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## **CPA Australia's submission on the NSW Small Business Strategy**

CPA Australia is a professional accounting organisation representing the diverse interests of more than 170,000 members working in 100 countries and regions around the world, including over 42,000 members in NSW. We make this submission on behalf of our members and in the broader public interest.

We support governments setting out their strategic direction for important areas such as small business. This provides small business and their advisers increased certainty over the future direction of government support and policy.

We recommend that the key principles underpinning the NSW Small Business Strategy focus on:

- supporting small business to increase their contribution to the NSW economy
- enhancing the probability of small business success
- backing the sector's important contribution to local communities and society more broadly
- the government working with professional advisers such as accountants to deliver support, advice and information to small business.

Many of our members own their own small business, work in small business or advise small business. Accountants, including our members, are the primary source of advice and guidance to small business and act as a critical two-way conduit between government and the sector.

From our research and engagement with members and small businesses, we recommend that the following issues and opportunities be considered in the Small Business Strategy:

- labour shortages (both skilled and unskilled)
- digital capability and capacity gap of small business
- business skills gap of small business owners
- reluctance of businesses in difficulty to seek professional advice
- high inflation
- supply disruptions
- high debt levels brought on by deferred liabilities such as rent and taxes
- the ageing of Australia's small business owners
- low levels of innovation by Australian small businesses
- low numbers of Australian small businesses that export
- how small businesses can adapt and respond to climate change and sustainability.

Suggested responses to many of these are included in our answers to the questions raised in your request for submissions, which are attached.

If you have any questions about this submission, please contact Ms Kristen Beadle CPA at [Kristen.beadle@cpaaustralia.com.au](mailto:Kristen.beadle@cpaaustralia.com.au).

Yours faithfully

**Dr Gary Pflugrath FCPA**  
**Executive General Manager, Policy and Advocacy**

cc: Chris Lamont NSW Small Business Commissioner  
Lee Holloway Director, Microeconomic Policy, NSW Treasury

Encl.

## Summary of CPA Australia's recommendations

### Overall recommendations

The key principles underpinning the NSW Small Business Strategy should focus on:

- supporting small business to increase their contribution to the NSW economy
- increasing the probability of small business success
- backing the sector's important contribution to local communities and society more broadly
- the government working with professional advisers such as accountants to deliver support, advice and information to small business.

### Specific recommendations

#### Removing regulatory barriers and supporting entrepreneurship

1. Improvements in the interactions between government and business be replicated for the interactions between government and advisers representing small business.
2. Involve professional advisers in the design of proposed improvements to the interaction between government and small business.
3. Integrate payroll tax reporting requirements into a RegTech solution such as Single Touch Payroll.
4. The volume of regulatory changes be reduced to give businesses more time to focus on their risks and opportunities.
5. The government provide small businesses, especially those in difficulty, a financial incentive to access advice from an adviser of their choice.
6. The government develop information and training material to assist small businesses better respond to climate change and other sustainability issues.

#### Boosting and empowering resilience

7. The development of an "off the shelf" scalable national disaster support policy for businesses. The level of support should reflect the nature and magnitude of a disaster.

#### Improving digital and e-commerce literacy

8. Funding be significantly increased for programs that assist small businesses to improve their capability and capacity to digitally transform.
9. Increasing the technology training available to small business. Such training should include cybersecurity and data privacy.

## Attachment 2

### CPA Australia's response to questions raised in the request for submissions

#### Removing regulatory barriers and supporting entrepreneurship

It's important to note that most small businesses engage professional advisers to manage their interaction with governments. We therefore recommend that any actions the NSW Government implements to improve business interaction with government should be co-designed with professional advisers.

Regardless of any improvements made, our experience is that small business will continue to engage professional advisers, like our members, to manage their interaction with regulators. We therefore recommend that any improvements to the interactions between government and business be replicated for the interactions between government and advisers representing small business.

#### What regulation creates the greatest barriers for small businesses in your industry?

##### *Payroll tax*

For businesses that operate between and across state and territory borders, payroll tax is disjointed, inefficient and time-consuming. The [Australian Chamber of Commerce and Industry \(ACCI\) 2021 Issues Paper](#) sets out the key challenges for business. We support efforts to unify, simplify and streamline payroll taxes across the nation.

