CPA Australia's Federal Budget Submission 2025-26

January 2025

Introduction

CPA Australia represents the diverse interests of nearly 175,000 members working in 100 jurisdictions globally, including around 120,000 accounting and finance professionals in Australia. We are committed to contributing well-informed, considered, and practical policy solutions on behalf of our members and the broader public interest.

In this Budget 2025-26 submission, we propose policies that enhance Australia's productivity, competitiveness and prosperity while addressing key economic challenges such as slow growth, cost-of-living pressures, regulatory burden, rising public debt and skills shortages. Our Budget 2025-26 priorities are:

- **reducing regulatory burden** to create a more business-friendly environment
- **enhancing Australia's competitiveness** through comprehensive tax and other economic reforms
- **supporting business adoption of sustainability practices**
- **assisting small and medium enterprises (SMEs) and not for profits (NFPs)** with targeted support
- **alleviating cost-of-living and doing business pressures** to support struggling Australians
- **attracting, developing, and retaining talent** to address chronic workforce shortages
- **conducting a comprehensive review of the tax system** for improved efficiency, competitiveness and sustainability
- **improving policy development processes** through better consultation and transparency.

Detailed recommendations for each of these areas are attached for consideration.

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Yours sincerely,

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Summary of Recommendations

REDUCING REGULATORY PRESSURE

- Increase government investment into technology and data to improve digital interactions between business, intermediaries and government
- Fund ongoing reviews of existing laws and regulations to identify ineffective or inefficient rules for removal or improvement
- Improve the public consultation process
- Incentivise the development of RegTech solutions
- Strengthen the assessment framework for industry levy proposals

ENHANCING COMPETIVENESS

- Fund a comprehensive review of Australia's tax system
- Establish an independent tax policy process similar to New Zealand's Generic Tax Policy Process
- Implement measures to increase the proportion of small businesses owned by people under 40

SUPPORTING ESG ADOPTION

- Fund the development of a map showcasing ESG technology solutions
- Fund the development and deployment of industry specific ESG training modules
- Remove the mandatory assurance requirement on Group 3 climate statements

ALLEVIATE COST OF LIVING AND DOING BUSINESS PRESSURES

- Deliver cost of living relief to lower income households
- Withdraw the proposed denial of deductions for general interest charge and shortfall interest charge
- Make financial advice fees tax deductible
- Lower industry levies, charges, and fees, or suspending their increase
- Abolish ASIC Companies Registry search fees

SUPPORTING SMES & NFPS

- Incentivise small business and NFPs to access professional advice
- Significantly expand digital support programs and incentives for SMEs and NFPs
- Introduce targeted incentives to support SMEs & NFPs invest in AI infrastructure and employee upskilling
- Fund ASIC to visit companies displaying solvency concerns

IMPROVING TAX AND SUPERANNUATION POLICIES

- Make the $20,000 Instant Asset Write-Off threshold permanent
- Re-introduce and permanently establish the Small Business Technology Investment Boost
- Re-introduce and permanently establish the Small Business Energy Incentive
- Reintroduce and permanently establish the Small Business Skills and Training Boost
- Give the Commissioner of Taxation the discretion to remit super guarantee charge penalties in limited circumstances
- Change the proposal to restrict access to superannuation tax concessions by indexing the $3 million threshold and exclude the taxation of unrealised gains
- Targeted investor incentives to boost productivity and innovation
- Implement a federal road user charge for electric vehicles (EVs)
- Abolish the Luxury Car Tax
- Improve how the ATO exercises their general powers of administration

ATTRACTING, DEVELOPING AND RETAINING TALENT

- Feature accounting, audit and finance professionals prominently in Australia's skilled migrant intake
- Incentivise students to undertake degrees in areas of shortage, including accounting
- Offer subsidised training to older Australians to help them remain in, or re-enter the workforce

CLIMATE CHANGE ACTION

- Announce what contribution is expected from the business community towards Australia's 43 per cent greenhouse gas emissions reduction target
- Support for upskilling professionals in climate-related disclosures and assurance

Reducing regulatory pressure

Create a more business friendly environment through improved policy development

Feedback from our members and the broader business community indicates that Australia's regulatory environment is becoming less business friendly. A significant contributor to this perception is the increasing volume and complexity of regulation. While individual regulations may be well-designed, the cumulative regulatory burden can overwhelm businesses, especially SMEs.

