

Business Reporting Inquiry
Productivity Commission
Via email: businessreporting@pc.gov.au

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To the Commissioners

COSBOA submission: Inquiry into non-financial business reporting requirements

Introduction

The Council of Small Business Organisations Australia (**COSBOA**) welcomes the opportunity to make this submission to the Productivity Commission's inquiry into non-financial business reporting requirements. COSBOA is the peak national body for small business in Australia. As a 'peak of peaks', our members are the industry and member organisations whose own members are the small businesses that make up 97% of all businesses in Australia, so we represent small business through those member organisations rather than directly.

We support the inquiry's objective of improving the efficiency and value of non-financial reporting, and we have confined this submission to the inquiry's terms of reference. We note at the outset that much of the reporting burden most directly affecting small business sits outside the scope of this inquiry, as a large share of it is imposed at the state and territory level. Our central message is simple, small businesses are increasingly caught by reporting and disclosure obligations that are designed for large business but pushed down onto them through supply chains, procurement and finance. This burden, which we describe as 'white tape' because it is imposed by other businesses rather than by government, is the most significant and least understood cost the inquiry can address for small business.

Executive Summary

COSBOA asks the Commission to consider the following.

- **The primary issue for small business is white tape.** Reporting obligations placed on large businesses and ASX-listed companies flow down to small suppliers through procurement, supplier codes, finance and insurance. The cost lands on the business the law does not name, and it belongs squarely within the inquiry's cumulative-burden analysis.
- **Climate and sustainability information arrives at small business in a confusing and inconsistent form.** Small suppliers cannot readily tell whether a request is financial reporting, sustainability reporting, or broader social-impact reporting, and each large customer asks differently. A uniform approach, with practical support for small business, would lift the burden and reduce the risk of inadvertent 'greenwashing'.
- **Payment times reporting must not be wound back.** Transparency drives better payment behaviour, and cash flow is existential for small business. Efficiency gains for large reporters cannot come at the expense of the visibility that protects small suppliers.

- **Government already holds much of this data.** COSBOA supports using existing administrative data, such as the ATO's payroll data, to meet reporting objectives without new standalone obligations, including for gender equality reporting and more broadly.
- **Impact analysis should account for cumulative and flow-down cost.** A new requirement assessed in isolation misses both the load on a business already carrying others and the cost it pushes down supply chains.

Payment times reporting

Cash flow is everything to a small business. It is the difference between being able to pay employees and suppliers on time and not. The Payment Times Reporting Scheme exists because transparency and public reporting change behaviour, where payment performance is visible, large businesses are more likely to pay small suppliers properly and on time.

For this reason COSBOA does not support winding back the payment times reporting requirements in the name of efficiency. The scheme was reviewed by Dr Craig Emerson in 2023 and substantially reformed through the Payment Times Reporting Amendment Act 2024, which simplified reporting, consolidated group reporting and strengthened the regulator while preserving transparency. That balance should be maintained. A further review of the Act is already legislated for between 2027 and 2029, which is the appropriate vehicle for any further refinement.

The Commission asks whether more favourable payment terms have come with offsetting reductions in the prices paid to small suppliers. Previous inquiries and reports have identified concerns that faster payment can come at a cost to small suppliers, including where early payment is conditional on accepting a discount. However, the extent and financial impact of this practice remains difficult to quantify. COSBOA believes the Commission or ACCC should explore options to better measure whether improvements in payment times are being offset by lower prices, discounts or other costs borne by small suppliers.

COSBOA's position is that any efficiency reform for large reporters must not reduce the transparency that small business relies on, and that supply chain finance arrangements must sit on top of reasonable payment terms rather than replace them. Where speed of payment is offered only in exchange for a discount, the small supplier effectively pays to be paid, which is not an acceptable substitute for fair terms.

Sustainability and climate reporting

Small businesses are increasingly asked to provide emissions, energy and sustainability information by their larger customers, particularly large corporations and ASX-listed companies. The small supplier has no reporting obligation of its own, but must answer to win or keep the work. This is 'white tape', and it is the clearest example in this inquiry of a cost that lands on a business other than the one the obligation is placed on.

A particular difficulty is that these requests arrive at small business in an inconsistent and confusing form. When a request comes through a procurement process or from a large customer, a small supplier often cannot tell what is actually being asked of it, what standard or definition applies, or how the information will be used, and each customer asks in its own template with its own requirements. Small businesses without dedicated sustainability teams are then at real risk of answering incorrectly or overstating their position, which exposes them to inadvertent 'greenwashing'.

