Reducing Barriers to Business Dynamism

ACCI Submission

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Introduction

ACCI welcomes the opportunity to contribute to the Productivity Commission's inquiry into reducing barriers to business dynamism in Australia. Business dynamism is fundamental to a productive economy. It is the process by which businesses start, grow, restructure, change ownership and, where necessary, exit. When those processes work properly, they support innovation, competition, investment and the more efficient movement of labour and capital across the economy. When unnecessary barriers get in the way, those gains are lost.

Australia cannot lift productivity without fixing the business environment in which businesses operate. ACCI has consistently argued that business investment is central to productivity growth because it introduces new technologies, skills development and innovation.[1] Yet the policy environment has become increasingly hostile to investment, expansion and risk-taking.

To boost productivity the focus for policymakers should prioritise getting the big picture right: getting the fiscal settings right, modernising the tax system, improving workforce flexibility and reducing the excessive regulation and cumulative compliance obligations business face. These burdens are making it harder for businesses to start, for successful businesses to scale, and for viable businesses to restructure or transfer ownership.

Australia's tax system is needlessly complex, burdensome and increasingly uncompetitive. ACCI has long argued the need to modernise Australia's tax system to make it simple, efficient and fair. This should begin with a comprehensive review of the Australian tax system, including federal-state arrangements, to ensure tax settings support business investment, productivity and growth. Australia has one of the highest CIT rates in the developed world, at 30 per cent for medium-sized and large businesses, well above the OECD average which is closer to 20 per cent. A lower rate would foster investment, reduce administrative complexity, and better align Australia with global capital markets.

Workplace relations reform is also needed to support productivity, flexibility and business dynamism. Recent changes to Australia's industrial relations legislative framework, including the Secure Jobs Better Pay, the Protecting Worker Entitlements and the Closing Loopholes changes to the Fair Work Act, have resulted in businesses dealing with significant new complex obligations that sap productivity, create unnecessary complexity and have significantly increased compliance costs. Changes to enterprise bargaining rules have undermined and disincentivised workplaces from considering bargaining as a way to boost productivity in their workplaces. Employers and employees should be free to bargain without complex rules and interference from third parties. Amendments to casual employment and labour hire have also added to the red tape burdens of business, driving down the time they can spend on the important things like boosting productivity. Reform is needed to increase workplace flexibility and make it easier for businesses to grow their operations, not more difficult.

The regulatory burden on business has grown exponentially in recent years, with a welter of new rules and regulations that have a serious cost in time money and stress on businesses. ACCI's Path to Prosperity report found that the regulatory burden imposed by business-related compliance obligations has increased by at least $5.5 billion over the last five financial years. It also found that 61 per cent of surveyed small businesses spend more than $20,000 a year on compliance. That burden is not confined to one rule, one regulator or one level of government. It is the cumulative effect of overlapping obligations,

[1] ACCI's submission to the Five Pillars of Productivity Inquiry

inconsistent state and territory systems, slow approvals, duplicative reporting and regulation that too often prioritises process over outcomes. [2]

The cumulative burden is also intensifying as businesses confront a growing list of disclosure and compliance obligations, including ESG-related reporting, climate-related financial disclosures and other transparency requirements. ACCI has consistently cautioned that businesses are already heavily regulated and that new disclosure frameworks should be proportionate, phased and designed to avoid duplication with existing reporting systems. If governments continue to layer new obligations onto existing frameworks without a clearer assessment of overlapping requirements, the result will be weaker investment, slower scaling and lower business dynamism.

In ACCI's Small Business Conditions Survey 2025, 42 per cent of small businesses said compliance had a negative effect on their operations, 39 per cent reported spending more than six hours per week navigating red tape, and 28 per cent said they had seriously considered closing in the past year. These findings show that regulatory burden is not merely an administrative cost. It is increasingly shaping whether businesses have the time, confidence and financial capacity to remain open, invest and grow. [3]

This inquiry rightly focuses on the regulatory and administrative burdens that affect business entry, expansion and exit, including business registration, licensing, capital access, business transfer, and the design, operation and integrity of corporate and personal insolvency frameworks. It also asks the question of whether current settings support efficient risk-taking and orderly recovery, while preserving system integrity and deterring misconduct.

ACCI reiterates its longstanding position that Australia needs a regulatory environment that is simpler, faster, consistent and growth oriented.[4] Regulation should not make ordinary business decisions harder than they need to be. It should not delay investment, discourage entrepreneurship, or force businesses to spend more time dealing with process than with customers, staff and growth. If governments get the policy settings right, businesses will respond quickly with investment, innovation and growth.