To foster a more business-friendly environment, we recommend the government:

- **increase its investment in technology and data to enhance digital interactions between business, intermediaries and government**
- **fund an ongoing review of existing regulations to identify inefficient and ineffective regulation for removal or improvement**
- **improve public consultation processes to ensure more effective engagement with the community and better policy design**
- **incentivise the development of RegTech solutions to improve regulatory compliance while reducing costs and administrative burdens.**

Regulatory technology (RegTech) has the potential to improve the targeting of regulation, lower compliance costs, and strengthen both the response to existing issues and the detection of emerging risks.

Realising this potential requires the government to commit to effective regulatory design, and collaboration with RegTech providers and regulated entities.

While RegTech can improve regulatory outcomes and lower costs, it cannot replace the need for regulatory reform and improved consultation.

Importantly, while RegTech can streamline regulatory processes and improve outcomes, it is not a substitute for regulatory reform or robust consultation. A well-designed regulatory framework remains essential for ensuring that compliance is efficient, proportionate, and supportive of business growth.

An effective public consultation process is critical for developing practical and well-informed policies that align with community and business expectations. This involves actively seeking input from the public, industry experts and community groups to ensure policies are well-informed and balanced.

Recent instances of rushed legislative changes with inadequate or no consultation are of concern to CPA Australia. For example, the very short consultation period for Treasury's consultation paper *Review of eligibility requirements for registration with the Tax Practitioners Board*; and the inadequate consultation with the *Tax Agent Services (Code of Conduct) Determination 2024.*

Public consultation is also ineffective when:

- stakeholders are given insufficient time to provide considered responses
- multiple consultations conducted simultaneously or close together can overwhelm stakeholders, limiting their ability to provide meaningful feedback.

By engaging stakeholders early effectively, the government can build consensus, identify potential challenges and solutions early, and improve policy outcomes.

For consultation processes to be effective, they must include an appropriate feedback loop, ensuring participants receive updates on the progress and outcomes of consultations. Consistent and regular application of this process will improve confidence in the process and encourage greater participation.

To strengthen public consultation and improve policy design, we urge the government to:

- strictly adhere to its Best Practice Consultation guidelines
- require agencies to disclose non-compliance with these guidelines
- appoint an independent body to assess and publicly report on agency compliance with these guidelines.

By adopting these measures, the government can foster a more business friendly environment, encouraging businesses to invest and grow in Australia.

Strengthen the assessment framework for industry levy proposals

The Productivity Commission's research report *Towards Levyathan? Industry Levies in Australia*, highlights a concerning proliferation of industry levies by governments in Australia. While these levies are often introduced to fund specific initiatives, they can impose significant costs on business already struggling with rising expenses, particularly if not scaled to the size of the business. They also add complexity, may be costly to administer and can negatively impact productivity and competition. Importantly, such levies are often introduced without the rigorous policy debate typically applied to new or amended taxes.

To promote greater policy discipline and transparency in the development and application of industry levies, we recommend the government incorporate into its Budget Process Operational Rules:

- **a standardised economic framework to assess the merits of industry levy proposals, and**
- **require periodic reviews of existing industry levies.**

This recommendation aligns with Finding 2.2 of the Commission's report. Figure 2.5 of that report sets out a clear decision tree policymakers should adopt when evaluating levy proposals. Under this process, government agencies would be required to identify the type of levy being introduced and demonstrate how it satisfies each of the tests in the decision tree.

By implementing this approach, the government can reduce unnecessary levies and regulatory burdens. Moreover, it will help ensure industry levies contribute positively to the relevant industry, avoiding excessive costs and safeguarding productivity and competition.

Enhancing Australia's competitiveness and improving public finances

Fund a comprehensive review of Australia's tax system

Each year, substantial resources are devoted to reviewing some of the many components that make up Australia's tax system through numerous government-initiated reviews, audits and investigations. In addition, academics, other policy experts and non-government organisations contribute valuable research and proposals. While these efforts often highlight specific areas for improvement, they represent a fragmented, piecemeal approach to tax reform.

To address the structural challenges of Australia's tax system, we recommend the federal government fund a comprehensive review of the tax system. To provide direction for this review, the government should outline its tax reform priorities in this budget.

Tax reform is fundamental to improving productivity, boosting international competitiveness and driving strong economic growth that lifts future living standards.

It is also critical to resolving the Australia's over-reliance on personal and corporate taxes. This stands in contrast to most other OECD economies that generate a greater share of their revenue from indirect taxes like the GST. Any meaningful review must therefore consider reforms to the GST system, including broadening its base and/or increasing the rate, accompanied by compensation measures for those most affected by such changes.

