



SMALL BUSINESS WHITE PAPER

SMALL BUSINESS: BIG VISION

AUSTRALIAN SMALL BUSINESS WHITE PAPER

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Small business is often touted as the engine room of the economy but in fact the importance of small business to our economy is much greater. Small business is not just the engine room; it is the whole plant and factory. Australia needs a healthy and prosperous small business sector for the economy to thrive. It is time to create a big picture vision that drives small business productivity and efficiency to transform the Australian economy.

Australia's productivity has been in decline for over a decade. Living standards are directly reliant on productivity. So if we want to maintain or improve our living standards, then we must increase our productivity. Our response to this challenge is to unleash the potential of small businesses, SMEs and entrepreneurs, through policies that will drive the next wave of genuine reform. We are telling policy makers that it is not only acceptable, but necessary, to be bold in thinking and to embark on mature, bipartisan, inclusive debate. We should begin with the 'big three' issues as key productivity enablers: tax, finance, competitiveness; with innovative thinking being critical to all three.

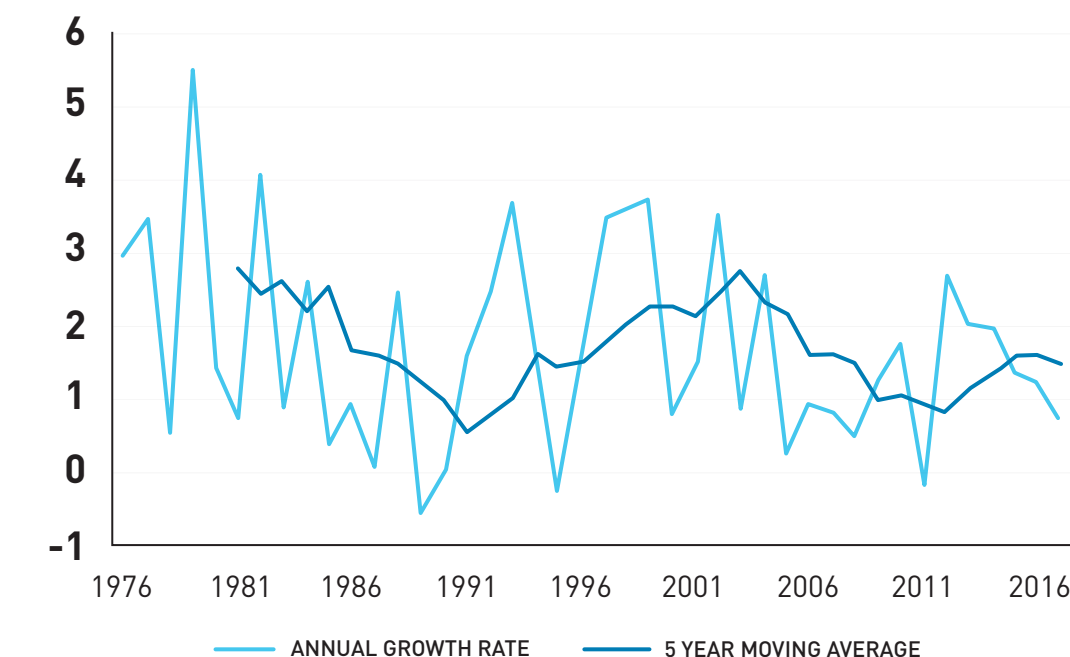
The second Australian Small Business White Paper, produced by the IPA Deakin SME Research Centre brings together practical insights with academic research to provide a framework of policy options to reverse the long term decline in Australia's productivity.

Today, more than ever, our economy needs to think bigger. Small business does not equate with small opportunity or narrow vision. Small businesses and our economy require policy solutions that promote small businesses with bold ideas. We therefore focus the recommendations on the theme of 'small business: big vision'.

The Australian Small Business White Paper seeks to jolt policy makers into action, to realise that unleashing the productive capacity of small business will boost our economy in ways we can only imagine. To do this requires policy makers to adopt the mindset of an entrepreneur – almost a 'nothing ventured, nothing gained' approach.

The primary recommendation in this paper is a message to policy makers: think big, get out of the way of entrepreneurs, and watch small business and SMEs truly drive productivity.

AUSTRALIAN LABOUR PRODUCTIVITY GROWTH, 1976 TO 2017



Labour productivity is defined as GDP per hour worked
Source: ABS 2017, Australian System of National Accounts, 2016-17, Cat. No. 5204.0, Table 1

THIS AUSTRALIAN SMALL BUSINESS WHITE PAPER COVERS 12 TOPICS

- PRODUCTIVITY
- REGULATORY OVERLOAD
- TAXATION
- FINANCIAL MARKETS & CROWDFUNDING
- WORKPLACE RELATIONS
- JOB CREATION AND JOB DESTRUCTION
- INNOVATION
- COMPETITION POLICY
- FAMILY FIRMS
- INTERNATIONALISATION
- SME OWNERS' MENTAL HEALTH
- CYBERSECURITY

