Small Business
Development Corporation

GOVERNMENT OF
WESTERN AUSTRALIA

Our ref: D26/7021

Commissioners Roberts and King
Inquiry into Reducing Barriers to Business Dynamism
Productivity Commission
4 National Circuit BARTON ACT 2600

BusinessDynamismInquiry@pc.gov.au

Dear Commissioners

INQUIRY INTO REDUCING BARRIERS TO BUSINESS DYNAMISM IN AUSTRALIA – SUPPLEMENTARY QUESTIONS

As discussed with you at our meeting on 10 August 2026, please find the following responses by the Western Australian (**WA**) Small Business Development Corporation (**SBDC**) to the supplementary questions you posed[1].

Transferring successful businesses

Question 1: Barriers to Using Employee Share Schemes to Facilitate Buyouts

The SBDC contends that Australia's legal and tax architecture for employee ownership was built with listed or well-resourced private companies in mind, not small business succession.

Three problems compound one another:

- **Cost** – establishing a formal employee share scheme requires legal documentation, an independent valuation (commonly $5,000–$20,000 for a small business) and ongoing compliance, with cumulative costs of $20,000–$50,000 or more. For a small business transaction, this can exceed what the deal itself is worth.
- **Financing** – employees rarely have the personal capital to buy a business outright, so the natural mechanism is for the company to fund its own buyout from future cashflow; however, this runs directly into the financial assistance provisions of the *Corporations Act 2001 (Cth)*, which require either a "no material prejudice" test or formal shareholder approval (the "whitewash" procedure). This process was

[1] The views presented here are those of the SBDC and not necessarily those of the WA Government. Furthermore, the SBDC is not a subject matter expert in financial, legal and insolvency practices and the suggestions made in this submission are based primarily on desktop research as well as limited anecdotal feedback collected through our business advisory service.

designed to protect creditors and minority shareholders in complex corporate structures but applied to a small trading company with two or three employee-buyers, it adds weeks of delay, legal cost and ASIC notification to what should be a straightforward internal transaction.

- **No dedicated legislative vehicle for full ownership transition** – the SBDC understands that employee share scheme rules in Division 83A of the *Income Tax Assessment Act 1997 (Cth)* are built around deferred taxation of minority equity grants to retain and motivate key staff, not around transferring majority or full ownership to a workforce as a succession outcome.

Comparable economies have filled this gap with purpose-built regimes: the United Kingdom's Employee Ownership Trust (**EOT**) model (introduced 2014) allows an owner to sell a controlling interest into an employee trust with capital gains tax relief, and Canada introduced an equivalent EOT in 2024. Australia currently has no formal EOT legislation, with founders instead adapting discretionary trusts and nominee structures to approximate the model, while the 2022 employee share scheme reforms remain best suited to incentivising key staff rather than enabling full ownership transitions. The evidence from overseas suggests that employee ownership improves business and economic resilience and keeps profits in local communities, however, legislative reform would be needed.

The Commission could consider the following:

- **A purpose-built EOT regime.** Rather than adapting listed-company mechanisms, a dedicated legislative vehicle – combining amendments to the Corporations Act with targeted concessions under Division 83A – could allow a small business owner to transfer a controlling interest into an employee trust, with the trust progressively repaying the owner from business cashflow. The UK and Canadian models offer a starting point that could be adapted to Australian conditions and trust tax implications.

- **A simplified financial assistance pathway for small private company buyouts.** A streamlined, lower-cost approval pathway could apply where a small private company provides financial assistance to facilitate an employee or management buyout, reducing the current process to a proportionate compliance burden for these transactions specifically.

- **Reducing establishment cost as a distinct barrier.** Even with legislative reform, valuation and documentation costs will remain a barrier for very small operators. Standardised documentation templates or cost-sharing mechanisms, potentially delivered through existing small business advisory networks, could lower the up-front cost of establishing these arrangements.

