



Small business incubator grants program	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would support small business growth and innovation by establishing a small business incubator to provide 1,000 grants of \$250,000 and 10,000 grants of \$50,000–\$75,000 for startups and cooperatives that enhance local economies and create jobs.</p> <p>Additionally, this proposal would provide certainty for small businesses by extending the \$20,000 instant asset write-off (IAWO) and the Small Business Energy Incentive Scheme to 1 July 2026.</p> <p>The proposal would start on 1 July 2025.</p>	
<p>Additional information (based on further advice provided):</p> <p>The grants would be paid evenly over 3 years from 2025-26.</p>	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$1.03 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in tax revenue and an increase in administered and departmental expenses.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Small business incubator grants program – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-354.8	-382.9	-295.2	-0.4	-1,033.3
Underlying cash balance	-340.9	-374.9	-317.1	-0.4	-1,033.3

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Uncertainties

Instant Asset Write off (IAWO)

The financial implications to extend the IAWO are highly sensitive to several factors, including:

- the percentage of assets in the asset base valued below the relevant asset threshold
- the extent to which businesses may elect to bring forward asset investments
- the extent to which businesses make additional unplanned investments as a result of the policy

- future economic growth and the extent to which this incentivises asset investment
- whether businesses that take advantage of these concessions will stay in business in the future and be profitable
- the proportion of deductions that are unused in the year they are incurred, due to the business operating at a tax loss on nil taxable positions.

Extended Small Business Energy Incentive Scheme (SBEI)

The financial implications to extend the SBEI are sensitive to the projected level of future business investment, and especially the level of energy efficiency investment.

When compared to the estimated cost of the existing SBEI measure, the extensions estimated impact on the budget for a single year are lower. This is largely due to updated tax data used in modelling and updated growth parameters which have led to a lower estimate of eligible investment, and thus cost to the budget.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Instant Asset Write off

- The number of companies with an aggregated turnover of less than \$10 million (and are therefore eligible) would increase in line with historical growth.
- The proportion of assets valued above the relevant price threshold would remain consistent with historical observations and calculations.
- There would be no bringing forward of investments or additionality effects, consistent with the observations of similar policies in the investment and IAWO policy areas.
- Businesses that take advantage of the concessions will stay in business in the future and be profitable at the assumed rate.
- There is no requirement that assets be purchased after 1 July 2025; the asset only needs to be installed/first used after the start date (1 July 2025) and before the end date (1 July 2026).

Extending the Small Business Energy Incentive

- Business investment in depreciating energy efficient assets as a percentage of all investment in depreciating assets: 30 per cent. The ATO data does not split asset investment by type.
- Bonus deduction utilisation by eligible businesses: Year 1: 60 per cent, Year 2: 20 per cent. The remaining 20 per cent is assumed to be unutilised.
- Effective tax rate of eligible businesses: 25 per cent.
- Spending is assumed to grow by the forecast growth of investment in Machinery and Equipment.

Deviations from these assumptions on either of the models could significantly affect the costs of the proposal.

Methodology

Instant Asset Write off

The effects of extending the IAWO component of the proposal on tax revenue were estimated using a model for the IAWO, developed for the existing and previous Budget measures, and modified by the PBO for the purposes of this costing. This keeps consistent assumptions used across multiple fixed asset depreciation and investment policy areas.

This costing considers the effect of the proposed IAWO and utilises Budget estimates of business investment in plant and equipment for businesses within the defined threshold aggregate revenue less than \$10 million, and assets below \$20,000.

The IAWO component of this policy results in no change to the budget baseline, this is due to matching specification of the Governments 2025-26 Budget measure: *Small Business Support – instant asset write-off* policy held in decisions taken but not yet announced. Announced in *Pre-election Economic and Fiscal Outlook 2025*¹.

Extending the Small Business Energy Incentive

The effects of extending the SBEI component of the proposal on tax revenue were estimated in the following manner:

- Business income tax return data from 2021-22 was grown out to represent the medium term. Focusing on claims of depreciating assets first deducted (this represents new investment in a given income year). This was limited to businesses under the turnover threshold of \$50m a year.
- Growth parameters for depreciating assets were Treasury forecasts for Machinery and Equipment and Mining Non-dwelling Investment.
- Associated bonus deductions were calculated and capped at the new maximum.
- The impact to the budget of the bonus deductions occurs when businesses lodge their income tax returns, this occurs the year after the investment activity has occurred.
- Not all businesses will have a budget impact as they were not in a tax-paying position (i.e. were making a tax loss already and unable to utilise an additional deduction).
- Adjustments to the estimates for 2024-25 as the policy announcement and implementation would occur very close to the end of the 2024-25 tax year, as such unlikely that businesses would be able to respond to the policy in that year.

Incubator & Accelerator stream grants

Incubator grants were costed at 1,000 grants multiplied by \$250,000 grant value.

Accelerator grants were costed at 10,000 grants multiplied by the midpoint of the grant range \$62,500.

Both grant programs were then apportioned across three years (2025-26 to 2027-28 inclusive) and departmental costs were added on top.

