

**Council of
Small Business
Australia**



**Budget Priorities Statement
2018-19**

**Supporting small business -
the backbone of our economy.**

Council of Small Business Australia

The Council of Small Business Australia (COSBOA) is the national peak body representing the views of Australian small business associations.

COSBOA represents the hard-working individuals, partnerships, and families that are behind over 2 million small businesses in Australia. These people help to both build Australia's economic prosperity and provide meaningful employment for more than 4.4 million Australians.

The members of COSBOA are diverse. From hairdressers to motor mechanics, craft brewers to local grocers, we represent a wide range of industries and employers. While the views of our 31 members are also diverse, they are all passionate about small business and recognise the value that small businesses bring to the Australian economy.

Most people who run small businesses do not have the time, resources and or expertise to advocate for change when policies are not working for them. COSBOA is focused on ensuring their challenges and concerns are both heard and understood by government.

Our goals are to:

- Promote and support the development of small businesses in Australia.
- Advocate to advance the interests of small businesses in Australia, including policy change and regulatory reform.
- Foster an increased awareness and understanding of the role of small business in Australia amongst public servants and elected government officials, larger businesses, the media and the general community.

Council of Small Business Australia

Ph: 02 9431 8646

E: info@cosboa.org.au

PO Box 576

CROWS NEST NSW 1585

www.cosboa.org.au

© Council of Small Business Australia - 2018

A message from the CEO & Chair

“Small business owners employ over 4.4 million Australians and drive innovation in our economy.

Looking at the past few decades, we can see that the Governments who have supported small businesses created increased employment and improved economic growth.

The success of Australia depends on the success of small business. We need to continue to create better incentives to encourage our small businesses to invest and Innovate. Small business owners are people who deserve the respect of all Australian governments.

Supporting start-ups, perusing business tax reductions, improving cyber security protection will be important in 2018-19.”



Peter Strong
CEO



Mark McKenzie
Board Chair

“As the new Chair of the COSBOA Board, I have spent time listening to the current challenges for small businesses in Australia. They want practical policies that genuinely help them to succeed.

The 2018-19 Budget is a significant opportunity for the Australian Government to show small business people that they are looking after their interests.

While small business policy isn't only about the Budget, maintaining lower tax rates and instant asset write-offs are valuable initiatives. These should be continued to promote economic growth and improve small business confidence.”

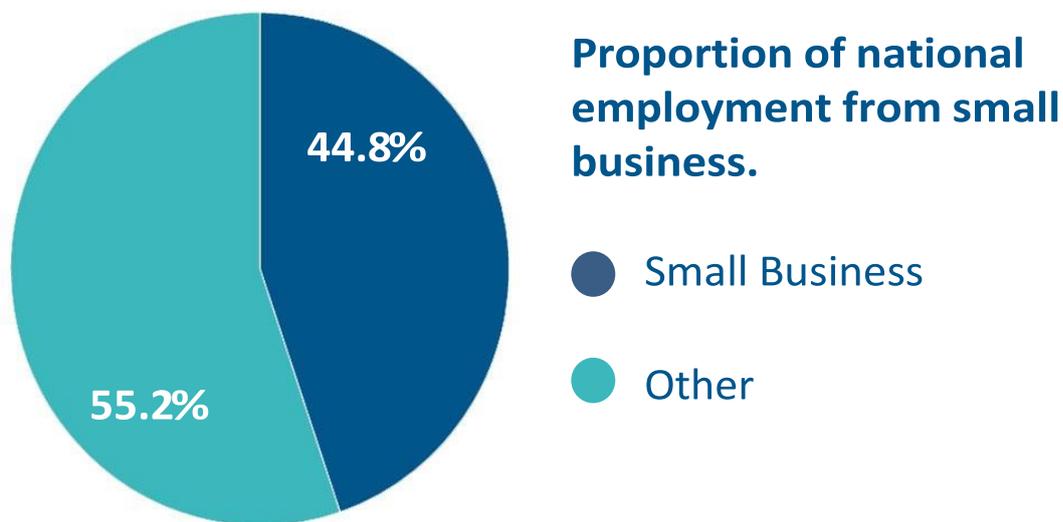
**Behind every small business is a person,
partnership or family.**

**Australian small businesses don't just
contribute to economic growth, they
strengthen local communities.**

**There are over 2 million small businesses
in Australia.**

**Over 4.8 million Australians rely on a small
business for their job.**

**Small businesses – the backbone of
our economy.**



The Australian Government consistently acknowledges that small business helps to drive the economy. There are over 2 million small businesses in Australia, employing 4.8 million people, almost 50% of the nation. Supporting small businesses to succeed is important for the Australian economy, but it is also important for communities right across our country.

