



Reducing barriers to business dynamism in Australia

Call for submissions



The PC has released this paper to assist individuals and organisations to prepare submissions. It contains and outlines:

- the scope of the inquiry
- the PC's procedures
- matters about which the PC is seeking comment and information
- how to make a submission.

Acknowledgment of Country



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their cultures, Country and elders past and present.

About us

The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information visit our website: www.pc.gov.au.

Call for submissions

The PC has released this call for submissions to assist individuals and organisations to prepare submissions to the inquiry. It contains and outlines:

- the scope of the inquiry
- the PC's procedures
- matters about which the PC is seeking comment and information
- how to have your say.

Participants should not feel that they are restricted to comment only on matters raised in this paper. The PC wishes to receive information and comment on issues which participants consider relevant to the inquiry's terms of reference.

Key inquiry dates

Receipt of terms of reference	12 May 2026
Due date for submissions	3 July 2026
Release of interim report	November 2026
Final report to Government	May 2027

Contact details

Phone	03 9653 2253
Freecall	1800 020 083
Email	BusinessDynamismInquiry@pc.gov.au
Website	www.pc.gov.au/inquiries-and-research/business-dynamism/

The Australian Government has asked the Productivity Commission to undertake an inquiry into barriers to business dynamism. We invite you to share your perspectives, experience and expertise.

What is this inquiry about?

Business dynamism is the processes of change among firms – including business set-up, expansion, contraction, change of ownership and closure.

Young firms are essential to dynamism, as is risk-taking by entrepreneurs. People being willing to start and grow businesses brings opportunities for productivity growth, heightened competition and greater choice for consumers. If a venture does not succeed, stakeholders are ideally appropriately protected, founders experience an orderly, efficient and inexpensive recovery, and workers and capital move swiftly to businesses where they can be used more productively. When unnecessary barriers get in the way of these processes, we miss out on the potential social and economic benefits that flow from them.

The PC has been asked to identify options for reducing barriers to business dynamism, with a view to promoting innovation, productivity growth and Australia's international competitiveness.

Issues we have been asked to consider include:

- key processes and barriers to business entry, expansion and exit, including but not limited to:
 - regulatory and administrative burdens, including access to capital markets, business registration and industry-specific licensing
 - the design, operation and integrity of corporate and personal insolvency frameworks
- the operation of illegal phoenixing laws, as introduced by the *Treasury Laws Amendment (Combating Illegal Phoenixing) Act 2020* (Cth)
- the broader economic impacts of these processes and barriers, including the effects on productivity, innovation, investment and employment.

We have also been asked to provide advice on implementing reforms, highlighting any risks or issues around feasibility, and to identify areas where more evidence is needed to inform future evaluations.

The terms of reference state that tax, workplace relations and merger frameworks are not intended to be the focus of this inquiry.

Areas this inquiry will focus on

We will have regard to previous and current work by governments. Drawing on work by others and input from inquiry participants we will identify priority areas for reform and make recommendations to the Australian Government.

We are inclined to focus on the following issues but **would welcome evidence of other important issues** within the scope of our terms of reference.

Barriers to business entry, expansion and exit

Regulatory and administrative burdens

Many factors potentially influence business dynamism, including changes in the composition of our economy, population ageing and the business cycle. But our terms of reference direct us to identify and evaluate key processes and barriers to business entry, expansion and exit.

We have identified 5 priority areas for investigation.

- 1. Administrative and regulatory costs of starting a business.**
These include the requirements a firm must meet to start or grow a business, such as employee set-up regulations (setting up pay as you go, for example) or administrative obligations (like obtaining an ABN).
- 2. Australia's innovation ecosystem.**
This includes support and incentives for innovation and entrepreneurs, rules and stigma regarding business failure and risk protection systems to support entrepreneurs.
- 3. Human capital and management capability.**
This includes managers' and owners' abilities to start and grow a business, covering things such as skills and risk appetite.
- 4. Capital markets.**
This includes firms' ability to use bond and equity markets, private equity, venture capital and angel investment to access finance. We will also consider firms' ability to access capital outside of capital markets, including through bank finance.
- 5. Transfer of successful businesses.**
This relates to the ease with which successful, profitable and liquid businesses can be restructured, acquired, transferred to families or employees, or wound up.

We would like to hear from individuals, businesses and business groups that have insights into, or experience with, starting, growing, restructuring, passing on or closing a business. We would appreciate evidence from inquiry participants about issues in these areas and any other processes and barriers that significantly limit efforts to start, grow, close, restructure or transfer a business.

We are interested in hearing the details of the issues, their impact and any suggestions on how to address them. For example, if the issue was caused by regulation, we would like to hear about the *specific* regulations that caused the issue and how they could be improved. This includes cases where implementation or application creates the problem, rather than the regulations themselves.