Together, these changes would give small business owners a genuine succession pathway that keeps a business, its staff and its institutional knowledge intact, particularly valuable in regional communities where an external buyer may not exist at all.

Question 2: Business Matching Models – France, Germany and the Netherlands

Our research into these international models demonstrates how each addresses the two problems that make regional business transfer markets challenging: information is too scattered for a thin market to correct on its own, and sellers and buyers in a small transaction need active, low-cost support to get from "for sale" to "settled".

Summary of the European National Models

France – the Bpifrance/CCI-CMA network

France's approach is a coordinated national aggregation of regional listings rather than a single standalone platform. A national transfer exchange run by Bpifrance aggregates business and trade transfer listings sourced from multiple partner organisations – such as federations, chambers of commerce and trades, and associative or private operators – and carried close to 48,000 active listings as of May 2025.

Sitting alongside this, TransEntreprise is a joint platform operated by the Chambers of Commerce and Industry (**CCI**) and Chambers of Trades and Crafts (**CMA**), which listed around 6,400 businesses available for takeover in the same period. TransEntreprise combines digital listing with human support from specialised CCI-CMA advisers who guide both sellers and buyers through the process, and Bpifrance also funds post-acquisition support, including a governance and transfer module to help buyers establish a clear post-sale strategy, and networking events that connect sellers and buyers directly. Regional chambers additionally publish local directories of accredited transfer professionals to support deals outside the national platforms.

Germany – nexxt-change

Established and run by Germany's Federal Ministry for Economic Affairs, in partnership with the Chambers of Industry and Commerce (**DIHK**), the Chambers of Skilled Crafts, KfW-Mittelstandsbank and the savings and cooperative banking associations, nexxt-change is a match-making platform where people seeking a business successor can connect with people seeking to acquire a business, through a free online exchange. The platform typically carries more than 8,000 active listings at any one time, with around 5,000 new listings posted annually, and general use of the platform is free, though fees may apply for additional services provided by intermediaries. The platform sits within a broader "nexxt" initiative that also runs seminars and advisory activities on succession planning, business start-up and financing.

Alongside the federal platform, each of Germany's 53 regional Chambers of Skilled Crafts runs its own matchmaking service specifically for trade-qualified successions, and separate government-backed instruments – including bonus grants for qualified trade candidates and bank guarantee schemes – support buyers who lack sufficient capital. Independent evidence suggests roughly one in five matched negotiations results in a successful succession, with most failures attributed to financing difficulties or disagreement on price rather than an inability to find a counterparty.

Netherlands – KVK and Bedrijfsovernamewijzer
The Dutch model is built around the national Chamber of Commerce (**KVK**), which operates the statutory Business Register and provides direct advisory support on business takeovers, including help identifying appropriately qualified advisers such as succession consultants, accountants and valuation specialists.

A separate dedicated platform, Bedrijfsovernamewijzer.nl, provides practical information on taking over a business and directs users to relevant advice, with particular focus on financing and decision-making within family businesses, and is itself an initiative of the Ministry for Agriculture, Fisheries, Food Security and Nature, reflecting its origins in agricultural and horticultural family business succession. Rather than a single generic marketplace, the Dutch system layers a statutory registry, a government-run advisory function, and a purpose-built succession information platform with structured guidance on valuation methods, due diligence obligations and binding letters of intent built into the process at each stage.

In line with this, the Commission could examine the following specific design elements when considering an Australian equivalent:

- **Aggregation across a federated network of intermediaries, not a single central database.** France's national exchange does not operate as one government-run listing site; it aggregates offers from many separate regional and sectoral bodies (e.g. chambers of commerce, chambers of trades, industry federations, private operators) into a single national point of search, while sellers list first through their local chamber.

  The Commission could examine whether a national register could similarly aggregate listings surfaced through existing state and territory small business organisations like regional chambers or local councils.