Overview: economic growth starts with small business

Australian small businesses are the backbone of the national economy both through employment and local economic development. While we know that larger companies are significant to job creation and tax revenue, it is the local small businesses that contribute to the employment of 4.8 million Australians. The local car dealerships, cafes, newsagents and hairdressers contribute to both national and state tax revenue and underpin a range of services provided by governments. We must support our small businesses to succeed so that our nation continues to thrive into the future.

Australians understand how small businesses build stronger and more resilient communities. Every day, local families interact with people from small business and they can see what it means for a small business owner to have support from the government. From employing and training local young people to providing essential services, Australians know that supporting small businesses improves their local and national economy.

Those involved in small business are passionate about their local communities. Many small businesses in Australia are run by families who genuinely care about the local communities they serve. People in small businesses give back by employing local kids, providing food for the community netball team or giving a discount to that young couple for their wedding cake. They are often volunteers too, helping out as a surf life saver, in Rotary or with the Rural Fire Service.

The contribution of Australians who run small businesses does not go unnoticed by the wider community. Policies should support and encourage small businesses to enhance our communities. This isn't just about economic outcomes, it is about social ones too.

The 2018-19 financial year will continue to present significant opportunities and challenges for Australia and our small businesses. Low wage growth and reduced profits are impacting our economy. While the deficit is decreasing, reduced revenue may impact the fiscal outlook over the long-term. This presents a range of challenges for small business and creates an uncertain outlook for investment. Current confusion surrounding global free trade agreements and differing approaches to trade from traditional global partners such as the United States and the United Kingdom are contributing to this.

COSBOA and our members will continue to prioritise sound economic management as our key priority for the Australian Government. Maintaining Australia's strong economy must be a priority for members of the current Parliament, and we will continue to work with all leaders to support this. We call on the Australian Government to work more proactively with both the cross-bench and the Opposition to develop bipartisan measures to lower national debt and stimulate job growth. Increasing job opportunities and maintaining our AAA Credit Rating are both essential.

COSBOA is pleased to note that the Government continues to highlight their focus on small business. Despite this, people who run small businesses have not received the support they need from their leaders in past budgets. In the words of the Editorial Board of the Australian Financial Review in 2016, the Government seems 'timid' when it comes to introducing reforms that will promote jobs and growth. We encourage them to be bold.

As we have previously stated, more needs to be done to enable small businesses to innovate and invest in creating additional jobs. We need a more flexible approach to industrial relations for small business. Without an improved approach to taxation to businesses of all sizes, a reduction in red tape, and policies that encourage investment in new enterprises, the Government will not be able to stimulate job growth. While there are a number of policies and budget measures that do support small business, there is room for significant improvement.

COSBOA has developed five ongoing priorities that we will continue to focus on in our advocacy to Government, both for the 2018-19 Budget and into the future.

Priority One: Encourage investment and innovation through a combination of lower tax rates, tax incentives, and targeted programs.

Priority Two: Promote productivity through reducing red tape and enhancing flexibility for small business owners.

Priority Three: Invest in a world-class education system that focuses on developing our future entrepreneurs and ensuring that students are job-ready.

Priority Four: Enhance our skilled workforce by improving and establishing training and skill development programs for new and existing employees of small businesses.

Priority Five: Develop new pathways into employment in small business.

Priority One: Investment & Innovation

Encouraging investment and innovation in small businesses must be a core priority of the Government's 2018-19 Budget. Finance must be made more available for small businesses to invest in modernising equipment, funding new ideas, developing staff and creating more jobs. This is good for the economy and local communities around Australia

Despite small business employing over 4.8 million Australians, the growth in small business employment has not been as significant as in other areas. COSBOA believes that small business remains an area where significant jobs growth can be made under the right circumstances. This will only happen if increased opportunities for investment and innovation are provided in the upcoming Budget.