Consistent with the terms of reference, this inquiry will not directly examine whether the tax, workplace relations and mergers frameworks create barriers to business entry, expansion and exit. However, aspects of these frameworks may be indirectly considered. For example, we may consider whether inconsistent payroll tax thresholds across states are a barrier to firm expansion.

The design, operation and integrity of insolvency frameworks

Sometimes businesses close because the owners cannot pay their debts and the business becomes insolvent. Insolvency laws define the rules and procedures that provide an 'orderly way to resolve debts when things go wrong' (Leigh 2025). These laws and how regulators apply them not only influence outcomes for people and businesses who are insolvent, but also how willing people are to start and grow businesses. This is because lenders and business owners consider the risks and costs if things go wrong. Australia's insolvency frameworks help move resources from failing or inefficient businesses to ones that can use them more productively.

We would like to hear your perspectives on, and experience with, Australia’s insolvency frameworks.

We intend to examine the **design** of Australia’s insolvency frameworks, including:

- the principles and objectives that underpin Australia’s insolvency frameworks and the extent to which they support suitable outcomes for people and businesses, and enable economic growth
- whether further harmonising Australia’s corporate and personal insolvency frameworks would create a net benefit, particularly for small business owners.

We intend to examine the **operation** of Australia’s insolvency frameworks and the extent to which they achieve the principles and objectives, including:

- how the various corporate and personal insolvency pathways can be improved
- how different types of creditors are prioritised.

We intend to examine the **integrity** of Australia’s insolvency frameworks and the extent to which they sufficiently deter misconduct, including:

- a review of the operation of Schedules 1, 3 and 4 of the *Treasury Laws Amendment (Combating Illegal Phoenixing) Act 2020* (Cth)
- whether the prohibition of insolvent trading and the safe harbour provisions appropriately balance integrity and rehabilitation of viable businesses.

We would appreciate evidence from inquiry participants about issues in these areas but would also welcome insights about any other serious concerns about Australia’s insolvency frameworks.

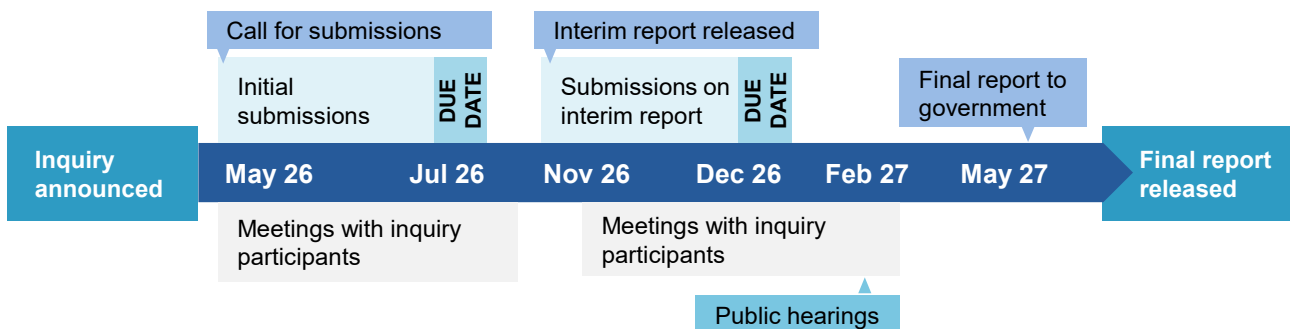
Consistent with the terms of reference, this inquiry will not examine whether the tax, workplace relations and mergers frameworks contribute to businesses or people becoming insolvent. We intend to examine aspects of those frameworks that directly relate to the operation and integrity of Australia’s insolvency frameworks, for example, the operation of the ATO as a major creditor.

Have your say

This inquiry will be informed by public engagement, including submissions and public hearings.

We will release an interim report for public comment (approximate dates are included in figure 1).

Figure 1 – Timeline for public engagement



We invite interested people and organisations to make a **written submission** or a **brief comment**. In preparing your submission or making your comment, please consider the terms of reference (attachment A) and our proposed areas of focus.

There is no minimum length requirement – your submission could be a short statement relating to one or a few topics or a much more substantial document covering a range of issues.

We will have regard to submissions made to previous relevant inquiries. You are welcome to include your previous submissions as attachments if you wish, but there is no requirement to do so.

You are encouraged to identify issues within the scope of the terms of reference and provide suggestions for ways forward. You are also encouraged to provide evidence to support your views where possible, such as relevant data, case studies, research reports and other documentation.

Submissions and brief comments are requested by **3 July 2026**. Further information on the inquiry and how to participate is available at www.pc.gov.au/inquiries-and-research/business-dynamism.

