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Office of the **Queensland Small Business Commissioner**

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Dr Alison Roberts and Dr Stephen King
Commissioners
Productivity Commission
Level 8, 2MQ, 697 Collins Street
Docklands VIC 3008
(via email: BusinessDynamismInquiry@pc.gov.au)

Dear Dr Roberts and Dr King

Reducing barriers to business dynamism in Australia

Thank you for the opportunity to meet with the Productivity Commission on 1 July 2026 to provide feedback to the inquiry into reducing barriers to business dynamism in Australia. This submission builds upon that feedback.

The Queensland Small Business Commissioner (QSBC) is established under the *Small Business Commissioner Act 2022* with an objective to enhance the operating environment for small businesses. This includes advocating on behalf of small businesses in Queensland on matters of relevance to them — with a focus on red tape that unnecessarily restricts small and family businesses, and dispute resolution.

Queensland is home to more than 508,000 small businesses,[1] who contribute approximately $132 billion annually to the state's economy.[2] They employ more than 1.045 million Queenslanders, representing nearly 42 per cent of the private sector workforce.[3] Unique to other Australian states and territories, 45 per cent of Queensland's small businesses are located outside of our greater capital city area.[4] It is imperative the operating environment, including regulatory settings, are optimised for small business dynamism, to promote innovation, productivity growth and competitiveness of these Queensland small businesses.

Recent discussions with small businesses, industry groups, and chambers of commerce have highlighted significant concerns regarding the current economic conditions and the impact they are having business confidence and the ability of small businesses to survive, thrive and grow. These areas include current global oil prices, interest rates and recent regulatory change such as PayDay Super, changes to credit card surcharges, and recent wage decisions. Recently announced proposed changes, such as to Capital Gains Tax, are also causing significant concern for small businesses.

Declining business confidence, driven by challenging economic conditions and uncertainty associated with regulatory reform, can reduce business dynamism by discouraging firms from investing, hiring, innovating and expanding, as they become more cautious about taking on risk and pursuing new opportunities.

With that broader context, in response to the five regulatory and administrative burden priority areas identified by the Productivity Commission, the QSBC provides the following insights for consideration:

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[1] Australian Bureau of Statistics (ABS) (2025). *Counts of Australian Businesses Entries and Exits (CABEE).* Reference period: July 2024 to June 2025.
[2] Queensland Government Statistician's Office (QGSO) (2025). *Small business in Queensland, June 2024*.
[3] Ibid.
[4] ABS Census (2021). *Microdata and TableBuilder: 2021 Census of Population and Housing*.

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1. Administrative and regulatory costs of starting a business

The cumulative burden

The most consistent finding from the QSBC's engagement with small businesses is that the cumulative burden of regulation is what most impacts business dynamism. This burden spans local, state and federal levels of government. Since 2025, the QSBC has collected hundreds of red tape examples from small businesses, chambers of commerce, and industry groups. Analysis of these examples shows small businesses perceive the primary cause of their red tape (29 per cent of examples) is the overall regulatory burden — the money, time, effort needed to understand and comply.

Small businesses also reported to the QSBC that their most common red tape issues pertain to the following activities:

- Permits and licences — 31 per cent of examples;
- Compliance and auditing — 23 per cent of examples;
- Planning — 16 per cent of examples;
- Taxation — 9 per cent of examples; and
- Employment / Industrial relations — 7 per cent of examples.

These findings are largely echoed in survey results from Business Chamber Queensland which found building approvals and amendments, employing workers, dealing with licences/permits/renewals, and starting a business were considered to be both the most costly and time-consuming regulatory activities for Queensland businesses.[5]

Furthermore, regulatory burden does not scale to business size, with small businesses that employ between 1–20 employees reporting they experience almost the same regulatory impact as businesses with 21–200 employees[6] — despite having a fraction of the administrative capacity to manage it.

Requirements to start or grow a business

Licencing and permits

At the entry stage, small business must navigate the licensing and permits required to commence trading (such as food safety, liquor, building and contractor, and commercial activity licences). Small businesses report this process can be complex, time-intensive, costly and often inconsistent across jurisdictions. Tools like the Queensland Government's Business Launchpad, and the Australian Business Licence and Information Service, can help identify requirements. However, meeting the varied requirements and the potential lengthy and unclear decision timeframes may create delays or prevent a business from launching.

