13 July 2026

Reducing barriers to business dynamism inquiry
Productivity Commission
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CPA Australia's initial submission to the inquiry into reducing barriers to business dynamism in Australia

CPA Australia is Australia's leading professional accounting body and one of the largest in the world, representing more than 176,000 members working in over 100 jurisdictions and regions. We make this submission in response to the Productivity Commission's consultation on reducing barriers to business dynamism on behalf of our members and in the public interest.

CPA Australia's research and engagement with members and businesses indicate that Australia has a business dynamism problem. The policy response should look beyond increasing the number of new businesses and focus on the characteristics of businesses that grow, create jobs, innovate, adopt technology and successfully transition to new owners.

In particular, our long-running Asia-Pacific Small Business Survey suggests that the age profile of business owners is more important to business dynamism than the age of the business itself. Regardless of whether a business is newly established or long-standing, those owned by people under 40 are more likely to be growing, creating jobs, adopting new technologies, innovating and exporting. Increasing the proportion of younger Australians who start ***or acquire*** businesses should therefore be a central policy priority for lifting business dynamism and productivity.

The key policy question for lifting business dynamism is therefore not simply how to increase business formation, but how to increase the number of young Australians starting or acquiring businesses. This submission focuses on that question.

The submission also provides preliminary views on the priority areas identified by the Productivity Commission, including administrative and regulatory burdens, innovation, human capital and management capability, capital markets, business succession and transfer, and Australia's insolvency framework.

The terms of reference prevent this inquiry from directly examining how tax, workplace relations and mergers policy affect business entry, expansion and exit. CPA Australia considers this narrows the inquiry's ability to consider important drivers of business decisions, as ongoing changes to these settings can create uncertainty that deters entrepreneurs from starting businesses, discourages expansion and influences exit decisions.

If you wish to discuss this submission, please contact me at [redacted].

Yours sincerely

Gavan Ord
Business and Investment Policy Lead

Encl.

ATTACHMENT

Barriers to business entry, expansion and exit

If the objective of this inquiry is to improve business dynamism, the key policy question should be how to increase the number of younger Australians starting or acquiring businesses. Before responding to the Productivity Commission's five priority areas, CPA Australia sets out evidence from our research that is critical to understanding Australia's business dynamism challenge.

CPA Australia recommends that governments: develop a coordinated strategy to increase the number of younger Australians starting or acquiring businesses; improve access to finance and professional advice for first-time business owners and purchasers; support structured succession planning and ownership transfer; accelerate small business technology adoption; reduce unnecessary regulatory complexity; and encourage earlier engagement with professional advisers when businesses experience financial distress.

CPA Australia's priority recommendation for lifting business dynamism

Encouraging younger people to start or acquire businesses

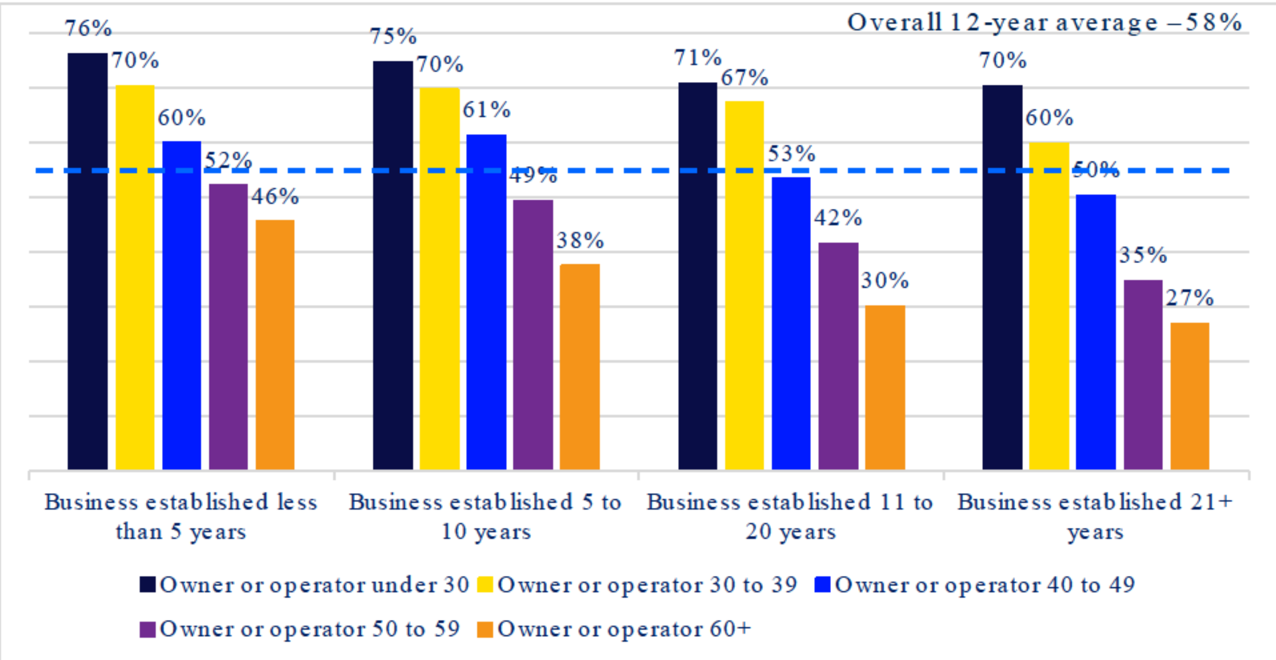
CPA Australia's [Asia-Pacific Small Business Survey](), which has surveyed more than 50,000 small businesses over 17 years, consistently finds a strong relationship between the age of business owners and business performance. That is, businesses owned by people under 40 are more likely to report growth and employment expansion than those owned by older individuals, regardless of how long the business has been operating.