A comprehensive review should also:

- establish an independent process so that tax policy development and tax reform can be improved in Australia; is sustainable in the long term and removed from short term political cycles
- evaluate the effectiveness of key tax policy settings
- assess past tax review recommendations to determine their relevance and feasibility
- examine the international competitiveness of Australia's personal and company tax rates
- review the fringe benefits tax regime
- improve payroll tax reporting nationally.

The objective of any reforms must be to improve the efficiency of federal taxes and support and encourage state and territory governments to progress their own tax reforms. Establishing a tax reform program with bipartisan support and collaboration from state and territory governments will provide long-term certainty for Australians, businesses and investors.

We urge the federal government to prioritise deep, holistic tax reform and re-initiate serious discussions on the issue. To build a more prosperous, productive, and globally competitive economy, it is essential that governments across Australia commit to meaningful and collaborative tax reforms.

To sustain the benefits of meaningful tax reform, Australia must establish a structured, transparent, and long-term approach to tax policy development. CPA Australia's research suggests the best model for this is New Zealand's Generic Tax Policy Process. When supported by a coherent policy framework such as New Zealand's Broad Base Low-Rate framework, this ensures tax policy is well-considered, strategically aligned, and insulated from short-term political pressures.

Increase the proportion of small businesses owned by people under 40

Encouraging greater business dynamism and productivity requires targeted measures focused on their key drivers. CPA Australia's annual Asia-Pacific Small Business research highlights that business owners under 40 - regardless of the business's age - are more likely to run growing and innovative small businesses. They are more likely to embrace technology, explore export opportunities, and take calculated risks, making them key contributors to economic success and jobs creation. Unfortunately, the age profile of Australian small business owners is heavily skewed towards those aged 50 and over.

To boost the proportion of young Australians starting or buying a small business, we recommend the government launch a campaign promoting the benefits of small business ownership to younger Australians.

This campaign should highlight:

- key motivators for starting a business, being independence, work-life balance, and pursuing passions.
- characteristics of high-growth small businesses, including customer satisfaction, clear business strategy, online sales, social media engagement, technology adoption (e.g., AI and business intelligence software), innovation, and seeking professional advice.

The campaign should also address common business challenges, including providing guidance on managing irregular income, cash flow, business uncertainty, and customer acquisition and retention.

Encouraging more Australians under 40 to start or purchase a business is likely to deliver stronger economic outcomes than measures aimed solely at boosting the number of new businesses.

By prioritising younger entrepreneurs and equipping them for success, the government can stimulate economic growth, enhance productivity, and drive job creation.

Promoting ESG adoption

Government-funded ESG technology solutions map

Adopting and disclosing Environmental, Social, and Governance (ESG) practices is becoming increasingly important for businesses. However, many businesses - especially SMEs - struggle to identify the right software to support their ESG initiatives and compliance obligations.

To support business identify the right technologies for their ESG initiatives and compliance, we recommend the government fund the development of a map showcasing various ESG technology solutions.

This resource would simplify the process of finding suitable ESG software for business. Access to the right ESG software can improve efficiency, reduce costs and enable businesses to integrate sustainability practices into their operations more effectively.

To guide the development of such a product, we suggest the government adapt the Hong Kong Green Fintech Map, as featured on page 20 of the Hong Kong government's "[Roadmap on Sustainability Disclosure in Hong Kong]".

More support for ESG adoption by business

Australia's SMEs face challenges in adopting effective ESG initiatives into their business. These arise due to a lack of awareness, limited resources and capacity constraints. This results in a knowledge gap that hinders many from implementing ESG practices and leveraging sustainability for growth. Additionally, the shortage of qualified personnel and high costs of hiring sustainability experts creates further barriers to ESG adoption.

To support business bridge their ESG knowledge gap, we recommend that the government fund the development and roll-out of industry specific ESG training modules, including modules tailored to smaller business. This training could be delivered in a manner similar to the Cyber Wardens Program.

By investing in ESG education and resources, the government can empower Australian SMEs to adopt sustainable practices and enhance their competitiveness.

Remove the mandatory assurance requirement for Group 3 climate statements

We are concerned that the recently enacted *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*, was passed without sufficient consideration of the implications on SMEs of the requirement that Group 3 entities must undergo an 'audit', even when they have no material climate risks or opportunities. We believe this law will impose significant and onerous compliance costs on many SMEs.