We suggest consideration be given to integrating payroll tax reporting requirements into a RegTech solution such as Single Touch Payroll. This will enable the enhancement of business productivity, improve certainty for employers and reduce expenditure on compliance activity. The outcome should involve nationally consistent concepts, definitions and reporting requirements using a nationally integrated platform.

##### *Reducing the volume of change*

In this challenging and uncertain environment, business needs more time to focus on managing risks and positioning themselves for a potentially very different future. Reducing the volume of regulatory changes would decrease the time required to comply with new laws, allowing business to better respond to their environment.

##### *Improve the timeliness of decision making by regulators*

Regulators need to be quicker in their decision making. Delays can have significant impacts on business.

While not a NSW example, the following reflects the impact that delayed decision making can have on business. A state-based building regulator took six weeks to approve a trade on scenario proposed by an administrator of a building company in voluntary administration. The time it took for the regulator to agree to allow the building company to continue trading meant that the business couldn't be saved, and housing projects remained uncompleted.

#### What programs or measures can further support a thriving and dynamic entrepreneurship in NSW?

##### *Improving access to professional advice*

Improving access to professional advice is important to a 'thriving, dynamic and innovative NSW small business sector'.

In CPA Australia's latest [Asia Pacific Small Business Survey](#), it shows Australian small businesses are unlikely to seek advice from government. Only 8 per cent of Australian respondents said they sought advice from the government in 2021. This compares with respondents seeking advice from their accountants (35 per cent), family and friends (15 per cent) or business partner or bank (both 11 per cent).

However, over a third (34 per cent) of Australian small business didn't seek any external advice in 2021. In engaging with business and our members, most attribute this to business concerns over the cost of advice. With the [ATO stating](#) that around 90 per cent of businesses use a tax professional to help them manage their tax affairs, it's unlikely businesses don't know where to go for advice. State governments should therefore be working more closely with accountants to better engage small businesses.

The reluctance to seek advice grows when a small business gets into financial difficulty. Our members find that businesses in distress increasingly avoid engaging with others, including their trusted adviser. They attribute this to concerns over the cost of advice and a fear of appearing to be a failure.

The consequence of businesses not seeking advice in such circumstances is the range of options available to business owners to respond to their difficulties reduces significantly. This may lead to otherwise viable businesses needlessly struggling. In a worst-case scenario, decisions on the future of a business may be made by creditors, not the business owner.

Expanding the business advisory services provided by governments or their contractors, such as Business Connect, is only a minor part of the solution.

This service only reaches a small number of businesses. Further, as discussed above, small businesses are significantly more likely to seek advice from a private provider, especially accountants.

We recommend that in addition to Business Connect, the government provide small business, especially those experiencing some form of difficulty, a financial incentive to access advice from an adviser of their choice (for example, their existing professional accountant, lawyer, bookkeeper or technology consultant). Similar programs are being delivered in [Tasmania](#) and was recently announced in Victoria. Such an incentive is likely to influence far greater numbers of small businesses to seek advice than Business Connect alone.

### ***Climate change and sustainability***

We find that many small business operators don't know where to start when seeking to reduce their impact on climate change and the environment. We therefore recommend that the government develop information and training material to assist small businesses to better respond to climate change and other sustainability issues.

### **Boosting and empowering resilience**

Accountants, including our members, have a range of business skills that proved invaluable to assisting small business and government respond to COVID-19, bushfires and floods. This included assisting business recovery and helping clients access JobKeeper and JobSaver payments.

Our members are ready to assist small business and government with the next challenge. However, their role would be made easier if there was standardised support for business and individuals impacted by a disaster. It's difficult to overstate the time, effort and resources accountants and bookkeepers invested for their clients in learning and applying the multiple business support payments hastily developed and delivered by various levels of government in response to recent disasters. It should also be noted that much of this effort was done *pro bono*.

CPA Australia's submissions to the [National Natural Disaster Arrangements Royal Commission](#) and the Australian Small Business and Family Enterprise Ombudsman's [Natural Disaster Preparedness and Resilience Inquiry](#) argued that governments should develop standardised support for business and individuals that can be quickly activated in response to a disaster. Such support should be able to be scaled up or down in response to the nature and magnitude of the disaster.

A standardised and scalable disaster support package for business should expedite the delivery of appropriate support to business and individuals impacted by a disaster. This will provide greater certainty at a time where business and individuals could be facing significant distress.

