



# Small business

July 2023

The Australian Government is committed to reducing compliance impacts on small businesses.

When a policy proposal is judged to have a significant impact on small business, this should be considered in Impact Analysis. This guidance note explains factors unique to small businesses that may need to be taken into account in addressing the seven Impact Analysis questions listed in the [\*Australian Government Guide to Policy Impact Analysis\*](#).

Further information on effective regulation of small business can be gathered from the [\*Australian Small Business and Family Enterprise Ombudsman\*](#) (ASBFEO). ASBFEO should be contacted prior to any policy that may impact small business. The ASBFEO has direct access to small businesses, peak bodies, and a policy forum of advocacy bodies supporting the small business community.

## What is a small business?

There are over two million small businesses in Australia<sup>1</sup>. While there is no single definition for the sector there are two frequently used definitions. Of the two definitions, the turnover measure is preferred.

Australian Bureau of Statistics (ABS): a business that employs fewer than 20 people; and/or

Australian Taxation Office (ATO): a business that has an aggregated turnover (excluding GST) of less than \$10 million.

The ATO definition is now being more routinely adopted (compared to the ABS definition).

## Why are they unique?

Small businesses cover all industry sectors and supply chains, and operate in all communities across Australia. The sector contributes approximately one third of Gross Domestic Product and employs half of all Australians.

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<sup>1</sup> Australian Bureau of Statistics, Catalogue 8165.0 – Counts of Australian Business, including Entries and Exits, June 2015-2019

Small businesses spend around five hours a week complying with government regulatory requirements.<sup>2</sup> They are more likely to need external legal or financial advice to understand and meet their regulatory obligations. Compliance costs are generally proportionally higher compared to larger businesses.

Small businesses are often frustrated by the cumulative effect of policy and compliance requirements imposed by different levels of government. Adding new requirements may result in non-compliance due to limited visibility of changes and capacity to comply.

## How do I consider impacts on small business in preparing Impact Analysis?

Measuring the net benefit of a policy option goes beyond costing the compliance impacts using the Compliance Impact Measurement framework. Broader costs and benefits to the community, including opportunity costs, and indirect costs and benefits, should be the prime focus of cost-benefit analysis in the Impact Analysis.

After considering whether regulation is necessary at all, you should consider whether a mix of policy options and methods for administering the change based on business size would be more effective and efficient.

Proportionality is crucial. Alternatives to regulation could include:

- flexible compliance options;
- differentiated requirements, and ways of administering them, based on turnover or number of employees;
- simpler, lighter touch compliance options for small businesses or risk-based enforcement;
- principles-based approaches augmented with minimum compliance standards; or
- use of existing data sources and coordination among regulators to minimise reporting requirements.

For information on compliance, please see the [Regulatory Burden Measurement Framework Guidance Note](#).

A key component of the impact analysis process will be estimating the number of businesses likely to be affected by the proposed measure. Data sources such as ABS Catalogues 8165.0, 8175.0, 6306.0 and ATO Taxation Statistics can significantly help in this regard.

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<sup>2</sup> Productivity Commission, 2013, 'Regulator Engagement with Small Business'

## What about consultation?

Engaging with small business directly before a policy is designed provides an opportunity to get an insight into the real world workings of a policy and its impacts on small businesses. Information should be easily accessible, simple, and in plain English. Industry and professional associations, or business intermediaries (such as accountants and tax agents) may be useful contact points. Some questions to ask may include:

- How difficult would it be to obtain the information needed to register/comply?
- Would the proposal require additional record-keeping or cause additional costs?
- Is the information already provided to another source?
- Would the proposal require your business to notify a regulatory authority when certain events take place?
- Could the program design and implementation be conducted in a way that reduces the costs to small businesses?

Further information on consultation for Impact Analysis can be found in the ['Best Practice Consultation' Guidance Note](#).

## Assistance

If you have any questions about this guidance note, email OIA at [helpdesk-OIA@pmc.gov.au](mailto:helpdesk-OIA@pmc.gov.au) or call (02) 6271 6270.

Further information on the Impact Analysis process is in the [Australian Government Guide to Policy Impact Analysis](#).

# Attachment: Small business engagement principles

## Principle 1 – Reduce or eliminate unnecessary compliance impacts.

By talking and listening to small business about their operating conditions, we can understand how to improve policies and ease compliance costs. To achieve this, agencies will:

- analyse information from interactions with small business to simplify compliance.
- provide opportunities for small business to raise concerns and suggest ways to simplify processes.
- ensure policy is 'smart' and achieves a number of outcomes, reducing compliance impacts.

## Principle 2 – Consult on the details, not just high level ideas.

By communicating with small business early and throughout the design process, we can better understand how initiatives will affect day-to-day operations. It is critical to consult on details of proposed changes, to ensure an understanding of the actual effect of policy.

## Principle 3 – Think cross-agency and look for joined up solutions.

Information provided by small business to government should be provided only once and used often. Before changing policy or reporting requirements it is important to understand if the information sought is being collected by government in another area or format. It is also important to understand whether a change to the way government operates would remove the need for additional policy or reporting requirements.

## Principle 4 - Adopt whole-of-government solutions to simplify business interactions.

Agencies should make information available to small business operators through a single point at [business.gov.au](https://business.gov.au).

Agencies should adopt a full range of online small business solutions, providing small business with a consistent user experience, streamlined interactions and secure communication with government.

## **Principle 5 - Australian Government agencies will communicate with small business in clear, simple language and present information in an accessible format.**

Everyone prefers to absorb information quickly and easily. Simplifying communication by using plain language is critical. Agencies should test their communication resources with ASBFEO before release. This will make it easier for small business operators to access our information, comply with relevant regulations and apply for government programmes.