Importantly, this relationship is not confined to newly established businesses. Survey data shows that long-established businesses are also more likely to grow when they are owned or operated by younger individuals.

Figure 1: Small businesses that reported growth, by owner age and business age (average 2014 to 2025, overall 12-year average – 58%)

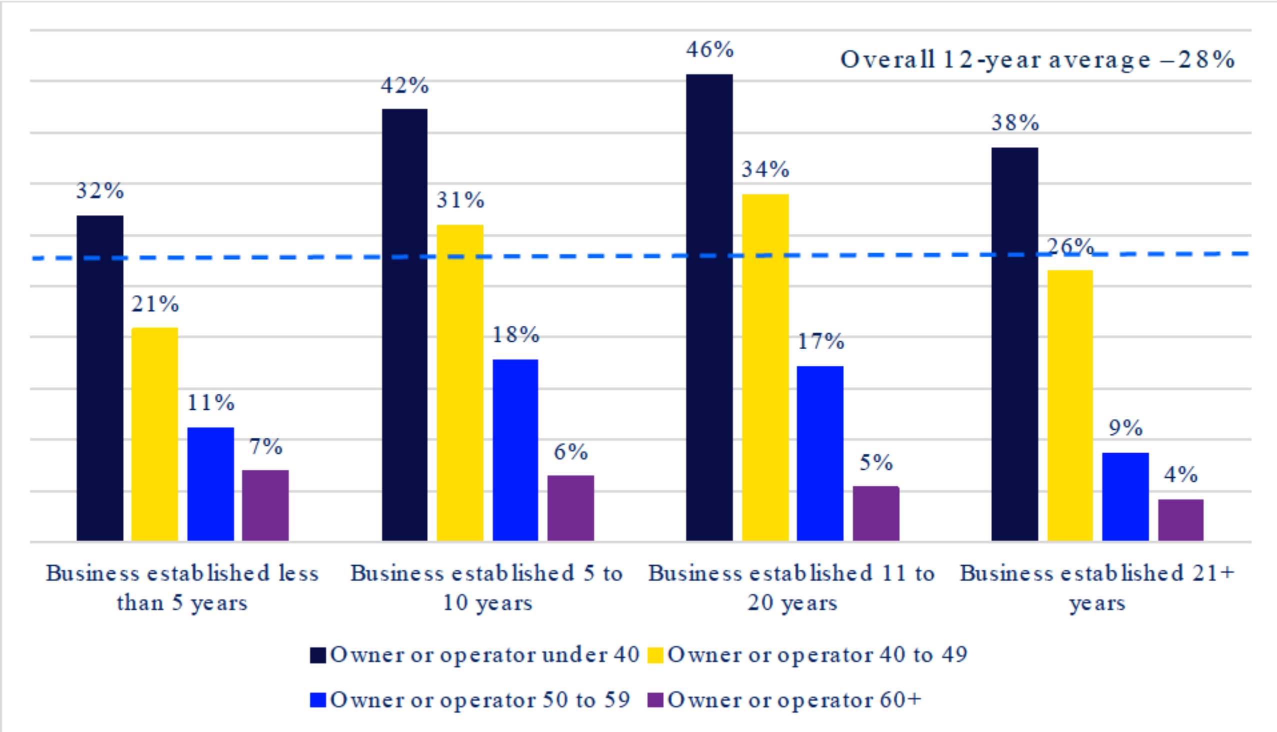
Figure 1: Small business that reported growing by owner age and business age (average 2014 to 2025)