Having an off-the-shelf, scalable disaster support plan for business that is based on robust risk analysis would enable governments and our members to implement quickly, tried, tested and sound disaster support.

We recommend the development of an "off the shelf" scalable national disaster support policy for businesses. The level of support should reflect the nature and magnitude of a disaster.

### **Reducing costs on business**

For professional services businesses such as accounting practices, higher wages are currently one of the business costs of most concern. However, the biggest concern is the shortage of skilled accountants.

Our members in practice are responding to these challenges in a variety of ways including:

- offshoring work
- turning down new work
- no longer servicing certain clients, especially those not paying on time
- working longer hours

- investing in technology that automates repetitive tasks.

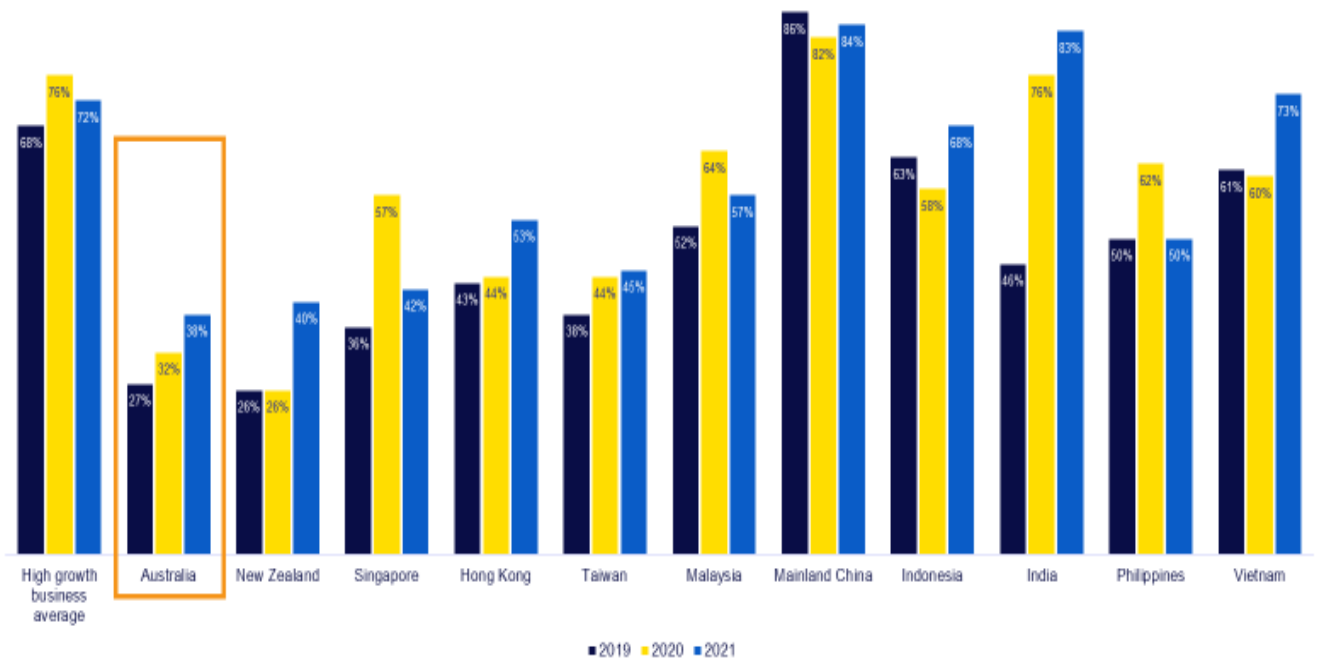
Our members also play an important role in helping their business clients manage through the current high inflation environment. We have produced [these tips](#) to help business understand the options that can assist them through this period.

### Improving digital and e-commerce literacy

According to our annual survey of small businesses across the Asia Pacific, Australian small businesses have for at least the past decade, lagged behind their counterparts in Asia in using digital technologies in their business.

