

# Driving Productivity through Digital Fluency

MYOB 2022/23 Pre-Budget Submission

28 January 2022

Dear Treasury

MYOB welcomes the opportunity to contribute to the Submission process in advance of the 2022-23 Federal Budget.

At MYOB we believe that the skilful, confident and decisive use of digital business tools is at the crux of meaningful business recovery from the impacts of COVID-19.

We also believe Australia has an opportunity to be a leading digital economy, one in which all businesses, regardless of size and location, can use digital tools in a targeted, tailored manner to meet their ambitions.

We thank the Government for its ongoing commitment to improving the digital skills of all Australians.

We know that one in five SMEs – nearly half a million businesses – have no or very low engagement with digital tools and are at risk of falling into a significant productivity gap. This number is too big for the Government to ignore.

Australia has an opportunity to lead the global skills agenda, giving businesses the tools to lead their own recovery and, in so doing, creating a business eco-system resilient to external coercion. By ensuring Budget measures reflect modern business processes and creating the opportunity for all businesses to improve their digital fluency, the Government can make sure it makes the most of the recovery moment.

If you require more information or have any questions, please contact Liv Monaghan at [liv.monaghan@myob.com](mailto:liv.monaghan@myob.com).

Yours sincerely,



Greg Ellis  
CEO  
MYOB

# MYOB 2022/23 Pre-Budget Submission Summary



## Reality

To drive SME productivity, businesses need to better engage with digital processes and improve their digital fluency. Existing policy and Budget measures, such as the Government's skills agenda and the Temporary Full Expensing (TFE) scheme, fall short of facilitating meaningful digital adoption.

COVID-19 has placed unprecedented pressure on the viability of many Australian SMEs. Many of these challenges, such as responding to supply chain disruptions, can be mitigated by digital business tools. Government and Senior Ministers have advised that they consider cloud-based business software to fall within the TFE scheme, but as currently drafted the measure only extends to 'in a box' software and does not reflect modern business practices.

In the 2020/21 Budget and Digital Economy Strategy, the Government focused on improving SME digital skills by allocating additional funding to the Australian Small Business Advisory Service (ASBAS) and planning Government-led micro-credential courses to digitally re-skill the workforce by 2023. However, by failing to focus on digital business management skills, existing initiatives stop short of enabling SMEs to lead their own recovery and the Government risks missing the moment to "capitalise on the opportunities that digital technologies are creating"<sup>1</sup>.

Additionally, the Commonwealth's digital compliance requirements are increasing at a pace ahead of Government-led SME digital skills initiatives. Some initiatives, eg. ASBAS, also create an uneven playing field for regional SMEs.



## Opportunity

MYOB recommends the Government **supports the industry-led creation of micro-credential courses focusing on digital business management skills**. Including this within industry-led education and qualifications will ensure all businesses have access to the same targeted, sector-specific learnings, regardless of the State, Territory or region in which they operate.

In addition, we recommend the Government includes a Budget measure **providing an incentive for all, if not most, of the initial cost outlay to accelerate the adoption of cloud-based business management tools**. To achieve quick success and minimise cost outputs, we recommend **first applying this measure to select key sectors with greatest digital need and positive economic impact, such as construction**.



## Cost

**Inaction cost:** MYOB data shows there are nearly half a million (466,062) Australian SMEs with low levels of digitisation at risk of falling into the growing productivity gap<sup>2</sup>. SMEs are the most trusted part of the Australian private sector, with the benefits of a thriving SME sector flowing through to employment and productivity outcomes<sup>3</sup>. Not actively creating the foundations to support SME growth has costs to the economy extending beyond financial return.

MYOB research shows the significant role of the Government's 2021 COVID-19 disaster relief payments in sustaining cash deposit levels for SMEs. As COVID-19 continues to challenge the Australian economy, SMEs adopting digital business processes are better placed to lead their own recovery, likely lessening the reliance on other Government stimuli.