- **A dedicated pathway for licensed trades succession.** Germany's system runs a distinct succession channel through its regional Chambers of Skilled Crafts, alongside the general national platform, specifically because trade-qualified buyers and sellers of licensed trade businesses need different matching criteria (i.e. formal qualification, licence status) to general business buyers. Many regional small businesses are trade-licensed, and licence transferability is itself a barrier to a successful sale.

  The Commission could examine whether a national register could build in a trade-specific matching pathway.

- **Bundling matching with advisory and valuation support, not listing alone.** In the Netherlands, the KVK's role is not simply to list businesses for sale but to actively direct sellers and buyers to accredited succession advisers, valuation specialists and financing pathways, including a dedicated platform for family and agricultural succession. Germany's nexxt-change similarly bundles matching with financing information and succession advisory seminars delivered by chamber and banking partners. Evidence from the German platform indicates that deal failure is most commonly driven by financing gaps and valuation disagreement rather than an inability to find a counterparty in the first place.

The Commission could examine the value of government-funded service-matching plus a clear referral pathway to advisory and valuation support.

- **Free/low-cost general access, with paid options only for enhanced services.** Both the French and German platforms provide baseline matching services free of charge to sellers and buyers, funded through government and chamber partnership, with fees reserved for premium promotion or specialist intermediary services. This design keeps the service genuinely accessible to very small regional operators, for whom even modest brokerage fees can be prohibitive relative to transaction value.

  The Commission could examine this funding model as the basis for a potential Australian design, to ensure a national register does not simply replicate the commercial brokerage market.

Taken together, these features point to a model that is a coordinated national service, delivered through existing regional and sectoral intermediaries, with matching, advisory, referral and licensing pathways integrated from the outset.

Question 3: Other Barriers to Closing or Selling a Small Business

Beyond the licence transferability and Corporations Act barriers already addressed in our original submission, three further areas the Commission could examine are:

- **Lease assignment and the scope of statutory protection.** Where a business sale depends on transferring the lease, landlord consent is a significant barrier; however, protection varies by state, since there is no single national definition of a "retail" lease. Each state and territory sets its own rules, and only leases classified as "retail" get statutory protection around reasonable consent and response timeframes. WA's *Commercial Tenancy (Retail Shops) Agreements Act 1985*, New South Wales's *Retail Leases Act 1994* and South Australia's equivalent all take this approach, while non-retail commercial leases – covering warehouses, offices and industrial premises – rely on freely negotiated terms with far less regulatory protection, nationwide. This leaves many small businesses – such as trades, manufacturers and professional services – without statutory assignment protection. The SBDC understands that Queensland's *Property Law Act 2023* now implies standard lease terms into all commercial leases, including non-retail ones, unless expressly excluded.

  The Commission could examine whether small businesses outside the retail leasing framework nationally should have access to baseline statutory protections on landlord consent and assignment timeframes, pointing to Queensland's reform as a workable precedent.

- **Ongoing personal guarantee liability after sale.** Directors who have personally guaranteed a business's lease obligations are only released from liability once the landlord formally consents to the transfer and the required disclosure process is properly completed; in practice, landlords may use a guarantor's continuing exposure as leverage during negotiation (for example by requiring the outgoing tenant's guarantors to agree to increased security, such as converting a one-month bond into a six-month bank guarantee, as a condition of consenting to the assignment). The same dynamic applies to personal guarantees given for equipment finance, supplier accounts and business loans, which do not automatically transfer or extinguish on sale.

The Commission could examine whether clearer default rules – rather than terms set unilaterally by the party with the stronger bargaining position – could better balance a departing owner's interest in a clean exit against a landlord's or lender's legitimate interest in an adequately resourced counterparty.

- **"Close it once" reform.** Our original submission's suggestion for a Commonwealth "tell us once" architecture was framed around business start-up and ongoing reporting. The same problem exists in reverse at closure. A small business owner winding up or exiting a sale must separately cancel or transfer their ABN, deregister for GST and PAYG withholding, notify their industry licensing authority, close their WorkCover policy, and satisfy any final reporting obligations – each through a separate process, often requiring the same information to be provided multiple times, with no single authoritative closure record shared across Commonwealth and state agencies. For a business that is also transferring licences and a lease as part of a sale, these closure-side administrative steps run in parallel with the transaction and can meaningfully extend settlement timelines.

