Australian
Finance
Industry
Association

6 November 2025

Dr Sean Turner
Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
By email: economics.sen@aph.gov.au

Dear Dr Turner

INQUIRY INTO TREASURY LAWS AMENDMENT (STRENGTHENING FINANCIAL SYSTEMS AND OTHER MEASURES) BILL 2025

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.[1] We appreciate the opportunity to respond to the Senate Economics Legislation Committee's inquiry into *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025*.[2]

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

---

[1] Australian Finance Industry Association (afia.asn.au).

[2] Senate Economics Legislation Committee, *Inquiry into Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025*, (30 October 2025).

INTRODUCTORY COMMENTS

AFIA welcomes the introduction of *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025*, which extends the $20,000 Instant Asset Write-Off (IAWO) for small businesses with turnover under $10 million until 30 June 2026.[3] We restrict our commentary to Schedule 7 of the Bill.

AFIA strongly supports further extending this measure to 30 June 2026, and recommends that the IAWO be made permanent to provide long-term certainty for small businesses and their finance providers.

EXTENDING THE INSTANT ASSET WRITE-OFF

The IAWO is a critical tax incentive that enables small businesses to immediately deduct the cost of eligible assets, rather than depreciating them over time. This accelerates investment, boosts productivity, and supports cash flow – especially vital in a high-cost operating environment.

AFIA previously advocated for the FY25 current extension in our 2025–26 Pre-Budget Submission, calling for certainty and continuity in the scheme to avoid the confusion and disruption experienced in previous years.[4] The last-minute passage of the legislation for FY25, while welcome, highlighted the need for forward-looking policy that gives small businesses and their finance providers time to plan and invest confidently.

Making the $20,000 IAWO permanent would:

- Provide Investment certainty: Businesses need clarity beyond FY26 to make informed decisions about capital upgrades and equipment purchases.
- Increase Productivity gains: Immediate deductions encourage reinvestment in modern, efficient tools and technologies.
- Support finance providers: AFIA members who provide asset finance rely on predictable policy settings to structure lending products that meet small business needs.
- Avoid policy whiplash: Without an extension, the threshold will revert to just $1,000 from 1 July 2026, creating a sharp drop in support and undermining business confidence.

AFIA therefore recommends that the Economics Committee support:

1. Promptly legislating the extension for $20,000 IAWO to 30 June 2026, for small businesses with turnover under $10 million, ideally before the end of calendar year 2025.
2. Making the $20,000 IAWO a permanent feature of the tax system to eliminate annual uncertainty and support long-term investment planning for small and medium enterprises (SMEs).

---

[3] Schedule 7, Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025.

[4] AFIA, *Pre-Budget Submission 2025-26*, (31 January 2025).

NON-BANK SME LENDING GROWTH

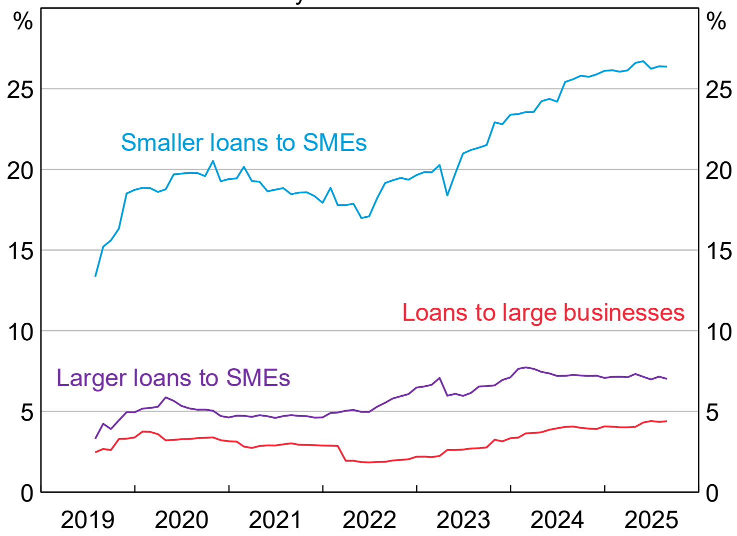
The Reserve Bank of Australia's (RBA) October 2025 Bulletin revealed significant transformation in the small business finance landscape. In its dedicated section on *Small Business Economic and Financial Conditions*, the RBA highlights how non-bank lenders, fintechs, and alternative credit models are reshaping access to finance for SMEs - often referred to as the engine room of the economy.[5]

While economic conditions for small businesses have stabilised, they remain subdued compared to larger firms. Profitability has held up, but insolvency rates have risen in vulnerable sectors such as hospitality and construction. Amid these challenges, however, the Bulletin points to a notable improvement in access to finance, driven by:

- Competitive pricing
- Faster approvals
- Broader availability of unsecured and non-traditional credit

Since early 2022, non-bank lenders have grown their market share to 26% in smaller loans to SMEs (and 30% market share to SMEs when accounting for larger loans). Their ability to offer flexible lending practices, specialise in niche areas like equipment and automotive finance, and operate outside the constraints of prudential regulation has enabled them to serve riskier borrowers and offer unsecured or lightly secured credit.

Non-bank Share of Business Lending*
By business size



* Excludes loans to financial businesses. Not seasonally adjusted or break-adjusted. Business size definitions changed in April 2023 and June 2024.

Sources: APRA; RBA.

---

[5] Nick Harvey, Sharon Lai and Josh Spiller, 'Small Business Economic and Financial Conditions', *RBA Bulletin – October 2025*, (23 October 2025).

The Bulletin also notes the rise of alternative financing models, including:

- Balance sheet lending using transaction data
- Revenue-based financing
- Marketplace lending
- Crowdfunding and crowd-sourced equity funding

These innovations are expanding the financing toolkit available to SMEs, helping overcome long-standing barriers – especially for businesses without traditional collateral. Both bank and non-bank lenders have invested heavily in digitisation and service enhancements, reducing friction in the application and approval process and contributing to business resilience and growth.

Despite these gains, unsecured lending remains a small share of total SME credit, and structural constraints persist. The RBA suggests that further innovation and policy support are needed to fully unlock SME potential.[6]

For policymakers, the message is clear: non-bank SME lending is no longer peripheral – it is central to the future of small business finance. Tax incentives like the IAWO must evolve in tandem with this transformation, supporting a more inclusive and dynamic finance ecosystem.

CLOSING COMMENTS

We welcome the opportunity to provide feedback on this crucial legislation before the Economics Committee.

I would appreciate the opportunity to discuss our recommendations and provide the Inquiry with further information about the specialised products, services and technologies offered by smaller lenders. Should you wish to discuss our submission or require additional information, please contact AFIA Senior Policy Advisor, [redacted]

Yours sincerely

[redacted]

Dr Emma Penzo
Head of Regulatory Policy

---

[6] Ibid.