To reduce unnecessary compliance burdens on Group 3 entities, we recommend the government either:

- **increase the turnover threshold for Group 3 entities to $100 million in consolidated revenue, and provide for an additional qualifier limiting this to entities that are Public Interest Entities or Disclosing Entities, OR**
- **remove or limit the assurance requirement to Public Interest Entities or Disclosing Entities, particularly in cases**

where no material climate risks or opportunities exist.

In our submission to the Senate Standing Committees on Economics, we highlighted that this requirement will impose high costs on SMEs, with limited benefits. We also raised concerns about its broader impacts, such as capacity pressures on small and medium audit practices and potential risks to audit quality.

It should be noted that the New Zealand government is currently seeking feedback on its climate reporting disclosure requirements due to significant challenges faced by New Zealand businesses.

Alleviate cost of living and doing business pressures

Deliver cost of living relief to lower income households

Cost of living pressures disproportionately impact those on lower incomes. We therefore support targeted assistance for lower income earners. To minimise inflationary risks, the funding of these measures should come from reductions in spending or improved efficiencies.

To alleviate cost of living pressures on lower income earners, we recommend targeted assistance to lower income earners, such as removing bracket creep for them.

Recent personal income tax cuts have partially reduced bracket creep, which occurs when tax brackets fail to adjust for rising wages, leading to higher tax burdens over time. However, it remains an issue, and addressing it for lower income earners should give them more take-home pay, helping them manage essential expenses.

Withdraw the proposed denial of deductions for general interest charge and shortfall interest charge

The proposal to permanently deny deductions for general interest charge (GIC) and shortfall interest charge (SIC) represents a punitive measure that risks exacerbating financial hardship for small businesses. These businesses are already grappling with significant challenges, including high business costs, elevated interest rates, weak consumer demand, cash flow constraints and margin pressures. Making these interest costs on tax debts non-deductible could accelerate the accumulation of tax liabilities, potentially threatening the viability of many small businesses.

To mitigate the disproportionate impact on small businesses, we strongly recommend the government withdraw this proposed measure from the *Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024*.

Our key concerns are:

Disproportionate impact on small business - CPA Australia has raised significant concerns that this measure will unfairly burden small businesses. Taxpayers with high levels of tax debt will be penalised, without consideration of their individual circumstances.

***Hidden costs and lack of transparency* -** Denying the deductibility of GIC and SIC introduces hidden costs that taxpayers may not fully understand. That is, the effective interest rate on tax debts will be significantly higher than the published GIC/SIC rates due to the loss of deductibility. This will make it more difficult for taxpayers to make informed financial decisions. A higher GIC/SIC margin would be a more appropriate and transparent approach.

***Unfair treatment of compliant taxpayers* -** This proposal fails to consider cases where taxpayers accrue GIC and SIC due to legitimate reasons, such as administrative delays or tax disputes. Taxpayers with strong compliance histories may face undue penalties for issues beyond their control.

Denying GIC and SIC deductions will create undue financial difficulties on some small businesses and individuals, further compounding challenges in the current economic environment. Instead, a more balanced approach is needed - one that focusses on targeted recovery efforts and promotes voluntary compliance. We urge the

Government to reconsider its proposed denial of GIC/SIC measure.

Improve the affordability of financial advice

The 2023 Intergenerational Report highlighted several challenges affecting savings and investment, including difficulty in accessing financial advice. For both retirees and working Australians, the high cost of financial advice is a significant barrier, preventing many from seeking professional guidance on managing their finances.

To make financial advice more affordable, we recommend amending the *Income Tax Assessment Act 1997* to recognise financial advice fees as tax deductible. This amendment would mirror the current deduction for tax-related expenses under section 25-5 of the *Act*.

This amendment represents a practical step toward addressing the financial planning gap by making financial advice more affordable. It will empower more Australians to navigate the complexities of retirement planning and secure their financial futures.

Lower industry levies, charges, and fees, or suspend their increase

We are concerned that some government levies, fees, and charges are exceeding cost recovery and are becoming unaffordable for many. With households and businesses already struggling with rising costs, it is important that government fees and charges don't add to these pressures.

To alleviate the financial burden on small business and households, we recommend the government reduce a range of industry levies, charges, and fees it imposes for government services. Alternativity, it could temporarily suspend fee increases.

This recommendation is particularly important given the ongoing challenges faced by small businesses. According to yet to be published data from our most recent Asia-Pacific Small Business Survey, increasing costs continue to dominate small business concerns in 2024, as they did in 2023. Last year, the most detrimental cost increases identified by Australian small businesses were insurance, utilities and taxes.

By taking these actions, the government can provide some cost-of-living relief to households and small businesses.

