



# Small business

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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](#)*.

The Treasury provides information and advice on small business policy issues and assists the Australian Government in developing an internationally competitive and productive environment for small businesses. Further information on Treasury's role in relation to small business can be found on the Treasury website ([Small business](#)).

The Treasury should be contacted when developing a policy proposal that impacts small businesses (Email: [smallbusinesspolicy@treasury.gov.au](mailto:smallbusinesspolicy@treasury.gov.au)).

## What is a small business?

There is no single definition of small business. Each definition is designed and deployed according to the legislation, policy or program goals. However, there are two frequently used definitions:

**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.

## Why are they unique?

Small businesses cover all industry sectors and supply chains, operate in all communities across Australia, are a significant employer, and contribute substantially to Australia's economy.

Small businesses are directly impacted when complying with government regulatory requirements. 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 Regulatory Burden 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 Counts of Australian Businesses, including Entries and Exits<sup>1</sup>, the release of Employee Earnings and Hours for Australia<sup>2</sup> and also the ATO Taxation Statistics can significantly help in this regard.

## What about consultation?

Engaging with small businesses 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

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<sup>1</sup> Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, ABS Website.

<sup>2</sup> Australian Bureau of Statistics, Employee Earnings and Hours, Australia, ABS Website.

business intermediaries (such as accountants and tax agents) may also be useful contact points. Treasury can assist you in making these connections. 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?

[The Australian Small Business and Family Enterprise Ombudsman](#) (ASBFEO) is also a valuable source of information and data on small businesses, which can be used to guide or support both policy development and/or any Impact Analysis considering the effects of policy on 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 Treasury before release. This will make it easier for small business operators to access our information, comply with relevant regulations and apply for government programmes.