Providing additional cash flow for small businesses is important to stimulating economic activity through increased spending. The following budget proposals do not just support small businesses but help the economy as a whole.

COSBOA believes the Budget should include the following recommendations:

1.1 Lower tax rates for all businesses

COSBOA welcomes the current Government's commitment to lowering the tax rate for all businesses. While a timeline has been outlined, we believe that this must be brought forward for all businesses. This will encourage investment and create new employment opportunities. Lowering the tax rate is particularly important now after the passing of legislation in the United States to lower their tax rates for all companies. The Government must develop case studies to support their work explaining that corporate tax cuts do not give individuals more income but instead create opportunities to develop new jobs.

1.2 Extend and enhance the \$20,000 instant asset write-off

COSBOA congratulates the Government for maintaining their \$20,000 instant asset write-off for small businesses. This successful policy should be continued in the 2018-19 Budget. This is an important policy to all small businesses and we believe it must continue going forward. While this has been taken up by many businesses around the country, the government must collaborate more actively with small business associations to ensure that each industry is aware of how the write-off can be used. This will continue to promote economic growth.

1.3 Establish a small business investment allowance

COSBOA recognises that the Australian economy needs stimulus to improve both confidence and financial activity. To meet this need, we support the push by the

Commercial Asset Finance Brokers Association of Australia to establish an investment allowance for eligible capital investment above \$20,000 and up to \$2 million. This investment allowance should be available to small businesses and be designed to encourage investment through spending that will stimulate the economy.

1.4 Provide incentives for investment in start-ups

Start-ups in Australia struggle to obtain capital to ensure their investment is viable. COSBOA believes that the Budget must adopt measures that improve Australia's start-up climate. In particular, young Australians who want to establish their own business can struggle to gain access to financial support due to their lack of home ownership. COSBOA calls on the Government to support all entrepreneurs through the provision of assistance programs and improved access to seed capital. A special government investment program should be developed to assist inspiring young entrepreneurs with access to finance. Additional tax concessions in the initial 3-5 years of operation could also be considered.

1.5 Provide incentives and additional grants for investment in research & development

Research and development are essential to providing more opportunities for small businesses in the 21st century. While modern technology is one area with opportunities, more traditional innovation in product ideas have the potential to reap long-term benefits for the Australian economy. The Government should have a requirement for universities to invest 2% of their government research and development funding in SME and start-up ideas. This should not include intellectual property (IP) requirements and restrictions that benefit the university, but rather deliver new IP for Australian innovators and companies.

1.6 Provide national leadership with a commitment to tax reform in 2018

COSBOA believes that a lower tax rate for small businesses will increase investment and enable further job creation. While this will boost economic activity, national leadership is needed to address our revenue shortfall more broadly. Budget cuts alone will not solve our ongoing program. For many small business owners, the pension, Medicare, the NDIS, and a strong public education system are vital. Working to maintain core funding for these essential services, while having lower tax levels for small businesses needs to be a priority for all members of Parliament. We know that the Australian Government wants this and COSBOA is willing to actively support this. Tax reform is essential to long-term economic growth.

Priority Two: Productivity & Efficiency

COSBOA believes that promoting productivity and efficiency in small businesses must be another key priority in this Budget. Increasing productivity and efficiency in small businesses allows small business owners to focus on growing and developing their business. The more time people spend on government red tape and compliance, the less time they spend on improving their business and creating more job opportunities.

COSBOA believes the Budget should include the following recommendations:

2.1 Supporting simplification of tax compliance

COSBOA supports the Governments work to simplify the BAS system and encourages the Government to continue to do this and invest in a more simple system. This minimises the challenges and complexities for small business and increases productivity. We call on the government to research the potential for using 'big data' to simply the tax collection system for small business. COSBOA is eager to work with the Government on this to reduce the burden and costs associated with tax compliance

2.2 Simplify the operation of modern awards for small business

COSBOA constantly hears the concerns of small business owners and people who employ staff from different industries about the complexity of modern awards. Workplace relations is a significant area where the government can reduce red tape for small business owners. We need a flexible system that supports small businesses by making distinctions between big and small business compliance when appropriate.

