



Australian Restaurant & Cafe Association Ltd. (ARCA)

31 January 2025

Hon Dr. Jim Chalmers MP
Treasurer
Parliament House
Canberra ACT 2601

Dear Treasurer,

2025 Pre-Budget Submission

Please see the submission below:

1. Background

The Australian Restaurant & Cafe Association (ARCA) represents Australia's largest and most dynamic Hospitality segment, encompassing restaurants, cafes, and other foodservice businesses. ARCA is a Member based not-for-profit Industry Association and is the strongest voice for the restaurant & cafe segment of the Accommodation & Foodservice Industry, representing a segment that employs nearly 500,000 workers across nearly 56,000 restaurants & cafes in Australia **which equals nearly 50% of all the businesses in the Accommodation & Foodservice Industry, over double the closest segment (Takeaway 24%) and 4x-16x larger than other segments in the industry.**



ARCA Members include many of the leading restaurants & cafes around the country which employ tens of thousands of workers within the restaurant & cafe segment as well as hundreds of pubs, hotels and small bars. An overwhelming majority of the segment is considered small businesses with 99% of restaurants and cafes earning less than \$10

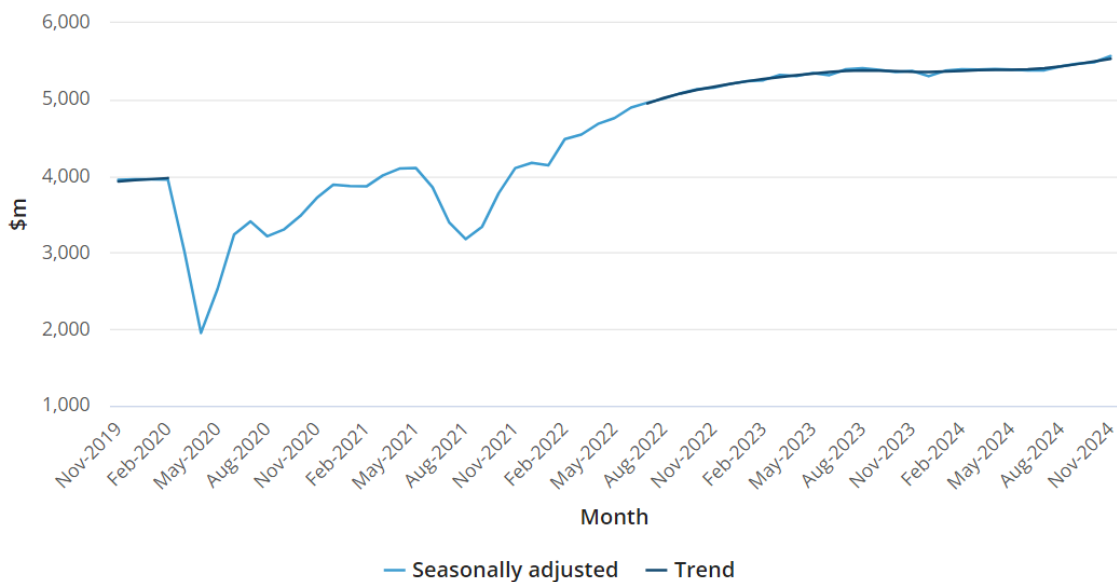


million in annual revenue and 91.4% earning less than \$2 million¹ according to the Australian Bureau of Statistics (ABS).

2. Restaurant & Cafe Segment of the Accommodation & Foodservice Industry Overview

2.1 Segment Revenue & Economic Overview

The segment (along with Takeaway Food Services) generates \$64.9B in revenue annually, according to the ABS Retail Trade, Australia monthly and quarterly estimates of turnover and volumes for retail businesses² and has been relatively flat since March 2023 (up just 4.6% in that time) as expenditure at restaurants is heavily dependent on real household discretionary incomes. Recent cost-of-living pressures have shrunk consumers' frequency of visiting and average spend at restaurants.



Restaurants are struggling to maintain margins

Profitability varies depending on a restaurant's size. Large restaurants benefit from economies of scale, while smaller establishments suffer when demand is flat. The segment's profitability has shrunk over the last FY, as cost-of-living pressures have weighed on industry demand while inflationary pressures have boosted restaurants' operational costs.