The following submission sets out practical reforms to remove the barriers holding back business dynamism and, with it, Australia's productivity and competitiveness.

Administrative and Regulatory Barriers to Starting a Business

Starting a business in Australia is not a single transaction. The Australian Securities and Investments Commission (ASIC) states that, depending on the decisions a founder makes about business structure and name, a business may need to be registered on the business names register, the companies register, or both. A founder also needs an Australian Business Number (ABN) from the Australian Tax Office (ATO), and the ATO states that ABN entitlement itself is assessed against whether the activity is being carried on as a business or enterprise. If the business is established as a company, the compliance task becomes more complex again, with ASIC requiring decisions on company type, company name, addresses, officeholders, shares and members, followed by ongoing obligations including annual review and keeping details up to date. [5] If a person plans to become a director, the Australian Business Registry Services (ABRS) states that they must apply for a director ID before appointment. It is clear evidence that

[2] Path to Prosperity full report, December 2025
[3] 2025 Small Business Conditions Report
[4] Path to Prosperity full report, December 2025
[5] Company and organisation registers | ASIC

formal market entry requires businesses to engage with multiple registrations, legal concepts and compliance obligations from the outset. [6]

A productive economy needs new businesses to enter the market and new business investment to expand and grow. That becomes much harder when a business is buried in forms, registrations, fees and legal concepts before it has even had a real chance to trade. Business investment drives productivity because it introduces new technologies, skills and innovation. However, the current business environment provides little incentive to invest when businesses face high operating costs and excessive regulation.

Fragmentation of regulation for business startups

In establishing a new business, the owner is faced with a fragmented sequence of forms, registers, agencies, guidance documents, fees, portals and legal concepts. These act as a barrier to entry, slowing business entry and expansion.

A recent essay by Productivity Commissioner Danielle Wood, *The Red Tape Impulse*, highlights the regulatory burden in establishing a business, noting that "opening a cafe in Brisbane can involve 31 separate approval steps". This underscores the heavy compliance burdens in establishing a business. Even where each requirement is individually defensible, the cumulative burden can materially delay entry, increase advisory costs and divert management time away from commercially productive activity.[7]

Award complexity drives payroll burden

The modern award system adds a further layer of complexity for businesses setting up and maintaining payroll. The Fair Work Commission states there are 122 modern awards across industries and occupations, covering around 21.1 per cent of employees, with each award containing its own classifications, pay settings and conditions. That complexity is compounded by annual changes flowing from the Annual Wage Review and related draft determinations, including expense allowances. For businesses operating across multiple industries or employing staff at different classification levels, this can require numerous payroll adjustments at the same time. Split decisions make the task harder again. In the 2021–22 review, changes for 10 awards commenced in October 2022, while the remainder took effect from July 2022. The detail in the framework shows how administratively demanding the system has become. The Fair Work Commission's expense allowance spreadsheet contains 1,093 rows, and even minor differences between awards can create disproportionate compliance effort. For example, in the 2025 expense allowance draft, the private motoring rate was 98 cents under the Clerks – Private Sector Award 2020 and 99 cents under the Hospitality Industry (General) Award, despite being the same rate in 2020. For many small businesses, the cost of staying compliant can exceed the value of the variation itself, while complexity in the system also increases the risk of wage thefts or underpayments, with adverse consequences for both employers and employees.

Digitalisation

Digital reforms can reduce red tape, but only if it actually simplifies the task for businesses. If information already provided to government can be reused, forms can be pre-filled and systems can talk to each other, the gains can be real. But poor digital reform can also make things worse by turning fragmented paper processes into fragmented online portals. Reform should prioritise interoperable registers, reusable

[6] Who needs to apply and when | Australian Business Registry Services (ABRS)
[7] The Red Tape Impulse | Inflection Points

data, common fields, clearer guidance and a practical "tell government once" principle wherever legislative settings permit.[8]

ACCI's Small Business Conditions Survey 2025 found that 77 per cent of small businesses manage compliance internally and 39 per cent spend more than six hours per week dealing with red tape. There is significant potential to reduce the compliance burden on business through digitisation and harmonisation of regulatory systems. However, digitalisation alone will not deliver productivity gains if it merely shifts fragmented obligations onto multiple fragmented portals.[9] The entry system must be developed to be faster, simpler and easier to use. Businesses should be able to get started with fewer repeated steps, while regulators still receive the information they need and maintain the integrity of the system. If entry is made easier the benefits flow through to higher rates of business formation, faster scaling by viable businesses and better productivity performance across the economy.

Recommendations:

- Create a more coherent start-up pathway built around a single digital entry experience, with interoperable registers, common data fields and a practical principle wherever possible.
- Simplify entry requirements for low-risk businesses and publish clear service standards, including metrics on average time, number of steps and common pain points in establishing a business.
- Improve business-facing guidance that provides business owners with practical, plain-language information tailored to structure, sector and core obligations at the point of registration.
- Reduce duplication between Commonwealth, state, territory and local systems so businesses are not repeatedly required to provide the same information in different formats to different regulators.
- Align digital reform with usability and proportionality, so governments do not simply convert fragmented paper-based processes into fragmented digital ones.
- Rationalise inconsistent small business definitions across regulatory frameworks where possible, so businesses can more easily understand which obligations, thresholds and exemptions apply to them.
- Strengthen whole-of-government scrutiny of start-up-related regulation through analysis of the cumulative regulatory burden and regular regulatory stocktakes focused on the end-to-end business entry journey.

Australia's innovation system

Innovation is central to business dynamism because it determines whether new ideas can be developed, financed, commercialised, scaled and diffused through the economy.

Innovation underpins growth and dynamism across the economy. It is not confined to scientific breakthroughs or a narrow set of high-technology businesses. It includes the adoption of new technologies, improvements in business processes, the development of new products and services, and the capacity of businesses to adapt to changing markets. Businesses invest as much in knowledge-based assets that drive innovation as they do in traditional physical capital. Weak innovation performance is not just a research policy issue, it's also a productivity and competitiveness problem.

[8] Submission 175 - Australian Chamber of Commerce and Industry (ACCI) - Productivity - Public inquiry
[9] 2025 Small Business Conditions Report

Australia's innovation performance

Australia continues to underperform on investment in R&D and innovation. Gross expenditure on R&D in 2023-24 in Australia was $45.1 billion, representing less than 1.7 per cent of GDP, compared with an OECD average of 2.7 per cent and countries such as Japan (3.6 per cent), Germany (3.1 per cent) and the United States (3.4 per cent). [10]

ACCI has long argued that Australia's business expenditure on R&D is too low by international standards, reflecting broader weaknesses in the policy, finance and commercialisation settings that shape businesses' capacity and confidence to invest in innovation. At the same time, Australia continues to face challenges in commercialising the research and innovation that is developed here, with significant barriers to researchers and businesses working together on research commercialisation through formal channels. This position is borne out by the numbers. ABS figures show that Australia's decline in gross R&D expenditure is primarily driven by weak business investment, with business expenditure on R&D (BERD) at just 0.91 per cent of GDP, well below leading economies such as South Korea (4.2 per cent) and the United States (2.7 per cent), highlighting a gap in investment in emerging technologies, including AI, that are critical to lifting productivity.[11]

Weak innovation performance translates into even weaker business investment, slower productivity growth and reduced international competitiveness. ACCI has consistently argued that business investment is a catalyst for productivity growth because it introduces new technologies, skills development and innovation. When the innovation system does not support that investment, the economy loses a critical source of business renewal and long-term growth.

[10] Research and Experimental Development, Businesses, Australia, 2023-24 financial year | Australian Bureau of Statistics

[11] OECD data explorer, Gross Domestic Expenditure on R&D by sector of performance and source of funds

Building a stronger R&D system

ACCI acknowledges the recent steps taken by the government to strengthen Australia's research and innovation system, including the Strategic Examination of Research and Development (SERD) with the release of the Ambitious Australia report, which aligns with a number of ACCI's longstanding priorities on system simplification, stronger business incentives and improved commercialisation pathways. The SERD process also reinforced the economic case for stronger research investment, with the Ambitious Australia report noting that $1 invested in research can return $7.14 to the broader economy and $4.60 to firms over 10 years, equivalent to annual returns of 22 per cent and 16.5 per cent respectively. ACCI also welcomes the government's move toward association with Horizon Europe, with treaty negotiations now concluded and Australian organisations expected to be able to apply for Horizon Europe research calls from early 2027, subject to treaty-making processes, as well as the 2026–27 Budget decision to provide an additional $387.4 million to CSIRO over the forward estimates.

