

## ARA/NRA SUBMISSION

### PILLAR 1: CREATING A DYNAMIC AND RESILIENT ECONOMY

JUNE 2025

The Australian Retailers Association (ARA) and National Retail Association (NRA) welcome the opportunity to contribute to the Productivity Commission's consultation on *Pillar 1: Creating a Dynamic and Resilient Economy* – a foundational area for fostering long-term economic growth, supporting private sector innovation, and strengthening national resilience through targeted reform and business-led investment.

The ARA and NRA, which propose to amalgamate into the Australian Retail Council (ARC), represent a **\$430 billion sector**, and employs **1.4 million Australians** – making retail the largest private sector employer in the country and a significant contributor to the Australian economy.

Our membership spans the full spectrum of Australian retail, from family-owned small and independent retailers that make up 95% of our membership, through to our largest national and international retailers that employ thousands of Australians and support both metropolitan and regional communities every day.

With a significant portion of every dollar spent in retail flowing back to employees, suppliers, super funds, and local communities, a thriving retail sector benefits all Australians. After a uniquely challenging five-year period, which has had significant impacts on the sector, we are united in advocating for policies, reform and collaboration that will drive growth, resilience, and prosperity for the retail sector and all Australians.

#### EXECUTIVE SUMMARY

Retailers continue to invest in technology, logistics, sustainability, and workforce capability to meet evolving consumer expectations and global competition. However, these efforts are increasingly constrained by high operating costs, fragmented regulatory frameworks, and a corporate tax environment that does not sufficiently reward long-term transformation or innovation.

Lifting national productivity will require a renewed focus on private sector dynamism, removing barriers to investment, simplifying compliance obligations, and ensuring that regulatory systems are fit for purpose in a fast-changing economy. This is particularly important for small and mid-sized retailers, who face mounting pressures from global competitors and lack the scale to absorb inefficient or inconsistent policy settings.

Retailers, many of whom operate at scale and on tight margins, must continually innovate to remain competitive in a rapidly evolving environment. Yet productivity-enhancing investment is often discouraged by policy frameworks that create uncertainty or impose disproportionate costs. For Australia to build a more dynamic and resilient economy, government must enable retailers, and the broader business community, to invest, adapt and grow.

This submission focuses on two priority areas where reform would deliver the greatest productivity benefit:

- Supporting business investment through a more competitive, certain and growth-oriented tax system; and
- Reducing the cumulative burden of regulation by progressing national harmonisation and simplification.

Together, these reforms will help unlock private sector investment, expand business adaptability, and strengthen Australia's long-term economic resilience.

## **SUPPORT BUSINESS INVESTMENT THROUGH CORPORATE TAX REFORM**

Retail is predominantly a high-turnover, low-margin industry that requires continual investment in innovation, logistics, sustainability, and workforce development. However, many retailers, particularly small and medium enterprises, face significant barriers to investment due to rising operating costs, tax system complexity, and increasing global competition from lightly regulated offshore platforms.

Australia's current corporate tax settings do little to incentivise domestic reinvestment, and lack the flexibility to support retail transformation in areas such as supply chain automation, digital infrastructure, emissions reduction, and workforce technology. This constrains productivity and weakens the international competitiveness of Australian retailers.

These challenges are exacerbated by fragmented state tax rules and increasing global digital competition, which distort the competitive landscape. Retailers have also noted uncertainty in long-term tax policy direction, which undermines business confidence and deters forward investment planning.

### **Recommendations**

- Introduce targeted tax incentives to support retail capital investment in areas such as technology upgrades, emissions reduction, and supply chain resilience. These may include investment allowances or accelerated depreciation schedules.
- Improve the clarity and consistency of corporate tax arrangements affecting small and medium-sized retailers, including simplified PAYG systems and harmonised treatment across states.
- Retain and strengthen digital services tax enforcement to ensure offshore e-commerce platforms contribute fairly to Australia's tax base.
- Address broader compliance disparities by reviewing areas where domestic retailers face regulatory obligations not equally applied to offshore competitors, including consumer protections, product safety, and environmental standards.
- Avoid blunt or broad-based tax changes that would further raise cost pressures for retailers or shift the burden onto consumers.
- Consider a Productivity Investment Incentive to reward businesses undertaking capital improvements aligned to national economic priorities.
- Streamline regulation to promote business agility, reduce cost burden, and improve efficiency.