¹ ABS Counts of Australian Businesses, including Entries and Exits, June 2020 to June 2024, 17 Dec 2024

² [Retail Trade, Australia, November 2024 | Australian Bureau of Statistics](#)



Soaring input prices have hiked purchase costs

High inflation and supply chain issues have caused the domestic prices of several input ingredients including meat, fruit, vegetables, dairy and many other ingredients from wholesalers and producers to surge, which has led to a spike in purchase costs' revenue share. Despite escalating input prices, the industry's highly competitive nature means restaurants often can't shift the entire price burden onto their customers. This trend has weighed on restaurants' margins.³

Coffee break: Higher coffee prices, increasing competition and cost-of-living concerns are putting cafe and coffee shops through the grinder

Australia's vibrant coffee culture has supported the industry even during difficult trading conditions. Despite coffee and takeaway foods at cafes and coffee shops being considered discretionary, many consumers treat coffee as an affordable luxury, allowing the segment to remain resilient to movements in household income. This trend has provided a steady revenue base for the industry. However, with the cost-of-living crisis eating into discretionary spending, consumers have moderated the frequency of their cafe and coffee shop visits over the two years through 2024-25.

Significant cost pressures have weighed on cafes' and coffee shops' growth

The recent inflationary environment and high interest rates have heavily impacted cafes and coffee shops. These businesses have struggled to keep up with cost increases on input materials like coffee beans, milk and other ingredients amid high food inflation and have also been hit by surging energy and insurance bills.

A number of cafes and coffee shop owners have been unable to maintain margins, forcing them to sell or go into insolvency as has been reported by Creditor Watch⁴.

The only way for cafes and coffee shops to survive has been to significantly raise their menu prices. A cup of coffee that previously cost \$4.00 on average pre-pandemic now sits at around \$5.50. However, customer expenditures and frequency of visits to cafes and coffee shops have diminished due to the cost-of-living crisis.

Cafes are struggling as the morning rush has eased in line with the shift towards hybrid work culture. Although industry demand is being maintained by people who are habituated to coffee, they're often purchasing the first cup from cafes and coffee shops but their

³ [At a Glance - H4511A Restaurants in Australia - MyIBISWorld](#), December 2024

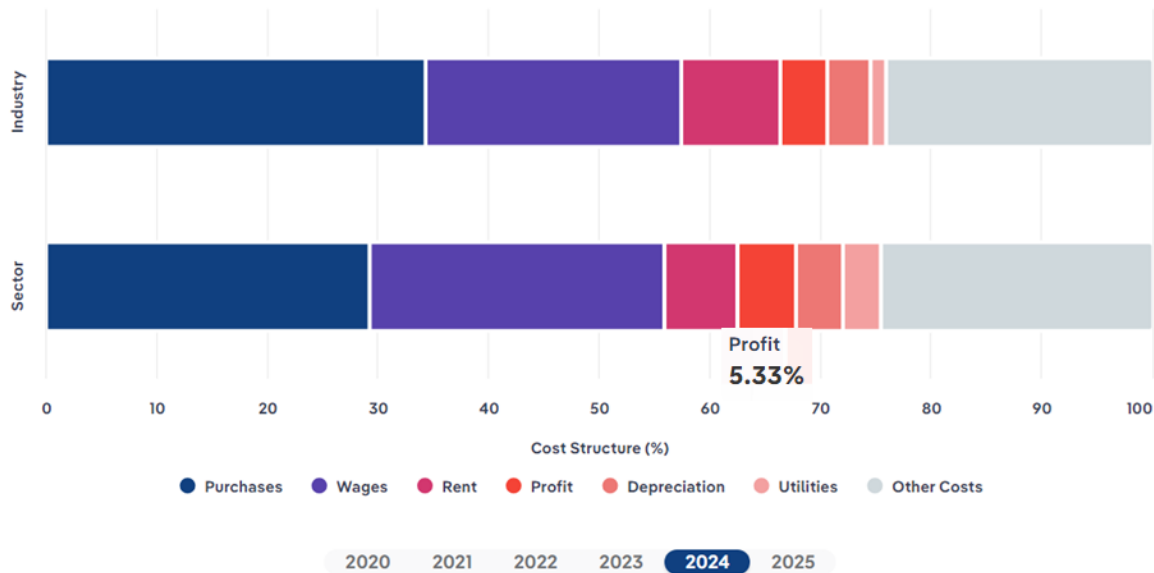
⁴ [CreditWatch data | Hospitality businesses face collapse](#)



subsequent doses from less costly alternatives like convenience stores or office coffee machines. With some diners also buying coffee beans from stores for at-home preparation to save on regular coffee shop visits.⁵

Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2025



IBISWorld

Source: IBISWorld

FY2024 Entry/Exit

As businesses in the segment are also finding it extremely difficult to deal with elevated operational costs and the flat demand, these factors have curbed the segment's profitability and forced businesses to exit (and inhibited growth) over FY24. The segment was relatively flat and venue numbers grew by just 0.9%, with the main growth coming in South Australia (5.1%) and ACT (4.6%), moderate growth in Western Australia (1.8%) and Queensland (1.4%), flat growth in Victoria (0.5%) and New South Wales (0.3%) and with the Northern Territory (-2.0%) and Tasmania (-2.4%) and showing a decline in the number of venues. The segment fared better than the overall Industry with Accommodation down -1.8%, Catering down -1.7%, Pubs (hotels), Taverns and Bars down -0.9%, and Clubs down 0.7%. The segment trailed Takeaway Food Services which boomed in FY24 growing 4.6% overall.

