Think Small First

A policy platform for Australia's micro and small businesses

Draft white paper – David Lee, Sydney Private Chef – November 2026

Executive summary

Australia's micro and small businesses are the nursery of the economy. Innovation starts small and grows into big business. Yet policy is designed for large corporates first and applied to small operators as an afterthought. The result is a cost system, not one single cost, that is squeezing owners until most would say it is no longer worth having a go.

Think Small First flips that order. Every tax, workplace and regulatory decision should be tested first against its impact on micro and small businesses. This paper sets out a clear national definition of small business, a tiered system that rewards growth rather than punishing it, and a set of practical, costed-in-principle ideas to restore cash flow, ambition and productivity.

The core economic problem is simple: inflation and low productivity. Everything else is window dressing unless it addresses those two.

The problem

- **Margins are being crushed.** Inflation, energy, rent, wages and compliance costs have all risen together, while customer spend per head has fallen.
- **High-employing businesses are cutting staff.** Restaurants, cafes and other labour-intensive businesses are reducing hours or not hiring, which means higher unemployment and lower tax revenue.
- **Ambition is being taxed away.** Proposed changes to the capital gains tax discount discourage investment and reduce the pool of buyers for small businesses, killing the exit that rewards decades of work.
- **The taxpayer is competing with the taxpayer.** Government and government-funded jobs pay more and pull workers away from the small businesses whose taxes fund them.
- **Owners feel powerless.** Many small business owners fear the ATO and feel treated like criminals, despite conditions now being harder than during COVID, when the ATO was generous.

- **Regulation is layered and rigid.** Council, state and federal rules stack on top of each other, and award rigidity stops owners and staff from negotiating sensible arrangements.

The Think Small First principle

Think Small First has international precedent: it is the founding principle of the European Union's 2008 Small Business Act. Australia has no equivalent commitment.

The principle has three parts:

1. **Design for small first.** Every new policy, tax or regulation must be tested against micro and small businesses before it is applied more broadly.
2. **Carve small out from big.** Micro and small businesses should not carry the same compliance and tax settings as large corporates.
3. **Reward growth.** Settings should help small businesses grow into big ones, not give them a reason to stay small.

The Think Small First pledge

MPs and senators from every party will be invited to sign a public register committing to the Think Small First filter.

1. A public register of MPs. Signatories pledge that any policy or bill they support is tested against its impact on micro and small businesses before it is enacted. The register is published, so owners can see who has signed.

2. A filter before legislating. Every bill is run through the Think Small First test before it is passed, not reviewed after the damage is done.

3. A small business carve-out by default. Legislation aimed at multinationals and big business must include a carve-out for small business, written in before the bill is legislated, unless there is a clear reason it should apply to them.

A national definition and register

Australia currently has no single definition of a small business. The ATO uses turnover under $10 million, Fair Work uses fewer than 15 employees, and the ABS uses fewer than 20. This confusion makes targeted policy difficult and easy to game.

Proposal: a national register of small businesses, using both turnover and headcount, with three tiers:

Tier	Staff	Turnover
Micro	Under 5	Under $2 million
Small	Under 50 FTE	Under $10 million
Corporate	50 FTE and above	$10 million and above

Key design points:

- **Anti-splitting rules.** The register would build on the ATO's existing aggregation rules, counting connected and affiliated entities together so businesses cannot split to stay under a threshold.
- **Either or both tests.** Whether a business must meet one test or both to qualify for a tier needs careful balancing. Allowing either test favours labour-heavy, low-margin sectors like hospitality, but makes the lower tiers larger and more costly.
- **Taper, not cliff.** Benefits should phase out gradually as a business grows, so the tiers never punish growth.

Tax and cash flow

1. Payroll tax exemption. No payroll tax for businesses under 50 FTE and under $10 million turnover. Clubs and pubs with poker machines or gambling are excluded, as pokies revenue often subsidises their food operations, and multinational hotel chains are kept out.

2. GST collection fee. Small businesses collect GST on the government's behalf at their own cost. They should keep a small percentage as a collection fee. This matters most in hospitality, where most inputs are fresh food and GST-free, so businesses get almost no GST credits while collecting GST on every sale.

3. Employment tax discount. A tax discount for employing people in hospitality and other low-wage, hard-to-automate sectors. This protects staffing levels and the tax base better than a GST cut.