Abolish ASIC Companies Registry search fees

Providing free access to the ASIC Companies Registry will reduce business costs, make valuable information more accessible to business, and help businesses meet compliance obligations such as client due diligence and know your customer (KYC) requirements.

To reduce the cost of doing business and support business operations, we recommend that access to publicly available information in ASICs Companies Registry be free of charge.

By making ASIC registry searches freely available, the government can promote a more transparent and business-friendly regulatory environment.

Supporting SMEs and NFPs

Incentivise small business and NFPs to access professional advice

Strengthening the management capabilities of small businesses and not-for-profits (NFPs) is crucial to helping them respond to current challenges and achieving sustainable growth. Despite the key role that professional advice plays in building such capability, many small businesses and NFPs struggle accessing such support due to financial constraints and competing priorities.

To improve access to professional advice for SMEs and NFPs, we recommend the government introduce financial incentives for them to access advice from their professional advisers, such as accountants and IT consultants.

While there are several policy options to improve the management capabilities of small businesses and NFPs, our experience shows that tapping the expertise of their existing advisers is one of the fastest and most cost-effective solutions. However, many struggle to afford or don't prioritise seeking advice, particularly in the current economic environment. This reluctance to seek advice often increases as businesses face escalating challenges, heightening the risk of failure. Early access to professional advice can help prevent financial distress, improve recovery prospects and enhance long-term sustainability. In the worst-case scenario, failure to seek advice early may result in decisions about their future being made by others.

We propose the federal government model this program on the Victorian Government's former Small Business Specialist Advice Pathways Program. This program successfully enabled more Victorian businesses to access vital advisory services.

Expanding government-provided advisory services is not recommended, as they reach only a small proportion of businesses. Our annual Asia-Pacific Small Business Survey showed that 51 per cent of Australian small businesses sought advice from their accountant or business consultant in 2024, while only 6 per cent turned to government for advice.

Additionally, many smaller NFPs are struggling with declining volunteer numbers, impacting their ability to deliver essential community services and raise funds. These organisations would greatly benefit from advice on financial sustainability, improving operations and overcoming challenges.

By funding a program that supports access to professional advice, the government can help small businesses and NFPs build their capability and chances of success, leading to a stronger economy.

Significantly expand digital support programs and incentives for SMEs and NFPs

Australia's small businesses lag well behind their larger counterparts and small businesses in Asia in digital adoption. Our annual Asia-Pacific Small Business Survey shows that Australian small businesses report much lower levels of online sales, social media engagement, and the adoption of technologies such as business intelligence software and artificial intelligence compared to their counterparts in Asia. This digital gap is contributing to slower growth among Australian small businesses, with only 42 per cent reporting growth in 2024 compared to the survey average of 64 per cent.

This digital divide represents a significant policy challenge, with implications for productivity and economic growth.

To begin addressing Australia's small business digital divide, we recommend the government significantly expand the size and scope of their current digital support programs and incentives for SMEs and NFPs.

Such measures should focus helping substantial numbers of these organisations build their capacity to select, purchase, implement, and leverage the right technologies.

While the current Digital Solutions program provides some assistance, its current funding and scope falls well short of what is required to meet the scale of this challenge. It also significantly smaller than similar programs in other jurisdictions.

We propose the federal government model its new and/or enhanced digital support and incentive programs after Singapore's comprehensive suite of well-designed and funded programs including:

- Tech Depot - a centralised platform offering affordable and pre-approved technological solutions for SMEs
- SME GoCloud – assists businesses adopt cloud technologies
- SMEs Go Digital - providing end-to-end support for digital transformation, including consultancy services and grants
- Advanced Digital Solutions – supports businesses to pilot advanced solutions, sustainability solutions and e-commerce platforms
- Digital Enterprise Blueprint - empowers businesses to adopt AI-enabled solutions, scale faster and improve cyber resilience
- Productivity Solutions Grant – helps business improve productivity and automate processes through IT.

Our research demonstrates a positive correlation between Singapore's introduction of these programs and increased technology adoption rates among its small businesses. Further, these programs are tailored to support and incentivise businesses at various stages of digital transformation. We believe Singapore's digital support programs for SMEs represent global best practice.

Another potential model is the Victorian Government's former Small Business Digital Adaptation Program. This provided a $1200 rebate to support small businesses in purchasing pre-approved technologies.

By adopting and adequately funding a comprehensive suite of digital support measures similar to Singapore's programs, the government will better equip Australian SMEs and NFPs to close this digital divide; thus improving productivity and economic growth.