⁵ Performance - H4511B Cafes and Coffee Shops in Australia - MyIBISWorld January 2025

Operating at the End of FY2024

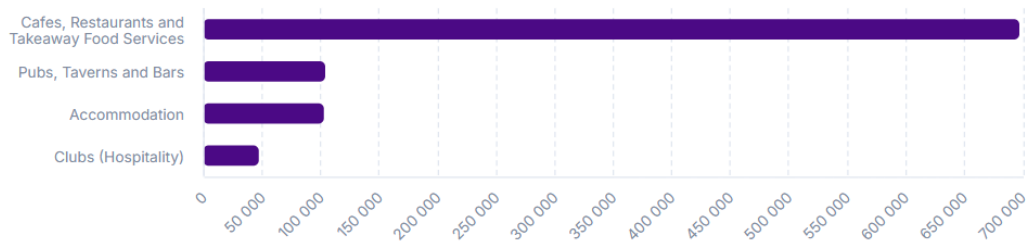
State Name	ANZSIC Industry Code	ANZSIC Industry Label	Total no.	Change no.	Percentage Change %	Entry Rate %	Exit Rate %
New South Wales	4511	Cafes and Restaurants	19,227	60	0.3	18.3	18.1
Victoria	4511	Cafes and Restaurants	17,937	81	0.5	17.2	16.6
Queensland	4511	Cafes and Restaurants	9,038	126	1.4	19.3	18.2
South Australia	4511	Cafes and Restaurants	2,882	141	5.1	22.5	17.2
Western Australia	4511	Cafes and Restaurants	4,257	76	1.8	18.8	16.8
Tasmania	4511	Cafes and Restaurants	1,037	-26	-2.4	16.4	18.3
Northern Territory	4511	Cafes and Restaurants	243	-5	-2.0	18.5	18.1
Australian Capital Territory	4511	Cafes and Restaurants	1,108	49	4.6	20.3	16.1
Other Territories/Currently Unknown	4511	Cafes and Restaurants	0	-2			
	4511	Total Cafes and Restaurants	55,730	500	0.9	18.4	17.4

2.2 Employment

The Accommodation and Foodservice Industry employs approximately 965,900 or 6.7% of the Australian Workforce ranking it the 5th largest employer out of 19 Industries, accounting for a significant portion of Australia's workforce.⁶ Key trends include:

- A majority (53%) of the workforce being female.
- The highest youth employment of all Industries with a Median Age of 25.
- Critical shortages in roles such as chefs & cooks and nearly 36,000 open roles on Seek.com.au⁷.
- The Cafe, Restaurant & Takeaway Food Service segment employs 697,500 or 72% of the workforce in the industry and is **Australia's largest employing industry sector**⁸.

Employment by industry sectors



Source: ABS, Labour Force Survey, Detailed, November 2024, Jobs and Skills Australia (JSA) trend data.

Note: the sum of sectoral employment may not equal the industry total as data are trended separately, and not further defined (nfd) classifications have been excluded.

⁶ [Accommodation and Food Services | Jobs and Skills Australia](#) December 2024

⁷ [Seek.com.au](#)

⁸ [Australian Government Employment Outlook to May 2024.docx](#)

ANZSCO	Occupation	AUS	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	
351311	Chef	\$	\$	\$	\$	\$	\$	\$	\$	\$	↻
351411	Cook	\$	\$	NS	\$	NS	\$	NS	\$	NS	↻
351112	Pastrycook	\$	NS	\$	\$	\$	\$	\$	\$	\$	↻

Staff Shortages	January 2025
Chef	6012
Sous Chef	1695
Chef de Partie	1941
Kitchen Hand	4335
Pastry Chef	1308
Restaurant Manager	2114
Restaurant Asst Manager	317
Café Manager	1979
Waitstaff	3319
Barista	7580
Bartender	3749
Host/Hostess	1268
	35,617
www.seek.com.au	102,024
Percentage of all Seek Jobs	34.9%

3. Key Issues and Recommendations

3.1 Taxes

Remove Fringe Benefits Tax (FBT) on Hospitality


Multiple respected accounting firms and stakeholders including CPA Australia and the Institute of Public Accountants (IPA) in their submission in response to the Government's proposal to legislate the changes to fringe benefits tax (FBT) record keeping practices announced in the 2020-21 Budget⁹ noted "FBT has the highest compliance costs relative to the revenue it generates". BDO also noted in their 2024-2024 Prebudget Submission¹⁰, "FBT collections make a small contribution to Australia's tax base when compared to the enormous administrative burden required of employers."

