AADA
AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

Corporate and Financial Reporting Unit
The Treasury
Langton Crescent
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Submitted via consultation hub

AADA response - Exposure draft Corporations Amendment (Proprietary Company Thresholds) Regulations 2026

The Australian Automotive Dealer Association (AADA) welcomes the opportunity to respond to the exposure draft Corporations Amendment (Proprietary Company Thresholds) Regulations 2026.

The AADA is the peak industry advocacy body exclusively representing franchised new car and truck dealers in Australia. There are more than 3,900 car and truck dealerships across the country, ranging from family-owned small businesses to large publicly owned businesses operating in regional areas and capital cities. The new vehicle retailing sector employs more than 64,000 people, including approximately 7,500 apprentices, contributes more than $21.5 billion to the national economy, has total turnover of $91.3 billion and generates more than $8.2 billion in tax and duty revenue.

The AADA supports the Government's proposal to increase the financial thresholds used to classify proprietary companies under the Corporations Act 2001. The AADA considers that the proposed changes represent a positive step towards reducing unnecessary regulatory costs and ensuring reporting obligations are proportionate to the size and resources of businesses.

Support for the proposed amendments
The AADA supports the proposed doubling of the consolidated revenue threshold from $50 million to $100 million and the consolidated gross assets threshold from $25 million to $50 million. These changes are particularly relevant to the automotive retail sector, where relatively high annual turnover does not necessarily reflect the underlying profitability, financial capacity or complexity of a business.

Franchised new car dealers are typically characterised by high turnover and relatively low profit margins. They face significant operating costs, including staffing, property, inventory financing and ongoing investment in facilities and infrastructure to meet manufacturer requirements. As a result, dealerships may exceed prescribed revenue thresholds despite exhibiting many of the characteristics ordinarily associated with small and medium-sized businesses. The proposed increases will help ensure that reporting obligations are better aligned with the commercial realities of businesses operating in sectors such as automotive retail.

The AADA also supports the Government's broader objective of reducing unnecessary regulatory burdens, for dealerships already managing significant compliance obligations, measures that reduce administrative costs and allow resources to be redirected towards productive business activities are particularly important.

Recognising the characteristics of automotive retail businesses

While the AADA supports the proposed increases, the automotive retail sector highlights the limitations of relying on revenue as an indicator of business size. A dealership with annual turnover exceeding $100 million may nevertheless operate on relatively modest profit margins, employ a comparatively small workforce and have limited financial resources available to meet additional regulatory obligations.

Similarly, the substantial value of vehicle inventory held by dealerships can contribute to higher asset values without necessarily indicating greater financial capacity. Much of this inventory is financed through floorplan arrangements, creating additional financing costs and exposure to changing market conditions.

Although the existing classification framework appropriately considers revenue, assets and employee numbers, the AADA considers it important that the financial thresholds remain sufficiently responsive to the characteristics of high-turnover, low-margin industries. This is particularly relevant as dealerships face rising operating costs, increasing inventory financing expenses and significant investment requirements associated with the transition to lower-emission vehicles and new automotive technologies.

The AADA therefore encourages the Government to continue considering whether the prescribed thresholds appropriately distinguish between businesses based on their underlying economic characteristics, rather than their turnover alone.

Ensuring thresholds remain fit for purpose

The AADA considers that the proposed increases also provide an opportunity to establish a more systematic approach to reviewing proprietary company thresholds.

Without regular adjustments, inflation, increases in vehicle prices and ordinary business growth can progressively bring smaller businesses within reporting requirements, even where there has been no corresponding increase in their financial capacity or organisational complexity. The AADA recommends that the Government consider introducing periodic reviews of the prescribed financial thresholds to ensure they remain appropriate over time.

Yours Sincerely,



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