These measures will add to Australia's research capability, but further action is still needed. ACCI also calls for a real increase in government expenditure on R&D (GOVERD), which currently stands at $4.38 billion in 2024–25, down from $4.58 billion in real terms from 2022-23, and at 0.17 per cent of GDP, compared with an OECD average of 0.24 per cent. ACCI also supports the direction of Recommendation 1b in Ambitious Australia and the broader case for a more coherent and less fragmented innovation system, including better alignment across programs including the CRCs and NCRIS, and continued support for the Industry Growth Program, Trailblazer, and the Australian Economic Accelerator. ACCI also continues to call for further reform of the R&D Tax Incentive so that it is simpler, more accessible, avoids subjective tests based on "ambition" or "growth", smooths cliff-edge transitions as firms scale, and better supports domestic commercialisation and scale-up. That direction is also consistent with Ambitious Australia, which argues the RDTI should be reformed and simplified to better support startups, SMEs and larger firms undertaking RD&I in Australia. The discontinuation of new projects under programs such as Australia's Economic Accelerator further reinforces the need for stable, long-term policy settings across the full research-to-commercialisation pipeline.

The commercialisation gap

The weakness in Australia's innovation system is not only the level of research effort, but the inability to turn research into commercially scalable business activity. This has previously been described this as a "commercialisation chasm", where businesses may achieve a genuine breakthrough but still be unable to develop it into a viable product or scale it commercially in Australia. The OECD likewise notes that emerging businesses are pivotal to productivity and innovation, but are more sensitive to framework conditions and need funding availability across the full business lifecycle. [12]

That is why policy settings need to do more than reward research. They must support the full pathway from idea to commercial application. ACCI has previously pointed to the concept of a patent box (which is discontinued) as one way to strengthen Australia's commercialisation framework. The patent box applied concessional tax treatment to income derived from eligible intellectual property. If well designed, the patent box can encourage businesses to commercialise innovation domestically and retain more of the associated economic activity in Australia. Any such mechanism should be broad-based rather than narrowly targeted, so that innovation in manufacturing and other scalable industries can benefit alongside more research-intensive sectors. ACCI has also argued that tax settings alone will not be enough. Low-

[12] Productivity and business dynamism | OECD

interest loans, grants and other targeted financial supports can also aid businesses to move from R&D and innovation from development to commercial scale in Australia.

Diffusion and innovation

A stronger innovation system also requires more attention to diffusion, that is how quickly and effectively new technologies and practices spread through the business community. The OECD has found that technology diffusion is a critical driver of productivity growth, but that productivity gaps between frontier and laggard businesses have widened, with adoption held back by weak managerial capability, skills gaps and poor incentives. It also finds that business-university collaboration can improve spillovers from frontier innovation. [13]

Industry Growth Centres can help industries become more competitive, resilient and sustainable, attract additional funding, build networks and expertise, and improve business outcomes, with positive impacts on turnover, wages and employment growth for small-to-medium businesses. The centres are drivers of innovation, productivity and competitiveness, with a focus on collaboration and commercialisation. [14] There is a strong case to reinstate a modernised Growth Centres model, with clearer governance and stronger performance measurement, to help restore an industry-led mechanism for collaboration, commercialisation and diffusion.

Industry–research collaboration

ACCI continues to advocate for increased funding for CSIRO, Cooperative Research Centres, Research and Development Corporations and universities to strengthen collaborative research with industry. In addition, stronger incentives for academic consulting and more flexibility for academics to engage directly with business are needed. Australia faces a structural problem, with too much research disconnected from commercial need, while too many businesses (mostly SMEs) struggling to access applied expertise and commercially relevant research partnerships.

The National Industry PhD Program is a constructive initiative, but support for 1,800 PhD candidates and 800 industry members would not, on its own, be sufficient to make a lasting economy-wide impact.[15,16] More needs to be done to promote practical industry collaboration, strengthen translation pathways and ensure that public research support is aligned with commercial outcomes and business capability.

Skills and capability

Innovation policy cannot be separated from human capital and business capability. A stronger innovation system depends on businesses being able to access workers with the technical, digital and commercial capabilities needed to adopt and scale new technologies. ACCI has consistently argued for stronger industry co-design, more meaningful SME training incentives, closer collaboration between higher education and industry, and more practical work-integrated learning pathways. These reforms matter not only for workforce policy, but for innovation performance itself. [17]

Digital literacy, AI capability and trusted channels for SME support are part of the wider innovation ecosystem. That is particularly relevant to this inquiry because innovation in today's economy is

[13] Productivity and business dynamism | OECD
[14] Industry Growth Centres Initiative: initial impact evaluation | Department of Industry Science and Resources
[15] Submission 175 - Australian Chamber of Commerce and Industry (ACCI) - Productivity - Public inquiry
[16] National Industry PhD Program - Department of Education, Australian Government
[17] ACCI Submission- Building a skilled and adaptable workforce

increasingly tied to better digital adoption, stronger capability and improved management confidence in new technologies.

Regulation should enable innovation

Innovation systems do not thrive in a policy environment defined by fragmented regulation, duplication and cumulative compliance burden. Excessive regulation and outdated policy settings hinder the adoption of new technologies, constrain efficient resource use and divert business resources away from innovation and R&D.