**Implementation cost:** If all SMEs with no or low levels of digitisation were to subscribe to new digital business tools, the total estimated cost to Government would be \$419.4 million. Should the Government seek a sector-based application, incentivising SaaS adoption in the **construction sector alone (where 15.9% of the sector's SMEs have no or low levels of digitisation) would cost an estimated \$66.7 million**.



## Return

MYOB forecasts show increasing business digital fluency SME sector-wide would generate a 1.8 per cent increase in SME GDP. This equates to a 0.6% increase in gross national GDP, or a **\$10.5 billion gain for the Australian economy**<sup>4</sup>.

More specifically, **the construction sector generates a ROI of 23:1 for the Australian economy**<sup>5</sup>. Starting with this sector would lower outgoing costs while securing quick success.

<sup>1</sup>Treasurer Frydenberg, Media Release: A Modern Digital Economy to Secure Australia's Future, 6 May 2021.

<sup>2</sup>MYOB, Closing the digital gap, May 2021.

<sup>3</sup>Swinburne University, Australian Leadership Index, August 2021.

<sup>4</sup>MYOB, Closing the digital gap, May 2021.

<sup>5</sup>As advised by Master Builders Association.

# MYOB 2022/23 Pre-budget submission: Driving productivity through digital fluency

## Background

MYOB has been a trusted Australian business management platform for over 30 years, providing local solutions to 1.3 million Australian and New Zealand small and medium-sized businesses. With a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed, MYOB provides richly connected and adaptable cloud-based business management solutions which fit the ambitions of businesses with 0-1000 FTEs.

We deeply understand and recognise the unique needs of SMEs and are seeking to deliver a single Software as a Service (SaaS) platform to help them make confident business decisions underpinned by data-driven and digital operations. Our integrated solutions allow business to spend less time manually taking care of their finances and business processes, and more time operating and innovating.

As Prime Minister Morrison stated, “we must keep the foot on the digital accelerator to secure our economic recovery from COVID-19”<sup>6</sup>.

MYOB welcomes the Government’s work to progress the skills agenda and seek quick returns to the Australian economy by utilising industry experience. With the understanding that Government is undertaking significant, necessary work to address the skills needed across Australia, this submission outlines MYOB’s data-based recommendations to incorporate digital fluency in the skills agenda to take advantage of the moment for productive reform. To do this, we outline the current issues facing Australia’s digital business landscape, some pathways forward, and both the costs and returns to the economy of our Budget proposals.

As this submission demonstrates, boosting digitisation levels amongst Australian SMEs and incorporating digital fluency in targeted, sectoral-based skills programs will generate notable economic return.

## Importance of SMEs

SMEs play a crucial role in Australia’s economic landscape. SMEs account for over 98% of Australia’s enterprises<sup>7</sup> equating to over 68% of employment in the private sector<sup>8</sup>.

Swinburne University’s 2021 Australian Leadership Index, a survey of 4,000 Australians, found SMEs are seen to provide more benefits to Australian society than large or multinational businesses. Australians view SMEs as trustworthy and transparent, having the highest levels of public faith in the private sector<sup>9</sup>.

As McKinsey (2021) identify, improving the digital fluency of SMEs can spur a country’s growth in two ways. First, better integrating known technologies is faster and safer than testing new ones, and SMEs have a large adoption gap to close. In the same way that emerging markets can grow faster than high-income markets by adopting tested technologies, SMEs can grow rapidly by adopting the proven technologies and practices of larger companies<sup>10</sup>.

Second, start-ups, a critical subsegment of SMEs, are important sources of innovation. Unhindered by legacy systems and outdated strategies, new market entrants are often able to rethink established practices and cut through traditional industry boundaries<sup>11</sup>.

SMEs contribute significantly to Australia’s economy, employment and sense of community, and are crucial to Australia’s recovery. Enabling these businesses to survive and grow has benefits beyond economic return.