Source: CPA Australia's Asia-Pacific Small Business Survey 2025-26



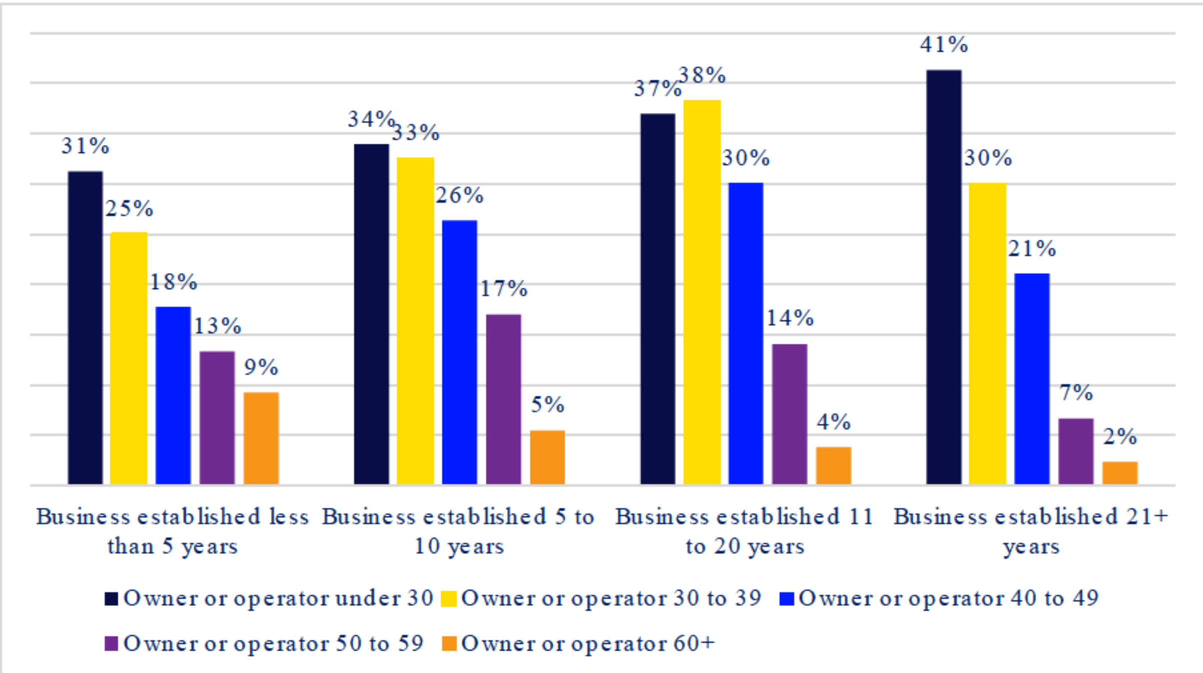
Similarly, businesses operated by people under 40 are more likely to create new jobs and innovate, regardless of how long the business has been established.

Figure 2: Small businesses reporting increased employee numbers by owner age and business age (average 2014 to 2025)



Source: CPA Australia's Asia-Pacific Small Business Survey 2025-26

Figure 3: Small businesses that will innovate by owner age and business age (average 2014 to 2025)



Source: CPA Australia's Asia-Pacific Small Business Survey 2025-26

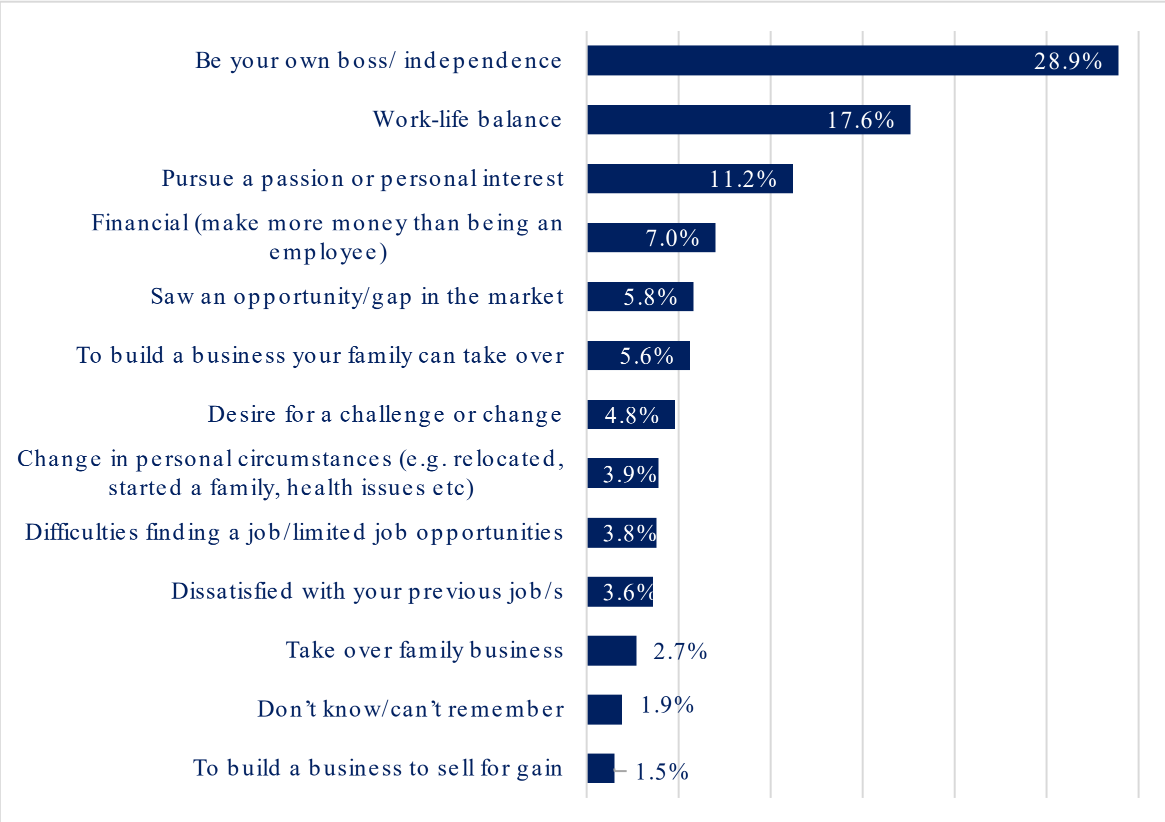
Relevant small business data

1. Source: CPA Australia Asia-Pacific Small Business Survey – 2023 to 2025. Question: 'What was your primary reason for starting or buying your own business?' Australian data only, n = 1,134.