2.3 Lead a national 'pay on time' campaign

COSBOA has been working with the Australian Small Business and Family Enterprise Ombudsman, the Business Council of Australia (BCA), and the Victorian Government on a campaign to ensure small business invoices are paid on time. The constant hold-up of payments across all small businesses is hurting our economy by slowing the flow of finance. The Government should now lead the current campaign to ensure small businesses are paid on time. COSBOA welcomes the Prime Minister's commitment to improving this; however, calls on the Government to adopt all the Ombudsman's recent recommendations on this issue. The Government should also ensure that all big businesses that receive government contracts should do the same.

2.4 Removal of businesses from the collection of superannuation

Small business should not be the collection point for superannuation. This is inefficient and decreases productivity, reducing the time that a small business owner can spend on improving

their business and training staff. Instead, they spend time on constantly updating forms and information, something they are not paid for. The collection process should be placed into PAYG.

2.5 Removal of pay clerk responsibilities for Government parental leave

Small businesses should not be required to be the pay clerk for parental leave funded by the Government. This leave should be paid directly by the Government to the parent, removing an administrative burden on small businesses. This payment is complex for small business accounting and creates difficulties for small business owners.

2.6 Adjustment of maternity leave payment schedule for small business women

The Government should recognise that small business women are in a special situation when it comes to paid maternity leave. Women who are running a small business are often unable to take 18 weeks paid leave in one block. This should be able to be staggered over a 12 month period, supporting modern working women with a progressive approach to maternity leave.

2.7 Domestic violence leave

COSBOA recognises the significant challenge that our society faces in ending the scourge of domestic violence. Small business owners and their employees can be severely impacted by domestic violence. Unlike larger organisation, small businesses rarely have resources to respond to this effectively. COSBOA believes that the Government should design and implement mechanisms, outside of the industrial relations system, to provide tailored support to small businesses that are dealing with the negative impact of domestic violence. This must specifically address the serious impact domestic violence has on both small business owners and employees who are directly affected.

2.8 Fund a national mental health campaign focused on small business owners

COSBOA recognises that mental health is a significant challenge for many in Australia. With the various pressures and stress they face, small business owners and their staff are particularly vulnerable and don't have a supervisor looking out for them. COSBOA acknowledges past efforts on mental health issues in the workplace to-date; however, these initiatives do not adequately address the complex challenges of mental health in a small business environment. The Budget should invest in a national mental health campaign focused on people working in small business.

2.9 Giving small business a senior focus in regulating bodies

COSBOA believes that each of the major independent economic regulatory authorities should contain at least one dedicated representative of the small business sector amongst its board of governors or statutory Commissioners. The ACCC has a dedicated Deputy Chair with knowledge of, and experience in, small business issues, and this has worked very well. We believe similar positions should exist amongst the ASIC Commissioners and the RBA board of governors.

Priority Three: Education

COSBOA recognises the important role that education plays in preparing our students for the workforce. An equitable and quality education system will ensure students have the literacy and numeracy skills needed in the workplace and give young entrepreneurs the skills to turn their innovative ideas into a reality.

We know that growth and improvement in small businesses come when we invest in people. Developing active and engaged employees starts from early childhood and school education is particularly important for this. Unfortunately, the latest PISA results highlight that Australia is falling behind in educational attainment and maintains an inequitable education system. This must be addressed.

Equity in our education system is also important for the economy. Currently, the quality of educational opportunities for young people in Australia is determined more by their postcode than how hard they are willing to work. An inequitable funding system means that some students who could have been our nations brightest entrepreneurs in small business may get left behind. Equity in educational outcomes is an immense challenge for Australia and while we commend the work on needs-based funding models and teacher quality initiatives, more needs to be done.

A key challenge is ensuring that students who are disengaged have the right opportunities to be exposed to pathways into business during their time in senior secondary school in particular. Many of our disruptive students go on to create their own businesses. Schools must be supported to provide students with opportunities that both engage them and provide opportunities for them to develop real skills for the workforce.