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<sup>6</sup> Prime Minister, Treasurer, Minister for Superannuation, Financial Services and the Digital Economy, Media Release: A Modern Digital Economy to Secure Australia’s Future, 6 May 2021.

<sup>7</sup> Australian Small Business and Family Enterprise Ombudsman, Small Business Counts, December 2020.

<sup>8</sup> OECD, Financing SMEs and Entrepreneurs 2020 – A Scorecard: Australia, 2020.

<sup>9</sup> Swinburne University, Australian Leadership Index, August 2021.

<sup>10</sup> McKinsey, Unlocking growth in small and medium-sized enterprises, 2 July 2020.

<sup>11</sup> McKinsey, Unlocking growth in small and medium-sized enterprises, 2 July 2020.

## Many SMEs do not have the fluency necessary to scale

**Digital fluency, the ability to engage with digital tools skilfully, confidently and decisively, is at the crux of meaningful and scalable digitisation.** Businesses with meaningful levels of digitisation are not only more likely to grow, they are 7 times more likely to scale<sup>12</sup>.

We know many, if not most, SMEs have some online presence – whether it be email, webpage, or social media<sup>13</sup>. The COVID-19 pandemic forced many SMEs previously deterred from an online presence to pivot to survive. A webpage and basic digital engagement, however, does not equate to digital fluency. Digital fluency will kick-start SME recovery and productivity.

A 2020 Venture Insights report found 39% of SMEs are failing to grasp the opportunities offered by new technologies and 31% are struggling to keep up with technological changes deemed critical to their success<sup>14</sup>.

This supports findings from our January 2022 Business Monitor survey of more than 1,000 business owners and operators, which found:

## SME digitisation in 2022



37% of respondents still do not have an online presence



24% only have a business webpage



14% only have a business social media account



51% of rural businesses not having an online presence<sup>15</sup>



85% of SMEs admitted to being unprepared for the disruption caused by the pandemic<sup>16</sup>

Giving businesses the opportunity to lift and deepen existing digital engagement will improve scalability and reduce the private sector productivity gap. Improving digital fluency, ensuring existing and future measures encouraging more meaningful digital engagement, will be key to boosting productivity and scalability.

## Low digital fluency increases cyber risk

SaaS tools provide more security than on-premise software solutions, with on-premise sites being three times more at risk of cyber-attack than cloud providers<sup>17</sup>. Further, SaaS tools present a less risky choice for SMEs as cyber-security is managed directly by the vendor<sup>18</sup>. For small businesses first engaging with digital tools, removing this risk and uncertainty helps to make the adoption of digital business practices more attractive.

As a SaaS business ourselves, MYOB secures our SaaS products through partnerships with world class suppliers in key infrastructure and services. These include monitoring for suspicious activity, physical security, server and power redundancy, and built-in firewalls. To further protect our customers from cyber threats we regularly test our products for flaws, update software frequently to address newly emerging external threats, have round-the-clock monitoring by an internal security team, and secure data through automatic backups, encryption and access management. These processes and standards are the standard expectation of reputable SaaS operators and are beyond the financial and operating capabilities of many small businesses.

Budget measures aimed at increasing digital fluency will reduce cyber risks faced by the SME sector.

<sup>12</sup> Deloitte Access Economics, Connected Small Business, 2017.

<sup>13</sup> MYOB, Business Monitor, January 2022.

<sup>14</sup> Venture Insights, Technology and connectivity crucial for Australian SMEs, July 2020.

<sup>15</sup> MYOB, Business Monitor, January 2022.

<sup>16</sup> MYOB, Business Monitor – COVID edition, June 2020.

<sup>17</sup> Beyond Software: SaaS versus On-Premise

<sup>18</sup> Ibid.