## **REDUCE THE IMPACT OF REGULATION ON BUSINESS DYNAMISM**

The retail sector is subject to one of the broadest compliance footprints in the economy, encompassing workplace relations, leasing, licensing, trading hours, product safety, environmental rules, and more. For retailers operating across multiple states, inconsistent and duplicative regulation is a significant cost burden and barrier to innovation, expansion and mobility.

The National Harmonisation Submission and *Policy Blueprint 2025* strongly advocate for streamlining overlapping compliance obligations, particularly where state and federal rules diverge. Fragmented regulation contributes to unnecessary red tape, limits scalability of successful retail models, and imposes disproportionate compliance costs on SMEs.

Retailers are often first responders to economic and consumer trends, from contactless service and sustainability to crime prevention and workforce flexibility. But without flexible and modern regulatory settings, these innovations are often delayed or deprioritised due to cost and complexity.

In terms of opportunities of a cross-sectoral nature, it is important to call out the critical role that government agencies play in developing and administering regulation. While there have been efforts to reduce red tape over the past decade or more, there is little evidence that an effective whole-of-government framework has been executed across an extended timeframe. For this reason, and following the lead of jurisdictions such as the United Kingdom, the ARA and NRA recommend a concerted regulatory stocktake be undertaken across the relevant agencies of government to establish a baseline for the subsequent removal of regulation. Moreover, the Federal Government should set a clear reduction target out to 2030 against which every relevant agency is held accountable. State governments should also commit to a similar approach. This would help embed a new ethos across Australia's public service - one focused on reducing the cost of doing business in order to support higher economic growth and living standards.

This effort should be buttressed by a renewed commitment to undertake comprehensive Regulatory Impact Statements for both proposed and implemented legislation. There has been a growing tendency to bypass robust process, to the detriment of our economy and society.

## **Recommendations**

- Progress a national harmonisation agenda focused on streamlining key areas of regulatory duplication and complexity, including:
  - Trading hours and public holiday rules
  - Payroll Tax
  - Occupational licensing (e.g. hairdressing, beauty, security)
  - Plastic and packaging regulations
  - Product labelling and environmental claims
  - Retail tenancy disclosure obligations
- Encourage states and territories to adopt interoperable regulatory systems using common standards and terminology.
- Establish a Retail Regulatory Impact Benchmark to guide consistent evaluation of new rules and minimise compliance burdens.
- Expand digital regulatory tools and self-assessment pathways to reduce red tape and improve certainty for retailers.
- Adopt a national default template for shopfront regulation to reduce barriers for multistate businesses and improve consistency for councils and small operators alike.
- Undertake a national regulatory stocktake across Commonwealth agencies to establish a baseline for red tape reduction, with a whole-of-government target set to 2030. Encourage matching commitments from states and territories.
- Reinstate robust regulatory impact processes, ensuring comprehensive and transparent assessments are conducted for all significant legislative proposals to minimise unintended costs and complexity.

## **RECOMMENDATIONS**

To create a more dynamic and resilient economy, the ARA and NRA recommend that the Australian Government:

1. Introduce targeted tax incentives for retail capital investment, particularly in sustainability, logistics, and digital transformation.

2. Prioritise regulatory harmonisation across key retail compliance areas to reduce red tape and lift business mobility.
3. Improve the certainty and clarity of corporate tax arrangements for SMEs and digitally enabled retailers.
4. Ensure that productivity-enhancing tax or regulatory reforms do not disproportionately disadvantage domestic retailers competing against lightly regulated offshore platforms.
5. We support the government in establishing a review tasked with streamlining the growing volume and complexity of regulatory requirements at the state, territory and national levels. The review could draw on global best practice in regulatory effectiveness and efficiency, to further strengthen Australia's international competitiveness.
6. Investing in transport infrastructure to increase rail freight capacity, and upgrading and enhancing existing travel networks to increase domestic and international competitiveness.

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The ARA and NRA thank the Productivity Commission for the opportunity to contribute to this important review and stand ready to support the Government in implementing practical reforms that promote a more dynamic, competitive, and resilient economy.

As Australia works to lift productivity and long-term growth, enabling investment and regulatory flexibility in sectors like retail will be critical. Retail is a key contributor to employment, consumer wellbeing, and innovation – and a central partner in shaping a more resilient and adaptive economy.

Thank you again for the opportunity to provide a submission on *Pillar 1: Creating a Dynamic and Resilient Economy*. Any queries in relation to this submission can be directed to our policy team at [policy@retail.org.au](mailto:policy@retail.org.au).