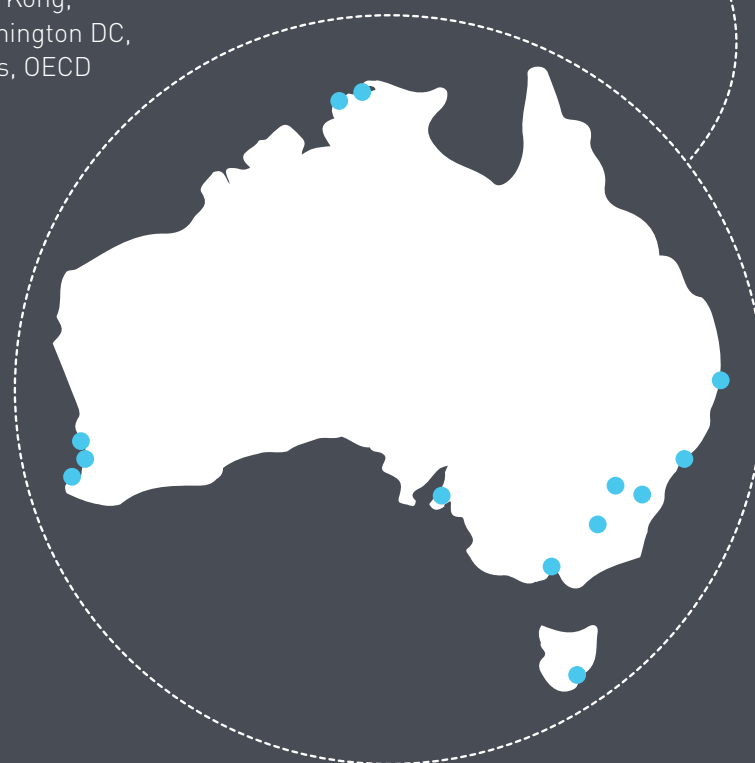
SMALL BUSINESS: BIG VISION RECOMMENDATIONS

- Broaden the base and lift the rate of GST (subject to the appropriate equity measures)
- Cut direct taxes
- Undertake a zero-base design of a thoroughly modern taxation system
- Reform and simplify the personal income tax scale
- Standardise a company tax rate at 25%
- States and territories should be held accountable to the Intergovernmental Agreement on Tax Reform to eliminate payroll tax and stamp duties. These revenues should be channelled into a state and territory infrastructure fund to grow their economies
- Commit an incoming federal government to hold a small business summit within the first six months of assuming office
- The Prime Minister should form and chair a small business advisory council to provide direct policy input and options to the government to inform the COAG agenda with a core focus on productivity
- The federal Small Business Minister should remain a permanent position in Cabinet, preferably with its own department
- The Australian Government should facilitate small businesses joining global value chains to remain competitive and access global markets



INTERNATIONAL

Shanghai, Kuala Lumpur, Hong Kong, Singapore, Tokyo, London, Washington DC, European Union, United Nations, OECD



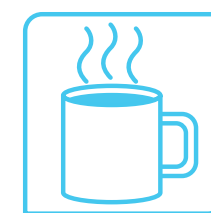
DOMESTIC

Melbourne, Geelong, Frankston, Albury, Wagga Wagga, Humpty Doo, Busselton, Bunbury, Perth, Adelaide, Darwin, Brisbane, Canberra, Parramatta, Sydney, Hobart

GLOBAL INPUT WITH A LOCAL PERSPECTIVE

The Small Business White Paper has drawn on practitioner and academic research perspectives from across the globe.

KEY RECOMMENDATIONS



PRODUCTIVITY

Improve management, capital markets, regulation, technology absorption, broadband, supply chains, marketing and education. Encourage and support start ups. Conduct competition reviews of major sectors.



REGULATION

Apply risk based regulation. Follow best practice led by OECD. Ensure agencies work in the public interest. Better use of genuine small business impact statements. Allow access to more government information. One portal for all compliance. Encourage use of technology for compliance.



TAXATION

Commit to comprehensive tax reform, including GST. Change the tax mix. Incentives for new businesses. Fix state taxes - remove or harmonise. Improve implementation of new systems, like Single Touch Payroll. Clarify policy for small business concessions. Align tax system with business life cycle. Introduce simplified small business entity.



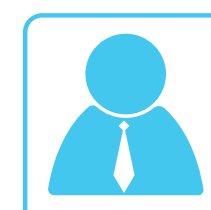
FINANCE

Follow world's best practice led by G20 and OECD. Incentivise lending to small business and SMEs. Establish a loan guarantee scheme. Improve financial literacy. Start a new bank just for small business and SMEs. Encourage equity crowdfunding.



WORKPLACE RELATIONS

Make the system more accessible and understandable for small business and SMEs by improving resources and allowing anonymous enquiries. Existing unfair dismissal laws need to be retained. Remain vigilant to reducing the compliance burden. Modernise outdated provisions. Encourage individual workplace improvements.



JOB

SMEs are the driver of new jobs. Incentivise productivity, profitability and employment growth by focusing on start ups, small business and SME entry, exit and expansion.



INNOVATION

Improve support for R&D by small business and SMEs. Promote linkages between universities and industry. Support adaptation of existing technologies. Encourage continuous improvement. Introduce tax breaks for acquiring new technologies; for IP protection; and licensing income. Develop matching service between international and Australian businesses. Develop patent box initiative. Improve procurement for small business and SMEs. More research needed into youth entrepreneurship.



COMPETITION

Effectiveness of new Harper reforms need to be tested by ACCC to ensure benefits flow to small business. More education is needed on what the reforms mean in practice. Small businesses and SMEs should seek class exemption for certain commercial transactions. Improve access to justice - eg online court processes. Higher penalties for breaches.



FAMILY FIRMS

Major component of SME sector. Encourage research into contribution to economy. Improve finance options, including removing barriers in ASX listing rules.



INTERNATIONALISATION

Greater priority to assist small business and SMEs to export. Target businesses, markets and sectors for special attention. Encourage participation - export incentives, international collaboration, business matching, facilitate access to finance, mentoring, tailored advice and build networks.



MENTAL HEALTH

Ongoing research being undertaken by IPA Deakin SME Research Centre on state and impact of mental health and wellbeing of small business owners; and what can be done to alleviate this growing issue.



CYBER SECURITY

Small business is particularly vulnerable to cyber attacks, which are increasing at an alarming rate. We need to raise awareness and develop affordable systems to prevent or mitigate against attacks