COSBOA believes the Budget should include the following recommendations:

3.1 Expand the New Enterprise Incentive Scheme (NEIS) to include students

The NEIS is a successful employment program and should be expanded. Many students have the potential to be successful small business owners but lack the required structure, funding, and encouragement. NEIS should be funded to provide a school leavers program in partnership with schools. This should include mentoring and transition arrangements for motivated students interested in starting a business during years 11-12.

3.2 Encourage and enhance existing school business training programs

Schools around Australia are working with organisations like the Foundation for Young Australians and ABW Enterprise Education to provide unique business experiences for students. Despite this, many students do not have access to these programs. The Budget should adopt a

program that encourages the development of more business education programs in schools that incorporate real world experience. In all programs, it should be a requirement that local businesses are engaged in supporting students through presentations, site visits and mentoring.

3.3 Adopt a national approach to life-long learning

COSBOA recognises that in the 21st century, employees will need to constantly retrain and develop their skills. The need for retraining is significantly increased through the rapid development of new technologies. Governments should work in-partnership with business to develop and implement programs that support life-long learning. COSBOA is eager to work with the Government, the Business Council of Australia, and the Australian Industry Skills Council to develop a national life-long learning strategy. In particular, it will be important to change the attitudes of Australians towards retraining and reduce the reluctance of elements within the workforce to adoption of new technology.

3.4 Develop a ‘future employer’ training program for school leavers

COSBOA recognises that there are many young people in our schools today who will be employers in the future. These innovative students will create the jobs of the 21st century and are leaders we must invest in today. COSBOA believes the Government has a significant role to play in initiating the development of a pilot ‘Future Employer Training Program’ for students in years 11-12 who are interested in starting their own business. This should operate in regions and support students to understand some of the complex requirements of running a small business and provide mentoring opportunities for them. There is currently no recognition in the school system of young people ‘in business’ and we need to provide examples of how schools can identify and support the next generation of small business owners.

3.5 Develop an ICT and cyber security awareness program

COSBOA has often heard from members who are concerned about both ICT and cyber security risks. While we have developed our own education program and security package, more needs to be done. Many people in small business do not have the skills or knowledge to understand and manage these new risks of operating businesses in the 21st century. COSBOA calls upon the Government to develop an awareness and training program for small businesses to be delivered by high schools to small businesses in their community. By doing this, the Government would be supporting schools to engage with small businesses and provide a national approach to increasing awareness of ICT and cyber security risks. Schools must be resourced to provide cyber security awareness programs, potentially through school-visit programs similar to “Healthy Harold”.

Priority Four: Training

COSBOA recognises the critical role that each sector of education plays in preparing young Australians to actively participate in the workforce.

School education in Australia must prepare our children with the foundational skills they need for employment while developing individual passions and nurturing an entrepreneurial spirit in students.

Vocational education and training (VET) must provide essential skills needed by our small business, entrepreneurs and industries.

Higher education must focus on and developing the creative thinkers and inventors who will provide the discoveries and innovations that will drive economic growth through research.

Affordable and quality training opportunities allow people of all ages to have the skills they need to enter the workforce. From developing our young apprentices to ensuring our older workforce can retrain and maintain meaningful employment, training opportunities are critical to small business. Training should be driven by skills needs and productivity gains, and industry and small business must be included in the development of government policy and training programs.

Australian governments play a critical role in shaping education and training policies that drive productivity and economic growth. Despite the VET reforms Governments and the VET system have struggled to address small business needs. Governments must listen to small business and industry voices to improve existing VET policies. VET needs to develop our young apprentices as well as ensuring the older workforce can be retrain and maintain meaningful employment. Training opportunities are critical to small business and should be driven by skills needs and productivity gains.

COSBOA believes the Budget should include the following recommendations:

4.1 Needs-based training funding

COSBOA recognises that the Government is trying to improve our current model of training. To support this, the Government must invest in consultation and collaboration between industry groups, businesses, employee representatives and training providers. Primarily, this should be focused on Australia's current and future employment needs and what training should be funded and or subsidised through incentive schemes to meet small business/ industry needs and ensure productivity gains.