  The Commission could consider whether the "tell us once" principle could extend explicitly to business closure and transfer, so that a single, well-sequenced administrative process supports an owner through exit in the same way it should support them through start-up.

Together, these barriers reflect a broader pattern: Australia's regulatory architecture treats business closure and transfer as a residual afterthought to entry and operation, rather than as a life-cycle stage deserving of equivalent design attention – a gap this Inquiry has a genuine opportunity to close.

<u>Small Business Restructuring (SBR)</u>

Question 4: SBR Pathway Reform and the Risk of Broadening Eligibility

As stated in our original submission, the SBDC is not an insolvency expert, and our view here is grounded in what we understand from small business owners considering their options. With that in mind, the Commission could consider the following:

- **Index the $1 million cap to inflation**, so its real value does not continue to erode. The cap has been static since the pathway's introduction in January 2021, while input costs and typical trade debt levels for small businesses have risen materially.

- **Introduce a modest, evidence-based increase to the cap itself**, informed by ASIC's June 2025 review of SBR outcomes and current patterns of small business debt, rather than an open-ended lift. ASIC's review, which examined 3,388 SBRs conducted between mid-2022 and the end of 2024, found the process now accounts for roughly one in five insolvency appointments, with more than 200 SBRs commenced each month and 87 per cent of restructuring plans ultimately approved by creditors. This indicates a maturing, functioning pathway that could safely accommodate a larger cohort of businesses without a fundamental redesign.

- **Address practitioner cost directly**, through a subsidised or capped-fee entry pathway for the smallest businesses, since cost – not only the debt cap – is a barrier to businesses that would otherwise qualify.

- **Promote SBR awareness earlier**, in pre-distress advisory services so business owners and their accountants understand the pathway exists before a debt position becomes unmanageable.

Risks of broadening eligibility
The SBDC observes that there may be a risk that simply raising the dollar cap, without other safeguards, could draw in businesses whose financial affairs are too complex for the pathway's deliberately simplified, low-cost design. The SBR process was built for a company with straightforward trade debt and a small number of creditor relationships; the Australian Taxation Office's own guidance is explicit that the process is intended for small incorporated companies with non-complex debt. A company with a higher dollar quantum of debt does not necessarily have simple affairs, and a company with simple affairs does not always have a low dollar quantum of debt – the two are not the same thing, and a cap based on debt quantum alone is an imperfect proxy for complexity.

The Commission could examine whether an increase to the debt cap could be paired with a genuine review of whether the "non-complex debt" eligibility test is doing enough. Raising the cap while strengthening complexity-based eligibility criteria, rather than raising the cap alone, could allow more small businesses to access the SBR pathway without eroding the confidence of creditors and practitioners in its intended, deliberately simplified scope.

Question 5: Reducing the Cost of SBR Practitioner Fees

The SBDC understand that SBR practitioner fees for even straightforward matters commonly run from roughly $7,500 to $30,000 or more, scaling with the number of creditors and the complexity of a business's financial position, typically representing 60–70 per cent of the total cost of the process once legal and accounting support are added. For a genuinely small operator – for example, a trades business, café, small retail shop, hairdressing salon – this can place the pathway out of reach at exactly the point of maximum financial pressure, which is a poor outcome given the debt relief on offer can substantially exceed the fee.

The Commission may wish to examine the following options for reforms:

- **Address the absence of fee guidance.** Under the current Insolvency Practice Rules, a restructuring practitioner's fixed fee for the restructuring period is set by company board resolution before appointment, and the commission percentage on funds recovered for creditors is set out in the restructuring plan itself – in both cases, with no legislative guidance or cap on the amount. This structural gap is a meaningful part of why fees for ostensibly similar matters can vary so widely. The Commission could consider whether a benchmark or capped fee schedule – calibrated to objective factors such as number of creditors and total debt, rather than left entirely to individual negotiation – would give small business directors more price certainty.