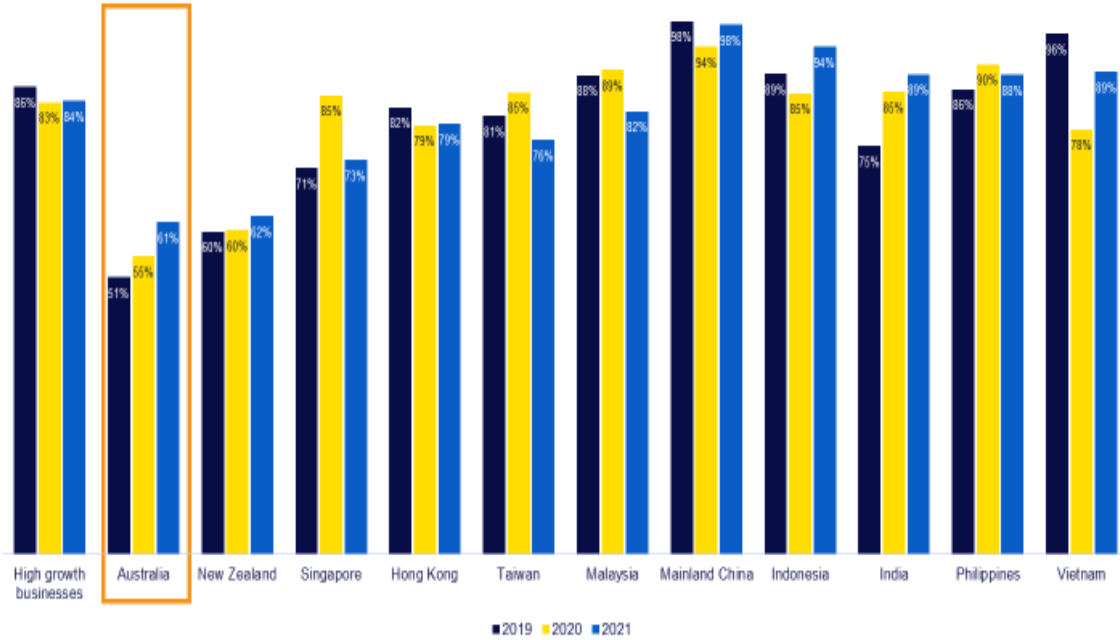
Australian small businesses remain the least likely to be generating revenue from online sales, however the trend is positive

Businesses that generated at least 10 per cent of their revenue through online sales



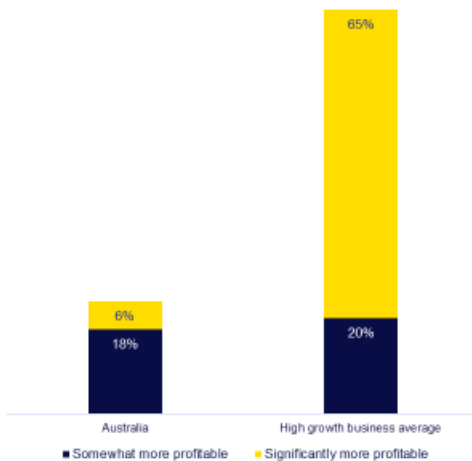
Australian businesses remain the least likely to use social media, although there has been an improvement

Small businesses using social media for business purposes

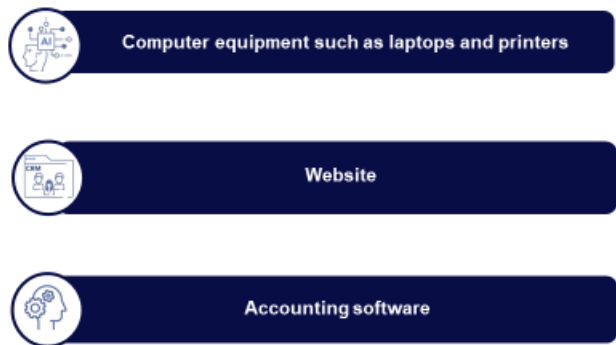


When Australian small businesses invest in technology, they are significantly less likely to experience a quick return on that investment than high growth businesses

The impact of technology investment on profitability – Australia v high growth businesses