The link between cost pressure, regulatory burden and weaker innovation is visible in current small business behaviour. ACCI's small business condition survey 2025 found that 29 per cent of small businesses had reduced investment in tools, machinery or equipment to manage operating costs. That matters for this inquiry because when businesses defer investment in productive assets, technology and capability, the result is weaker diffusion, slower scaling and lower productivity growth across the economy.[18]

If Australia wants more innovative businesses, it needs a system that is easier to navigate, less duplicative and less likely to load new business models with compliance requirements before they have reached viable scale.

Recommendations:

- Broaden and restart the patent box so that innovation in all sectors can benefit from stronger incentives to develop and commercialise intellectual property in Australia.
- Improve commercialisation finance through low-interest loans, grants and other targeted support to help businesses move from R&D to demonstration, scale-up and production.
- Increase funding and sharpen incentives for collaboration between business and CSIRO, Cooperative Research Centres, Research and Development Corporations and universities.
- Incentivise academic consulting and strengthen university–industry engagement so research is translated more effectively into commercially relevant outcomes.
- Continue funding and expand the role of Industry Growth Centres in testing, evaluating and diffusing innovations in industry-relevant settings.
- Build more practical innovation-facing regulatory pathways, including clearer guidance, informal navigation support and sandbox-style testing arrangements where appropriate.
- Improve data sharing, benchmarking and diffusion mechanisms so that innovation spreads more quickly through the economy.

[18] 2025 Small Business Conditions Report

Human capital and management capability

Businesses do not grow simply because they can enter the market. They grow when owners and managers can organise work productively, adopt new technologies, develop staff and scale over time. An OECD report on enhancing SME productivity showed that SME productivity is closely linked to managerial skills, workforce skills and business linkages, and that growing businesses need access to entrepreneurship competencies, management and workforce skills, technology, innovation and networks. Where those capabilities are weak, promising businesses are less able to adapt, invest and expand. [19]

Human capital should therefore be treated as an economic reform issue, not simply an education issue. ACCI has consistently argued that stronger foundational skills, a more flexible post-secondary education and training system, and meaningful employer incentives for work-based learning are critical to lifting productivity. ACCI's Small Business Conditions survey 2025 shows that capability constraints are tied to both labour shortages and compliance complexity, 35 per cent of small businesses reported difficulty attracting and retaining skilled workers, while 42 per cent struggled with termination and unfair dismissal rules, 37 per cent with casual conversion obligations, and 36 per cent with award classifications.[20]

Employer incentives to build capability

Apprenticeships and traineeships are employment-based training pathways, not simply training places in the market. They depend on employers creating jobs, supervising learners, absorbing early productivity losses and carrying the administrative and commercial risks of training. Those costs are significant. GAN Australia has found that it can take approximately 1.6 to 2.6 years into a four-year apprenticeship before the arrangement becomes financially beneficial to the business, and more than three years before the employer financially breaks even. In the first year alone, the total cost to the employer is more than $72,000, while the benefit is only around $45,000, leaving an estimated first-year return on investment of approximately negative $27,000. [21]

Employer incentives are not a subsidy for ordinary business activity, but a practical policy lever to support national skills formation. If incentives are too low, too narrow or too difficult to access, they will not materially shift employer behaviour, particularly for small and medium-sized businesses with limited capacity to absorb upfront costs. ACCI contends that incentive settings must recognise the real costs of taking on apprentices and trainees, including supervision, mentoring, administration, lost productivity and the risk of non-completion.

Strengthening employer incentives is also a productivity reform. Structured work-based learning improves the match between skills and job requirements, builds job-ready capability and gives employers a direct role in shaping the workforce they need. If Australia wants stronger business capability and more dynamic businesses, it needs an apprenticeship and traineeship system that makes it easier and more worthwhile for employers to train.

Occupational entry and labour mobility

Management capability does not sit apart from labour market design. Businesses cannot adapt and grow if workers cannot move efficiently across roles, jurisdictions and sectors. Greater harmonisation of occupational entry regulations is needed to reduce duplication, improve labour mobility and lower

[19] Enhancing SME productivity | OECD
[20] 2025 Small Business Conditions Report
[21] Return on Investment in Supporting Australian Apprenticeships – GAN Australia

unnecessary compliance costs, with standards that are fit-for-purpose and informed by industry co-design. Dynamism impeded by fragmented rules that make capability-building slower and more expensive than it needs to be. Reforms should prioritise improving the consistency and usability of existing mutual recognition frameworks, including Automatic Mutual Recognition, before creating new regulatory structures. Automatic Mutual Recognition has helped to improve mobility in some occupations, but its effectiveness is still constrained by inconsistent implementation, exemptions, uneven participation and local overlays. The solution is to improve the operation of existing frameworks, reduce unnecessary inconsistencies and harmonise terminology, licence classes and regulatory scope where possible.