- **Introduce a tiered process for the smallest matters.** Not every eligible SBR company has the same complexity, and a genuinely "micro" tier – for businesses with very few creditors and the simplest debt structures – could justify a lower capped fee than the standard SBR process, reflecting materially less practitioner time. This would complement rather than compete with the complexity-based eligibility safeguards discussed in our response to the previous question.

- **Reduce the procedural cost embedded in the process itself.** Singapore's redesign of its Simplified Insolvency Programme offers a useful precedent: as part of moving the programme to a permanent, lower-cost footing, the Singapore Government eliminated the previous requirement for micro and small companies to publish notices in English newspapers and the official Gazette – a requirement it identified as a surprisingly costly burden for a small, insolvent company – in favour of publication solely on the Ministry of Law's website, with lodgement through the existing companies register.

  The Commission could examine whether equivalent procedural steps in the Australian SBR process – including public notice, documentation and lodgement requirements originally designed for larger, more complex insolvency appointments – could be similarly streamlined for small business matters without weakening creditor protections.

- **Consider a partial government subsidy for the smallest cases.** Singapore's original Simplified Debt Restructuring Programme built in an average government subsidy of around 25 per cent of practitioner fees for eligible micro and small companies, directly reducing the out-of-pocket cost for the businesses least able to absorb it.

  The Commission could consider whether a modest, means-tested Commonwealth subsidy – targeted specifically at the smallest eligible businesses, rather than applied universally – could achieve a similar effect in the Australian context, recognising this would need to be weighed against fiscal cost and the risk of distorting the market for restructuring advice.

- **Fund earlier, low-cost eligibility triage.** A meaningful share of the $2,000–$4,000 typically charged for the initial assessment stage of an SBR engagement covers work that could, for many businesses, be done earlier and more cheaply through existing small business advisory channels before a business reaches acute distress. This does not reduce the practitioner's ultimate fee, but it can reduce the total cost of the journey to a restructuring outcome.

Access to finance

Question 6: Corporations Act Restrictions on Small Business Leveraged Buyouts

According to our research, the leveraged buyout structure common in larger corporate transactions – using the company's own assets or future cashflow to service acquisition debt – invokes a complicated risk allocation for an employee or management group seeking to buy out a small private company. Part 2J.3 - Section 260A of the Corporations Act prohibits a company from giving financial assistance for the acquisition of its own shares – including a loan, guarantee, or the granting of security over company assets – unless one of three conditions is met:

- the assistance does not materially prejudice the company, its shareholders or its ability to pay its creditors;
- shareholders approve the assistance through the formal "whitewash" procedure under section 260B; or
- a specific exemption in section 260C applies.

The United Kingdom has undertaken reforms to its equivalent regime (the *Companies Act 2006*) and abolished the prohibition on private companies giving financial assistance for the purchase of their own shares entirely, repealing the whitewash procedure for private companies as a direct consequence while retaining the prohibition for public companies, consistent with continuing EU-derived investor protection obligations that do not apply to small private companies. The reform was explicitly justified on the basis that the previous procedure was time-consuming and costly relative to the risk it was managing, without a corresponding protective benefit given the other duties already imposed on directors.

The Commission could consider examining whether Australia's existing directors' duties and insolvent trading framework carry the protective weight for creditor and minority shareholder in this circumstance. Directors already owe duties under sections 180–184 of the Corporations Act, remain subject to the insolvent trading prohibition under section 588G, and any dividend or capital reduction associated with the transaction remains subject to the solvency test in section 254T.

Question 7: Finance Barriers to Transferring Asset-Light Small Businesses

The SBDC has identified several barriers that the Commission may wish to examine in more detail in order to improve the transfer of successful small businesses.