# Problem Solving: Existing skills initiatives do not target digital business fluency

MYOB supports and welcomes the Government's focus on funding programs aimed at enhancing digital skills. As the National Skills Commission (NSC) 2021 report identifies, digital skills are among the fastest growing emerging skills but more needs to be done to build base digital proficiency, not just the higher skill levels. Boosting the digital proficiency of SMEs will not only bring significant gains to individuals, it will also enable significant gains to the economy<sup>19</sup>.

## Australian Small Business Advisory Service (ASBAS)

One of the Government's primary avenues for targeting small business digitisation levels is the Australian Small Business Advisory Service (ASBAS). This program uses a mentor model to educate businesses on digital tools. We support the focus on business management but note that by relying on a mentor model – with experience, access and scope varying between States and Territories – ASBAS falls short of being able to provide industry-specific skills to a standard that transcend regional divides. Our January 2022 Business Monitor interrogated regional differences on digital adoption and usage. Strong geographic trends emerged. Most notably, 23% of respondents from a city or metro jurisdiction reported using digital tools to grow their business. This dropped to 18% for regional businesses, and 14% for rural<sup>20</sup>.

Further, ASBAS does not focus on business scalability. While providing valuable education on what digital business management tools are and how they may assist a small business, ASBAS' mentor program stops short of providing ongoing, in-depth business support that is targeted at embedding digital fluency and scaling business processes. ASBAS provides a valuable foundational awareness of digital tools, does not empower SMEs to kick-start their economic growth.

It is clear there is a regional divide in how businesses utilise digital tools, and lessening this gap will be crucial in seeing all business have the same opportunities regardless of location.



## Recommendation 1

**The Government embeds digital fluency and digital business management skills as core components of the Digital Economy Strategy and skills agenda.**

Giving all businesses, regardless of size or location, the ability to enhance their digital business fluency will be essential to a business-led economic recovery.

## Policy opportunity: Embed digital fluency in skills

MYOB supports the Government's aims under the Digital Economy Strategy to deliver, in partnership with stakeholders, micro-credential courses targeting digital skills in Australia's workforce by 2023. Through our own initiatives, such as DevelopHer, a program for mid-career women to re-skill in software programming, and through separate programs in partnership with the Victorian Government, we are committed to digitally re-skilling interested participants. MYOB supports the Government's commitment to improving the technology pipeline, and sees re-skilling willing workforce participants as important to growing the country's skill base into the future.

<sup>19</sup> National Skills Commission (Australian Government), The State of Australia's Skills 2021: now and into the future, December 2021, p.6.

<sup>20</sup> MYOB, Business Monitor, January 2022.

Improving digital skills in business is different however, and goes beyond improving access to a technology skilled workforce.

What is crucial for businesses now as they seek to recover is the ability to up-skill in digital business processes, understanding the technology landscape applicable to their sectors that enable SME owners to make the best decisions for their business.

As such, we see an opportunity for the Commonwealth Government to maximise the skills agenda by supporting the industry-led creation of micro-credentials focusing on digital business management skills. We know digital business management tools help advance all areas of a business, and micro-credentials targeting core business processes that can be easily deployed.

Our studies have shown SMEs can improve their digital fluency and benefit from the six core process advantages offered by digital business management tools:



Revenue generation



Supplier management



Staff management



Work in progress management



Cashflow



Compliance

Shifting these six processes online, or just one of them, frees up more time for business owners and results in quicker growth than their non-digitised counterparts<sup>21</sup>.

Throughout the pandemic, the Government has made significant progress on embedding micro-credentials as a credible pathway for fast employment of skills, with aged care being the first sector to benefit.

To build on these wins, Government can harness the gains it has made in the micro-credentials and skills agenda to help SMEs wear digital fluency as a badge of honour in their industry. Supporting businesses to work with industry to create sector-specific micro-credential courses focused on digital business management tools and digital fluency will ensure the private sector is active in leading recovery in a targeted, secure and proactive manner.

