

ARA & NRA SUBMISSION

BOARD OF TAXATION - RED TAPE REDUCTION REVIEW

NOVEMBER 2025

The Australian Retailers Association (ARA) and National Retail Association (NRA) welcome the opportunity to provide feedback to the Board of Taxation's Red Tape Reduction Review.

The ARA and the NRA, which are amalgamating to form the Australian Retail Council (ARC), represent a \$444 billion sector that employs 1.4 million Australians, one in ten workers, making retail the nation's largest private sector employer and a cornerstone of the Australian economy, contributing 16 percent of national GDP.

Our combined membership spans the full breadth of Australian retail: from family-owned small and independent businesses, which comprise 95% of our membership, to the largest national and international retailers that support thousands of jobs and sustain communities across both metropolitan and regional Australia. Our industry operates more than 155,000 retail outlets nationwide, with the majority of those also represented by an online or e-commerce presence.

A strong retail sector delivers widespread benefits to all Australians, with a significant portion of every dollar spent in retail flowing back into employees, suppliers, superannuation funds, and local communities. We are united in advocating for the policy settings, reforms and collaboration that will drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it.

EXECUTIVE SUMMARY

The ARA and NRA support the Review's focus on identifying substantial, measurable and productivity-enhancing opportunities to reduce business tax red tape, while maintaining overall revenue neutrality and the integrity of the tax system.

From a retail perspective, the highest-impact opportunities sit across four areas:

1. **Simplifying Fringe Benefits Tax (FBT)** to better align compliance effort with revenue, including group FBT returns, higher and more realistic minor benefits thresholds, rollover provisions where circumstances have not materially changed, and removing FBT from some high-compliance, low-yield benefit categories such as car parking.
2. **Streamlining business tax reporting and removing duplication**, particularly for high-assurance taxpayers, through a 'tell us once' approach, a systematic review of return schedules and disclosures, and more proportionate reporting pathways for taxpayers with strong justified trust outcomes.
3. **Reducing GST compliance burdens for food retailers** by improving the timeliness, clarity and usability of ATO guidance on food classification; leveraging existing data sources as a reliable, maintained classification reference; and avoiding retrospective application of new ATO views except in clear integrity cases.
4. **Progressing a more consistent small business definition and clearer worker classification rules**, in coordination with broader government work, to reduce confusion and compliance costs for small and

medium retailers that are navigating overlapping obligations across tax, workplace relations and state revenue systems.

In this submission, we distinguish between potential administrative changes, which can be considered and progressed by the ATO, and potential legislative changes, which the Board may wish to recommend to Government where they are likely to be revenue neutral yet deliver material compliance cost savings and productivity benefits.

FRINGE BENEFITS TAX SIMPLIFICATION

Members consistently report that FBT is one of the most disproportionately burdensome elements of the tax system relative to the revenue it raises. The complexity of the rules, the need to track and value a wide range of benefits, and the requirement to prepare multiple entity-level returns all contribute to high compliance costs for both large and small employers. Members also highlight that FBT record-keeping requirements, including detailed declarations, logbooks and supporting documentation, are particularly onerous, with FBT often involving the greatest volume of work for the smallest amount of tax paid.

Administrative opportunities

(a) Group FBT returns

For large retail groups operating multiple entities within an economic or tax consolidated group, preparing separate FBT returns for each entity adds significant administrative burden without a commensurate integrity benefit. Allowing groups to lodge a single FBT return would:

- reduce duplication of calculations and data collation;
- simplify governance and review processes; and
- free up specialist tax resources for higher-value activities.

(b) Rollover / safe-harbour provisions

Where the nature and scale of benefits provided to employees are stable year-on-year, requiring a full recalculation each FBT year imposes unnecessary cost. Introducing rollover or safe-harbour provisions, allowing prior year valuations and methodologies to be reused where there are no material changes, would significantly reduce recurring compliance effort while preserving integrity.

Legislative opportunities

(a) Updating minor benefits thresholds

The current \$300 minor benefits threshold has been eroded by inflation and no longer reflects contemporary benefit values. This drives considerable effort in tracking small, infrequent benefits for relatively little revenue. We encourage consideration of:

- increasing the minor benefits threshold to a more realistic level (for example, in the order of \$750); and
- indexing the threshold over time to prevent future bracket creep.

This change would materially reduce record-keeping costs, particularly in large and mid-sized retailers, with limited revenue impact.

(b) Removing FBT from high-compliance, low-yield categories

Some categories of benefit, such as employee car parking, are associated with complex valuation rules and extensive record-keeping requirements, yet contribute relatively modest FBT receipts. Removing FBT from selected high-compliance, low-yield benefit classes would be a targeted way to reduce red tape while

maintaining the broader FBT base. We encourage the Board to explore this as part of its revenue-neutral red-tape reduction options.

STREAMLINING BUSINESS TAX REPORTING AND DUPLICATION

Large retail groups increasingly face a dense reporting landscape: transfer pricing documentation, local and master files, country-by-country (CbC) reporting, Pillar Two requirements, extensive income tax return schedules, and voluntary disclosures under tax transparency frameworks. Much of the underlying information is common, yet often they must provide similar data multiple times in slightly different formats.