Financing the goodwill component of a sale

Many successful small businesses being transferred – including professional services firms, hospitality operators, trades and service businesses – derive a lot of their sale value not from plant, equipment or property, but from goodwill in the form of customer relationships, brand, systems and reputation. In small business sales in the mid-market range, while goodwill typically represents the majority of what a buyer is purchasing, banks only typically lend against property and equipment but treat intangible value as non-bankable security.

Our research suggests that Australian acquisition loans typically fund only 50 to 70 per cent of a purchase price, with buyers expected to cover the remainder through cash, vendor finance or their own property equity; deals are specifically flagged as difficult to finance where the price sits above three to four times normalised earnings and there is no property security available to support the goodwill component of the price.

For WA's regional small business owners in particular, where the pool of prospective buyers is already thin, a buyer who is otherwise well-suited to take over the business may simply be unable to finance the purchase.

Vendor finance

Often in a business transfer, the only option is for the outgoing owner to accept a deferred portion of the purchase price, paid over time from the business's future earnings. Whilst a legitimate commercial tool, it depends entirely on the vendor's willingness and capacity to carry risk, it leaves the outgoing owner financially exposed to the buyer's post-sale performance at exactly the point they are trying to exit, and it is not available to every seller, particularly those seeking a clean exit for retirement or health reasons.

An international comparator

The United States (**US**) offers a useful model for how this gap can be closed through policy rather than left to vendor finance alone. The Small Business Administration's (**SBA**) 7(a) loan program (see text box below) is the most widely available cash-flow-based financing option for small business acquisitions in the US, and because the loan carries a partial government guarantee, small businesses without hard collateral can access this financing on the basis of the target business's cash flow rather than its tangible asset base. The program is specifically structured to allow financing of the goodwill component of an acquisition, alongside a modest buyer equity contribution, rather than requiring the buyer to fund goodwill entirely through cash or seller-carried debt.

In this regard, the Commission could consider whether a permanent Commonwealth small business lending guarantee scheme could be established and explicitly extend to business acquisition finance (including the goodwill and intangible component of a purchase price).

Question 8: Design Features for a Permanent Small Business Lending Guarantee Scheme

The SBDC has identified a number of international examples of lending guarantee programs that could be instructive to this Inquiry – see the following summaries.

United States – SBA 7(a) Loan Guarantee Program

Operating continuously since 1953, the SBA 7(a) program is a public-private partnership in which the SBA guarantees a portion of loans made by accredited commercial lenders, rather than lending directly. The guarantee covers 85% of loans up to $150,000 and 75% of larger loans, rising to 90% for certain loan types such as Export Express, Export Working Capital and International Trade loans. Loans are available up to $5 million (recently doubled to a combined $10 million when paired with the SBA's 504 program), with no collateral required for loans of $25,000 or less and reduced collateral requirements above that threshold, since the guarantee substantially lowers lender risk. Maximum interest rates are set by the SBA, with terms up to ten years for working capital and 25 years for real estate.

In fiscal year 2024, the SBA backed $56 billion in total financing to small businesses across its lending programs (including 7(a), 504 and microloans), a 7% increase on the prior year, with the 7(a) program the largest single contributor. A distinctive feature relevant to this Inquiry's focus on business transfer is that 7(a) loans can explicitly finance the acquisition of an existing business, including its goodwill component, typically requiring only 10–15% buyer equity.

United Kingdom – Start Up Loans Programme & Growth Guarantee Scheme
The UK operates two complementary programs covering different stages of the small business lifecycle.

The **Start Up Loans Programme**, administered by the government-owned British Business Bank, provides fully unsecured personal loans of up to £25,000 per director (up to £100,000 per company where multiple directors apply), at a fixed rate over one to five years (7.5% annual percentage rate for new applications from April 2026, up from 6% previously), with no collateral or personal guarantee required beyond the loan itself. It is bundled with free mentoring support for up to twelve months post-loan, and eligibility extends to businesses trading for up to five years, with a second loan available for businesses aged three to five years to support expansion. Since 2012, the program has lent over £900 million to more than 100,000 businesses.