We see the inclusion of digital business management skills in the Government's Digital Economy Strategy, and a focus on digital business management skills within the National Skills Commission, as being important first steps in embedding digital business management skills within the Government's broader skills agenda.

With almost half a million SMEs missing out on technical acceleration, policies targeting business-led recovery and skills development that do not also embed digital business fluency risk the Government missing the moment for effective reform.



## Recommendation 2

**Support the industry-led development of micro-credential programs focused on digital business management tools**, reducing the regional skills divide and enabling businesses to lead their own recovery through the meaningful use of modern business processes.

<sup>21</sup>MYOB, Securing Australia's Recovery Data Report, October 2021.



# MYOB and Master Builders Case Study: Targeted programs to address specific needs

MYOB is collaborating with the Master Builders Association (MBA) to identify ways to deliver micro-credentials in digital business management in construction.

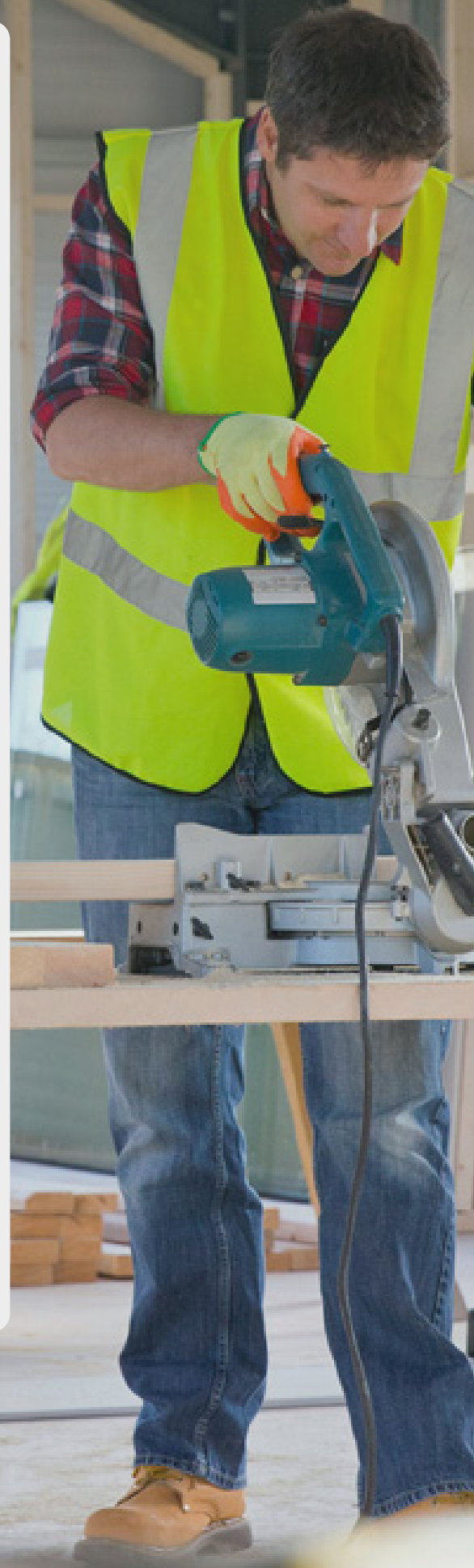
We know the construction sector is in need of digital assistance, with many SMEs suffering from challenges that are readily and quickly eased by digital processes, such as supply chain planning, workforce management, project management and cashflow.

Working in partnership with industry body MBA ensures the micro-credentials are targeted to the construction sector and can provide industry-led recovery and skills training. While our proposed program is in its infancy, we see it as addressing a real need across the sector, and initial feedback from developers and the MBA is promising.

As it currently stands, our proposed micro-credential program with the MBA covers six topics targeted at providing sector-specific tools to assist those in the construction sector to generate revenue, and manage cashflow, clients, staff, suppliers, and compliance. These courses will be instructor-led while having structures and support systems, such as a designated online community, in place to enable attendees to prep, practice and perform.