CPA Australia's Asia-Pacific Small Business Survey shows the most common reasons Australians start or buy a business are to:

- be their own boss
- Importantly, these concerns are broadly consistent across different age groups and business ages. This suggests that the challenges facing people new to business are largely universal and centred on achieving financial stability during the early stages of operation.
- pursue a passion

Figure 4:Why Australian small business owners started or bought their business



Source: CPA Australia Asia-Pacific Small Business Survey – 2023 to 2025. 'What was your primary reason for starting on buying your own business' – Australian data only n = 1134

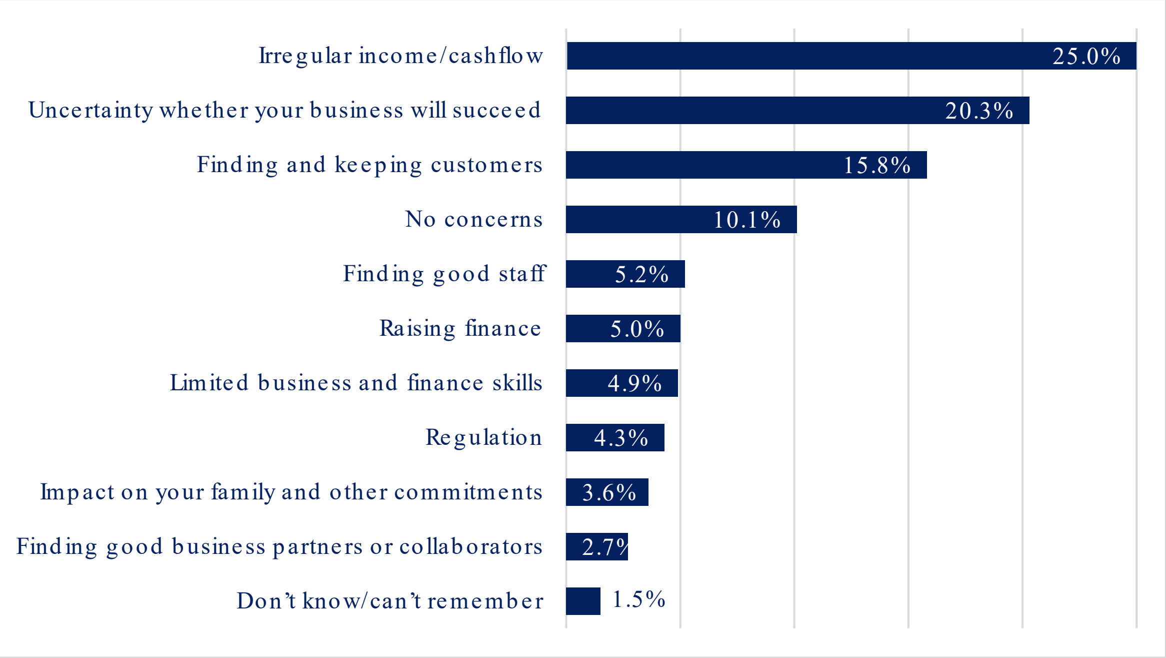
2. The biggest challenges when starting or buying a business

CPA Australia research indicates that when establishing a business, Australian small business owners are primarily concerned with commercial challenges such as generating stable income and managing cash flow, rather than regulatory requirements.

Importantly, these concerns are broadly consistent across different age groups and the age of the business. This suggests that the challenges facing those new to businesses are largely universal, and centred on achieving financial stability during the early stages of operation.

Policymakers seeking to encourage business formation should therefore focus on measures that strengthen financial resilience, build business capability and improve access to advice, alongside efforts to reduce unnecessary regulatory burdens.

Figure 5: **Biggest concerns of Australian small business owners when they first became business owners**

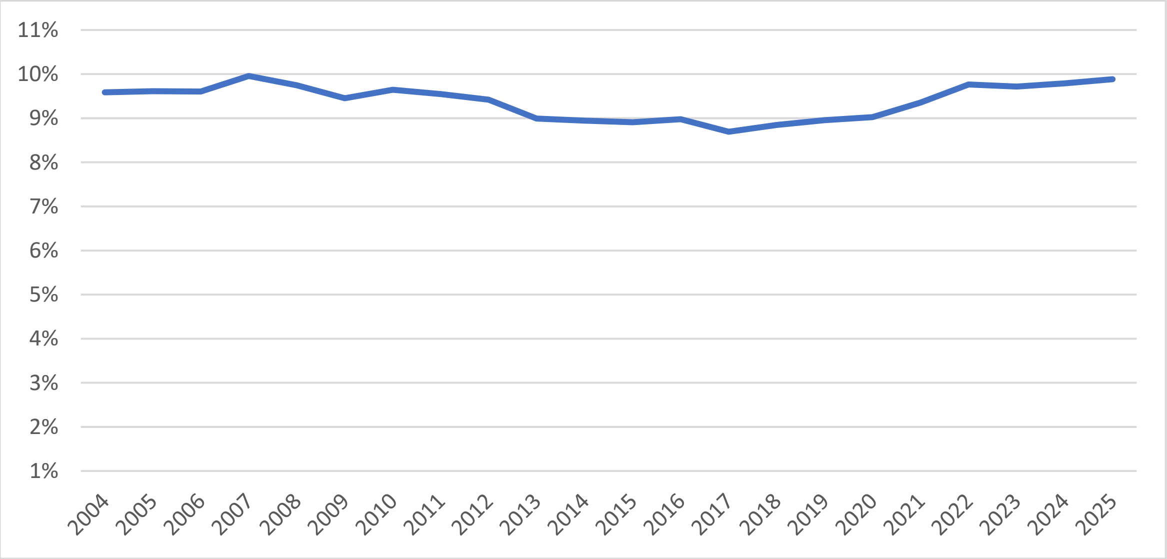


Source: CPA Australia Asia-Pacific Small Business Survey – 2023 to 2025. Question: 'What was your biggest concern when you first started your business?' Australian data only, n = 1,134.