For example, temporary food stall businesses must obtain a separate temporary food stall licence from every local council they wish to trade in — requiring multiple application processes and payment of multiple application fees per year. Despite being approved under the same legislation (the *Food Safety Act 2006* (Qld)), trading freely across South East Queensland alone could cost upwards of $5,000 annually.[7]

Planning and zoning

Another common concern at the entry stage is local government planning laws and development approvals which restrict where and how a business can physically operate. These requirements may prevent trading or market diversification without a costly Material Change of Use (MCU) development application. These planning challenges may especially impact home-based businesses, hospitality venues, manufacturing businesses, and agritourism operators.

For example, small businesses have reported that the MCU processes may impose costs disproportionate to the scale of the activity being proposed. A working farm in South East Queensland was unable to diversify to an agritourism offering when the local council required a full MCU application process at significant cost, to add a small ancillary café to service the farm's pick-your-own-fruit visitors.[8] In another example, an optometry practice discovered their leased premises was incorrectly zoned for their business 18 months into the term of the lease. It was estimated an MCU application would cost more than $4,000 to prepare with no guarantee of approval.[9]

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[5] Business Chamber Queensland (BCQ) (2025). *Efficient Regulation Report 2025: Measuring the red tape burden on Queensland business.*
[6] Ibid.
[7] Queensland Small Business Commissioner (QSBC) red tape example.
[8] Ibid.
[9] Ibid.

Employment laws and workplace compliance

Approximately 63 per cent of Queensland small businesses are non-employing.[10] While there are many reasons for this, the additional compliance that comes with crossing the "employment threshold" is a known barrier. These compliance activities (such as workplace health and safety compliance, superannuation, payroll tax, award interpretation, and worker's compensation obligations) may create a deterrent to growth via employment for small businesses.

For example, a National Disability Insurance Scheme provider in Far North Queensland described the quarterly reporting requirement for portable long service leave through QLeave as a significant pain point. Combined with payroll tax obligations, and worker's compensation through WorkCover, this business owner described the cumulative employment compliance burden as unsustainable.[11] Similarly, small business owners report difficulty interpreting award obligations, particularly when employees perform multiple roles or when a business sits across multiple award classifications. The Fair Work Ombudsman's infringement notices regime adds further pressure — including requirements around advertised pay rates — particularly for small businesses without industrial relations expertise.

Workplace health and safety laws are broadly cited as imposing a compliance burden that is not scaled to business size. Small businesses face the same framework as large employers, without the internal expertise, dedicated safety officers, or administrative capacity to manage it. Small businesses report struggling to stay across new and changing compliance requirements — for example, the psychosocial hazards code of practice.

Insurance

Access to appropriate and affordable insurance is not a "nice-to-have" for small businesses — it is a critical operating requirement to help them manage risk, recover from disruptions, and meet obligations. Insurance is becoming increasingly unaffordable due to rising premium costs driven by natural disasters, inflation, and reduced competition. In some sectors and regions, coverage is either unavailable or there is so little competition it is effectively inaccessible.

For example, a pub in North Queensland has a $500,000 excess on their building insurance which reportedly is very likely to exceed the rebuild costs.[12] However, the business has to hold insurance or their bank will not work with them — meaning they have effectively purchased insurance they will never be able to afford to claim against, just to satisfy an operational requirement.

Taxation

Another common concern for businesses at the growth and expansion stage is taxation, including managing GST, BAS, PAYG, payroll tax and related obligations — which may be disproportionately burdensome for small businesses that lack the dedicated finance teams of a larger business.

For example, small business report having to engage external providers, such as bookkeepers and accountants, to help meet their tax reporting obligations — adding thousands of dollars in annual costs on top of the tax itself. Some businesses have also raised that the GST registration threshold of $75,000, has not kept pace with inflation or rising operational costs, capturing smaller businesses that were not originally intended to bear the compliance burden of GST.

Further, Australian Taxation Office (ATO) enforcement activities including the general interest charge on late payments has been raised as disproportionate for small businesses experiencing temporary cash flow difficulties. Some small businesses report that a penalty regime designed for deliberate non-compliance is being applied to businesses that may be struggling at a point in time but have every intention of meeting their tax obligations.[13]

2. Australia's innovation ecosystem

<u>The state of small business innovation in Australia</u>

Australia's small business sector is underperforming against its Asia-Pacific peers in innovation, technology adoption, and growth. A recent survey of small businesses in the Asia-Pacific found:

- Only 46 per cent of Australian small businesses reported growth in 2025, compared to the survey average of 62 per cent — placing Australia third lowest among 11 Asia-Pacific markets surveyed.