Businesses in surveying, engineering and other regulated technical professions are often small and medium-sized businesses operating in a highly regulated environment. Differences in licence terminology, continuing professional development requirements, mutual recognition settings and regulatory administration across jurisdictions increase cost, reduce labour mobility and make it harder for businesses to operate across borders or participate in national projects. Reform should therefore focus on reducing unnecessary duplication, improving the usability of mutual recognition arrangements, harmonising terminology and licence classes where appropriate, and preserving professional standards and public confidence through industry-informed design.

ACCI supports more efficient recognition pathways where they reduce unnecessary duplication, but cautions that reforms must preserve credential integrity, practical capability and employer confidence. Streamlining should not replace appropriate assessment of competence, particularly in safety-critical occupations. ACCI supports recognition pathways that are more trusted, more proportionate and more responsive to employer evidence, while maintaining fit-for-purpose safeguards. The same principle applies more broadly to qualification reform. Flexible pathways can support workforce mobility and lifelong learning, but they should complement rather than displace the skills, experience and professional standards that employers rely on. The core principle is that workforce and management capability are strengthened by high-quality, navigable and trusted systems, not by complexity for its own sake.

Recommendations:

- Strengthen foundational skills as a core economic reform priority, supported by better teacher upskilling, practical educational technology and improved use of data.
- Progress tertiary harmonisation so vocational education, higher education and work-based learning operate as a more connected system with clearer pathways, better mobility and stronger industry relevance.
- Reform Recognition of Prior Learning and credit transfer settings so they are more trusted, less administratively burdensome and more responsive to employer evidence and practical capability.
- Rebuild employer incentives for apprenticeships and traineeships and support integrated work-based learning.
- Ensure training support frameworks include not-for-profits, sole traders and practical advisory services delivered through trusted industry channels.
- Treat digital literacy, AI capability and technology adoption as core management capabilities, and support businesses with practical pathways to adopt and integrate new technologies.
- Pursue greater harmonisation of occupational entry regulations where it reduces duplication and improves mobility, while preserving fit-for-purpose standards through industry co-design.
- Avoid creating new administrative burdens through poorly designed national databases, review obligations or capability frameworks where underlying system settings are not yet fit for purpose.
- Recognise that stronger human capital and management capability are not side issues but central drivers of business entry, growth, adaptation and long-term productivity performance.

Capital Markets

A more dynamic economy needs a financing system that supports businesses at every level of growth, from a concept to commercialisation, and from established operation to reinvestment and renewal, Capital access should not be treated as a niche financial sector issue. It goes directly to productivity. Business investment is a catalyst for productivity growth because it introduces new technologies, skills development and innovation. Where businesses cannot access appropriate finance, investment is delayed, commercial opportunities are missed, and businesses are less able to adopt new technologies or undertake the larger, longer-term investments needed to improve productivity and competitiveness.

Barriers to smaller businesses growth finance

The financing constraint is often most acute for small and medium-sized businesses. Access to longer-term capital remains a material obstacle for businesses seeking to invest in productivity-enhancing assets, expand capacity or move into new markets. Many SMEs still struggle to obtain bank finance for longer-term investment, especially where the investment is growth oriented and not backed by conventional collateral. This weakens the ability of smaller businesses to reach scale and undertake the kind of capital deepening that supports stronger productivity growth.

This is particularly important because many of the investments that matter most for long-term dynamism are not minor or short-lived. They include major plant and equipment purchases, advanced manufacturing capability, digital systems, technology upgrades and other structural investments that require longer payback periods. A financing system that is too short-term, too risk-averse or too narrowly structured will not support businesses that are otherwise viable and growth-oriented. That is a direct brake on competition, business renewal and economic performance.

Access to international capital

A high-performing capital system also requires openness to foreign investment. Australia's economy is a relatively small domestic base, and foreign investment remains an important source of finance, technology transfer, innovation spillovers and competitive discipline. Restrictive, convoluted or uncertain foreign investment screening processes do not just affect individual transactions. They weaken Australia's international competitiveness and reduce our attractiveness as a destination for capital at a time when global competition for investment is intensifying.