3. Business formation trends

The ratio of active businesses to population in Australia has remained largely unchanged over the past 20 years at just under 10 per cent. This means that the growth in the number of businesses closely tracks Australia's population growth.

Figure 6:Business-to-population ratio



As highlighted in Figure 5 above, the biggest challenges small business owners face when they first become business owners are typically commercial challenges, such as establishing a stable income.

While reducing regulatory and administrative burdens remains important, policy efforts should recognise that improving business formation and business dynamism requires more than regulatory reform alone. The Productivity Commission should also consider measures that strengthen the capability of business owners to start or acquire, operate, grow and exit a business. This should include improving access to professional advice, business networks and capability-building support.

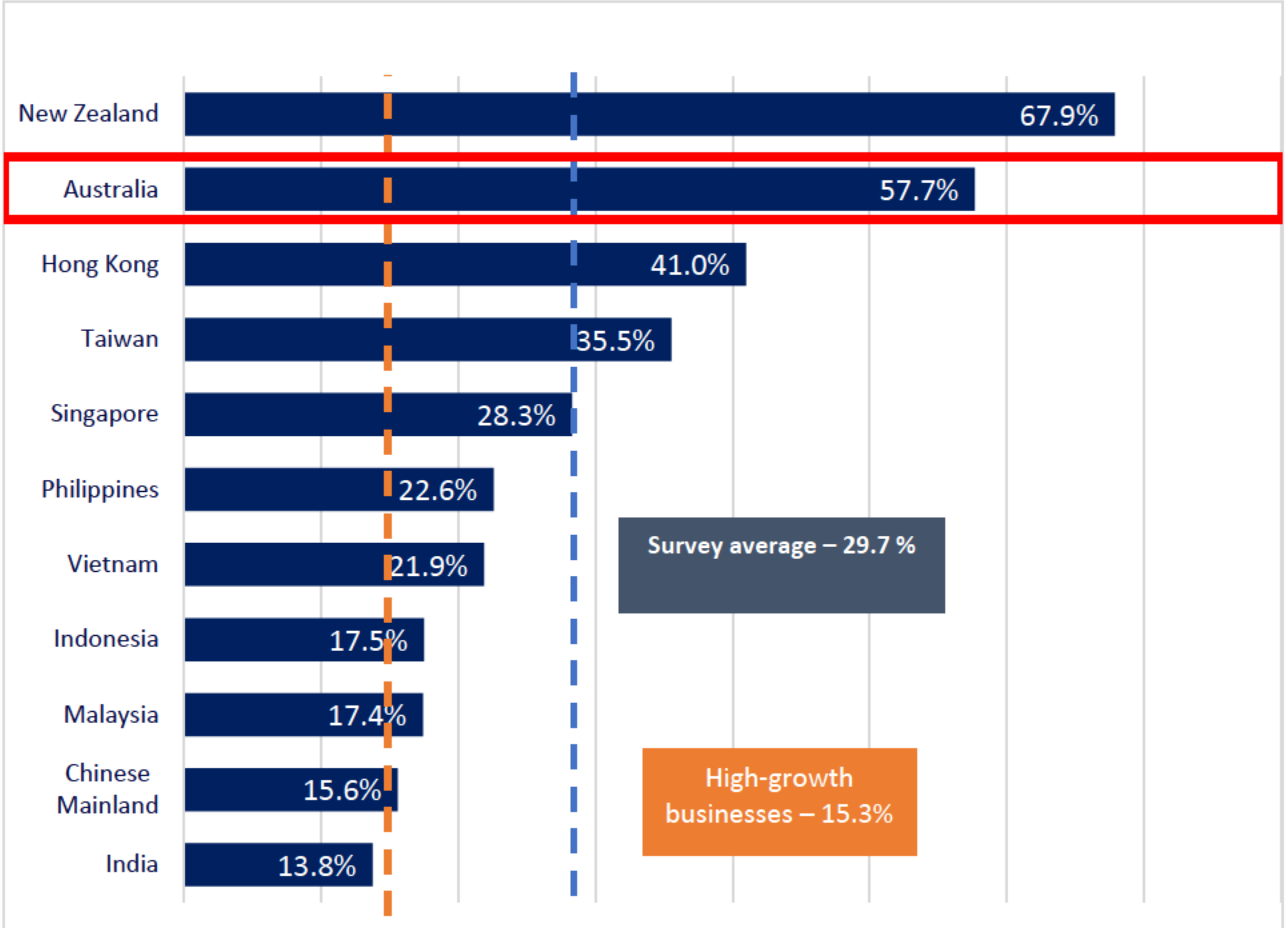
4. High compliance costs and regulatory complexity can increase the upfront cost and administrative burden associated with starting or acquiring a business. Prospective entrepreneurs, particularly younger individuals and first-time business owners, may be discouraged by the actual or perceived difficulty of navigating regulatory requirements, licensing processes and ongoing reporting obligations.