We will also draw on the significant body of recent and current work on issues relevant to business dynamism, including:

- previous PC studies and inquiries, including our inquiry into business set-up, transfer and closure (2015); the 5 pillars of productivity inquiries (2025a); and our work to quantify the economic effects of National Competition Policy reforms (2024, 2025b)
- an inquiry into promoting economic dynamism, competition and business formation, conducted by the House of Representatives Standing Committee on Economics (2024)
- an inquiry into corporate insolvency in Australia, conducted by the Parliamentary Joint Committee on Corporations and Financial Services (2023)
- an independent review of the insolvent trading safe harbour (Sexton et al. 2021)
- a statutory review of the *Personal Property Securities Act 2009* (Cth) (Whittaker 2015)
- the work of the Phoenix Taskforce to detect, deter and disrupt illegal phoenixing.

References

- Leigh, A 2025, 'Room to fall, room to rise – insolvency and economic dynamism', *The Australian*, 21 November.
- Parliamentary Joint Committee on Corporations and Financial Services 2023, *Corporate insolvency in Australia*, Canberra.
- PC (Productivity Commission) 2015, *Business Set-up, Transfer and Closure*, Inquiry report no. 75, Canberra.
- 2024, *National Competition Policy: modelling proposed reforms*, Study report, Canberra.
- 2025a, *Growth mindset: how to boost Australia's productivity, 5 productivity inquiries*, Canberra.
- 2025b, *National Competition Policy analysis 2025*, Study report, Canberra.
- Sexton, G, Chesser, L and Parbery, S 2021, *Review of the insolvent trading safe harbour*.
- Standing Committee (House of Representatives Standing Committee on Economics) 2024, *Better competition, better prices: report on the inquiry into promoting economic dynamism, competition and business formation*, House of Representatives, Canberra.
- Whittaker, B 2015, *Review of the Personal Property Securities Act 2009*, Final report.

A. Terms of reference

I, the Hon Jim Chalmers MP, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission ('the Commission') undertake an inquiry into regulatory barriers to business dynamism in Australia, and identify options for reducing these barriers where appropriate, in order to promote innovation, productivity growth and Australia's international competitiveness.

Background

A productive economy relies on regulatory settings that support the constant renewal of business activity. Productivity growth occurs when innovative businesses can enter the market easily, efficient businesses can expand, and unsuccessful businesses can exit quickly.

Young firms are crucial to a dynamic and resilient economy. They tend to be innovative, growth oriented, and can disrupt established industries. As they expand, they often experience rapid productivity growth. However, where regulations impose unnecessary barriers to young firms' entry, early-stage growth or restructuring, the economy loses those potential productivity gains.

Dynamism also relies on entrepreneurs taking risks. It is important that entrepreneurs can rely on regulations that enable smooth entry into the market and an orderly, efficient, and inexpensive recovery if their ventures face acute financial risk or are ultimately unsuccessful. Appropriate regulation can encourage these firms to enter the market, prevent their premature failure, preserve their innovations, and support more efficient use of capital across the economy.

If a firm does fail, predictable and fair regulatory settings ensure that the interests of investors, employees, suppliers, and customers are appropriately protected. This encourages entrepreneurs to invest and innovate, driving productivity growth and promoting Australia's international competitiveness. However, when regulatory settings make exit processes slow or costly, inefficient businesses can remain in the market or exit in an unnecessarily drawn-out way. This can hamper the movement of labour and capital to young, growing firms, or to more mature firms that could use those resources more productively.

Scope of the inquiry

The Commission is to investigate regulatory barriers to business dynamism and recommend actionable reform options that increase productivity, the entry of new firms and the expansion of existing firms. In particular, the Commission should:

1. Identify and evaluate key processes and barriers to business entry, expansion and exit, including but not limited to:
 - a. regulatory and administrative burdens, including access to capital markets, business registration and industry-specific licensing
 - b. the design, operation and integrity of corporate and personal insolvency frameworks, encompassing consideration of:

- whether there are net benefits of greater harmonisation, particularly for small business owners who may need to navigate both systems simultaneously, and
 - whether they support the efficient allocation of resources across the economy in a manner that preserves system integrity and deters corporate misconduct.
2. Examine the economic impacts of these processes and barriers, including effects on productivity, innovation, investment, and employment.

In undertaking the inquiry, the Commission should conduct a review of the operation of Schedules 1, 3 and 4 of the *Treasury Laws Amendment (Combatting Illegal Phoenixing) Act 2020*.

For the avoidance of doubt, the tax, workplace relations, and mergers frameworks are not intended to be the focus of this inquiry.

Process

The Commission should undertake appropriate public consultation, including holding hearings, inviting submissions and releasing an interim report to the public. The Commission should engage relevant stakeholders and experts, including Commonwealth, state and territory governments, relevant statutory agencies, industry stakeholders and interested members of the public.

The Commission should also have regard to previous inquiries where relevant, and matters not already canvassed by the Commission's five pillar inquiries.

The Commission should deliver a final report within 12 months of receipt of these Terms of Reference, preceded by an interim report. The final report for this inquiry should include advice on reform implementation, including implementation feasibility and risks, and areas where more evidence is needed to inform future evaluations.

The Hon Jim Chalmers MP

Treasurer

[Received 12 May 2026]