COSBOA asks the Commission to recommend a uniform, standardised approach to sustainability and emissions information requests on small business, coupled with practical support and guidance, so that a small supplier can answer one consistent set of questions rather than many divergent ones. The European Union has faced the same flow-down and responded with a single voluntary template that small businesses can use to answer sustainability and emissions requests from large customers, banks and investors, with large firms encouraged to limit their requests to it. It is voluntary and applies only to businesses not otherwise required to report, which is exactly the flow-down relief small business needs. Australia has no equivalent, and this is a useful model. Recent government consultation on easing supplier information requests is welcome, but it only reaches demands tied to formal reporting regimes, not those coming through procurement, finance or insurance.

Workplace gender equality reporting

Workplace gender equality reporting currently applies to businesses with 100 or more employees, and the 2021 review raised the possibility of extending it below that threshold. COSBOA would be cautious about any expansion that draws genuinely small businesses into a regime designed for large employers, because the compliance burden falls on the same one or two people who run the business.

More constructively, COSBOA supports meeting the objectives of gender equality reporting through data the government already holds rather than through new standalone obligations. In particular, we support using the ATO's payroll data, collected through Single Touch Payroll, to derive workforce and remuneration information, both for gender equality reporting and more broadly across other reporting requirements. This is a practical application of the 'tell us once' principle: information already provided to one arm of government should not be collected again through a separate reporting process. It would reduce duplication, lower cost, and improve data quality at the same time.

Other non-financial reporting requirements

The Commission has invited views on other requirements that impose significant cost or could be met more efficiently. COSBOA notes the following, recognising that some may fall outside the strict scope of this inquiry. We nonetheless raise them because they are reporting obligations that illustrate the inquiry's central concern: the cumulative burden. Individually, each may be manageable, but small businesses face them in combination, and unlike large reporters they have no dedicated compliance, finance or sustainability function to absorb them. The load falls on the owner or one or two staff who are also running the business, so the true cost of any single requirement can only be understood alongside all the others sitting on the same few people. We would welcome the opportunity to provide member examples as they emerge.

- **Labour hire licensing and reporting.** Queensland, Victoria, South Australia and the ACT each run separate licensing schemes with their own reporting, on mismatched cycles and with differing definitions of 'labour hire'. A business operating across borders reports the same activity several different ways, a clear example of the inconsistent-definition and misaligned-period problems the inquiry identifies.
- **Privacy and data breach reform.** Most small businesses under \$3 million turnover are currently exempt from data breach notification, but the government has signalled removing that exemption. This would be one of the largest single expansions of small business compliance in years and should be assessed for its cumulative burden before it proceeds.

- **Product registration and labelling schemes (WELS and GEMS).** Noting this is more of a compliance burden than a reporting one. However, the water efficiency (WELS) and energy (GEMS) product schemes require registration and labelling by any business that makes, imports, supplies or installs a covered product, with no scaling for firm size. GEMS was simplified in 2023 without abandoning its purpose, which is a useful precedent for the kind of proportionate reform this inquiry should pursue.
- **Taxable Payments Annual Report (TPAR).** This requires businesses in named industries, including building and construction, cleaning, courier and road freight, IT and security, to report every contractor payment to the ATO each year. Much of this data duplicates information the ATO already holds through the contractors' own business activity statements and tax returns, making it a clear candidate for a 'tell us once' approach.

Significant interactions between requirements

Small businesses rarely face a single reporting requirement on its own. They face several at once, often with different definitions of the same concept, different thresholds and different reporting periods, and much of it arrives second-hand from larger trading partners rather than directly from a regulator. The load falls on the owner or a small handful of staff who are also running the business. A requirement that is individually manageable becomes unmanageable in combination.

COSBOA strongly supports the harmonisation of definitions across reporting requirements, better data sharing between regulators, and a genuine 'tell us once' approach. The single most useful reform the Commission could pursue is to stop government asking small business for information it, or another arm of government, already holds.

Ways of ameliorating negative interactions

The government's existing safeguards, being the Impact Analysis requirement for material new regulation and the Department of Finance's Regulatory Policy, Practice and Performance Framework, are sound in principle but assess proposals largely in isolation. That approach misses the two things that hurt small business most, the cumulative load a new requirement adds to a business already carrying others, and the flow-down cost that a requirement placed on large business pushes down onto small suppliers.

COSBOA asks the Commission to recommend that impact analysis for any new reporting requirement expressly assess both the cumulative burden on businesses already subject to other requirements and the costs the requirement will push down supply chains onto smaller businesses. Common data standards and shared reporting platforms are worth pursuing, provided they lower rather than raise the barrier for small businesses with limited systems, and provided small business is consulted in their design.

Conclusion

COSBOA supports a more efficient and better-targeted reporting system, but efficiency for large business must not come at the expense of the transparency and cash-flow protections that small business depends on. The inquiry's greatest opportunity is to recognise and address white tape: the reporting and disclosure burden that flows down onto small business from obligations placed on others. We would welcome the opportunity to provide member worked examples as the inquiry progresses, and to assist the Commission further.

Kind regards,

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