The Commission should therefore examine both the design of regulatory obligations and how those obligations are communicated to people who are new to business. Reducing unnecessary complexity, improving guidance and encouraging earlier access to professional advice would help expand the pipeline of potential business owners and support stronger business dynamism.

It is unrealistic to expect business owners to possess all the skills required to operate a successful business. The most efficient way to address capability gaps is to encourage business owners to access people with those skills, particularly professional advisers.

CPA Australia does not support expanding free business advisory services provided by government. As Figure 9 below shows, Australian small businesses rarely seek advice from government agencies and instead overwhelmingly prefer professional advisers, particularly accountants. However, we are concerned by the large proportion of Australian small businesses that do not seek advice. Cost pressures and competing business priorities appear to be limiting access to professional advice.

Figure 8: **Percentage of business owners, directors, CEOs and principals aged 50 and over – by market**



Source: CPA Australia Asia Pacific Small Business Survey 2025-26

Productivity Commission's priority areas for investigation

1. Administrative and regulatory costs of starting a business

As highlighted in Figure 5 above, the biggest challenges small business owners faced when they first become business owners is typically commercial challenges such as establishing stable income.

While reducing regulatory and administrative burdens remains important, policy efforts should recognise that improving business formation and business dynamism requires more than regulatory reform alone. The Productivity Commission should also focus on policy measures that strengthen the capability of business owners to start or acquire a business, operate that business and exit that business. This should include improving access to professional advice, business networks and building business capability.

High compliance costs and regulatory complexity act as a barrier to entry by increasing the upfront cost and administrative burden associated with starting our acquiring a business. Prospective entrepreneurs particularly younger individuals or first-time business owners may be discouraged by the difficulty (actual or otherwise) of navigating regulatory requirements, licensing processes and ongoing reporting obligations. This may reduce the pipeline of potential business owners starting or acquiring a business, weakening overall business dynamism.

Nevertheless, regulatory complexity and compliance costs can act as barriers to entry by increasing the upfront cost, risk and administrative burden of establishing or acquiring a business. These barriers may disproportionately deter younger Australians and first-time business owners, who often have less experience navigating regulatory requirements, licensing processes and ongoing reporting obligations.

CPA Australia's research consistently shows that businesses that invest in innovation and digital capability are more likely to grow, create jobs and expand into new markets. However, Australian small businesses continue to lag many Asia-Pacific economies in these areas.

Strengthening Australia's innovation ecosystem will require a coordinated policy approach that encourages entrepreneurship, supports younger business owners, improves access to talent and capital, accelerates technology adoption, and removes regulatory and tax settings that discourage investment and responsible risk-taking.

In CPA Australia's view, innovation policy should be designed around diffusion as well as invention. For small businesses, the largest productivity gains are likely to come from faster and more effective adoption of existing technologies, including digital tools, automation and artificial intelligence.

CPA Australia however does not support expanding free business advisory services provided by government. As Figure 8 below shows, Australian small businesses rarely seek advice from government agencies and instead overwhelmingly prefer professional advisers, particularly accountants. However, we are concerned with the large proportion of Australian small businesses that do not seek advice. Cost pressures and competing business priorities appear to be limiting their willingness to access to professional advice.

Australia should move beyond the current National Small Business Strategy and develop a comprehensive strategy to lift small business performance as a core pillar of its growth and productivity agenda.

CPA Australia's research shows that Australian small businesses continue to underperform both their counterparts in Asia and larger domestic firms. These performance gaps are most pronounced in technology adoption, innovation and growth. These structural weaknesses are likely constraining productivity, competitive intensity and economic growth.

Key challenges faced by young people when starting their business

- While owner age does not determine business performance, the demographic composition of Australia's small business sector appears to be constraining business dynamism and slowing the diffusion of new technologies.
- Limited networks and experience: younger entrepreneurs generally have less experience, fewer professional networks and limited exposure to business management challenges.
- Limited access to markets: establishing a customer base and building reliable supplier relationships can be difficult during the early stages of operation, contributing to income volatility.
- capability-building initiatives for younger prospective owners, focused on digital capability, business management and financial resilience.
- mentoring programs that connect aspiring young owners with experienced SME operators.

2. Australia's innovation ecosystem

CPA Australia believes a strong innovation ecosystem is fundamental to lifting Australia's productivity, competitiveness and living standards.

Our research consistently shows that businesses that invest in innovation and digital capability, are more likely to grow, create jobs and expand into new markets. However, Australian small businesses continue to lag many Asia-Pacific economies in these areas.

To lift small business technology adoption rates, federal and state governments should consider business digital support programs that are more substantial than existing programs and structured with more deliberate bundling and sequencing of measures, drawing on approaches used in Singapore. This would improve program effectiveness, accelerate the diffusion of productivity-enhancing technology and promote more effective use of existing digital capabilities. Over time, this would support stronger firm-level productivity, greater business dynamism and a more competitive small business sector.

3. Human capital and management capability

Australia should move beyond the current National Small Business Strategy and prioritise developing a comprehensive strategy to lift small business performance as a core pillar of its growth and productivity agenda.

CPA Australia's research show that Australian small businesses continue to underperform both their counterparts in Asia as well as larger domestic firms. These performance gaps are most pronounced in technology adoption, innovation and growth. These structural weaknesses are likely to be constraining productivity, competitive intensity and economic growth.