[10] ABS Census (2021).
[11] QSBC red tape example.
[12] QSBC assistance casework example.
[13] QSBC red tape example.

- Only 12 per cent plan to introduce a new product, service or process unique to their market in 2026, well below the survey average of 29 per cent.
- Only 13 per cent expanded their workforce in 2025, well below the average of 36 per cent.
- Australian small businesses are the least likely of all surveyed markets to expect economic growth in 2026, with more businesses anticipating economic contraction (38 per cent) than expansion (34 per cent).[14]

This structural underperformance in innovation is likely constraining productivity, competitive intensity and economic growth.

Government programs supporting innovation and growth

Queensland Government has a number of programs that support business dynamism and innovation, including:

- Business Growth Fund: Targets high-growth businesses with grant funding between $50,000 and $75,000 to support the purchase of specialised equipment, enabling them to unlock growth potential, increase production, expand their workforce, and maximise economic returns. Expected outcomes include increasing productivity, turnover, profit and/or employment by 20 per cent.

- QIC Ventures: Funds managed by the Queensland Investment Corporation including the Enterprise Acceleration Fund (pre-seed to Series A, with funding between $250,000 to $2.5 million) and the Business Investment Fund (Series A to Series C+, with funding between $2.5 million to $10 million), providing both capital and strategic guidance for innovative Australian businesses with a Queensland presence.

- Regional Business Gateways Program: Supports collaborative, community-led projects that identify a specific challenge or opportunity for regional small businesses and delivers improved capability. The program provides funding between $250,000 to $600,000 to successful applicants from local councils, chambers of commerce, industry organisations or not-for-profit businesses enabling organisations.

- Mentoring for Growth: Offers eligible businesses free access to volunteer business experts covering cash flow, growth strategies, marketing, finance, human resources, cybersecurity, export and investment.

Stigma regarding business failure

A dynamic economy requires not only that businesses start and grow, but that they can fail and the people behind them can learn valuable lessons and try again. Currently, the regulatory, financial and social consequences of business failure in Australia may deter entrepreneurship and suppress small business dynamism. When asked about their biggest concern when first starting a business, the majority of surveyed Australian small business owners identified "uncertainty whether your business will succeed"[15] — demonstrating that fear of failure is the dominant concern at the point of entry.

The QSBC's research into the small business life cycle and mindset revealed small business owners are emotionally and operationally embedded in their businesses to a degree that makes failure deeply personal.[16] This "inescapability" intensifies the psychological cost of failure and may act as a deterrent to future entrepreneurial activity — not just for the individual owner, but for those observing the experience (such as potential future entrepreneurs, family members, or employees considering starting their own business).

The regulatory system may compound the stigma of failure. For example, ATO business tax debt disclosure to credit reporting bureaus means a business experiencing temporary difficulty can have its credit rating damaged, even if the underlying issue is resolved.[17] Australian Securities and Investment Commission (ASIC) late notification fines penalise owners who miss administrative deadlines to update their ASIC record including during the exit process, adding financial penalties to what is already a stressful and resource-intensive process.

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[14] CPA Australia (2026). *CPA Australia Asia-Pacific Small Business Survey 2025-26: Australia market summary*.
[15] CPA Australia (2026).
[16] QSBC (2024). *Understanding the life cycle and mindset of Queensland small businesses*.
[17] QSBC red tape example.

The common overlap between personal and business finances means business failure does not end at the business. For example, a florist in the Southern Downs region is drawing from their home mortgage to pay rent on a business they can no longer sustain, with two years remaining on the lease and the landlord reportedly refusing to engage on an exit plan.[18]

Small business failure can have devastating impacts on the mental health and wellbeing of small business owners, their families and employees — which may deter future entrepreneurship or impact their ability to find employment. The Queensland Government has recognised that business owner wellbeing is directly linked to business sustainability and productivity, and as a result has expanded the small business financial counselling program to include free small business wellbeing support.