Enhancing AI uptake by business

Findings from our 2024 Business Technology Survey reveal that while many businesses, both large and small, are using AI, only a small percentage consider themselves significant adopters of the technology. Businesses using AI report benefits such as improved efficiency, increased productivity, and enhance decision-making. Smaller businesses may face difficulties in accessing AI technologies due to resource constraints, knowledge gap and their limited data availability.

To boost AI adoption among smaller businesses, we recommend the government introduce targeted incentives, such as grants, to support SMEs invest in AI infrastructure and employee upskilling.

To upskill employees, the government should fund the development and delivery of AI training programs and other resources tailored to the needs of small business and NFPs. These should cover AI adoption strategies, practical AI applications and the responsible and safe use of AI.

Fund ASIC to visit companies displaying solvency concerns

With corporate insolvencies expected to remain high in 2025-26, the government should implement measures to help businesses identify and resolve solvency issues early.

To help companies identify and act on solvency issues early, we recommend the reintroduction of the Australian Securities and Investments Commission's (ASIC) National Insolvent Trading Program.

This program involved ASIC visiting companies displaying solvency concerns to raise awareness of directors' duties and encouraging them to seek professional advice.

The key benefits of such visits are to:

- help directors identify early warning signs of financial distress
- encourage businesses in distress to seek professional advice early
- increase awareness of directors' duties.

The visits should encourage more companies to take early and appropriate action to address their solvency problems. This could include a restructure or the appointment of an external administrator. Early intervention can deliver better outcomes for the owners of the company, creditors and employees.

Improvements to the tax and retirement savings system

Make the $20,000 Instant Asset Write-Off threshold permanent

The Instant Asset Write-Off (IAWO) supports small businesses by allowing them to claim an immediate deduction for eligible asset purchases costing less than $20,000. However, this measure is temporary and is set to expire on 30 June 2025. Business need policy certainty to make informed investment decisions, particularly for small business, as such decisions often involve significant financial commitments. The current practice of legislating this measure annually creates uncertainty, potentially discouraging investment.

To improve policy stability and encourage smaller businesses to invest, we recommend that the $20,000 threshold for IAWO be made permanent beyond 30 June 2025.

The IAWO is designed to encourage investment by accelerating deductions and reducing compliance costs. Immediate deductibility improves cash flow by allowing businesses to claim deductions in the year of purchase rather than spreading it over future years. It also reduces compliance costs by eliminating the need to track assets for depreciation purposes.

Given the current economic challenges, including subdued economic growth and higher borrowing costs, many small businesses are hesitant to invest. To further stimulate business investment, we suggest the government also consider increasing the IAWO threshold to say $100,000 from 2025.

Re-introduce and permanently establish the Small Business Technology Investment Boost

The Small Business Technology Investment Boost supported small businesses by providing a 20 per cent tax incentive on eligible new and renewed technology expenses, up to a total of $100,000 per year per business. This initiative helped many small businesses adopt and upgrade technology, improving their productivity and competitiveness.

To encourage small business to invest in new technology, we recommend reintroducing the Small Business Technology Investment Boost, and making it permanent.

Findings from our Asia Pacific Small Business Survey shows that small businesses investing in technology are more likely to grow and create jobs. By encouraging digital investment, this policy will foster a more dynamic and successful small business sector.

Re-introduce and permanently establish the Small Business Energy Incentive

The Small Business Energy Incentive supported small businesses by providing an extra 20 per cent tax deduction on investments that improved their energy efficiency. However, due to its limited duration, many small businesses missed the opportunity to improve their energy efficiency.

To assist small businesses improve their energy efficiency and reduce energy bills, we recommend reintroducing the Small Business Energy Incentive, and making it permanent.

Encouraging small businesses to invest in energy efficient assets or upgrades contributes towards a greener Australia, lowers small business energy costs and contributes to Australia's overall greenhouse gas reduction efforts.

Reintroduce and permanently establish the Small Business Skills and Training Boost

The Small Business Skills and Training Boost encouraged small business to invest in workforce development by providing an additional tax deduction for expenses incurred on external training courses conducted by registered providers. This helped to upskill their workforces, partially addressing skills shortages.

To encourage small businesses to upskill their workforce, we recommend reintroducing the Small Business Skills and Training Boost, and making it permanent.

Ensuring small businesses have affordable access to training will help them build a skilled workforce, drive innovation and competitiveness.

