



Name: NSW Small Business Commission

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Refer to letter attached.

2. How has your regulatory burden changed over time?

Refer to letter attached.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

Refer to letter attached.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Refer to letter attached.

Cover sheet: Supporting document #1



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Dear Commissioners

Thank you for the opportunity to contribute to the Productivity Commission's consultation on the impact and performance of regulation under *Pillar 1: Creating a more dynamic and resilient economy* project. The NSW Small Business Commission (the Commission) welcomes the Productivity Commission's commitment to improving the quality, responsiveness and impact of regulation. This submission highlights the experiences and perspectives of small businesses in NSW and offers practical recommendations for reform.

The Commission is an independent statutory office of the NSW Government, providing strategic advice, advocacy and dispute resolution services to support a thriving small business sector. Small businesses account for over 97 per cent of all businesses in NSW. While they are critical to economic growth and job creation, they often lack the internal compliance capacity and resources of larger organisations and therefore disproportionately bear the costs of poorly designed or fragmented regulation.

The Commission's 2024 report *Rightsizing Regulation for small business*¹ and recent Regulatory Review Survey findings suggest that small businesses perceive they are experiencing increasing compliance burdens, with limited capacity to engage effectively with regulatory processes. Feedback identified issues such as fragmented obligations, poorly timed consultations, lack of plain-language guidance, poor change management and difficulties with mandatory standards. Small

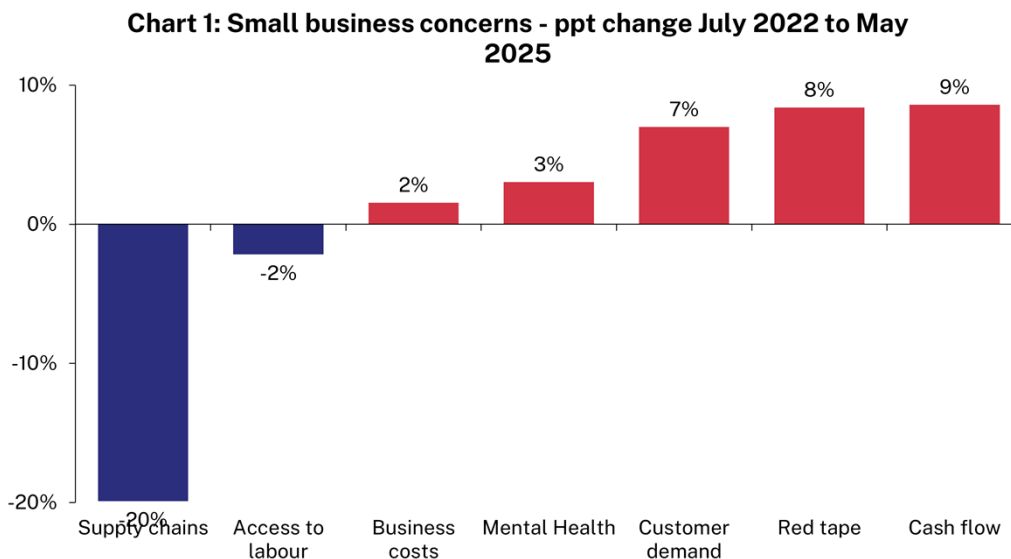
Clearer problem identification as part of policymaking processes, early consultation with impacted stakeholders and regulatory design that is proportionate to risk are critical to supporting business confidence and sustainable compliance.

Change in regulatory burden over time

Surveys conducted by the Commission and our engagement with small businesses suggest a perception that regulatory burden has intensified over recent years. Over half of surveyed businesses reported that compliance had become harder over the past year, with 34 per cent saying it had become "somewhat harder" and 18 per cent "significantly harder". Only 2.3 per cent saw any improvement. The *Rightsizing Regulation* report further noted the proportion of small businesses citing red tape as one of their top three challenges.

Data from the Commission's Momentum Survey shows concerns about red tape have increased over time. Between July 2022 and May 2025, there has been an 8 percentage point increase in reported concerns about red tape. This increase exceeds that of every other factor apart from cash flow (see Chart 1).

¹ NSW Small Business Commission, *Rightsizing Regulation for small business: reviewing small business experiences with regulatory processes*. Available at: <https://www.smallbusiness.nsw.gov.au/review-of-regulation-policy-hys>



Source: SBC Momentum Survey

Additional findings from the *Momentum Survey* revealed that regulatory burden was ranked as a leading barrier to productivity, with over 60 per cent of respondents reporting they spent more time on compliance than five years ago. Many also cited uncertainty, duplication and poor guidance as contributing to wasted time and inefficiency.

The growing evidence base demonstrates that regulatory complexity is increasingly impeding small business resilience, productivity and growth. This growing burden reflects not just increased volume, but complexity and duplication. Regulatory requirements are often introduced in isolation, leading to overlapping obligations across jurisdictions. Survey data also revealed that 13 per cent of businesses surveyed felt industry-specific regulation did not meet their needs at all and 14 per cent said it only slightly did.

Additional data from the *Rightsizing Regulation* report point to significant dissatisfaction with the transparency, predictability, and responsiveness of the current regulatory environment. For instance only 7 per cent of respondents agreed that regulation was designed with the needs of small businesses in mind, while only 13 per cent believed that the benefits of regulation outweigh the compliance costs. Of those who had participated in regulatory consultations, only 9 per cent felt their feedback was reflected in final policy design.

