business procurement panel to manage Commonwealth Government contracts valued up to \$10 million. If a suitable applicant is not found on the panel, the procuring agency should be required to explain its decision before it can approach the wider market.
2. Set higher targets for small business procurement. The current targets for SMEs are at least 10 per cent of all contracts by value; and 35 per cent of all contracts with a value up to \$20 million. The Government easily exceeded these targets in 2018-19. To drive further change, Government should increase these targets to 30% and 50% respectively.
3. Modify the 'SME Exemption up to \$200,000' to apply even where a mandatory panel currently exists.
4. Adopt a model similar to that of the NSW Government, to provide funding and assistance to support small and local businesses to submit tenders and negotiate government contracts.
5. Provide more qualitative reporting on contracts awarded to small business to enable monitoring of how government procurement is building small business capacity.

Taxation

1. Government should abolish Fringe Benefits Tax (FBT) on hospitality, childcare, and gym/fitness expenses to encourage large businesses to spend money in small businesses.
2. Extend loss carry back support to unincorporated businesses. This support could be modelled on the existing rules for income averaging for farmers or special professionals, which allow smoothing of tax payable over a number of years.

¹ RBA Governor Lowe, speech to the Committee for Economic Development of Australia, 16/11/20.



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Insolvency

1. Government has made progress on reforming Australia's insolvency system. Government should maintain this momentum and establish, as a matter of urgency, a small business viability review program. This program would enable small business owners under significant financial stress to obtain up to \$5,000 financial support for tailored advice from a trusted adviser.
2. Government should also increase the statutory demand minimums. For incorporated businesses, the minimum should be \$10,000 with a minimum statutory period of 30 days. For unincorporated small businesses, the minimums should be \$10,000 and 60 days in recognition of their often lower capacity to respond.
3. Finally, Government should reduce the bankruptcy period. The long period currently in place discourages entrepreneurs and the Director Identification Number regime, commencing in 2021, is a more effective way to address the issue of illegal phoenixing.

Other reforms

1. **Childcare.** The childcare system is keeping our highly educated female population from engaging more fully in the workforce, including through running small businesses. The system needs to address the disincentive for primary carers to work, particularly on the fourth and fifth day of the week. One way to do this would be to increase the annual cap on Child Care Subsidy (CCS) payments, or the threshold for the annual cap, as well as the CCS percentage rates.
2. **Industrial Relations (IR).** Our IR system is incredibly complex and resistant to change. RegTech tools exist and work well, but employers cannot rely on them unless they are validated by government. Government should develop a testing and accreditation system so that RegTech can start delivering real benefits to small business. Where an accredited RegTech system makes a mistake, a small business would need to pay back any amounts owing but not face penalties.
3. **Revenue-contingent loans.** Government should introduce a revenue-contingent loan for small business to replace JobKeeper when it is phased out. This would support businesses that are not fully recovered when JobKeeper ends. Repayments would be required once turnover reached a set level and would be calculated on a percentage of turnover.
4. **Permanent funding for *NewAccess for Small Business* service.** The Government committed \$4.26 million in the 2020-21 budget year to expand Beyond Blue's *NewAccess* program, in partnership with ASBFEO, to provide small business owners with access to free one-on-one telehealth sessions with specially trained mental health coaches. This service should be funded on an ongoing basis and integrated into dispute resolution processes.
5. **Early release of super.** Government should consider an additional early release of superannuation in FY 2020-21 for particularly hard-hit businesses, such as travel agents.

If you would like to discuss this matter further, please contact Mr Alex Maskiell on 02 6213 7446 or by email to alex.maskiell@asbfeo.gov.au.

Yours sincerely

Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman