MORTGAGE AND
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OF AUSTRALIA

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Productivity Commission
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By electronic upload

Dear Productivity Commission,

PRODUCTIVIY COMMISSION INTERIM REPORTS

The Mortgage and Finance Association of Australia (**MFAA**) welcomes the opportunity to make a submission to the consultation.

The MFAA is Australia's peak body for the mortgage and finance broking industry with over 16,000 members, 97% of which are mortgage and finance brokers and the vast majority of these are small businesses. Mortgage and finance brokers are an essential part of Australia's financial ecosystem, supporting over 37,000 jobs and contributing $4.1 billion to the Australian economy each year.[1]

The MFAA provided submissions to the initial rounds of the Productivity Commission's Five Pillars Inquiry and is pleased to see our perspectives reflected in the Interim Reports.

This submission builds on what we have said before across the following Interim Reports on the Pillars below. We have also provided detailed responses to the questions asked in each Pillar Interim Report:

1. Pillar 1: Creating a more dynamic and resilient economy
2. Pillar 3: Harnessing data and digital technology.

OUR SUBMISSION

PILLAR 1: CREATING A MORE DYNAMIC AND RESILIENT ECONOMY INTERIM REPORT

Mortgage and finance broking businesses are at the heart of Australia's financial system, connecting consumers and small businesses with the credit they need. As small businesses themselves, brokers face the same challenges as other small businesses including managing

[1] Deloitte, *The value of mortgage and finance broking 2025,* <https://www.mfaa.com.au/policy-and-advocacy/research>.

cashflow, attracting and retaining talent, and navigating complex regulation and economic uncertainty.

Reforms that simplify regulation and ease the tax burden go directly to two of the most pressing issues our industry confronts. These kinds of changes build confidence, encourage investment, and allow broking businesses to focus on helping Australians achieve their financial goals. The Report highlights a clear opportunity to shape policy settings that genuinely strengthen the broking sector and, in turn, the wider economy.

CORPORATE TAX REFORM TO SPUR BUSINESS INVESTMENT

The Inquiry has heard, including from the MFAA, that Australia's tax and regulatory settings present significant barriers to business dynamism and resilience. As we have highlighted, this is particularly evident in the operation of stamp duty and payroll tax—two inefficient and distortionary taxes that weigh heavily on small and growing businesses, impeding mobility, investment and job creation.[2]

It is a missed opportunity that the Commission's Interim Report did not seek to address these taxes, as meaningful reform in this area would deliver significant benefits for business investment, growth and employment. We strongly encourage the Commission to consider this as a potential area for reform in its final report to ensure Australia's tax system better supports business dynamism and resilience.

Alongside COSBOA, of which the MFAA is a member, we support the Interim Report's recommendation to reduce the company tax rate from 25% to 20% for businesses with revenue of less than $1billion. The reduction in the company tax rate will be strongly welcomed by small businesses, which make up 98% of all businesses in Australia.[3]

However, any proposed reduction in the company tax rate should not come at the expense of adding further complexity for small businesses in the way they are taxed. We acknowledge the Commission's intent to maintain tax neutrality and that its proposal to reduce the company tax rate is contingent on the introduction of a 5% cashflow tax to offset revenue impacts. In our view, this approach risks adding a significant administrative burden to small businesses.

A cashflow tax is complex to design and implement, requiring businesses to manage timing differences in income and expenses, account for irregular cashflows, and potentially reconcile dual systems alongside existing tax obligations. For small businesses that already operate with limited resources, this would increase compliance costs and uncertainty, undermining the benefits of the rate reduction.

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[2] MFAA submission to Treasury consultation Economic Reform Roundtable, <https://www.mfaa.com.au/wp-content/uploads/2025/07/25072025_MFAA-Submission-to-Treasury_Economic-Reform-Roundtable.pdf>, 25 July 2025.

[3] MFAA submission to Productivity Commission 5 Pillars Inquiry, <https://www.mfaa.com.au/wp-content/uploads/2025/09/06062025_Submission-to-Productivity-Commission_5-Pillars.pdf>, 6 June 2025.

Further to this, the new cashflow tax being proposed would mainly benefit companies by allowing them to immediately deduct the full cost of capital purchases. However, this would leave out the 37.6% of businesses that operate as sole traders or partnerships.[4]

For this reason, the simplest and fairest approach is to make the Instant Asset Write-Off permanent and increase its threshold, so that all small businesses — regardless of how they are structured — can confidently invest in productivity-enhancing assets and drive their growth with certainty.

QUESTIONS

Information request 1.1 - The Productivity Commission (PC) is interested in views on further information about the interaction between the proposed cashflow tax (i.e. the net cashflow tax) and Australia's dividend imputation system.

We have no comments in relation to this Information Request.

Information request 1.2 - The PC is interested in views on the most appropriate way to tax financial services in a manner that is consistent with the proposed changes and induces additional capital expenditure in a similar manner to the net cashflow tax.

The exclusion of interest income and expenses from the proposed cashflow tax base highlights a fundamental flaw in its design. For financial services firms, whose primary revenue stream is interest, the tax would generate little revenue and provide no meaningful incentives. Attempting to "fix" this through additional rules would add significant complexity, undermining one of the core principles of good tax design.

In our view, this is further evidence that a cashflow tax is not the right approach. It cannot be applied consistently across the economy without either exempting major sectors or introducing bespoke rules that increase uncertainty and compliance costs.

Information request 1.3 - The PC is interested in views on whether a phased or package approach to the proposed changes is preferable, and the lead time government and companies would need.

We remain unconvinced that a cashflow tax is the right approach for Australia, given its design challenges and the complexity it would introduce. That said, if government were to proceed, the grandfathering approach would be the most balanced way to manage the transition.

REGULATING TO PROMOTE BUSINESS DYNAMISM

The MFAA supports a clear, simplified and proportionate approach to regulatory reform that enhances business dynamism and enables innovation and growth. We welcome the Commission's focus on reducing unnecessary regulation and preventing inappropriate

[4] ABS, Data cube 1: Tables 1-16 of counts of Australian businesses, including entries and exits, August 2025 <https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release#type-of-legal-organisation>.

regulation before it is introduced. As a member of COSBOA, we share their ambition that Australia should 'regulate for growth and to enable business'.

Rather than creating something new, we recommend the Commission leverage strategies and processes already in place to improve the regulatory environment for small businesses. The *National Small Business Strategy* provides a framework for jurisdictions to work together to reduce duplication, simplify red tape, and create efficiencies across government. This should be complemented by a stronger and more transparent approach to the Regulatory Impact Statement (RIS) process.[5]

Information request 2.1 - We [the PC] would like to hear specific examples of regulations that you think align with the categories above, and that could easily be fixed by government.

The Productivity Commission has identified key categories of poor regulation, including duplication, inconsistency, rigidity, risk aversion, delays, and cumulative burden. In our experience, the following examples align with these categories and highlight opportunities for government to deliver practical reforms that would materially reduce red tape for small businesses:

(a) Payroll Tax (duplicate and inconsistent regulation):

Inconsistent payroll tax rules across jurisdictions create unnecessary complexity and compliance costs, particularly for small businesses. For firms that operate nationally, the lack of harmonisation acts as a barrier to growth, diverting resources away from innovation and productivity into navigating red tape. The MFAA has recommended to the NSW Payroll Tax Inquiry that payroll tax should be refocused on its original anti-avoidance purpose, with a nationally consistent framework and targeted relief for small businesses to support job creation and reinvestment in staff.[6]

(b) Verification of Identity (VOI) Rules (duplicate and inconsistent regulation):

Current VOI processes vary by state and remain largely manual, creating duplication and inefficiency. Standardising VOI rules nationally and mandating acceptance of accredited digital ID solutions would streamline compliance and enable consistent practice.

(c) Signing and service requirements (regulatory delay and cumulative burden):

Several provisions of the National Credit Code still require paper-based notices, creating delays and administrative burden. Modernising these requirements to permit secure digital delivery (with safeguards for proof of service) would reduce costs and better align with contemporary business practices.

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[5] Australian Government National Small Business Strategy, <https://treasury.gov.au/publication/p2025-624843>, 2025, page 46.

[6] MFAA submission to Inquiry into the Contractor Provisions of the Payroll Tax Act 2007, <https://www.mfaa.com.au/wp-content/uploads/2025/02/881285b154b47b4f45fdd180b17cefc9d3ab3c33.pdf>, 7 February 2025.