⁹ [CPA Australia and Institute of Public Accountants - Submission in response to: Fringe benefits tax - record keeping exposure draft legislation](#)

¹⁰ [BDO 2024-25 Pre-budget submission](#)



According to Scott Treatt, GM of tax policy and advocacy at The Tax Institute, “The cost of compliance for FBT is absolutely extraordinary. It brings in around \$4 billion a year, and we’ve had reports from companies saying that they pay the same amount in FBT compliance costs as they do for income tax compliance costs.”¹¹

 Australian Bureau of Statistics										
5506DO001_202223 Taxation Revenue, Australia, 2022-23										
Released at 11:30 am (Canberra time) Tue 23 April 2024										
Table 1 Taxation, Commonwealth Government										
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Taxes on income										
Income taxes levied on individuals										
Personal income tax	155,592	168,224	173,253	179,875	193,331	209,113	209,382	215,165	242,199	278,390
Government health insurance levy	10,309	10,701	14,348	15,042	15,643	16,742	17,769	18,513	20,195	22,273
Fringe benefits tax	4,285	4,393	4,453	3,905	3,813	3,893	3,939	3,501	3,261	4,147
Other income tax levied on individuals	0	0	0	0	0	0	0	0	0	0
Total income taxes levied on individuals	170,187	183,318	192,054	198,821	212,787	229,749	231,090	237,178	265,655	304,811
Income taxes levied on enterprises										
Company income tax	70,550	67,692	64,405	72,148	86,764	95,915	88,767	100,044	128,080	154,883
Income tax paid by superannuation funds	6,133	5,881	6,826	8,212	10,942	10,905	6,622	13,033	26,560	10,352
Other income tax levied on enterprises	0	44	58	65	66	76	79	91	94	99
Total income taxes levied on enterprises	76,682	73,617	71,289	80,425	97,771	106,895	95,468	113,168	154,734	165,334
Income taxes levied on non-residents										
Dividend withholding tax	265	266	281	352	355	452	511	364	621	735
Interest withholding tax	1,301	1,453	1,550	1,624	1,627	1,647	1,599	1,165	1,016	1,724
Other income taxes levied on non-residents	0	0	0	0	0	0	0	0	0	0
Total income taxes levied on non-residents	1,566	1,719	1,831	1,976	1,982	2,099	2,110	1,529	1,637	2,459
Total taxes on income	248,435	258,654	265,174	281,222	312,539	338,743	328,668	351,875	422,026	472,603

With total FBT at just 0.8% of Total Taxes on Income collected in the latest ABS Taxation Revenue statistics from the 2022-2023 tax year and estimates of just \$2B in FBT collected for Meals & Entertainment, ARCA believes that the Tax should be abolished.

Issues with the Current FBT Structure

In addition to the high costs of compliance, the current FBT system:

- Discourages spending in restaurants & cafes, thereby suppressing revenue growth and employment opportunities.
- Creates inequities by favouring large-scale corporations over small and medium enterprises (SMEs).

Larger businesses can often navigate the FBT framework due to their expertise in developing workarounds that bypass the complexity of the FBT scheme including boardroom lunches, onsite barista services & employee car parking. This gives larger firms a competitive advantage over SMEs, which lack the resources to implement similar measures.

Benefits of FBT Reform

¹¹ [Scrap 'outdated FBT', says small business ombudsman | Accountants Daily](#)



Exempting meals & entertainment from FBT would provide an immediate boost to the restaurant & cafe segment, particularly for businesses directly affected by the slowdown in consumer demand. These reforms would:

- Stimulate increased patronage of restaurant & cafe venues, driving revenue growth.
- Enable employers to offer more stable and consistent employment opportunities.
- Boost GDP by encouraging more business functions, events, and gatherings in cafes, restaurants, and other hospitality venues.
- Level the playing field between businesses of different sizes, promoting equity and competition.

Removing FBT on hospitality expenses would not only correct existing inequities but also provide critical support to a segment that is essential to Australia's economy and community fabric.