3. Human capital and management capability

Management capability to start and grow a business

Research commissioned by the QSBC found small business owners must fulfil a variety of roles themselves, lacking the division of tasks seen in larger businesses — known as the "liability of smallness".[19] Sole traders in particular must be generalists across finance, marketing, compliance, operations and strategy simultaneously. This means, small business owners often spend more time working "in" the business than "on" the business. A construction business owner described it as "busy but broke" — technically skilled owners who lack the systems, leadership habits, pricing discipline and financial management skills to run a sustainable and profitable business.[20]

However, small businesses who look to improve their human capital through workforce expansion face difficulties including recruiting and retaining skilled workers, housing staff (particularly in regional, remote or high-tourism areas), meeting wage cost increases, and understanding and complying with industrial relations requirements. The owner of a multi-site hairdressing business described the management capability challenge of training apprentices, noting that small businesses must simultaneously manage the operational demands of training while absorbing the financial cost and administrative complexity of employment compliance.[21]

Digital capability gaps

Many small businesses lack the skills or resources to adopt digital tools and technologies, which limits their ability to innovate, compete and access new markets. A recent survey by CPA Australia found Australian small businesses rank in last place out of 11 Asia-Pacific markets on virtually every digital adoption measure.[22] The survey also found only 30 per cent of Australian small businesses reported that technology investments in 2025 improved profitability, significantly below the survey average of 56 per cent.[23] This suggests when Australian small businesses do invest in technology, it is more frequently directed toward replacement or maintenance rather than productivity-enhancing or growth-oriented solutions.

Australia has the second-oldest age profile of all surveyed markets, and this may be a factor influencing the sector's innovation and growth performance.[24] The survey data consistently shows a strong correlation between older business owners and lower levels of growth, digital adoption, innovation and overseas market engagement — with older owners significantly less likely to adopt strategies including e-commerce, and improving customer satisfaction and business strategy.

Likewise, the QSBC-commissioned research found Queensland small business owners have a low tendency to use research and analytics to inform decision-making — using analytic methods "rarely" and analysing competitors "rarely".[25] External advisors (other than accountants) are consulted "occasionally" or "nearly never". This low engagement with data and technology is not simply a skills gap — it reflects the reality that time-poor owners working in the business have limited capacity to invest in digital transformation.

Risk appetite

Risk appetite is not simply a character trait of individual business owners — it is shaped by the regulatory, financial and social environment in which they operate. Reducing the downside

[18] QSBC assistance casework example.
[19] QSBC (2024).
[20] QSBC assistance casework example.
[21] Ibid.
[22] CPA Australia (2026).
[23] Ibid.
[24] Ibid.
[25] QSBC (2024).

consequences of reasonable business risk (through right-sized regulation, accessible exit pathways, affordable insurance, and fairer personal liability frameworks) is likely to improve dynamism.

The CPA Australia survey identifies that "risk averse" is the most common attitude and approach to managing risk by Australian small business owners, concluding that "*the greater risk aversion among Australian small business owners may help explain their relatively lower inclination to adopt innovative technologies compared to small businesses from other markets in the region*".[26]

The QSBC-commissioned mindset research corroborates this finding. When asked whether their business "strongly favours high-risk projects with a chance of high returns", the average response from Queensland small business owners was "disagree".[27]

Australian small businesses are favouring defensive strategies — particularly customer loyalty, retaining good staff and cost control — rather than growth-oriented initiatives including improvements to business strategy, management capability and technology adoption. Many small businesses are not primarily seeking growth, innovation or market expansion — they are seeking independence and personal fulfilment. Only seven per cent of Australian small business owners cite financial gain as their primary motivation for starting a business — the dominant motivations are autonomy, work-life balance and the pursuit of personal passion.[28]

Risk appetite cannot be separated from the reality of personal financial exposure. Small business owners routinely put personal assets, including the family home, on the line to start or grow a business. Around 43 per cent of small businesses fail to make a profit, and 75 per cent of self-employed owners take home less than the average wage.[29] In this context, risk aversion may be a survival strategy and a regulatory and economic environment which encourages business dynamism could see an increase in planned and strategic risk appetite in small businesses.

4. Capital markets

Small businesses tend to be more reliant on private equity and traditional bank finance rather than capital markets.[30] However, bank finance can be hard to access for many small businesses, including in emerging markets where banks do not yet recognise the risk profile; and in some regional areas where there are no physical bank branches or dedicated small business managers. Access to capital to start, expand or buy a business in some regions who could be susceptible to natural disasters and severe weather events can also be increasingly difficult through traditional capital avenues. Securing affordable finance for start-up or expansion — even with a proven track record — remains difficult. As a result, some owners turn to unregulated lenders (who are not members of the Australian Financial Complaints Authority), which may expose them to higher interest rates, predatory lending practices, and less pathways to resolve banking-related disputes.

Commonly, there are ties between small business and personal finances — with many securing loans against the family home or other personal assets. This is a particular access barrier for younger entrepreneurs who may lack the traditional private equity relied upon by older generations to start their business. However, while the use of private equity may increase the chances of securing finance, it also compounds the personal risk should the business fail.

