

Council of Small Business Australia



Budget Priorities Statement 2017-18

**Economic growth starts with
supporting small business.**

January 2017

www.cosboa.org.au

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 through 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

A message from the CEO & Chair

“Small business owners are people and they vote.

Our small businesses employ over 4.8 million Australians. Supporting the Budget priorities outlined by COSBOA would send a strong message to small business people that this Government wants them to succeed.

The economic strength of Australia depends on the success of small business. We need to create better incentives to encourage our small businesses to invest and innovate. Our small business people have the ideas, we must give them the environment in which they can flourish.

From encouraging start-ups to tax incentives, small businesses and the people behind them are calling on this Government to listen and act in this Budget.”



Peter Strong
Chief Executive Officer



Paul Nielsen
Chair

“We hear a lot of talk about how important small business is. We see a lot of pollies in high-vis vests. But where are the policy outcomes?”

As Chair of the COSBOA Board, I have seen how hard the people who run small businesses in Australia work to turn their ideas into a reality and expand opportunities for their community. They want practical policies that genuinely help.

The 2017-18 Budget is a great opportunity for the Government to show small business people that they are looking after their interests.

While small business policy isn't only about the Budget, a lower tax rate, maintaining the asset write-off and investing in skills training would be a good start.”

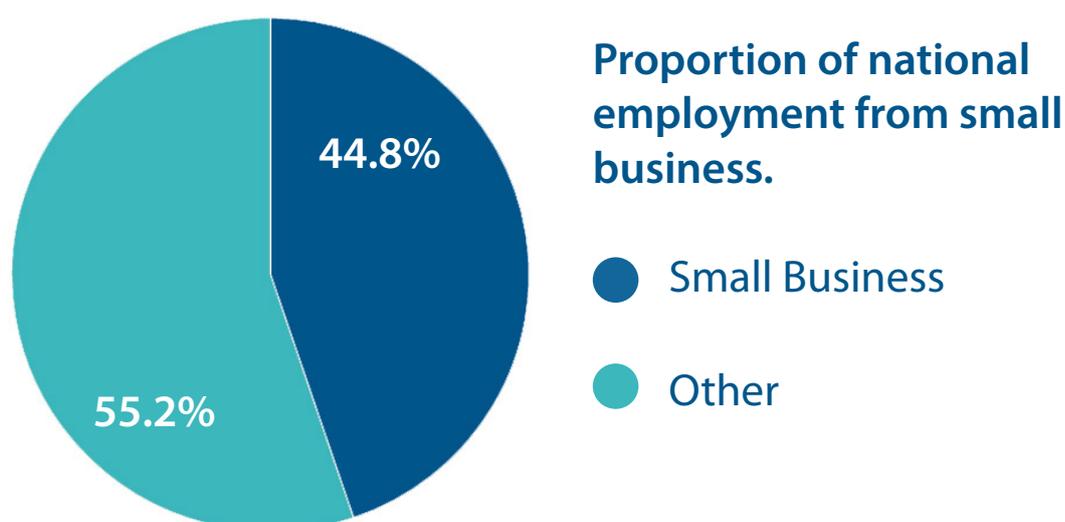
Behind every small business is a person, partnership or family.

Small businesses don't just contribute to economic growth, they build our communities.

There are a over 2 million small businesses in Australia.

Our small businesses employ over 4.8 million Australians.

They also generate \$379 billion worth of industry value added.



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

Small businesses make a significant contribution to the national economy both through employment and local economic development. While small businesses may not generate the same amount of revenue as mining companies they remain crucial to national economic growth. Small businesses contribute to both national and state tax revenue and underpin a range of services provided by governments.

Whether they are enjoying fish 'n chip's from the local beach take away or asking their mechanic to sponsor the junior footy team, Australian's understand how small businesses build stronger and more resilient communities. From employing local students to providing essential services, small businesses are an important part of local economies.

People involved in small business are passionate about their local communities. Many small businesses in Australia are run by local families who care about the people where they live. 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 people who run small businesses does not go unnoticed and 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 2017-18 financial year will continue to present significant opportunities and challenges for Australia and our small businesses. With the deficit increasing, low wage growth and reduced profits are impacting our economy. This presents a range of challenges for small business and creates an uncertain outlook for investment. Current confusion surrounding global free trade agreements contributes to this.

Ensuring the economy is managed well during our uncertain economic times is an important priority for COSBOA and should also be a priority for members of the current Parliament. We call on the Australian Government to work 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 must be a priority.

COSBOA has been pleased to see the Government consistently declare 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.

More needs to be done to enable small businesses to innovate and invest in creating additional jobs. We also need a more flexible approach to industrial relations for small business. Without an improved approach to tax, 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.

There are five key priorities that COSBOA believes the Government must address in the 2017-18 Budget.

- **Priority One:** Encouraging investment and innovation through tax incentives and targeted programs (p 7).
- **Priority Two:** Promoting productivity through reducing red tape and enhancing flexibility for small business owners (p 9).
- **Priority Three:** Invest in a world-class education system that focuses on developing our future entrepreneurs and ensuring that students become job-ready by the time they graduate (p 11).
- **Priority Four:** Maintaining our skilled workforce by establishing and improving training and skill development programs for new and existing employees of small businesses (p 13).
- **Priority Five:** Developing new pathways into employment in small business (p 15).

Specific ideas and recommendations linked to each priority are outlined below.

COSBOA recognises that the Australian Government is working towards strong economic management but believes it must do more. COSBOA has developed the proposals contained in our 2017-18 Pre-Budget Submission to support the Government in this aim. Backing people in small businesses must be a priority for the Government in this Budget and COSBOA is eager to work with the Government to ensure this occurs. COSBOA look forward to seeing positive new Budget measures outlined by the Treasurer in May.