Designing and delivering each module costs approximately \$10,000. Due to funding limitations, the pace of the proposed roll-out and reach is impacted. Construction is an important segment of the economy, and one in need of assistance to digitally advance their business.

We welcome the opportunity to share lessons we have learned from our partnership with the MBA to the Digital Economy Strategy and National Skills Commission.





# Policy problem: Existing budget measures do not fully reflect modern business needs

As the way business is conducted in Australia changes, so it is important tax measures also evolve. Software as a service (SaaS) reflects the way Australians are increasingly doing business. SaaS enables businesses to access a vendor's cloud-based software remotely through the web or an API, replacing traditional 'in a box', on-premise approaches to software. Rather than purchasing and owning software, as was previously the norm, Australian businesses are increasingly obtaining software by a subscription-style payment.

However, while businesses are increasingly shifting towards SaaS, MYOB research from 2021 shows that **one in five small businesses – almost half a million (466,062) – have low to no digital engagement**<sup>22</sup>. This number – representing one in five Australian small businesses – is too big to ignore. While businesses are ready to lead economic recovery, the business sector cannot leave these SMEs to their own devices – their digital fluency needs to be actively encouraged.

While some businesses are increasingly benefitting from digital tools, the Government is facing a problem when it comes to securing the SME ecosystem and minimising growth gaps in the economy.

Our Business Monitor survey of January 2022 sought further data on the barriers to SaaS adoption.

## In seeking to understand the barriers to using digital business tools:



18% reported not having enough time



21% reported not understanding how digital tools will help their business



20% said cost was the main barrier<sup>23</sup>

Further, we found that 25% of SMEs believe Government support, such as a tax incentive, would help get them started with digital tools, increasing to 28% in construction and trades<sup>24</sup>.

With advanced cyber-security protections and an ability to ensure business stay compliant within a changing digital regulatory landscape, SaaS business management tools reflect Government interests in addition to business movements. Supporting business adoption of SaaS would ensure all businesses, regardless of size or cashflow, can grow within a secure and regulated ecosystem.

As currently drafted, the Budget's Temporary Full Expensing (TFE) scheme enables eligible businesses to claim an immediate deduction for the business portion of the cost of an asset in the year the asset is first used or installed ready to use. The scheme provides immediate benefit to eligible businesses – incentivising the purchase of assets to assist business growth and operation.

The benefit of TFE is that it incentivises business purchases by providing an instant return of the total cost outlay – an immediate easing of any cost barriers. Under existing tax and accounting measures, SaaS software is treated as a business expense, providing no specific incentive for the investment.

<sup>22</sup> MYOB, Closing the Digital Gap, May 2021.

<sup>23</sup> MYOB, Business Monitor, January 2022.

<sup>24</sup> MYOB, Business Monitor, January 2022.

From our engagement with Government and Senior Ministers, there appears to be a prevailing view that cloud-based business software is covered by the TFE. To that extent, TFE drafting seeks to specifically include software (other than software allocated to a development pool), suggesting there is a clear intent amongst Government to offset business software<sup>25</sup>. However, as the TFE only covers assets owned by a business, as currently drafted the TFE only extends to on-premise, in a box, software solutions.

Providing an incentive for all, if not most, of the initial cost outlay to accelerate SaaS adoption, even for a set time-period, would remove a key SME barrier to adoption while boosting cyber-security, tech capabilities, and business scalability throughout the business ecosystem.

SaaS does not classify as an 'asset' as it is not 'owned' by the business using it and therefore falls outside the scope of TFE.

To meet Government expectations, and to ensure the TFE fully reflects modern business practices, MYOB recommends:



### Recommendation 3

**Treasury includes a Budget measure providing an incentive for all, if not most, of the initial cost outlay to accelerate the adoption of cloud-based business management tools.** This could be in the form of a voucher or rebate, linked to a business' ABN to avoid double-dipping. To reduce costs, we recommend this be time-limited and applied only to select sectors with low levels of digital engagement but high levels of ROI.

