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Treasury

By email: creditreforms@treasury.gov.au

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Dear Treasury

The Council of Small Business Organisations Australia (**COSBOA**) is the voice for 2.5 million small businesses in Australia.

We write to support the *Treasury Laws Amendment Instrument 2024: Small Business Exemption* which extends the exemption to the small business responsible lending obligations in the *National Consumer Credit Protection Act*. This exemption was first added to the *National Consumer Credit Protection Regulations 2010* in 2020 and extended in 2021 and followed a sequence of unfortunate events including bushfires, droughts, floods, storms and COVID-19 over the previous 12 months had impacted small business more than any other sector.

Small businesses are resilient and adaptive but adaptability relies on access to finance.

Unfortunately, the recovery from COVID and the other events that occurred in recent years has been significantly hampered by new challenges facing the small business sector including:

- rising energy costs
- increased costs of doing business
- increase in costs of goods due to inflation
- impact of interest rate rises

Continued access to finance for small business without additional barriers is critical in ensuring the resilience of the small business sector at this challenging time.

We refer to the submission of the Australian Banking Association (**ABA**) which notes that small businesses account for 33% of Australia's gross domestic product and employ 42% of Australia's workforce. Of the 1,004,180 total employing businesses, 934,726 are small businesses (93.1%). The access to, and provision of, appropriate and timely credit to these small business owners supports employment and growth at scale.

The ABA reports that small business banking customers continue to benefit from the existence of the exemption, with small business credit growing from \$418 billion in July 2019 to \$672 billion as of June 2024, an increase of 61%. The ABA also notes that there is no evidence to suggest the exemption has led to an increase in significant customer detriment such as loan defaults. Business loan arrears (all sizes of business) remain low at approximately 0.5% in 2024, compared to 0.7% in 2019.

COSBOA therefore welcomes this extension to the small business exemption for a further 2 years.

Kind regards

A handwritten signature in black ink, appearing to read 'Luke Achterstraat', written in a cursive style.

Luke Achterstraat
Chief Executive Officer
COSBOA