The ageing of Australia's small business owners is likely a key contributor to this underperformance. Australia has the second highest percentage of small business owners aged 50 and over among surveyed markets. Our survey data consistently identifies a relationship between older business ownership and lower rates of technology adoption, innovation and growth-oriented activity.

Australian small businesses continue to be the least likely among the surveyed markets to require external finance.

Australian small businesses face some of the most difficult financing conditions in the region, with more than one-third of small businesses that required external finance last year saying it was difficult to access. This was the second-highest result of the markets surveyed.

Banks remain by far the most popular source of finance (46.9 per cent), followed by personal resources (15.4 per cent) and investors (11.5 per cent).

- capability-building initiatives for younger prospective owners, focused on digital, management and financial skills.
- More established businesses (5 to 20 years) experienced the most favourable financing conditions, while younger businesses (under five years) faced the greatest difficulty accessing finance.
- Banks remain the easiest source of finance to access, while friends and family are the most difficult.
- stronger signalling of business ownership as a viable career pathway.

An effective business dynamism framework should not focus solely on new business formation. It should also support the efficient transfer of viable businesses between owners.

As Australia's business owner population ages, facilitating the transfer of viable businesses to younger owners is likely to deliver greater economic benefits than relying exclusively on the creation of new firms. Acquiring an established business enables new owners to leverage existing customer relationships, employees, systems and intellectual capital, reducing the risks associated with starting a business from scratch.

To lift small business technology adoption rates, federal and state governments should consider launching business digital support programs that are more substantial than existing programs and structured with more deliberate bundling and sequencing of measures, drawing on approaches used in Singapore. This would improve program effectiveness, accelerate the diffusion of productivity-enhancing technology, and promote more effective use of existing digital capabilities. Over time, this would support stronger firm-level productivity, greater business dynamism, and a more competitive small business sector.

4. CPA Australia's most recent Asia-Pacific Small Business Survey found that most Australian small business owners do not have a formal succession or exit plan. Where plans exist, they are often informal or family-based rather than structured commercial arrangements. Even among high-growth businesses, succession planning remains underdeveloped and is typically reactive rather than strategic.

Well-functioning capital markets play an important role in supporting business investment, innovation and productivity.

Businesses should have access to a diverse range of funding sources, including bank lending, equity markets, venture capital, angel investors, private equity and other forms of risk capital. Regulatory settings should support capital formation while maintaining appropriate standards of transparency, market integrity and investor protection.

CPA Australia's Asia-Pacific Small Business Survey 2025-26 found that:

- CPA Australia considers that if the objective of this inquiry is to identify barriers to business exit and improve business dynamism, the focus should extend beyond insolvency processes alone. Insolvency is only one pathway through which a business exits the market. The ability to restructure a business, transfer ownership, facilitate succession, undertake an orderly wind-up, or otherwise exit the market efficiently is also important to supporting a dynamic economy.
- Australian small businesses face some of the most difficult financing conditions in the region, with over a third of small businesses that required external finance last year saying it was difficult, the second highest result of the markets surveyed
- banks (46.9 per cent) remain the most popular source of finance by far, followed by personal resources (15.4 per cent) and an investor (11.5 per cent)
- businesses operating for 5 to 20 years were the most likely to have required external finance in 2025, while young firms (under five years) and long-established businesses (21+ years) were less likely to need finance.
- CPA Australia therefore believes governments should place greater emphasis on proactive business education across the business lifecycle. While Australia has relatively low barriers to business entry, this should be complemented by stronger mechanisms that improve business capability, financial literacy and understanding of legal obligations. Better-informed business owners are more likely to identify problems early, pursue restructuring where appropriate, and make timely decisions regarding business succession or exit.
- banks remain the easiest source of finance, while friends and family are the most difficult to source finance from.

5. Transfer of successful businesses

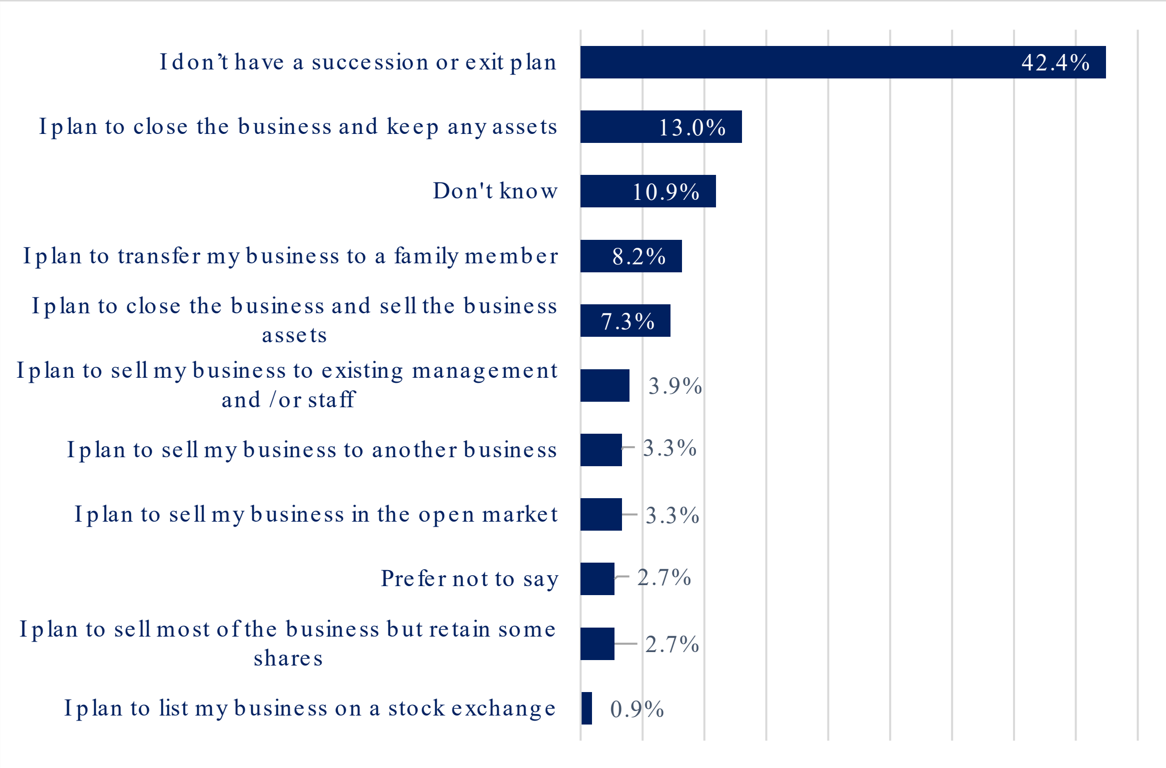
An effective business dynamism framework should not focus solely on new business formation. It should also support the efficient transfer of businesses between owners.

