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Federal Election Policy Priorities 2025

Essential election policies to lift Australia's productivity

Robust visionary policy reform and long-term support for small business underpinned by economic and environmental sustainability are crucial to revitalise productivity and grow the Australian economy.

All sides of politics refer to small businesses as the backbone of the Australian economy, yet they face excessive regulatory burdens, fragmented government support, and difficulties accessing capital.

The Institute of Public Accountants (IPA) calls on the next Parliament to focus on four key policy areas that will significantly improve small business productivity and sustainability and lift the Australian economy.

Small business productivity

- Support small business to access affordable finance, upskill their staff, and access international markets
- Reduce regulatory overload for business
- Establish a small business agency as a one-stop-shop for small business to navigate government support

Innovation

- Encourage and support research and development by and with small businesses

Sustainability

- Encourage the use of technology to support the transition to a sustainable economy
- Support the shift to a circular economy

Bold and considered tax reform

- Commit to sensible, well considered, wholesale structural reform of Australia's taxation system.

Small business productivity

Support small business to access affordable finance, upskill their staff, and access international markets

Productivity matters. Productivity growth is the primary determinant of economic growth. As long as productivity remains stagnant, Australia faces a significant challenge in maintaining the nation's living standards.

Given the economic significance of the small business sector, it has the potential to positively influence productivity growth. Australian small businesses operate in an increasingly complex global environment of increased interconnectedness, interdependence, uncertainty, and change. For this reason, and others, the sector requires support to become more innovative and efficient; employ more people; and increase exports.

Government has an important role to play in positively influencing productivity growth and supporting small business by:

- Enabling and promoting access to affordable finance to improve the longevity of small businesses
- Facilitating education and skills development for small business owner-managers
- Updating regulatory settings over time, so as not to impede, and to encourage, private sector investment
- Resisting protectionism and facilitating increased access for small businesses to international markets.

Supporting small business is crucial to revitalise Australia's productivity and grow our economy.

Reduce regulatory overload for business

A simplified, risk-based regulatory framework is needed to allow small and medium-sized enterprises (SMEs) to focus on driving innovation and job creation rather than being bogged down by unnecessary red tape.

Regulatory compliance continues to be one of the most significant challenges for small businesses, consuming valuable time and resources that could be better spent on expansion and productivity. Complex and excessive regulations are stifling growth, hindering innovation, and making it increasingly difficult for small businesses to remain competitive.

A 'small-first', risk-based regulatory approach, similar to the European Union's model, where regulatory frameworks are designed with SMEs at the forefront.

Aligning Australian regulations with global best practices, particularly OECD standards, would improve efficiency and international competitiveness. Moreover, establishing a system of periodic reviews would ensure that regulatory agencies remain effective and do not impose undue burdens on businesses.

The genuine implementation of robust and rigorous Regulation Impact Statements for proposed legislation, including a Small Business Impact Statement, would be a useful and practical initiative. However, we emphasise that it must be a genuine implementation rather than the 'lip service' process that has become prevalent.

A risk-based regulatory approach would ensure that low-risk businesses are not subjected to excessive scrutiny, allowing them to focus on operations rather than bureaucratic hurdles.

Simplifying tax, employment, and financial reporting regulations would make compliance more manageable and less time-consuming.

Reducing compliance burdens will enable small businesses to thrive, fostering productivity, innovation, and economic growth.

[Establish a small business agency as a one-stop-shop for small business to navigate government support](#)

The establishment of a dedicated Small Business Administration (SBA) agency would centralise support for SMEs, providing a single, streamlined resource to assist SMEs to secure funding, navigate the complex layers of Commonwealth and State regulations, foster innovation, and expand market access.

A 'one-stop shop' agency modeled on the U.S. Small Business Administration, which was founded in 1953, could potentially improve productivity by providing a range of support services tailored to small business, such as the following, from a single central source.

- Access to capital through loans, grants, and investment programs
- Business development support and mentorship initiatives
- Regulatory guidance to ease compliance burdens
- Technology and innovation support to enhance competitiveness
- Market access opportunities, including government procurement programs
- Disaster recovery assistance to help businesses rebuild in times of crisis.

This would be transformative for Australia's SMEs. By consolidating essential services under one roof, the government could eliminate red tape, enhance efficiency, and empower small businesses to grow, innovate, and create jobs.

A range of Australian agencies undertake many of these functions, although perhaps not as extensively and not in one place. Despite the support provided by agencies such as the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and the state based small business commissioners, there is still confusion and complexity in the Australian system.

Bringing these functions and resources into one agency would be of benefit to small business and consumers, making it significantly easier to navigate the plethora of government support.

Innovation

Encourage and support research and development by and with small businesses

Innovation is a key driver of productivity, job creation, and economic performance, but a significant portion of Australian businesses are not fully leveraging innovation's potential, with only one in seven small businesses recognising its importance.

Private sector expenditure on research and development (R&D) has been at or below OECD averages for most of the past two decades. And Australian businesses rank among the least effective in the OECD at introducing product and process innovations.¹

Innovation and R&D are primary drivers of national productivity gains and economic growth. Tapping into the currently unrealised potential of businesses to innovate and conduct R&D at internationally competitive levels will also help Australia diversify its sources of economic security.

Small businesses play a critical role in fostering innovation. Innovative firms (particularly start-ups) are known to create more jobs than any other business category.

