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FEDERAL BUDGET 'TAX BOMB' TO HIT SMALL BUSINESSES

The state's peak business body has warned proposed federal budget tax changes could slug small business owners with much higher tax bills.

Business NSW CEO Daniel Hunter said changes to capital gains tax and discretionary trust settings will pile pressure on small businesses already operating on low incomes and taking on high risk.

Proposed changes to capital gains tax could see many SME owners face huge tax increases on the sale of business assets.

Mr Hunter said this risks discouraging long-term investment and entrepreneurship, while undermining retirement and succession planning.

"Many small business owners pay themselves modest wages while carrying significant financial risk," he said.

"These changes are a tax bomb and could see owners hit with massive tax bills in a single transaction after decades of work."

"Entrepreneurship in NSW is already in steep decline, according to the ABS, with the share of business owning employers falling from 8 per cent in 2000 to below 5 per cent today – a record low. These tax changes risk accelerating that trend.

"These changes will make us internationally uncompetitive and incentivise people to set up businesses outside of NSW and Australia."

Business NSW also warned that a proposed 30 per cent tax on discretionary trusts fails to reflect how family businesses are structured and operate.

"Trusts are widely used by SMEs for succession planning, asset protection and managing variable income," Mr Hunter said.

"The change could force restructuring and add compliance and advisory costs at a time when many businesses are already under pressure.

“A blanket tax approach ignores the reality of small business income that is often uneven, reinvested, and central to keeping businesses operating and supporting local economies.”

Business NSW is calling on the Federal Government to reconsider the changes and consult with the SME sector before proceeding.

It warned higher tax burdens – alongside rising costs, inflation and weakening business confidence – could further dampen investment and employment.

“If Australia wants investment and jobs growth, it cannot treat small business as an easy tax target,” Mr Hunter said.

Early results from Business NSW’s latest Business Conditions Survey shows confidence has fallen to near-20-year lows as cost pressures continue to bite.

“Business confidence is sliding because the cost of doing business keeps climbing,” Mr Hunter said.

“Inflation, energy prices, fuel costs and red tape are squeezing margins and making it harder for businesses to invest, take on staff and grow.”

About Business NSW

Formerly the NSW Business Chamber, **Business NSW** is the peak policy and advocacy body which has been representing businesses in NSW since 1826. We represent almost 50,000 businesses.

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