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## Half of small businesses not breaking even as costs soar

By [Brittney Levinson](#)

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Almost half of Australia's 2.5 million small businesses are not breaking even let alone turning a profit, a parliamentary committee on the cost of living has heard.

Mounting cost pressures are also taking a mental toll on some hospitality business owners, one industry figure says.

Figures from the Council of Small Business Organisations Australia show 49 per cent of small businesses are not breaking even, up from 43 per cent in September.

Addressing the committee on Friday, the council's head of policy and advocacy Adele Sutton said the cost of doing business was running at a record high.

"When a small business isn't breaking even, the last person to get paid is the owners themselves," she said.

"A quarter [of business owners] have resorted to using personal savings to keep the lights on."

The select committee on the cost of living was established in September 2022 to inquire into how the government was responding to cost pressures facing Australians.

The committee heard evidence on Friday morning from restaurant and cafe associations who said the sector was facing unprecedented financial challenges due, in part, to higher interest rates and wage costs.

[One in 11 hospitality businesses](#) are expected to collapse in the year to mid-2025, recent data shows.

The rising cost of utilities, such as electricity and gas, was also a concern for many businesses, the committee heard.

Associations and advocacy groups have called for more government investment in skills as well as substantial measures to help reduce energy costs.

### **Mounting debts add to mental burden**

Following a pause in debt recovery through COVID, [the ATO has been ramping up its activity](#) to recoup outstanding tax debts.

For some business owners, dealing with these debts has taken a toll on their mental health, Australian Restaurant and Cafe Association CEO Wes Lambert told the committee.

"I hate to have to report this, but in the past week I've had two restaurateurs call and I had to immediately refer them to lifeline," he said.

"That is how serious it is after they had conversations with the ATO."

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Ms Sutton said the ATO and other regulators were aware of the financial and mental hardship business owners were facing.

"I think it's a case of really working to better communicate to small businesses that they need to approach the ATO early in the piece, to try and understand ... what can be done to alleviate the stress that they're under," she said.

### **Owners 'tired of all the red tape'**

Restaurant and Catering Australia CEO Suresh Manickam said recent changes to industrial relations laws were creating "IR fatigue" for owners.

"IR fatigue is having a fundamental impact on the way in which we do business," he said.

Proposed changes that would see small businesses no longer exempted from the Privacy Act were also frightening business owners, the committee heard.

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Mr Lambert said owners were forced to spend hours on administrative work rather than working in their business.

"They are tired of all the red tape," he said.

"It takes at least one day a week to deal with the administrative burdens that are put on **restaurants** and cafes by the local, state and federal governments."

Mr Lambert said it was forcing mum and dad operators to spend more money on employees they couldn't afford, which was driving down profitability.

"Many **restaurants** and cafes are reporting that their costs are as high as they have ever been, however, their menu price has not kept up with this," he said.

The select committee, chaired by Liberal Senator Jane Hume, is due to hand down its report by November 15, 2024.

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📷 Waiter serves burgers at a Canberra restaurant. Picture by Elesa Kurtz

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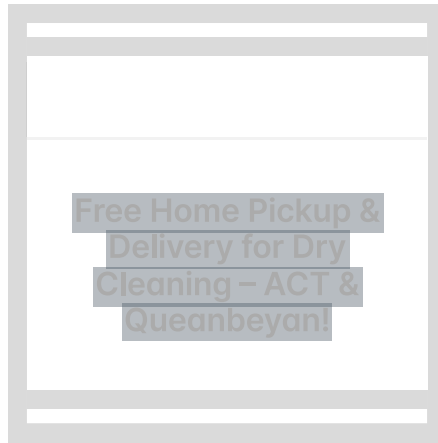
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