We know cost is a key barrier to the adoption of digital business tools, and that business digitisation secures the SME economy – a crucial element of Australia's community and recovery. Incentivising digital adoption, and getting rid of the cost barrier, will be crucial to ensuring business of all sizes can securely lead their own recovery.

## Policy opportunity: Incentivise SaaS adoption and boost business resilience

The digital divide between SMEs and big business is not a new concept. The ABS first reported on the digital adoption lag among SMEs in 2008<sup>26</sup>. It is clear the market is failing in its efforts to boost the level of meaningful digital adoption among SMEs, and Government intervention is required to secure the ongoing viability and economic contributing power of almost half a million SMEs.

To create an economy that is supportive of modern business practices, and that enables businesses to lead their own recovery, Government needs to minimise the productivity gap and support SME scalability.

We know SME owners have time and money concerns when it comes to adopting digital business management tools. With almost half a million SMEs with low levels of digitisation, this is too big a cohort for the private sector to tackle alone – and we know 36% of undigitised SMEs report that Government assistance would give them the confidence and support boost needed to digitise their business processes<sup>27</sup>.

<sup>25</sup> ATO, IAWO/TFE – Depreciation and capital expenses and allowances: Assets and Exclusions, accessed online.

<sup>26</sup> Australian Bureau of Statistics, Characteristics of Australian Business 2005-6, 01 February 2008.

<sup>27</sup> MYOB, Business Monitor, January 2022.

Being owned and operated by an external provider, SaaS frees up SME owners time and is able to provide growth and productivity solutions for many SMEs. Digitally enabled SMEs have been found to be 14 times more likely to develop new products and services<sup>28</sup>, while businesses that use customer relationship management software have been found to generate 32 per cent more leads and 26 per cent more deals<sup>29</sup>.

Further, improving digital fluency has direct benefits to the economy. The OECD models the global benefits of improving SME digital fluency and halving the existing productivity gap between SMEs and large companies at about USD\$15 trillion, roughly 7% of global GDP<sup>30</sup>. Our own analysis reveals improving SME digital fluency would generate a 1.8% increase in SME GDP – **equivalent to a \$10.5 billion gain to the Australian economy**.

Given the clear links between digital fluency and SME growth, it is crucial that Government support and encourage SaaS digital business software adoption through a measure providing an incentive for all, if not most, of the initial cost outlay.

## Cost

### Inaction Cost

As demonstrated above, the nearly half a million (466,062) Australian SMEs with low levels of digitisation risk falling into the growing productivity gap. SMEs represent the most trusted component of the Australian private sector, with the benefits of SMEs flowing through to employment and productivity levels<sup>31</sup>.

### Not actively creating the foundations to support SME growth has costs to the economy extending beyond financial return.

Further, our research shows the Government’s 2021 COVID-19 disaster relief payments played a significant role in sustaining cash deposit levels for SMEs. As COVID-19 continues to challenge the Australian economy, our data indicates SMEs with digital business tools are better placed to survive and scale. Creating a Budget measure akin to the TFE that generates SaaS adoption by providing an incentive for all, if not most, if the initial cost outlays will enable SMEs to lead their own recovery, encouraging skilful and decisive digital engagement, and likely lessening the reliance on other Government stimuli.

### Implementation Cost

If Treasury was to implement this Budget measure economy-wide, enabling all SMEs with no or low levels of digitisation to subscribe to new digital business tools, the total estimated cost to Government would be \$419.4 million<sup>32</sup>.

Should Treasury seek a sector-based application, MYOB recommends commencing with the construction sector. We identify this sector to have low levels of digital fluency, with 2021 data showing construction SMEs constitute 15.9% of the total SMEs with no or low levels of digitisation. Further, our January 2022 Business Monitor data shows 26% of SMEs moved more of their business online as a direct result of the pandemic. This decreases to 13% for those in the construction sector. Construction is a sector that, as demonstrated above, has low levels of digital fluency, and generates a significant ROI of 23:1<sup>33</sup>.