4.2 Increased accountability for funding programs

COSBOA is concerned by the lack of consistency and accountability of Government funding flowing to agencies, state and territories and supporting systems for implementing training. This must be improved with a focus on delivering funding towards training that meets national skill priorities. In the VET area, industry stakeholders should be part of the consultative process and may be engaged to manage some of the programs in conjunction with the agencies and governments – especially in auditing delivery programs, assessment processes and priorities to achieve the needs of the industry.

4.3 Ensure apprentices are supported during training

COSBOA recognises the difficulties that apprentices and trainees go through during their training. The current system appears to be driven by numbers achieved and not by meeting specific industry needs. There must be recognition in the system that certain industries have specific needs and require additional support such as in the area of technical skills where training demands and costs are higher. This should be reflected in the National Training Packages and their companion volumes. Government programs must also differentiate between the traditional employment model and the ever increasing contractor model where most small businesses are now flourishing. The Group Training concept and programs require a review to provide support and stability for traditional industries and also encouraged and supported to expand into other industries that may require limited support to meet local and/or industry skill needs.

While many small businesses take a risk and offer a unique educational experience when taking on an traditional apprentice, small business owners value their apprentices. COSBOA believes the Government should initiate an inquiry into the feasibility of completing an apprenticeship today, focused on delivery, costs to the employer and apprentice and the support systems involved. This should be conducted with a view to creating a new industry committee, focused on reviewing current Government support arrangement for apprentices. The aim should be to encourage more people to take an apprenticeship route into employment and possibly create a updated model.

4.4 Introduce a modern cadetship program

A new approach is required in recognition of the changing worker model that includes both employment and contractor-based skills. This requires a rethink in regard to both the funding and training of these people. In the traditional employment model, the employer takes the responsibility for the development of their workers, however with the increasing usage of contractors the current VET system must be flexible to encourage workers who wish to become, self-employed, contractors or entrepreneurs.

The cadetship and/or internship program could be expanded to include all age groups within a selected industry (preferably technical) to understand how to run a small contracting business and provide support with a period of on and off the job support. Version of this concept are currently in place but are tied up with tight eligibility criteria (such as age), legal and bureaucratic systems.

Priority Five: Employment

COSBOA commends the Government for working to provide greater access to employment, important for all Australians. Having a job is linked to a range of social outcomes for the individual including improved health and broader social cohesion. Developing a skilled workforce and adopting policies that encourage job growth is the key to increasing employment.

Small businesses are an important part of increasing employment in Australia. While COSBOA and our members are passionate about job growth, the Government must develop strategic policies to achieve this.

Our current system for employment support services is letting unemployed Australians and our industries down. While training needs to be linked with employment potential, support services must not be focused on pure numbers. Instead, key performance indicators for employment service providers must be focused on employment opportunities generated and meeting industry employment needs.

COSBOA has previously called on the Government to review these services as the current approach is not working. We want to see an integrated service delivery model that responds to local and industry demands and engage those Australians who are out of work.

COSBOA believes the Budget should include the following recommendations:

5.1 Reinvest in a new “National Employment Network”

COSBOA believes that the Government must work with the Parliament to establish an independent body to oversee and coordinate a strategic national approach to employment. This “National Employment Network” (NEN) would focus on driving employment across the country. By coordinating and developing a genuine national employment strategy, engaging with industry and local and regional stakeholders, and delivering employment services, the NEN would help drive a national push towards achieving ‘full’ employment at both the local and national level. This network could be funded by redirecting funding from existing contracted employment services.

5.2 Empower local communities to focus on employment

COSBOA believes that local communities should empower the NEN to create regional networks focused on employment. This could be similar to primary health networks or regional development boards run through Regional Development Australia. This should focus on bringing together local and regional industry bodies, employer groups, local government, training organisations, and schools.

5.3 Improving the New Enterprise Incentive Scheme (NEIS)

COSBOA believes that the effective NEIS program should be reviewed and expanded or improved if possible. One challenge is for people who have tried the scheme but their first business idea did not work. Learning from challenges and the ability to get back up and give it a go again is an important characteristic of successful small business owners. Past participation in the scheme should not stop people from accessing the program for a second time.



www.cosboa.org.au