Administrative opportunities

(a) 'Tell us once' data design

We support a 'tell us once' approach across ATO reporting obligations, under which core data sets (for example, group structure, related party dealings, key financial metrics) are captured once and used to pre-populate or feed related schedules and reports. This would reduce duplication, improve data consistency and lower the risk of inadvertent discrepancies.

(b) Streamlined pathways for high-assurance taxpayers

Retailers that have achieved high assurance/justified trust ratings report that they still complete the same quantum of forms and schedules as medium or lower-assurance taxpayers. In some cases, participation in the ATO's GST 'justified trust' program has been followed by additional GST supplementary return obligations, rather than a more streamlined reporting pathway. There is an opportunity to design proportionate reporting pathways for high-assurance taxpayers; for example, reduced duplication, fewer ad hoc information requests and greater reliance on existing governance and assurance work.

(c) Systematic review of disclosures and schedules

Members note that some disclosures within income tax returns and other forms appear to be of limited ongoing value. We support a Board-led and ATO-implemented stocktake of existing disclosures and schedules, testing:

- whether the information collected is actively used for compliance, risk or policy analysis; and
- whether it can be rationalised, combined with other disclosures, or collected at a less granular level.

This stocktake would help ensure that information collection is targeted to genuine regulatory needs, rather than maintained on a 'nice to have' basis.

Legislative opportunities

We acknowledge that many reporting obligations are underpinned by international standards and legislative settings. Nevertheless, there may be scope to:

- align timing and content across related international tax reporting obligations (CbC, Pillar Two, transfer pricing documentation) to reduce duplicative work; and
- clarify legislative requirements to support more integrated reporting frameworks.

We encourage the Board to identify where legislative adjustments could enable the ATO to design more streamlined, risk-based reporting systems without undermining transparency objectives.

GST FOOD CLASSIFICATION AND GUIDANCE

For supermarkets and food retailers, GST food classification is a persistent and material source of compliance cost and uncertainty. Determining the correct treatment of thousands of products, including new and hybrid products, requires substantial internal and external resources.

Members highlight three particular issues:

- the complexity and interpretive uncertainty of existing food classification rules;
- late crystallisation of ATO views during justified trust reviews; and
- retrospective application of revised ATO positions, creating additional liabilities and rework.

Administrative opportunities

We recognise that comprehensive legislative reform of food concessions is unlikely in the short term. Within current law, there is substantial scope for administrative improvement, including:

- More frequent and clearer public guidance on food classification issues, including class rulings and practical examples targeted at common retail product categories.
- Earlier engagement and non-retrospective application of new ATO views, with a presumption against broad retrospective application except where there is clear evidence of avoidance or abuse.
- Maintaining an authoritative, up-to-date classification reference, potentially by leveraging and maintaining relevant data sources (for example, product coding systems) that retailers can rely on in good faith. This would reduce duplicated classification work across the system and provide greater certainty for both retailers and the ATO.

These changes would deliver measurable compliance cost reductions for food retailers and their suppliers, improve certainty for pricing and labelling, and support better consumer outcomes.

SMALL BUSINESS DEFINITION AND WORKER CLASSIFICATION

Although not unique to retail, two cross-cutting issues raised by our members and peak body partners are particularly relevant to small and medium retailers:

1. the proliferation of different small business definitions across tax law and related regimes; and
2. the complexity of employee versus contractor classification, with implications across tax, superannuation, workplace relations and state taxes.

Small business definition

A more consistent approach to defining small business across tax legislation would:

- reduce confusion for businesses and advisers;
- simplify eligibility checks for concessions and simplified reporting; and
- make it easier for government to target support measures.

We support the Board working with Treasury and other agencies to identify options for harmonising small business definitions or establishing a default definition, with appropriate transitional arrangements and safeguards.

Employee versus contractor

Uncertainty around worker classification drives significant compliance costs and risk management effort for retailers, particularly those using mixed workforce models, contractors and franchise structures. While we appreciate that this issue extends beyond the tax system, we encourage the Board to:

- recognise the red-tape burden created by overlapping and occasionally divergent tests; and
- explore opportunities to improve alignment and clarity in tax-related guidance on worker status, in coordination with broader whole-of-government work in this area.

CONCLUSION

The ARA and NRA appreciate the Board of Taxation's focus on practical, measurable opportunities to reduce red tape in the tax system without compromising revenue or integrity. For the retail sector, the priority opportunities lie in:

- simplifying FBT and aligning compliance effort with revenue;
- streamlining business tax reporting and removing duplication, particularly for high-assurance taxpayers;
- improving certainty and reducing compliance costs in GST food classification; and
- progressing greater consistency in small business definitions and worker classification rules.

We look forward to continued engagement with the Board as recommendations are developed. Any queries regarding this submission can be directed to our policy team at policy@retail.org.au.