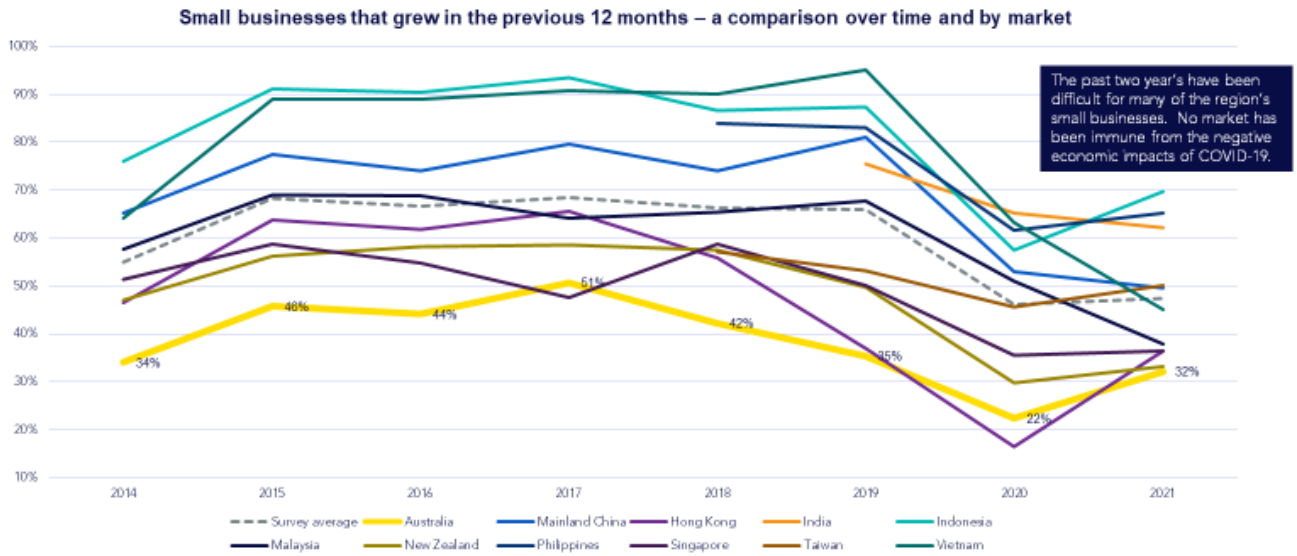


Top three technologies Australian small businesses invested most heavily in last year



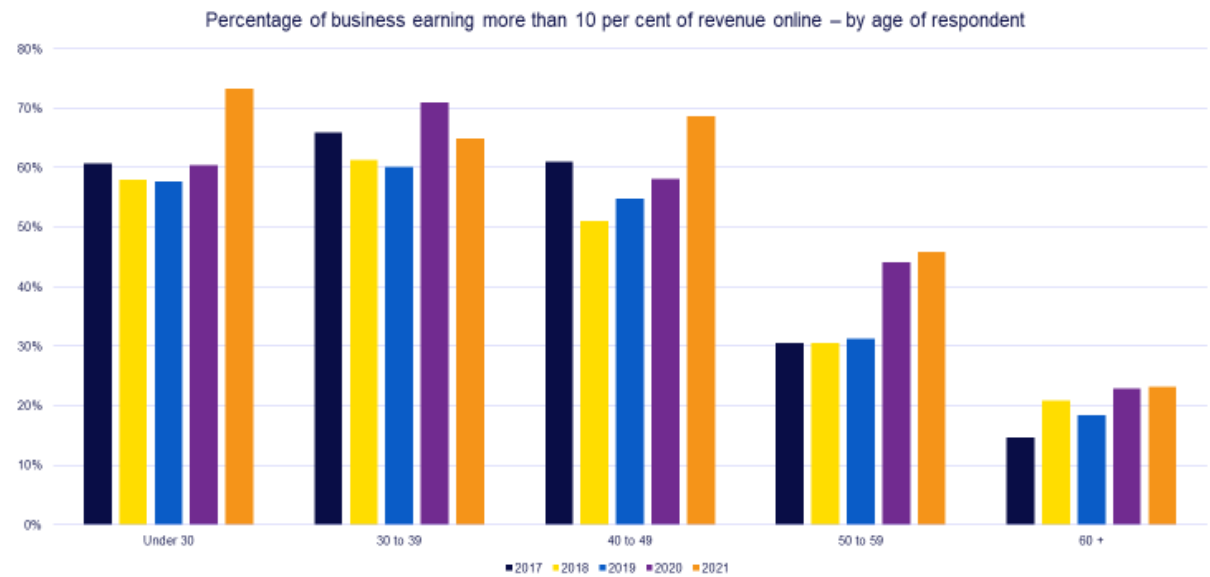
The survey results show that the gap in digital adoption is contributing to the weaker performance of Australia’s small businesses. In the 13 years of the survey, Australian small businesses have consistently been at or near the bottom in terms of the percentage of small businesses that are growing.