Address the unfairly punitive nature of super guarantee charge penalties

The superannuation guarantee charge (SGC) penalties under Part 7 of the *Superannuation Guarantee (Administration) Act 1992* can be unfairly punitive, particularly when applied automatically in cases where there is no mischief, and employees are not financially disadvantaged. For example, where mismatches are caused by intermediaries, inaccurate fund details provided by employees or there are timing issues beyond the employer's control.

To remove the unfair imposition of penalties, we recommend amending the Act to provide the Commissioner of Taxation a discretion to remit SGC penalties in instances where:

- **there is no evidence of deliberate non-compliance,**
- **employees have not suffered financial loss, and**
- **the event arises due to factors beyond the employer's control.**

By addressing the rigidity of the current penalty framework, the government can ensure a fairer and more reasonable application of penalties, while maintaining the integrity of the superannuation system.

Improve the Bill restricting tax concessions for super balances over $3 million

The proposal to restrict tax concessions for individuals with total superannuation balances of greater than $3 million, as set out in the *Treasury Laws Amendments (Better Targeted Superannuation Concessions and Other Measures) Bill 2023*, has raised significant concerns amongst some in the community and warrants revision.

To reduce the potential for poor outcomes from the Bill, we recommend the government amend the proposed law by indexing the $3 million threshold and exclude the taxation of unrealised gains.

These adjustments would help ensure that there are sensible constraints on the extent of tax concessions for those with higher super balances, while ensuring adequacy is not compromised.

Targeted investor incentives to boost productivity and innovation

To address the projected slowdown in Australia's real GDP growth, as outlined in the 2023 Intergenerational Report, it is essential to stimulate innovation and enhance productivity. With Australia's projected annual average growth rate of just 1.5 per cent per annum over the next 40 years, targeted investment incentives can play a key role in driving progress in crucial areas such as skills development, infrastructure and digital transformation.

To lift Australia's growth and productivity over the long term, we recommend introducing investor incentives that focus on increasing investments in skills development, infrastructure and digital technologies.

Recognising that some of these investments have long payoff periods that may deter certain investors, we suggest designing specific incentives to attract superannuation funds, which are better equipped to handle longer-term investment horizons.

By implementing targeted investor incentives, the government can:

- drive investments that encourage innovation and productivity
- strengthen Australia's skills base, infrastructure and digital capabilities
- support sustainable, long-term economic growth.

Implement a federal road user charge for electric vehicles (EVs)

The growing adoption of EVs will lead to a decline in fuel excise collections, creating a growing gap in government revenue.

To address the risk of declining fuel excise collections, we recommend implementing a federal road user charge for EVs.

This charge would be an efficient and equitable solution, ensuring all road users contribute to the maintenance and development of Australia's transport infrastructure.

By introducing a federal road user charge, the government can establish a future-proof revenue stream that adapts to the shift towards EV adoption.

Abolish the luxury car tax

The luxury car tax (LCT) is a relic of Australia's past car manufacturing policies. It generates minimal revenue for the government while creating complexity and purchasing distortions in the Australian car market.

We recommend abolishing the LCT to simplify the tax system, reduce market distortions, and support a fairer and more competitive automotive market in Australia.

Improve how the ATO exercises their general powers of administration

We support the findings and recommendations made by the Inspector-General of Taxation and Taxation Ombudsman in *The Exercise of the Commissioner's General Powers of Administration – Final Report* (GPA Report).

We endorse recommendation 4 to 6 of the GPA report. Implementing these recommendations will promote understanding, provide certainty, and increase public confidence and trust in the ATO exercising their GPA.

By adopting these recommendations, the ATO will enhance the efficiency and effectiveness of its administration. The establishment of guiding principles will create well-defined boundaries within which the ATO must operate. This will improve service delivery, promote transparency and foster greater accountability in the ATO's decision making process.

Attracting, developing and retaining talent

Enhance Australia's skilled migration program

Skills and worker shortages continue to hinder Australian businesses and the broader community. These shortages limit businesses' capacity to grow, innovate, and respond effectively to challenges. While progress has been made to address this issue, shortages remain.

To alleviate ongoing worker shortages, we recommend the government announce the following measures in the Budget on Australia's skilled migration program:

- **maintain a preference for skilled migrants within the overall migration intake**
- **consistent with the occupations identified as being in shortage by Jobs and Skills Australia, continue to include accounting, audit and finance professionals in Australia's skilled migrant intake.**

The government should continue to base its assessment of needed skills on Appendix C of the 2024 Occupation Shortage List, issued by Jobs and Skills Australia. This list identifies 295 occupations being in shortage in 2023 and 2024, including taxation accountants, external auditors and internal auditors.