¹ [Pre-election Economic and Fiscal Outlook 2025](#)

Financial implications were rounded consistent with the PBO's rounding rules.²

Data sources

Commonwealth of Australia, 2025. *2025-26 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

Australian Taxation Office de-identified unit record 2021-22 business income tax data for companies, partnerships, trusts and individuals (sole traders).

The Department of the Treasury provided the costing model for the for the 2025-26 Budget measure *Small Business Support - \$20,000 instant asset write off*, including estimates of business investment in plant and equipment, and eligible businesses.

Australian Bureau of Statistics (ABS)(2024), [National Accounts \(machinery and equipment\)](#). ABS website, accessed 13 May 2025.

Australian Taxation Office (ATO)(2024), [Taxation statistics 2021–22](#). ATO website, accessed 13 May 2025.

ATO (2024), [Corporate Tax Transparency \[Report of Entity Tax Information - 2018-19 to 2021-22\]](#). Data.gov.au website, accessed 13 May 2025.

² <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Small business incubator grants program – Financial implications

Table A1: Small business incubator grants program – Fiscal balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Tax revenue													
<i>Extend the Instant asset write-off end-date from 1 July 2025 to 1 July 2026</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Extend the Small Business Energy Incentive Scheme end-date from 1 July 2024 to 1 July 2026</i>	-55.9	-87.7	-	-	-	-	-	-	-	-	-	-143.6	-143.6
Total – tax revenue	-55.9	-87.7	-	-	-	-	-	-	-	-	-	-143.6	-143.6
Expenses													
Administered													
<i>Incubator stream: 1,000 grants of \$250k to support start-ups</i>	-83.3	-83.3	-83.3	-	-	-	-	-	-	-	-	-249.9	-249.9
<i>Accelerator stream: 10,000 grants of \$50k-\$75k to be provided to small businesses</i>	-208.0	-208.0	-208.0	-	-	-	-	-	-	-	-	-624.0	-624.0
Total – administered	-291.3	-291.3	-291.3	-	-	-	-	-	-	-	-	-873.9	-873.9
Departmental													
<i>ATO - Extend the SMB Energy Incentive</i>	-0.3	-0.3	-0.3	-0.4	-	-	-	-	-	-	-	-1.3	-1.3
<i>DISR - Incubator Stream Grants</i>	-2.1	-1.0	-1.0	-	-	-	-	-	-	-	-	-4.1	-4.1
<i>DISR - Accelerator Grants</i>	-5.2	-2.6	-2.6	-	-	-	-	-	-	-	-	-10.4	-10.4
Total – departmental	-7.6	-3.9	-3.9	-0.4	-	-	-	-	-	-	-	-15.8	-15.8
Total – expenses	-298.9	-295.2	-295.2	-0.4	-	-	-	-	-	-	-	-889.7	-889.7
Total (excluding PDI)	-354.8	-382.9	-295.2	-0.4	-	-	-	-	-	-	-	-1,033.3	-1,033.3

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Small business incubator grants program – Underlying cash balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Tax receipts													
<i>Extend the Instant asset write-off end-date from 1 July 2025 to 1 July 2026</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Extend the Small Business Energy Incentive Scheme end-date from 1 July 2024 to 1 July 2026</i>	-42.0	-79.7	-21.9	-	-	-	-	-	-	-	-	-143.6	-143.6
Total – tax receipts	-42.0	-79.7	-21.9	-	-	-	-	-	-	-	-	-143.6	-143.6
Payments													
Administered													
<i>Incubator stream: 1,000 grants of \$250k to support start-ups</i>	-83.3	-83.3	-83.3	-	-	-	-	-	-	-	-	-249.9	-249.9
<i>Accelerator stream: 10,000 grants of \$50k-\$75k to be provided to small businesses</i>	-208.0	-208.0	-208.0	-	-	-	-	-	-	-	-	-624.0	-624.0
Total – administered	-291.3	-291.3	-291.3	-	-	-	-	-	-	-	-	-873.9	-873.9
Departmental													
<i>ATO - Extend the SMB Energy Incentive</i>	-0.3	-0.3	-0.3	-0.4	-	-	-	-	-	-	-	-1.3	-1.3
<i>DISR - Incubator Stream Grants</i>	-2.1	-1.0	-1.0	-	-	-	-	-	-	-	-	-4.1	-4.1
<i>DISR - Accelerator Grants</i>	-5.2	-2.6	-2.6	-	-	-	-	-	-	-	-	-10.4	-10.4
Total – departmental	-7.6	-3.9	-3.9	-0.4	-	-	-	-	-	-	-	-15.8	-15.8
Total – payments	-298.9	-295.2	-295.2	-0.4	-	-	-	-	-	-	-	-889.7	-889.7
Total (excluding PDI)	-340.9	-374.9	-317.1	-0.4	-	-	-	-	-	-	-	-1,033.3	-1,033.3

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Small business incubator grants program – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<i>Fiscal balance</i>	-7.6	-23.8	-40.1	-49.0	-51.1	-53.4	-55.8	-58.3	-61.0	-63.8	-66.9	-120.5	-530.8
<i>Underlying cash balance</i>	-5.7	-19.7	-36.1	-46.8	-50.6	-52.9	-55.2	-57.7	-60.3	-63.1	-66.1	-108.3	-514.2

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

³ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/)