### Australian small businesses continue to underperform against their peers in the region



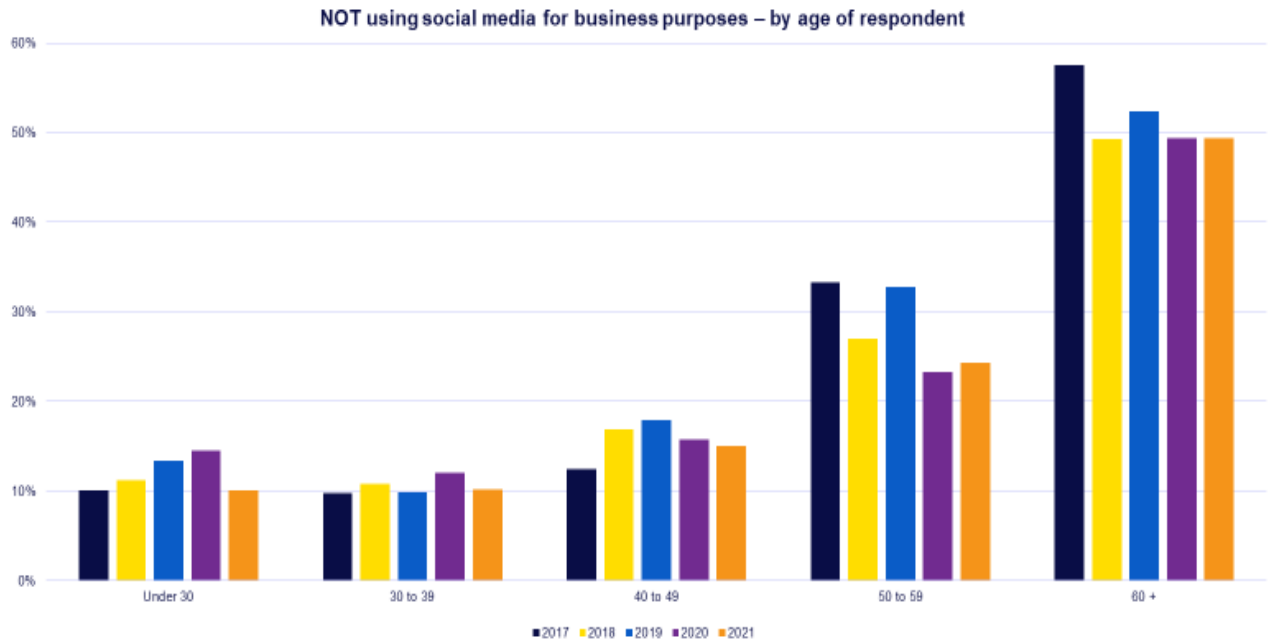
The survey results also show that the older age profile of Australian small business owners is most likely one of the major contributing factors to their lower digital and e-commerce uptake. In engaging with members, they indicate that older business owners often don’t understand the technology solutions available to them and /or are unclear on how to apply them in their business. Concerns over cybersecurity and privacy are also barriers to technology adoption. In our view technology vendors could do a better job at explaining their technology to older business owners.