(d) Comparison rates (outdated regulation):

The assumptions underpinning comparison rates are no longer aligned with modern mortgage products, undermining their usefulness to consumers. Updating the methodology would restore the intent of enabling meaningful comparisons.

(e) Discharge processes (regulatory delay):

State-based practices and lender discretion cause significant delays in discharge requests, creating barriers to switching and reducing competition. Mandating clear timeframes for lenders, supported by integration with the New Payments Platform, would promote consumer mobility and efficiency.

Information request 2.2 - Which quantitative economywide measures of the quality of regulation and the regulatory burden should the Australian Government track? How should it set targets for these?

Like the Consumer Price Index tracks impact of inflation on a set group of items, a Business Regulation Index (BRI) could be developed to track a selection of businesses and the number of regulations they must adhere to, and the time required to do so, before they can begin operating. A reduction in the BRI would indicate improving conditions.

Information request 2.3 - In which sectors or regulatory systems is immediate regulatory review most warranted, and why?

The MFAA supports the Commission's call for a systematic review of housing construction regulation. However, a narrow focus on construction risks overlooking the other critical determinant of affordability: access to credit. Housing supply, no matter how abundant, does not translate into home ownership if consumers cannot secure finance on fair, efficient, and competitive terms.

The current regulatory environment for lending is marked by duplication and outdated processes. These inefficiencies act as a hidden tax on borrowers — slowing down approvals, increasing transaction costs, and reducing competition. For example, verification of identity requirements differ across jurisdictions despite the availability of national digital ID solutions; outdated rules mandate paper-based notices that delay outcomes; and manual, inconsistent discharge processes inhibit refinancing and borrower mobility. Each of these adds cost and friction, with the borrower ultimately paying the price.

The Commission has already highlighted the cumulative burden created by fragmented and overly prescriptive regulation. Home lending provides a clear example of where cumulative regulatory burdens affect affordability outcomes. Extending the scope of review to include lending regulation would ensure that efforts to improve housing affordability are more comprehensive.

A whole-of-system approach that considers both construction sector reform and the regulatory settings that shape access to credit will deliver the strongest outcomes for affordability, competition, and consumer choice.

Information request 2.4 - How should regulators and policymakers balance risk with growth objectives? What guidance should governments give? What are the constraints which impede regulators and policymakers from better balancing risk and growth objectives? What guidance can governments give to help?

Policymakers and regulators face the constant challenge of protecting consumers and the financial system without stifling innovation and growth. Striking this balance requires a proportionate approach: regulation should address genuine risks while leaving space for businesses to innovate and invest with confidence.

In practice, constraints often arise from overlapping regulatory mandates, limited resources, and a culture of risk aversion that defaults to more prescriptive or duplicative rules. These factors can lead to cumulative burden rather than proportionate protection.

Governments can provide clearer guidance by embedding principles of proportionality, simplification, and regular review across the regulatory system. A recent example is ASIC's review, which removed over 9,200 pages of regulation and called for further proposals to streamline obligations.[7]

This kind of initiative demonstrates that regulators can maintain consumer protection while actively reducing unnecessary red tape. Encouraging more regulators to adopt similar simplification programs, supported by oversight and accountability mechanisms, would help ensure regulation better balances risk and growth objectives.

Information request 2.5 - What levers does the government have, beyond statements of expectation and guidance from central agencies, to help promulgate and embed a culture of regulatory stewardship within the APS?

We have no comments in relation to this Information Request.

PILLAR 3: HARNESSING DATA AND DIGITAL TECHNOLOGY

The MFAA supports the Commission's focus on data and digital reform as a driver of productivity growth. We particularly welcome the Interim Report's recognition of the Consumer Data Right as the secure, consent-driven alternative for data sharing in financial services.

We continue to see material progress in the broker use case. A CDR-powered solution (Frollo) is now integrated with major aggregator groups Connective, Finsure and Mortgage Choice. In addition to this, lender-level activations are underway with a number of major banks. Further to this, Frollo for Brokers (a tool enabling brokers to securely access client financial data) has now been made available to all mortgage brokers in Australia.[8]

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[7] ASIC media release, *ASIC slashes red tape and calls for further regulatory simplification proposals*, 3 September 2025.
[8] https://frollo.com.au/frollo-for-brokers/

Given the availability of CDR applications across the entire mortgage broking sector, we agree that screen-scraping should be phased out and ultimately prohibited.