4. Tax-free weekend work hours. Making weekend hours tax-free for workers would ease the penalty-rate burden while increasing take-home pay.

5. A small business tax-free threshold. A higher tax-free threshold for micro and small businesses, separating them from large corporate tax settings.

6. Protect the CGT discount. Keep the capital gains tax discount for small business owners. Money flowed into property because not enough houses were built, not because of the discount. Removing it kills buyers, ambition and investment.

7. Monthly super for owners. Put owners, directors and sole traders back on monthly super rather than payday super, to ease cash flow.

A fair go from the ATO

The ATO should be a partner to small business, not an enforcer that treats owners like criminals. Conditions are now harder than during COVID, when the ATO was generous.

1. Longer payment plans. For businesses under $10 million turnover paying off ATO debt, double the time allowed on payment plans. This is not debt forgiveness: the government still gets its money, just later, and businesses keep the cash flow to survive.

2. A lower interest rate. A separate, lower interest rate of around 7% on ATO debts for businesses under $10 million turnover. This is more achievable than a full interest freeze.

3. A change of posture. A clear directive that the ATO's default approach to micro and small businesses is support and education first, enforcement last.

Workforce and workplace relations

1. Stop the taxpayer competing with the taxpayer. Government and government-funded roles, including NDIS services, should not outbid the small businesses that fund them. Support worker rates should be tied to awards, creating an even playing field.

2. Simpler, more flexible awards. Award rigidity stops owners and staff agreeing sensible arrangements. Simple roster swaps risk back-pay claims, so owners refuse to negotiate. Awards should allow genuine flexibility by agreement.

3. Review the Fair Work Commission's expanded powers to ensure fairness for small employers who have no HR department.

4. Scrap the right to disconnect for small business. It has made owners afraid to contact staff at all, which hurts both sides.

5. Quality training, not just more places. Free TAFE is welcome, but quality must improve. Training should be incentivised for quality and innovation, ending tick-and-flick standards and building a genuine domestic skills pipeline.

Cutting red tape

1. Small business impact statements for every new regulation, applying the Think Small First test before a rule is made.

2. Sunset clauses on regulation. With AI and automation changing industries rapidly, rules should expire unless renewed.

3. Untangle layered regulation. Council, state and federal requirements should be aligned so one business is not answering to three overlapping regulators.

4. An innovation and advisory panel inside the Minister for Small Business portfolio, made up of working owners, to cut red tape and bring industry innovation to existing businesses.

Productivity and growth

1. Agreed additional hours. An alternative to overtime: staff and employer can agree to extra hours at ordinary rates, by written agreement. Small businesses avoid offering overtime because it is too expensive, which pushes staff into second jobs instead.

2. A tax deduction on extra hours. A tax deduction for overtime and extra hours worked, so both the business and the worker benefit when more hours are offered.

3. Productivity grants for micro and small businesses to invest in equipment, technology and systems that lift output per worker.

4. VET funding reform. Fund training providers for the quality of graduates and job outcomes, not just enrolments and completions.

5. Youth enterprise education. Bring business and enterprise skills into schools, so young people see running their own business as a real career path.

6. Collection allowance on PAYG as well as GST. Small businesses also withhold and remit PAYG for the government at their own cost and risk, with personal director liability. The collection fee should cover both.

7. Protect retirement sales. The CGT discount and small business concessions should be protected for owners selling their business to retire, as that sale is often their superannuation.

Fiscal responsibility

Small business relief only works if inflation comes down. Unchecked government spending drives demand, keeps inflation sticky, holds interest rates high and pushes taxes up, and small business investment dries up.

- **A debt brake** capping structural deficits.
- **A public sector headcount cap.**
- **Sustainable NDIS growth**, closer to inflation, with savings coming from providers, not participants.

- **A sovereign wealth fund** funded by taxes on gas and natural resources has been proposed by platform supporters and is under consideration.

Changing the narrative

Young Australians should want to start, run and grow their own businesses. Today, most owners would say it is no longer worth having a go. Think Small First aims to restore ambition: reward people who take the risk, employ locally and build something.

Next steps

- [ ] Confirm the micro and small tier tests: either test or both
- [ ] Design the taper so benefits phase out gradually
- [ ] Cost each proposal
- [ ] Gather owner stories and data as evidence
- [ ] Secure thinksmallfirst.com and .com.au
- [ ] Invite MPs and senators from all parties to sign the Think Small First pledge register