By prioritising skilled migration and focusing on high-demand occupations the government can help address critical workforce shortages. These initiatives will contribute to stronger businesses and a more resilient economy.

Incentivise students to undertake degrees in occupations with identified shortages, including accounting

While skilled migration can play a significant role in addressing Australia's skills needs, it should not be the sole solution. To build a sustainable workforce, the government must also prioritise increasing the domestic supply of skilled workers through education and training. This budget should include measures to encourage more people to pursue studies in fields experiencing shortages or projected high growth, such as in renewable energy.

To address skills shortages, we recommend the government increase its contribution towards the cost of university courses linked to occupations assessed as being in shortage.

This additional contribution would align with the government's fee-free TAFE program and should encourage greater enrolments in university courses linked to high-demand fields.

The government should base its assessment of occupations in shortage on Appendix D to the 2024 Occupation Shortage List, issued by Jobs and Skills Australia. Priority should be given to supporting courses linked to the 136 occupations listed as being in persistent shortage between 2021 and 2024. This includes external and internal auditors.

To support business and the economy, it is crucial to address the persistent shortages in key occupations by incentivising students to undertake relevant degrees. By increasing government contributions to the cost of university courses associated with these roles, the government can alleviate skills shortages, support business and drive economic growth.

Offer subsidised training to older Australians to help them remain in, or re-enter the workforce

With Australia's ageing population, the government needs to consider additional measures to increase workforce participation among older Australians. While the recent change allowing age pensioners to earn more before their pension is reduced is positive, further action is needed to address other barriers faced by employers and older Australians. Engagement with members indicates that one barrier to employers hiring older Australians is concerns over the currency of their skills, including their digital literacy.

To improve the currency of the skills of older Australians, and therefore improve their employability, we recommend the government provide free or highly subsidised training for older Australians in areas of workforce demand.

This training would help older workers update their skills and increase their competitiveness in the labour market.

It is important to acknowledge that the number of older Australians willing to return to the workforce may be limited. According to Australian Bureau of Statistics, Australia's labour force participation rate for those 65 and over was 16.7 per cent in November 2024, compared to 69.3 per cent for those aged 55 to 64. The OECD average for those 65 and over was 16.3 per cent in 2023.

While the participation rate for this age group is low, Australia's unemployment rate for those 65 and over in November 2024 was 1.9 per cent, compared to overall unemployment rate of 4.0 per cent, suggesting that the pool of older Australians seeking employment is low.

By offering subsidised training for older Australians, the government can help support those who wish to continue working, while also addressing ongoing skill shortages faced by employers.

Climate change action

Announce what contribution is expected from the business community and by industry towards emission reductions

We commend Treasury's Sustainable Finance Strategy for its commitment to coordinating the actions of market participants with the government's Nationally Determined Contribution (NDC) of a 43 per cent reduction in Australia's greenhouse gas emissions. However, we are concerned that the NDC has yet to be broken down into specific expectations for the business community, aside from those entities already regulated by the National Greenhouse and Energy Reporting (NGER) requirements.

To address this gap, we recommend the NDC be translated into sector-specific targets for the business community.

The government should collaborate with industry stakeholders to define their individual contributions towards the national target.

This approach would enable businesses to develop and verify their own transition plans. It would also establish a tangible link between Australia's national commitment and industry contributions, providing a benchmark for measuring progress towards net zero transition across sectors.

By clearly defining the business community's role in achieving the NDC, Australia can strengthen the alignment between government policy and industry efforts.

Government support for upskilling professionals in climate-related disclosures and assurance

The introduction of mandatory climate-related disclosures presents both challenges and opportunities for reporting entities and their advisers. While the phased implementation of reporting entities required to report on their climate-related risks and opportunities and the assurance requirements aim to ease the transition, it is still expected to place considerable pressure on reporting entities and their assurance providers to meet rising expectations.

To assist assurance providers and reporters, we recommend the government provides financial support for programs aimed at upskilling professionals in climate-related disclosures and assurance. Attracting global talent with expertise in climate reporting and assurance will also help fill gaps.

These measures would help build domestic capacity to meet the growing demand for high-quality reporting and assurance in a market characterised by a global talent shortage.

By investing in upskilling professionals and leveraging international expertise, the government can strengthen the capability and capacity of the Australian workforce to meet mandatory climate-related disclosure requirements. This will not only alleviate immediate pressures but also position Australia as a leader in climate-related reporting and assurance.