QUESTIONS

Information request 1.1 - The PC is seeking feedback on the issue of copyrighted materials being used to train AI models. Are reforms to the copyright regime (including licensing arrangements) required? If so, what are they and why?

We have no comments in relation to this Information Request.

On the topic of artificial intelligence (AI), we agree with the Productivity Commission that regulation should remain proportionate and outcomes-based, with AI-specific measures introduced only as a last resort.

Information Request 2.1 - The PC is seeking feedback on how to introduce lower-cost and more flexible data access pathways for a broad range of use cases. In line with draft recommendation 2.1, we are also seeking feedback on the sectors and use cases where the new pathways could most valuably enhance data access in the short term. We note that the banking and energy sectors are already covered by the Consumer Data Right.

(a) What types of data should be covered?

In response to the Commission's request for feedback on sectors and use cases where lower-cost and more flexible data access pathways could deliver the greatest short-term benefits, we consider the priority areas to be banking, accounting, tax, and credit data. These datasets are directly relevant to household and small business finance, where improved access would most immediately enhance financial decision-making and support productivity outcomes. For small business lending in particular, access to accounting information, ATO records (with consent), and business credit data would allow brokers and lenders to assess applications more quickly and accurately. At present, these data sources are fragmented and often slow to obtain.

Bringing them into secure pathways would make a real difference to productivity.

(b) How should data be made available?

We agree with the Commission that there should be both simple, low-cost "snapshot" exports of basic data, and more standardised digital transfers for higher-value use cases. For brokers, this balance is important. Small businesses often just need to share straightforward data quickly, while more complex transactions require regular and reliable data flows. The key is that brokers, as trusted advisers, should be recognised within these pathways so they can help their clients use data safely and effectively.

(c) Where should access be prioritised?

The biggest opportunities are in sectors where data already exists in digital form but is not easily shared with the customer or their adviser. Examples include ATO-held tax data, accounting software records, and business credit information. Overseas, businesses can already share some of this information more readily than in Australia. Closer to home, many organisations already trade or use this data with third parties, so making it available securely to the individual or business themselves is a natural and low-cost next step.

Information Request 2.2 - The PC is seeking feedback on how the new data access pathways could be expanded over time in a methodical and predictable way, while enabling innovation. We are also interested in views around how the Australian Government can best support this process.

(a) What should the readiness review process look like?

The review should be simple and regular, looking at which sectors are most ready to share data. Priority should go to areas where the benefit to consumers and small businesses is high, the data is already in digital form, and the risks can be managed. The review should be led by an existing body such as Treasury working with sector regulators, rather than creating a new agency.

(b) How should sectors and data holders be identified, and what criteria should be considered?

Sectors should be chosen based on clear benefits, digital maturity, and ease of implementation. Criteria should include public value, readiness of the sector, affordability for smaller players, and whether it reduces current reliance on slow manual processes like PDFs or screen-scraping.

(c) Which body should do the assessment?

An existing group led by Treasury, with input from the OAIC and relevant regulators, is best placed. This ensures consistency across the economy while keeping sector expertise at the table.

(d) How do we best engage data holders or promote an ecosystem of intermediaries?

The best way is through clear roadmaps, pilot programs, and practical support for implementation. Trusted advisers such as brokers should be recognised so small businesses can safely share their data. Intermediaries should have simple, affordable ways to participate, with government providing guidance and support.

(e) Should data holders be able to apply fees and charges?

Any charges should be fair, transparent, and capped. Basic data exports should always be free to customers, and fees should never be set so high that they push small businesses back to insecure or manual processes.

(f) What role should the Australian Government play?

Government should set clear rules, coordinate across agencies, and provide practical tools such as sandboxes and templates. It should also lead by example by making government data, like business identity and tax information (with consent), available early in the process.

(g) What is a reasonable timeframe for designing and implementing data access pathways?

Each new pathway should take around 12–24 months from design to wide rollout, with regular updates so industry can plan ahead.