Australia ranks last on the OECD restrictiveness of foreign direct investment (FDI) rules index, with the most restrictive FDI rules. The OECD links this to a wider decline in our competitiveness as a destination for capital.[22]

Capital market reform should reduce friction

Complexity in corporate and financial regulation imposes real costs on businesses seeking to raise capital, manage reporting obligations and engage with investors. More broadly, excessive regulatory burden diverts time and money away from productive activity and reduces Australia attractiveness for investment.

This is particularly important for smaller businesses, which have fewer internal resources to navigate complex capital raising, reporting and compliance requirements. A system that works reasonably well for large, listed businesses may still be too cumbersome for smaller fast-growing businesses, family

[22] Path to Prosperity full report, December 2025

businesses or emerging enterprises. Reform should therefore take account of proportionality and the cumulative burden of compliance across the capital-raising lifecycle.

Recommendations

- Consider a broader investment support framework for productivity-enhancing capital expenditure, including a broad-based investment allowance for business investment in plant, equipment and machinery.
- Improve transparency and data in private markets, with any regulatory guidance developed in a measured way and aligned with international standards.
- Remove unnecessary red tape affecting foreign direct investment, particularly in screening and approval processes, to improve Australia's attractiveness as a destination for international capital.
- Simplify the broader corporate and financial regulatory framework so that businesses and investors face fewer unnecessary compliance costs and clearer, more usable rules.

Transfer of successful businesses

A modern economy needs ownership transitions to occur without unnecessary friction. If the transfer of a viable business is too costly, too slow or too uncertain, the result is often delayed investment, weaker succession planning, less efficient capital allocation and avoidable business failure. That matters particularly for small and medium-sized businesses, where ownership and management are often closely tied and where succession decisions can determine whether a productive business continues, stagnates or exits altogether. A more dynamic economy requires pathways that allow successful businesses to adapt and transfer efficiently, rather than becoming stuck because the legal, administrative and regulatory architecture is too cumbersome.

Barriers to transfer and restructuring

The core problem is not that regulation exists. It is that businesses often encounter a legal and administrative framework that is fragmented, overly complex and difficult to navigate without specialist advice. Regulatory burden has increased materially over time, and small businesses in particular continue to bear a disproportionate share of the cost. ACCI's 2025 Small Business Survey showed more than 61 per cent of surveyed small businesses spend more than $20,000 annually on compliance, up sharply from 40 per cent the year before. That burden does not disappear simply because a business is profitable or established. It continues to affect businesses at the point where they are trying to transfer ownership, restructure operations or plan succession.

Part of that burden sits within the corporate legislative framework itself. The Corporations Act 2001 regulates more than 3.2 million businesses and financial markets worth trillions of dollars, yet it has been identified as unnecessarily complex and insufficiently usable. [23] The Australian Law Reform Commission has highlighted problems including an incoherent legislative hierarchy, proliferating instruments, poorly designed primary and delegated legislation, and law-making processes that create uncertainty and inflexibility. Those are not abstract drafting concerns. They translate into real commercial friction for businesses and investors trying to understand obligations, complete transactions and manage risk efficiently.

[23] Path to Prosperity full report, December 2025

Transfer pathways

An efficient transfer framework allows businesses that are profitable and operationally sound to continue under new ownership, refreshed management or revised structure, rather than being impaired by avoidable transaction costs and procedural complexity. This is especially important for family businesses, owner-managed businesses and other enterprises where the triggers for transfer are often predictable but insufficiently supported by the policy environment. When succession and transfer frameworks are opaque or administratively heavy, owners are more likely to defer decisions, reduce investment or exit in a way that undermines continuity and productivity.

This is also a small business issue. Smaller businesses generally have less in-house legal capability, less capacity to absorb professional fees and less tolerance for prolonged uncertainty. That means transfer-related complexity is more likely to change commercial behaviour at the margin. A framework that may appear manageable for a large firm can still be a serious barrier for a smaller one. That is why a more proportionate and user-centred approach is needed, with greater attention to the cumulative burden placed on SMEs at key transition points in the life of a business.

Reform should focus on simplification

If governments want to make it easier to transfer successful businesses, the reform task should focus on simplification, consistency and usability. That means reducing duplication, clarifying legal pathways, improving digital interfaces and ensuring that businesses are not repeatedly asked to provide the same information in different formats to different parts of government. ACCI has consistently argued for more integrated, user-friendly and digital-first approaches to regulation, including "tell us once" arrangements where appropriate and stronger alignment across systems and agencies. Those principles apply with equal force to business transfer. A transfer framework should be built around the transaction journey experienced by the business, not the institutional boundaries of government.