For more established SMEs, the **Growth Guarantee Scheme** – which replaced the COVID-era Recovery Loan Scheme in July 2024 as a permanent successor – provides a 70% government-backed guarantee to accredited commercial lenders, covering term loans, overdrafts, invoice finance and asset finance up to £2 million per business (£1 million in Northern Ireland). Borrowers remain fully liable for 100% of the loan; the guarantee sits with the lender, reducing the lender's risk and expanding the pool of businesses it is willing to fund.

Canada – BDC Small Business Loan & Canada Small Business Financing Program
Canada operates a dual-track model combining a government-owned development bank with a commercial lender guarantee scheme.

The **Business Development Bank of Canada (BDC)** is a Crown corporation with a legislated mandate to complement – not compete with – commercial banks, acting as a lender of last resort for underserved businesses. Its **Small Business Loan** product lends up to $350,000 (with a streamlined online pathway for amounts under $100,000, approved in under ten days), requiring no collateral – only a personal guarantee, with personal assets explicitly excluded as security. There is no minimum revenue threshold, only a requirement of 24 months' operating history, and the product includes flexible repayment options such as principal payment holidays. In 2025, BDC deployed $11.5 billion in new financing to over 107,000 businesses through 109 business centres nationwide – a deliberate design response to geographic market gaps.

Separately, the **Canada Small Business Financing Program** operates through participating commercial lenders, with the federal government guaranteeing up to 85% of eligible lender losses on loans up to CAD$1.15 million per business, comprising up to CAD$1 million in term loans (covering equipment, leasehold improvements and real property) and up to $150,000 in a working capital line of credit. A 2024 government evaluation found that, absent the program, eligible borrowers would receive materially less favourable loan terms.

Singapore – Enterprise Financing Scheme (EFS)
Singapore's EFS is a comprehensive umbrella program administered by Enterprise Singapore, a government agency, consolidating eight predecessor schemes into a single framework. Under the scheme's SME Working Capital Loan, government risk-sharing with participating financial institutions ranges from 50–70% of loan default risk, with a higher risk share extended to younger enterprises (under five years old). The Working Capital Loan itself provides up to S$500,000 with no collateral or security required, delivered through a network of participating financial institutions (including major and non-bank lenders).

Beyond working capital, the broader EFS umbrella extends to trade loans (up to S$10 million), fixed asset loans, project loans, green loans, and mergers and acquisitions (**M&A**) loans, making it a lifecycle-spanning financing framework rather than a single product. Enhancements announced in Singapore's 2026 Budget took effect from April 2026, reflecting an ongoing pattern of active recalibration rather than a static scheme.

Across all four jurisdictions, the common thread is that no single design choice – direct lending, commercial guarantee, or development bank – is essential to success; what matters is that central government absorbs enough of the risk to shift lender behaviour away from a default reliance on residential property collateral, and that the mechanism is permanent rather than crisis-contingent. The Commission could examine if this is a genuine design option for the Australian context.

These comparable international examples give a well-tested set of design parameters the Commission could draw on. The following features could be considered, informed by that evidence and by the demonstrated performance of Australia's own COVID-era scheme.

Eligibility
Based on these overseas models, the scheme could be defined by business merit criteria rather than sector and deliberately sized to capture the businesses currently excluded from conventional lending. The temporary Commonwealth SME Guarantee Schemes launched to support businesses during COVID delivered close to 109,000 loans totalling $16.5 billion, with claims paid under the guarantee representing only 0.2 per cent of total lending value ($33 million), demonstrating that eligibility can be opened well beyond the current conventional lending pool without materially increasing fiscal risk.

Eligibility could be built around:

- **A minimum trading history threshold, set deliberately low.** Canada's BDC requires only 24 months of operating history for its flagship no-collateral small business loan, and its guarantee-based Small Business Financing Program directed 74 per cent of 2024-25 lending to businesses less than one year old. This indicates that early-stage businesses, not only established ones, are where the collateral gap bites hardest.