As Australia's business owner population ages, facilitating the transfer of businesses to younger owners is likely to deliver greater economic benefits than relying exclusively on the creation of new firms. Acquiring an established business enables new owners to leverage existing customer relationships, employees, systems and intellectual capital, reducing the risks associated with starting a business from scratch.

Policy settings should therefore support business succession, reduce unnecessary tax and regulatory barriers to business transfers, improve access to finance for prospective purchasers, and ensure that viable businesses can be restructured, acquired or passed to new owners rather than being unnecessarily wound up when existing owners retire.

In our most recent Asia-Pacific Small Business Survey, we found that most Australian small business owners do not have a formal succession or exit plan. Where plans exist, they are often informal or family-based rather than structured commercial arrangements. Even among high-growth businesses, succession planning remains underdeveloped and is typically reactive rather than strategic.

Figure 10: What is the exit / succession plan for your business?



6. The design, operation and integrity of insolvency framework

CPA Australia considers that if the objective of this inquiry is to identify barriers to business exit and improve business dynamism, the focus should extend beyond insolvency processes alone. Insolvency is only one pathway through which a business exits the market. The ability to restructure a business, transfer ownership, facilitate succession, undertake an orderly wind-up, or otherwise exit the market efficiently are also important to supporting a dynamic economy.

CPA Australia agrees with Chartered Accountants Australia and New Zealand (CAANZ) that business owners and directors experiencing financial distress often continue trading in the hope that their circumstances will improve. In many cases, professional advice is not sought until financial difficulties have become severe and the prospects of recovery are limited. By that stage, asset values may have deteriorated substantially, reducing returns to creditors and limiting available restructuring options.

Earlier recognition of financial stress and earlier engagement with professional advisers would improve outcomes for business owners, employees, creditors and the broader economy. Timely intervention can increase the likelihood of successful restructuring, preserve economic value and reduce the number of avoidable business failures.

A key challenge is that many business owners and directors remain unaware of their obligations, the warning signs of financial distress, or the options available when difficulties arise. While governments, regulators and industry bodies provide extensive educational resources, these typically rely on business owners actively seeking information. In practice, many do not seek assistance until problems become acute.

CPA Australia therefore believes governments should place greater emphasis on proactive business education. While Australia has relatively low barriers to business entry, this should be complemented by stronger mechanisms that improve business capability, financial literacy and understanding of legal obligations. Better-informed business owners are more likely to identify problems early, pursue restructuring where appropriate, and make timely decisions regarding business succession or exit.

Illegal phoenixing activity

CPA Australia supports strong measures to deter and address illegal phoenix activity. Illegal phoenixing undermines market integrity and trust, harms employees and creditors, and creates an unfair competitive advantage for businesses that do not meet their obligations.

Well-designed anti-phoenixing measures help maintain confidence in the corporate system while ensuring that honest business failure is distinguished from deliberate misconduct.

CPA Australia generally supports measures that:

- deter and penalise illegal phoenix activity
- strengthen director accountability
- improve the ability of regulators to investigate and pursue misconduct, including misconduct facilitated by unregulated pre-insolvency advisers
- improve the recovery of assets for the benefit of creditors
- prevent directors from avoiding their obligations through inappropriate deregistration or other avoidance behaviours.

Insolvency

CPA Australia draws the Commission's attention to the following submissions, which contain detailed recommendations and analysis relevant to insolvency:

- CPA Australia submission to the Parliamentary Joint Committee on Corporations and Financial Services inquiry into corporate insolvency in Australia
- CPA Australia's submission to the Attorney General's Department personal insolvency discussion paper
- Overall, CPA Australia submits that improving business dynamism requires a policy response that supports entry, growth, succession, restructuring and exit. Reducing unnecessary regulatory burdens remains important, but it should be complemented by reforms that improve business capability, access to finance, access to professional advice, technology adoption and the efficient transfer of viable businesses to new owners.