Low financial literacy among some business owners further exacerbates the challenges above, making it harder to navigate finance options, manage cashflow, understand lending obligations, and present viable business proposals to lenders.

Further, there is strong evidence of gender disparities in capital access, with women facing gender biases in investment decisions and less favourable loan conditions.[31] For example, all-female founding teams were represented in eight per cent of start-up funding deals and just two per cent of total capital in Australia in 2025. Female founders were also significantly more likely than male founders to believe gender affected their ability to raise capital .[32] Addressing these disparities could help unlock the economic potential of women-led businesses, as evidenced by research suggesting significant economic gains if women were able to scale businesses at the same rate as men.[33]

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[26] CPA Australia (2026).
[27] QSBC (2024).
[28] CPA Australia (2026).
[29] Australian Small Business and Family Enterprise Ombudsman (2024). *Small Business Matters, February 2024.*
[30] QSBC (2024); CPA Australia (2026).
[31] OECD/GWEP (2025). *Bridging the Finance Gap for Women Entrepreneurs: Insights from Academic and Policy Research.*
[32] Cut Through Venture / Folklore Ventures (2025). *State of Australian Startup Funding 2025.*
[33] OECD/GWEP (2025).

5. Transfer of successful businesses

With 21 per cent of business owners aged over 60 and nearly half aged over 50, succession planning and business transfer is a growing challenge.[34] Many small businesses have no formal succession plan, and the complexity of transferring a business — lease transfers, licensing re-applications, insurance requirements, tax obligations and ASIC compliance — may deter orderly transitions. At the other end of the spectrum, just eight per cent of small business owners are under 30,[35] meaning the pipeline of potential buyers is narrowing at the same time as the pool of sellers is growing. In some cases, there is interest from younger buyers to purchase an existing business, and willingness from owners to sell but, as outlined above, they experience significant hurdles in approvals through traditional financing avenues.

<u>Barriers to transferring a business</u>

Insurance availability

The Caravan Parks Association of Queensland has documented cases where park sales have fallen through or been delayed by up to 18 months because incoming purchasers cannot secure insurance in time to settle (financiers reportedly require adequate insurance as a pre-condition of lending). In one case, a purchaser sought an insurance quote in advance, but when the contract went unconditional the insurer advised the quote had expired the previous day and they were no longer willing to offer coverage meaning the sale collapsed.[36]

Licence transfers

In some industries and council areas, licences cannot be transferred on sale of a business. New owners must apply from scratch — facing processing delays of up to 30 days or more — during which they risk fines if they choose to trade without a licence.[37] This creates a gap in trading continuity that deters buyers and reduces the sale price a vendor can achieve.

Commercial lease assignment

A hospitality business in the Redlands region reported that landlord and property agent delays on the re-assignment of their lease directly caused the sale of the business to collapse, with the potential buyer terminating the sale. The small business owner was left almost $6,000 out of pocket for the lease assignment fees paid upfront and was unable to sell the business as planned.[38]

Process to dissolve an entity

The complexity and cost of winding up a business, including compliance with tax and employment laws, can deter business owners from exiting or transferring ownership efficiently. The process of de-registering a company with ASIC and closing tax accounts with the ATO can be time-consuming, costly, and administratively difficult for retiring owners.

Access to finance

Prospective buyers, particularly younger entrepreneurs, often lack the property assets required as security for traditional bank lending. The ties between small business finance and personal assets may deter new entrants from taking on the risk of purchasing an existing business.

Due diligence complexity

The cumulative regulatory obligations attached to a small business — leases, licences, employment entitlements, tax obligations, insurance — make the due diligence process complex and costly for prospective buyers, particularly those without access to professional advisers or experience in running a business.

The insights provided in this submission demonstrate the barriers to dynamism are structural, cumulative and disproportionate in their impact on small businesses. The regulatory and administrative burdens of starting, growing, and exiting a business suppress employment, deter risk-taking and innovation, and limit business dynamism.

[34] ABS Census (2021).
[35] Ibid.
[36] QSBC red tape example.
[37] Ibid.
[38] Ibid.

The QSBC welcomes further collaboration with the Productivity Commission as the inquiry progresses and requests the involvement of federal and state small business commissioners and peak industry groups in the planning stages of any proposed initiatives that arise.

Thank you for the opportunity to provide this feedback. If you need any more information or help with this matter, please contact Tamara Scharneck, Director, Advocacy and Engagement, Office of the Queensland Small Business Commissioner on mobile [redacted] or email [redacted]

Yours sincerely

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