- **A loan size band calibrated to genuine small business need rather than growth-capital scale.** Comparator programs cluster around $350,000–$500,000 for unsecured or lightly secured facilities (Canada's BDC Small Business Loan caps at $350,000, with a streamlined pathway under $100,000), reserving larger, more heavily underwritten facilities for equipment, leasehold and property purposes specifically.

- **No requirement for residential property as security**, and ideally an explicit prohibition on its use – the design feature the UK's Growth Guarantee Scheme and Canada's BDC both apply, and the one most directly responsive to the barrier this Inquiry has identified.

Guarantee structure and delivery
A hybrid delivery model could reflect the strongest features of the comparator programs:

- **A partial government guarantee delivered through accredited commercial and non-bank lenders**, in the 70–85 per cent range used by the UK Growth Guarantee Scheme (70 per cent), Canada's CSBFP (85 per cent) and the US SBA 7(a) program (75–90 per cent depending on loan size) – high enough to genuinely shift lender risk appetite, while leaving the lender with a meaningful stake in credit quality.

- **A streamlined, largely digital application pathway for the smallest loans**, modelled on Canada's sub-10-day approval for facilities under $100,000, to avoid the scheme becoming inaccessible in practice due to process burden – a risk our submission has raised in other contexts, including the SBR pathway.

- **Permanence, legislated rather than administratively renewed.** New Zealand's experience – i.e. two guarantee schemes in four years, both COVID-response measures, with no permanent successor – illustrates the vulnerability created when structurally underserved businesses lose access as soon as a crisis-era scheme lapses.

Geographic design for regional and remote markets
The Commission could examine whether the scheme should include an explicit geographic accessibility mechanism (such as Canada's BDC, which operates 109 business centres nationally as a deliberate response to exactly this kind of market gap). In the Australian context, this could be achieved through partnership with existing state small business advisory networks rather than requiring a new physical footprint,

ensuring regional business owners can access application support without travelling to a metropolitan centre.

Interaction with personal guarantee settings
Finally, as set out in our original submission (Recommendation 8), the Commission could consider if the scheme's design should be considered alongside – and not in isolation from – the question of personal guarantees. A guarantee scheme that removes the residential property requirement from the lender's security position, while personal guarantees continue to expose an owner's home indirectly through other means, would only partially close the gap this reform is intended to address.

CASE STUDY – The Cost to Business Dynamism
Even Australia's most celebrated business success stories illustrate the underlying problem. Speaking at the recent Council of Small Business Organisations Australia (**COSBOA**) National Small Business Summit on 5 August 2026, Federal Independent MP Allegra Spender recounted how her mother, the late fashion designer and businesswoman Carla Zampatti, was refused finance by her bank when she sought to restart and scale her fashion label following her divorce in 1970. With no conventional collateral to offer, Ms Zampatti turned to family instead, securing a $5,000 loan from a cousin to grow what would become one of Australia's most enduring fashion brands.

Ms Spender used the story to make a broader point: the informal, relationship-dependent finance that allowed her mother's business to survive a bank's "no" is not a reliable foundation for business dynamism, and many equally viable businesses today have no equivalent fallback. More than fifty years on, the underlying barrier – finance assessed on collateral rather than business merit – remains largely unchanged. Could it be possible to have a permanent, merit-based lending guarantee scheme designed to close precisely this gap, so that a founder's access to capital depends on the strength of their business rather than the assets, or family connections, address these issues?

Source: SmartCompany, "Why Allegra Spender says Carla Zampatti's business story might not happen today," 5–6 August 2026.

Concluding remarks

We hope that the Commission finds this supplementary information valuable to its Inquiry. If you would like to discuss this information further, please contact Martin Hasselbacher, Director Policy and Advocacy.

Yours sincerely

Saj Abdoolakhan
Small Business Commissioner

20 August 2026