### Respondents 50 and over are far less likely to be involved in businesses selling online

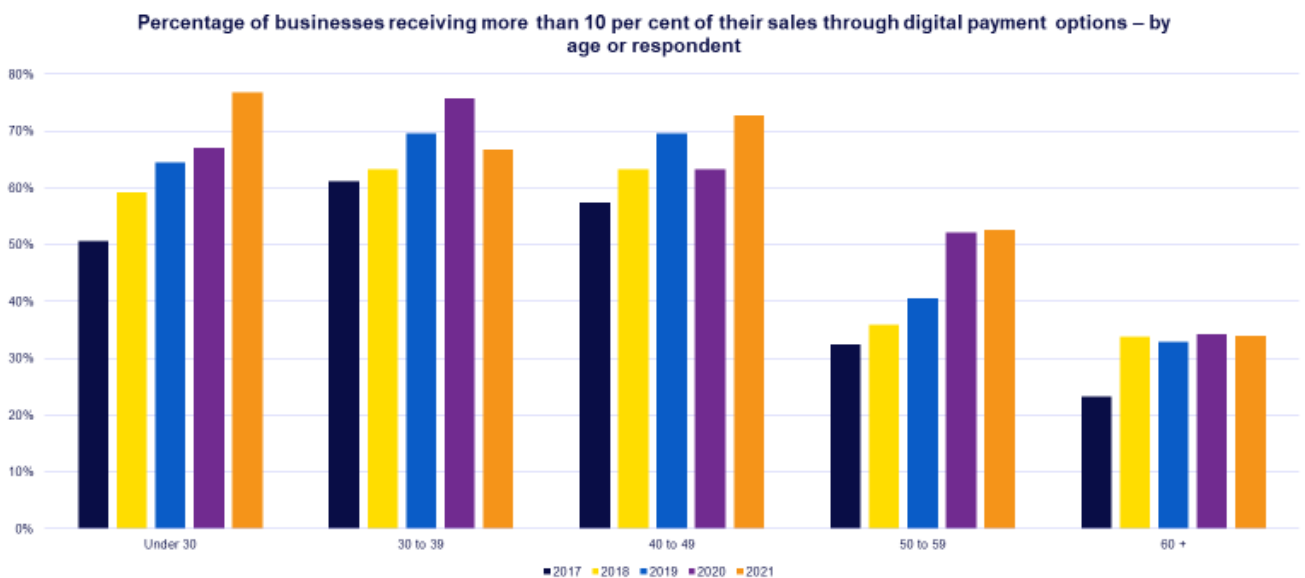




## Respondents 60 and over are far more likely to NOT be using social media for business purposes

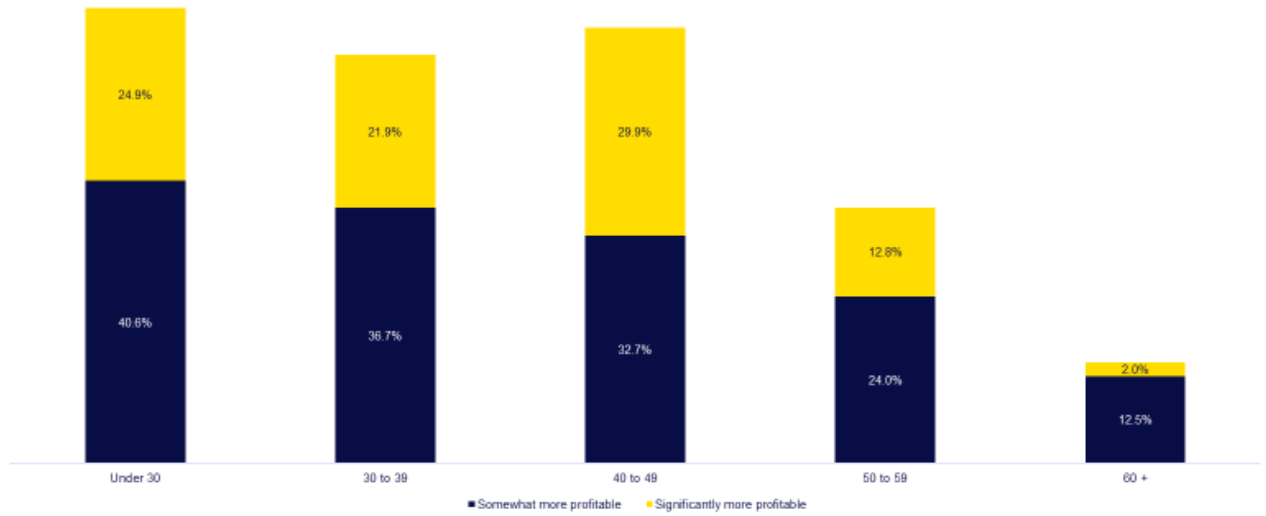


## Respondents 50 and over are far less likely to be involved in businesses receiving payment through new payment technologies



## Respondents 50 and over were far less likely to find their investment in technology in 2021 was profitable

Investment in technology in 2021 made the business more profitable – by age of respondent



Given the shortcomings in digital literacy in the sector, we recommend that funding be significantly increased for programs that assist small businesses to improve their capability and capacity to digitally transform. One example that should be considered is Victoria’s [Small Business Digital Adaptation Program](#). This program provides a \$1200 rebate to encourage small business to access a range of approved digital business tools.

We also recommend increasing the technology training available to small business. Such training should include cybersecurity and data privacy.