A progressive innovation policy including the following levers is needed to drive productivity and economic growth in Australia.

- Increased support for R&D. Provide more substantial support for SME R&D activities. This includes financial incentives and resources to encourage innovation at the grassroots level.
- Strengthening University-Industry Linkages. Support better collaborations between cutting-edge research universities and industry. This is essential for translating academic research into practical, market-ready solutions.
- Adoption of Existing Technologies. Introduce measures to help firms adapt and implement existing technologies and innovations. Spread the benefits of innovation across a broader range of businesses.
- Encouraging Continuous Improvement. Promote 'continuous improvement' methods within businesses to embed incremental innovation. This strategy can lead to significant productivity gains in a relatively short period.
- Government Procurement Initiatives. Develop procurement initiatives to meet and exceed small business procurement targets. These programs could be modelled on successful initiatives in the USA.
- Youth Entrepreneurship Research. Allocating funds for further research into youth entrepreneurship in Australia to better inform policy decisions and support the next generation of innovative entrepreneurs.

¹[*Post Covid Policy Options to Enhance Australia's Innovation Capabilities*](#) IPA Deakin SME Research Centre 2021.

Sustainability

Encourage the use of technology to support the transition to a sustainable economy

A sustainable economy is one that is sustainable both environmentally and economically.

Sustainability and digital transformation are complementary trends that are rapidly evolving. Technology will play a crucial role in facilitating the transition to a sustainable economy by enabling innovation, efficiency and awareness.

Technology is enabling the transition to a sustainable economy in multiple ways, including:

- Promoting sustainable practices through digital platforms, AI and machine learning
- Data-driven decision making
- Waste management and product lifecycle management within the circular economy
- Sustainable agriculture and food production
- Sustainable transportation
- Renewable energy.

Government support is essential for encouraging and investing in the development and adoption of sustainable technologies to accelerate the transition to a sustainable economy.

Support the shift to a circular economy

A circular economy aims to use materials and products more sustainably and efficiently, with economic, environmental and social benefits. However, Australia is lagging other countries in progressing to a circular economy.

A favourable regulatory framework is needed to promote circular economy principles and practices. This requires a bolder approach, which mandates recycling and overall waste reduction and waste management, across many sectors of the economy.

A policy to encourage a circular economy needs to:

- Harmonise inconsistent regulations across jurisdictions to lower administration costs and red tape
- Incentivise businesses to be accountable (could be financial or operational responsibility) for end-of-life of products. Product design must be focused on recycling and reuse
- Mandate recycling and overall waste reduction and waste management
- Prioritise education and awareness programs to encourage community engagement in various programs such as waste management and recycling
- Enable collaborative partnerships between private sector, researchers and government.

Innovation policy should be renewed and reinvigorated through grants, subsidies and concessions to incentivize innovation to boost materials productivity and the shift to circular business models.

Australia has struggled with collaborative partnerships to promote innovation. Increasing the number of collaborations, including with government, would assist with promoting the circular economy.

We note the Productivity Commission's interim report, *Australia's circular economy: Unlocking the opportunities*, released in March 2025 and urge the incoming government to consider and implement the findings and recommendations.

Bold and considered tax reform

Commit to sensible, well considered, wholesale structural reform of Australia's taxation system.

Tax reform must be a key part of the incoming government's policy agenda to create a tax system that supports higher economic growth and living standards, improves international competitiveness and is robust for a changing economy.

Despite the final report of the Henry Review into taxation in 2010 and the *Rethink* paper on tax reform in 2015, we have not seen movement on fundamental tax reform. Instead, we have experienced a piecemeal approach to tax policy. Simply tinkering at the edges to create 'stop gap' solutions will not address the need for fundamental reform. Tax reform has stalled in Australia.

In recent years, only a few significant tax and superannuation reforms have passed Parliament, most notably the structural changes to individual tax brackets and rates and the multinational tax package. Most other enacted measures represent tinkering at the edges.

There has been no attempt to fundamentally improve the longstanding problem areas of the taxation of trusts and Division 7A, resulting in taxpayers and the practitioner community forced to rely on ATO interpretations and compliance approaches; and sporadic judicial decisions. There has been no meaningful legislative action in relation to much-needed structural reform of individual tax residency and corporate tax residency rules, despite Board of Taxation recommendations released years ago.

In addition, tax reform needs to urgently:

- address the high - and growing - reliance on personal income tax
- examine the GST - exemptions apply to 53 per cent of consumption and disproportionately benefit higher income households.

Pre-COVID, Australia was in a relatively good position fiscally as compared to many OECD countries, with relatively low government debt and a Commonwealth budget almost back in surplus. As a result of the Government COVID response, our debt level has increased proportionally much more than most OECD countries. Now, there is an even greater need to reform our tax system to manage long-term fiscal sustainability and our long-term debt position. Challenging global economic conditions, inflation, servicing debt, an aging population and structural expenditure risks will present fiscal challenges in the years ahead.

An effective taxation system should be premised on achieving:

- fairness: that is 'equity' between taxpayers, with respect to ensuring that taxpayers in similar positions bear tax at the same level, but also that tax is borne at a level commensurate with the taxpayer's ability to pay
- efficiency: that is, the system should not encourage the distortion of economic decisions
- simplicity: the system should be relatively easy to understand and place a low administrative burden on taxpayers.

Australia's current taxation regime has arguably moved away from these ideals and can be described as inefficient, technically complex, and often distortive.

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