The Commission heard that digital transformation has not always resulted in simplification. Businesses are often required to repeatedly upload the same information across platforms and navigate inconsistent portals. Many also face growing demands for documentation, training and certification, drawing time and resources away from core operations.

The impact is most pronounced for small and micro-businesses, which typically lack in-house compliance capability. As a result, many report resorting to defensive practices, such as over-complying or avoiding innovation, out of concern they may inadvertently breach unclear rules.

The need for Small Business Impact Statements and system-wide approaches

Findings from the Commission's *Rightsizing Regulation Report* highlight the urgent need for a shift in the approach to regulatory reform. Rather than continuing short-term efforts initiatives focused narrowly on identifying and removing individual regulatory problems through "red tape reduction" exercises, evidence

points to the value of pursuing long-term, systemic improvements to regulatory governance, design, and stewardship.

This evidence indicates that many of the pain points small businesses experience are not the result of a single policy or regulation but instead stem from more systemic weaknesses in the institutional framework of regulatory design and administration. These include fragmented responsibilities, inconsistent application of regulatory impact assessment practices, limited uptake of plain-language guidance and inadequate mechanisms for stakeholder feedback and continuous learning.

It is in this context that the Commission recommends the adoption of a systemic model of regulatory improvement, one that shifts the policy focus from superficial reductions in regulatory volume, toward the institutionalisation of continuous quality improvement, accountability and responsiveness in the development and administration of regulation.

Limitations of legacy approaches

Red tape reduction initiatives have previously included regulatory offset mechanisms and a commitment to red tape reduction targets. While some gains have been made through these approaches, they have delivered limited sustained benefits. The *2016 Red Tape Reduction Audit (NSW)*² highlighted the limitation of previous red tape reduction efforts, including that they did not meaningfully address the root causes of regulatory inefficiency or poor policy design. Sustained benefits rely on a commitment to best practice regulatory policymaking and investments aimed at improving regulatory quality (including in technology, policy capability and regulatory culture).

Red tape reduction initiatives can often fail because they focus attention on stakeholder concerns that fall outside the administrative remit of authorising Minister or agency, or are otherwise difficult to resolve because of wider system challenges including trade-offs between policy objectives. Efforts to discover, identify and remove red tape risk diverting resources and attention that would be better spent on more impactful reforms, particularly in relation to improving regulatory governance and inter-agency coordination.

To enhance the resilience, responsiveness and productivity of the regulatory environment, the Commission supports regulatory stewardship, where government agencies are incentivised to actively manage their regulatory stock, assess impacts in a consistent and transparent manner and respond to stakeholder feedback throughout the policy lifecycle. This approach supports a continuous improvement approach with a focus on evidence-based evaluation

Informed by international practice and the shortcomings of previous approaches, the Commission proposes three foundational pillars to underpin this reform direction:

1. Institutionalising Small Business Impact Statements (SBIS)

Small Business Impact Statements (SBIS) provide a practical, early-stage tool for embedding a “small business lens” into policymaking. When applied rigorously, SBIS enable agencies to explicitly assess how proposed regulations may affect small enterprises, accounting for scale, compliance capability, and sector-specific constraints. Incorporating SBIS into existing regulatory impact assessment frameworks would help improve confidence that regulation had been designed with input from their sector.

² NSW Auditor-General's Report, *Performance Audit: Red tape reduction* (August 2016). Available at: https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2016_Aug_Report_Red_Tape_Reduction.pdf

2. Strengthening feedback mechanisms

The Commission also recommends investment in structured feedback mechanisms that allow small businesses to raise concerns, highlight areas of duplication or misalignment and suggest reforms through low-friction, accessible platforms. Current channels, including State-based Small Business Commissions, business advisory agencies and relevant peak bodies, could be leveraged as part of a coordinated ecosystem for real-time insight into regulatory system performance.

3. Embedding continuous improvement through regulatory stewardship

The Commission supports a regulatory development model that focuses on continuous improvement, rather than temporary wins. A stewardship approach encourages agencies to move beyond compliance checking, toward actively evaluating the effectiveness of regulation over time, monitoring sectoral impacts and responding to emerging business needs. It also ensures government efforts remain adaptive to innovation, technological change and economic disruption.

Regulator performance and consistency

The Commission's Rightsizing regulation report also sought feedback from small businesses on their experience with different NSW regulators (this feedback is summarised in the [report](#)).

Small businesses have raised concerns about regulatory requirements are not universally enforced. Compliant small businesses do not feel they are competing on an even playing field if they comply with a regulatory obligation while suspecting their competitors are not. Regulatory requirements that are either unenforceable, or where compliance efforts are under-resourced, can be particularly detrimental to compliant businesses. For example, many small businesses have been impacted by the proliferation of illicit tobacco. Greater consideration to the enforceability of regulatory requirements should also form part of policy design. If regulatory requirements are unenforceable or are not otherwise enforced under risk-based enforcement frameworks, then consideration should be given to whether those requirements are fit for purpose.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer Megan Bennett, at either commission@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Mark Frost
Acting Commissioner
NSW Small Business Commission

Date: 6 June 2025