We estimate limiting SaaS incentivisation to the construction sector would cost **\$66.7 million** as outlined below.

Digital incentive tax measure as a function of business size and annual SaaS spend		Annual spend on new SaaS (\$)		
		0 - \$499	\$500 - \$1,999	\$2,000+
Business size (employees)	Sole trader & micro (0-4)	25%	30%	40%
	Small (5-19)	20%	25%	30%
	Medium (20-199)	10%	20%	25%

<sup>28</sup> Deloitte Access Economics, Salesforce Digital SMEs, 2018.

<sup>29</sup> OECD, Productivity gaps between SMEs and large firms, 29 April 2019. Also, McKinsey, Unlocking growth in small and medium-sized enterprises, 2 July 2020.

<sup>30</sup> Swinburne University, Australian Leadership Index, August 2021.

<sup>31</sup> MYOB, Closing the Digital Gap, May 2021.

<sup>32</sup> As advised by Master Builders Association.

<sup>33</sup> MYOB, Closing the Digital Gap, May 2021.

## Return

### Budget Opportunities keeping the foot on the digital accelerator

Empowering small businesses to securely engage with digital tools, will return significant benefits to both small businesses and Government. Our analysis reveals that improving access for the one in five that have little to no digital presence will lead to a 1.8 per cent increase in SME GDP – equivalent to a \$10.5 billion gain for the Australian economy.

In addition, giving SMEs the opportunity to improve their digital fluency will ensure businesses stay on top of the Government's ambitious digital compliance agenda. With recent business regulatory changes, such as the roll-out of Single Touch Payroll Phase 2, requiring technical understanding and an ability to use detailed online tools, many businesses with low levels of digital fluency are at risk of non-compliance and the Government risks missing the anticipated benefits from these changes.

MYOB estimates every dollar the Australian Government invests in an economy-wide digital adoption tax measure could generate an extra \$25 for the Australian economy. Stemming from an increase in productivity and economic growth, economic resilience, and tax receipts, a 25:1 ROI is an attractive proposition as the Government seeks initiatives to fuel the country's economic recovery<sup>35</sup>.

Research by EY and the Business Council of Australia (BCA) illustrates the ongoing economic opportunity of digitisation for Australia. They report that accelerating the transition to a digital economy – through Budget support for digital adoption, regulatory reform, and enhanced digital skillsets – could provide a \$210 billion return for the economy and a \$41-56 billion increase in tax revenue over the next 20 years<sup>36</sup>.

Supporting digitisation will create opportunities for almost half a million small businesses to continue to participate in the economy, while generating a return for the Government. The conditions are ripe for introducing policies that will support business-led recovery, boost productivity, and further accelerate Australia as a leading digital economy.

## Summary

MYOB thanks the Government for the opportunity to contribute recommendations for the 2022-23 Federal Budget. We also welcome the opportunity to continue our engagement with Treasury and share any data and/or modelling outlined in our submission that may be helpful as the Government works to create the foundations for a strong business-led recovery.

A core part of secure, business-led recovery will lie in the ability for all businesses, regardless of size or cashflow, to be able to access digital business tools and improve their digital fluency. As the data demonstrates, Government support in incentivising digital business tool adoption will be a crucial component in lessening the productivity gap facing almost half a million SMEs with low levels of digitisation.

We are enthused by the Government's focus on improving digital skills and securing all sectors of the economy as businesses seek to recover from the impacts of COVID-19 and look forward to continuing to work with Government to advance the interests of Australian businesses.

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<sup>35</sup> MYOB, Closing the Digital Gap, May 2021.

<sup>36</sup> Ernst and Young, Making Australia a World-Leading Economy, April 2021.



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