The same principle applies to regulatory scrutiny. Impact analysis should account for cumulative burden, not just the cost of individual measures in isolation. That is particularly relevant where transfer and restructuring processes are affected by overlapping legal requirements, inconsistent definitions or duplicative approvals. Stronger whole-of-government scrutiny, supported by the Office of Impact Analysis, would help identify and reduce these barriers before they become embedded further in the system.

Recommendations

- Simplify the legal and administrative pathways for business restructuring, acquisition and ownership transfer so that viable businesses can change hands efficiently without unnecessary delay or cost.
- Review transfer-related barriers within the Corporations Act 2001 and associated regulatory architecture, with a focus on usability, simplification and legislative coherence.
- Reduce duplication and improve coordination across Commonwealth, state and territory systems that affect business transfer, succession and restructuring.
- Digitalise business transfer processes and move toward practical "tell government once" arrangements where appropriate.
- Ensure transfer and succession frameworks are proportionate for small and medium-sized businesses, recognising their more limited capacity to absorb legal, advisory and compliance costs.
- Apply stronger cumulative burden analysis to business transfer-related regulation and require clearer consideration of SME impacts in future reform proposals.

- Identify and address avoidable barriers affecting transfers to family members or employees where those pathways would preserve business continuity, employment and productive capacity.

The design, operation and integrity of Australia's insolvency frameworks

A well-functioning insolvency regime must balance several objectives. It must support efficient allocation of capital, allow viable businesses a fair opportunity to recover or restructure, ensure creditors and stakeholders are treated appropriately, and deter misconduct. If the framework is too punitive, too slow or too expensive, it discourages legitimate risk-taking and delays the reallocation of labour and capital. If it is too weak or too permissive, it undermines confidence, incentivises abuse and harms honest market participants. The challenge is to strike the right balance between rehabilitation, orderly exit and system integrity.

Design: the framework should support recovery and efficient reallocation

Small business owners often sit at the intersection of both systems, and unnecessary fragmentation between them increases confusion, legal cost and administrative burden. A system that is easier to understand and more coherent across corporate and personal pathways would reduce friction and improve outcomes for small businesses and their owners.

Regulation should be clear, practical, proportionate and judged by whether it improves economic outcomes across the system. That principle should extend to insolvency settings. A good framework should preserve the possibility of rehabilitation where a business remains viable, while allowing timely and efficient exit where it does not.

Operation: pathways must be timely, usable and proportionate

The practical test should be whether businesses and creditors can move through the system in a timely, predictable and proportionate way. Where processes are too slow, too hard to understand or too expensive to use, even good legal architecture will underperform. That kind of friction is especially damaging for small businesses, which have fewer resources to navigate complexity and less room to absorb delay.

Across regulatory systems more broadly, delay and duplication impose real economic cost, undermine confidence and discourage investment. Better regulatory practice requires clear pathways, better coordination, stronger accountability for process efficiency and more practical, business-facing design. Those same principles should apply in insolvency. If pathways for restructuring or orderly closure are overly burdensome, they will not deliver their intended economic function.

Integrity: balancing integrity with legitimate restructuring

An effective system must draw a clear line between legitimate restructuring on the one hand and misconduct designed to defeat creditors or abuse the corporate form on the other. At the same time, integrity protections should not make the system unworkable for honest businesses trying to recover or restructure in good faith. ACCI's concern is that poorly designed regulation can add unnecessary cost and uncertainty, causing businesses to delay decisions without improving outcomes. In the insolvency context, that means rules should be tight enough to deter misconduct and protect confidence, but not so blunt or risk-averse that they discourage viable businesses from using legitimate restructuring pathways. A well-calibrated framework supports both discipline and second chances.

The Commission's focus on the operation of illegal phoenixing laws should be approached through the same lens. The key test is whether the current settings effectively deter misconduct while preserving a workable environment for rehabilitation, orderly recovery and efficient reallocation of resources.

Recommendations

- Ensure Australia's insolvency frameworks are guided by clear principles that support economic growth, efficient resource allocation, stakeholder confidence and the rehabilitation of viable businesses where possible.
- Examine the net benefits of greater harmonisation between corporate and personal insolvency frameworks, particularly for small business owners who may need to navigate both systems simultaneously.
- Improve the practical operation of insolvency pathways so they are more timely, comprehensible and proportionate, especially for small and medium-sized businesses.
- Ensure creditor treatment and prioritisation settings support confidence in the system while preserving workable pathways for restructuring and orderly closure.
- Review the operation of the Treasury Laws Amendment (Combatting Illegal Phoenixing) Act 2020 through the lens of both deterrence and proportionality, so misconduct is addressed without frustrating legitimate business restructuring.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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