Encouraging investment and innovation in small businesses must be a core priority of the Government's 2017-18 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 the small business tax rate**

COSBOA welcomes the current Government's commitment to lowering the tax rate for businesses. While a timeline has been outlined, we believe that this must be brought forward for small businesses. This will encourage investment and create new employment opportunities. The Government must develop case studies that show that the 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 welcomes the Small Business Minister's push to extend the current \$20,000 instant asset write-off for small businesses. This is an important policy to all small businesses and we believe it must continue going forward. To further free-up finances and encourage small business owners to invest in modernisation or more employees, the Government should backdate the \$20,000 amount. It should apply to all to items that remain on a small business' balance sheet which were purchased by the small business before it was introduced in 2015.

■ **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. 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. This can be achieved through the provision of assistance programs and encouraging the development of additional low-cost seed capital opportunities for innovators and entrepreneurs. Additional tax concessions in the initial 3-5 years of operation must also be considered.

■ **1.5 Supporting young people with limited access to equity**

Young Australians who want to invest in new business ideas struggle to get financed in Australia. This is due to the lack of home ownership amongst young people. This is an equity issue as young people who don't have access to their parent's equity are unable to enter the small business market. Only those from wealthy families have access to these opportunities creating a small business 'opportunity gap'. The government should guarantee start-up investment loans for young people.



■ **1.6 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.

■ **1.7 Provide national leadership with a commitment to tax reform in 2017**

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.

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 Government's 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 simplify 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 Researching the benefits of a small business enterprise award**

COSBOA constantly hears the concerns of small business owners and people who employ staff from different industries that employment in small business can be complex. Workplace relations is a significant area where the government can reduce red tape. We need a flexible small business award or a 'safe harbour' employment policy for small businesses. The Government should fund research into the benefits of this by commissioning a review to examine the potential for a small business award in Australia. This would generate additional employment. This research should also consider methods to incorporate appropriate tailoring options for small business within current awards used by small businesses. The focus must always be on reducing unnecessary red tape and simplification of contract for both the employer and employee.

■ **2.3 Lead a national 'pay on time' campaign**

COSBOA has been working with the Australian Small Business and Family Enterprise Ombudsman 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 lead the current campaign to ensure small businesses are paid on time. This could start with paying small businesses within 15 days of invoices. The U.S. Government has committed to this and it has strong benefits. This should be brought onto the COAG agenda. The Government should also require 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.

■ **2.5 Removal of pay clerk responsibilities for Government maternity leave**

Small businesses should not be required to be the pay clerk for maternity leave funded by the Government. This leave should be paid directly by the Government to the mother, 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. Many women who are running a small business are unable to take 18 weeks paid leave in one block. This should be able to be staggered over a 12 month period. This supports modern working women and provides a progressive approach to maternity leave.

■ **2.7 Domestic violence leave funded by the Government for small business**

COSBOA recognises the significant challenge that our society faces when confronting domestic violence. We call upon the Government to support small businesses to support those suffering from domestic violence through a domestic violence leave scheme funded for small business. This must include access to leave for those who run small businesses who are the victim.

■ **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. The Budget should invest in a national mental health campaign focused on people working in small business. This would not be a significant burden on the budget and would support people in small business to understand what is available and gain access to services.

■ **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.

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 business work experience**
COSBOA commends the work by Work Inspiration and other organisations such as Boundless in providing quality work experience programs for students. These are vital to providing inspiration to students. The Budget should commit to developing and expanding programs like these through state and territory education departments.



■ **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. 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.

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.

Compounding our country's challenge in skilling the workforce, there is a crisis in our current Vocational Education and Training (VET) system. The failure of the VET system holds back productivity and skilled employment. Industry groups beyond peak bodies need to be more heavily involved in the VET and the government should fund that involvement from the currently wasted tax payers money given to failing RTOs selling funded training and not delivering skilling programs with job outcomes (and not to be in conflict with community-based programs).

VET has been stifled in the delivery of a quality service to many sectors of the economy due to many changes by all level of governments to meet ideology or funding drivers. To maintain the Australian skill level, a rethink of the purpose of VET is needed to address the significant long-term challenges in ensuring that Australia has a skilled and productive workforce and a world-class system that will bring economic growth.

Many young people now see VET as a secondary option to university due to the intense marketing from our leading higher education providers to meet their funding needs. While we recognise the value of a university education in producing qualified and capable higher level skills, VET and pathways to training and entrepreneurship outside of a university should not be disparaged but rather, celebrated. Many reports have shown that VET now receives less public funding as governments focus on higher education.

In assessing the value of industry training, policies and in particular Government programs, there needs to be recognition of the types of support and funding given to the areas of: industry and employers; trainees and reskilling of existing workers; systems, agencies and processes supporting VET, and training providers – both TAFE and private RTOs.

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 regards 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.

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 Scrap the current employment services approach**

COSBOA believes that the current approach by the Government to employment services is not working. It is limited in its ability to place unemployed in work, fails to stimulate job creation and is unable to create needs-based and targeted training strategies. There should be a more responsive employment service that links with training. The current system has failed the small business community and is a waste of government funds because it is driven by “numbers” and not by industry outcomes. There are better approaches and industry should be asked to work with government to develop an improved model.

■ 5.2 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.

■ 5.3 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.

■ 5.4 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. Participation in the scheme should not stop people from accessing the scheme again if they develop a new and improved business idea based on their experience. This shows initiative and should be encouraged.





Council of Small Business Australia
PO Box 576
Crows Nest NSW 1585
Ph: 02 9431 8646
E: info@cosboa.org.au

www.cosboa.org.au