Information Request 3.1 - The PC is seeking feedback on implementation issues, including how an alternative compliance pathway should be embedded in the Privacy Act 1988 (Cth).

While the mortgage broker Best Interest Duty (BID) has clearly delivered benefits for consumers — improving trust, driving positive outcomes, and keeping complaints at very low levels — it is important to be cautious about directly transplanting the concept into privacy law. Brokers already operate under a statutory BID in credit law, supported by detailed regulatory guidance. Introducing a separate "best interest duty" in privacy risks confusion, duplication, and inconsistent standards. Any alternative compliance pathway for privacy should instead focus on clear, practical rules, safe harbours, and guidance that set expectations without blurring the lines between existing obligations.

(a) What are the anticipated costs and benefits of implementing an alternative compliance pathway?

The main benefit is providing businesses with a clearer, more practical way to comply with privacy obligations, much like the BID framework in broking. Since its introduction in 2021, BID has improved outcomes for consumers — low complaint volumes and very high levels of trust and satisfaction, as highlighted in the Value of Mortgage and Finance Broking 2025 report.[9] The main costs would be initial training, education, and system changes, but these are outweighed by long-term gains in consumer confidence and sector stability.

(b) How should an alternative compliance pathway be designed – through a new defence, safe harbour, deemed-to-comply standards, or something else? Why?

With BID, brokers benefit from regulatory guidance that sets out what compliance looks like in practice. A similar approach in privacy law would provide both businesses and regulators with certainty.

(c) How should requirements for the alternative pathway be framed – as a duty of care, fiduciary duty, best interest obligation, or something else? What are the merits and downsides of the different options?

While a "best interest" obligation has proven effective in mortgage broking, applying the same label in privacy could create confusion for professionals who already operate under BID. A duty of care, supported by clear standards and regulatory guidance, would be a more appropriate framing. It would set high expectations for consumer protection without duplicating or conflicting with existing obligations.

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[9] Deloitte, The Value of Mortgage and Finance Report 2025, <https://www.mfaa.com.au/wp-content/uploads/2025/03/2025-Value-of-Mortgage-and-Finance-Broking-Report.pdf>.

(d) How should those obligations be enforced? Are any other changes needed to enable effective enforcement?

Enforcement should be outcome-focused, as it is with BID. ASIC's supervision of BID combines guidance, monitoring, and education with enforcement reserved for serious or systemic breaches. This balanced model has worked well — complaints remain very low and consumer sentiment very high. A similar enforcement approach for privacy would ensure obligations are meaningful while remaining practical for industry to comply with.

Information request 4.1 - The PC is seeking feedback on the implementation of mandatory digital financial reporting.

We have no comments in relation to this Information Request.

CLOSING REMARKS

If you wish to discuss this submission or require further information, please contact anja.pannek@mfaa.com.au or Naveen Ahluwalia at naveen.ahluwalia@mfaa.com.au.

Yours sincerely,

[redacted]

Anja Pannek

Chief Executive Officer
Mortgage and Finance Association of Australia

MORTGAGE AND FINANCE ASSOCIATION OF AUSTRALIA

Attachment A – About the MFAA

The MFAA's membership includes mortgage and finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other suppliers to the mortgage and finance broking industry.

Brokers play a critical role in intermediated lending, providing access to credit and promoting choice in both consumer and business finance. Over time, consumers have increasingly sought the services of a mortgage and finance broker with the latest MFAA quarterly market share showing mortgage brokers facilitated 76.8% of all new residential home loans[10] and approximately four out of ten small business loans[11] in Australia.

The MFAA's role, as an industry association, is to provide leadership and to represent its members' views. We do this through engagement with governments, financial regulators and other key stakeholders on issues that are important to our members and their customers. This includes advocating for balanced legislation, policy and regulation and encouraging policies that foster competition and improve access to credit products and credit assistance for all Australians.

[10] MFAA media release, *Mortgage broker market share reaches new peak*, <https://www.mfaa.com.au/news/mortgage-broker-market-share-reaches-new-peak>, 2 June 2025.

[11] Productivity Commission, *Small business access to finance: The evolving lending market Research paper*, September 2021, <https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf>, pg 44.