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*By email to: [ReformRoundtable@treasury.gov.au](mailto:ReformRoundtable@treasury.gov.au)*

### **Economic Reform Roundtable**

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission to the Government's upcoming Economic Reform Roundtable.

The IPA is one of Australia's three professional accounting bodies, representing over 50,000 members and students across more than 100 countries. Approximately 75 per cent of our members work with or advise small and medium-sized businesses.

### **Bold and Sustainable Tax Reform**

Sensible, well-considered, and wholesale structural reform of Australia's taxation system must be a cornerstone of Australia's productivity reform agenda. Our tax system must genuinely support higher economic growth and living standards, enhance international competitiveness, and remain robust in a dynamic economy. Despite comprehensive reviews, fundamental reform has stalled, replaced by a piecemeal approach. 'Tinkering at the edges' won't address the pressing need for substantive change.

Recommendations:

- Address the high – and growing – reliance on personal income tax
- Broaden the tax base
- Examine the GST, given its exemptions and disproportionate benefits to higher-income households
- Review capital gains tax (CGT) concessions
- Consider road-user charges
- Reform fringe benefits tax (FBT)
- Simplify payroll-related obligations.

### **Catalysing Small Business Productivity**

The significance of small businesses to Australia's economic trajectory cannot be overstated. To thrive, innovate, and expand, these businesses require strategic government intervention.

Recommendations:

- Enable and promote access to affordable finance
- Facilitate education and skills development for small business owner-managers
- Update regulatory settings over time to foster, rather than impede, private sector investment
- Resist protectionism and facilitate increased access for small businesses to international markets.

### **Streamlining the Regulatory Landscape**

A simplified, risk-based regulatory framework isn't merely a convenience; it's an economic imperative. Small and medium-sized enterprises (SMEs) are often entangled in a complex web of regulatory compliance, diverting time and capital that could be invested in innovation and job creation. Excessive and complex regulations are a demonstrable drag on growth, hindering novel approaches and eroding competitiveness.

Recommendations:

- Adopt a 'small-first', risk-based regulatory approach, akin to models implemented in the European Union
- Align Australian regulations with global best practices, particularly those established by the OECD
- Establish a system of periodic reviews for regulatory agencies
- Implement robust and rigorous Regulation Impact Statements (RIS) for proposed legislation, including a specific Small Business Impact Statement
- Simplify tax, employment, and financial reporting regulations.

## Nurturing Innovation

Innovation is a fundamental driver of productivity, job creation, and overall economic performance. Despite its critical role, a substantial portion of Australian businesses, particularly small enterprises, aren't fully leveraging its potential.

### Recommendations:

- Increase support for R&D, including financial incentives and resources for SME R&D activities
- Strengthen University-Industry Linkages to translate academic discoveries into practical, market-ready applications
- Introduce measures to assist firms in adapting and implementing existing technologies
- Promote 'continuous improvement' methods within businesses to embed incremental innovation
- Develop government procurement initiatives to meet and exceed small business procurement targets
- Allocate funds for further research into youth entrepreneurship to better inform policy decisions.

## Embracing Sustainability

A truly robust economy is both economically and environmentally sustainable. Sustainability and digital transformation are intrinsically linked, rapidly evolving trends, with technology playing a crucial role in facilitating the transition to a sustainable economy by enabling innovative solutions, increased efficiency, and heightened awareness. Technology supports this transition in various ways, including promoting sustainable practices through digital platforms, facilitating data-driven decision-making, enhancing waste management, promoting sustainable agriculture, optimising transportation, and developing renewable energy sources.

### Recommendations:

- Encourage and invest in the development and adoption of sustainable technologies
- Harmonise inconsistent regulations across jurisdictions to lower administration costs and red tape
- Incentivise businesses to be accountable for the end-of-life of products
- Mandate recycling, overall waste reduction and waste management
- Prioritise education and awareness programs to encourage community engagement
- Enable collaborative partnerships between the private sector, researchers, and government
- Consider and implement the findings and recommendations of the Productivity Commission's interim report, *Australia's circular economy: Unlocking the opportunities*.

The IPA believes that by focusing on these four critical areas – empowering small business productivity, streamlining regulation, establishing a dedicated small business agency, fostering innovation, embedding sustainability, and undertaking bold tax reform – Australia can unlock its full economic potential and secure a prosperous future for all.

## References

*Tax Reform — Time to Act*

*IPA Federal Election Policy Priorities*

*IPA Pre-Budget Submission*

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Yours sincerely,

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