ARCA advocates for structural reform of the FBT to create a fairer and more supportive framework for hospitality businesses. Specifically, ARCA proposes:

- Allowing all business taxpayers to claim tax deductions and GST inputs on meal and beverage entertainment expenses.
- Permitting a credit for the related GST without imposing FBT obligations on business owners or employees.

As an alternative to abolishing FBT, consideration should be given to amending FBT, so it only applies to genuine remuneration benefits i.e. benefits that are provided as part of an employee's remuneration and not on incidental benefits that are merely provided because of performing normal employment duties in the course of doing business.

Freeze Alcohol Excise Increases for 24 Months

Alcohol Excise has become a Tax "cash cow" for the Australian Government. This has occurred at the expense of small restaurants & cafes around Australia that must pass the twice-yearly increases¹² on to customers in the form of higher menu prices, further contributing to increased inflation. Between the 2017/18 and 2022/23 Fiscal Tax Year, the ATO reported that expected Excise Tax collected increased from \$5.5B to \$7.6B, an over 38% increase in the total Excise Collected in just 5 years.¹³

¹² [Excise duty rates for alcohol | Australian Taxation Office](#)

¹³ [Latest estimate and trends | Australian Taxation Office](#)



According to the Independent Brewers Association (IBA), smaller brewers “cannot keep absorbing the ballooning costs of making beer without increasing the price of their beer – this means, being able to support your local [restaurants & cafes] will be soon out of reach for many [consumers]”¹⁴.

Challenges for Cafes and Restaurants

The Alcohol Excise has seen consistent increases which directly affects cafes and restaurants by:

- Increasing costs for businesses, forcing them to either absorb the impact or pass it on to consumers.
- Reducing customer affordability and, consequently, patronage.

Impact on Small Businesses

For small cafes and restaurants that serve alcohol, higher Excise rates disproportionately affect their operations, with thousands of extra dollars twice yearly in cost increases eroding already thin profit margins, only around 5% according to IBIS World¹⁵.

Benefits of a Freeze

A 24 month freeze on Alcohol Excise increases could:

- **Support Business Growth:** Allow cafes and restaurants to stabilise operations and reinvest in their growth, especially with the lack of venue growth in recent years, and improve demand.
- **Reduce Consumer Costs:** Lower menu prices would encourage more frequent dining out, help cool inflation, and help increase revenue across the sector, flat since 2023.
- **Stimulate Local Economies:** Increased patronage at cafes and restaurants boosts surrounding businesses and strengthens community hubs.

Freeze Income Tax on Tips (Gratuities)

It turns out, Australia does have a growing tipping culture. According to data from payments platform Zellar¹⁶ in 2022 the common tipping amount in hospitality around Australia was 7% with the average tip coming in at \$16.06. In 2023, the amount rose 26% to \$20.20. And in

¹⁴ [How much more can Aussie's pay for a pint of beer? - Independent Brewers Association](#)

¹⁵ [Restaurants in Australia - Market Research Report \(2014-2029\)](#)

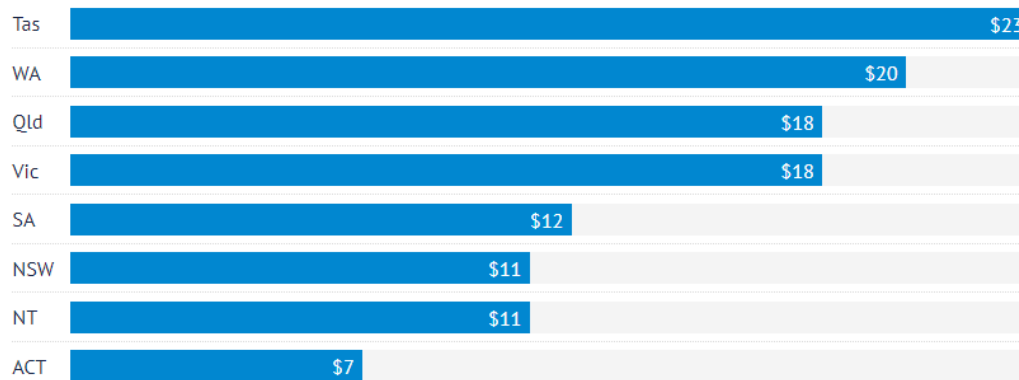
¹⁶ [How much should you tip in Australia?](#)



2024, the average tip in Australia rose to \$25.20 a 25 per cent increase from 2023, according to data compiled from more than 75,000 Australian businesses¹⁷. Data also tells us that 0.68% of transactions included a tip in 2024, a 13% increase on what was recorded in the previous year (0.6%).

Which state or territory has the most generous tippers

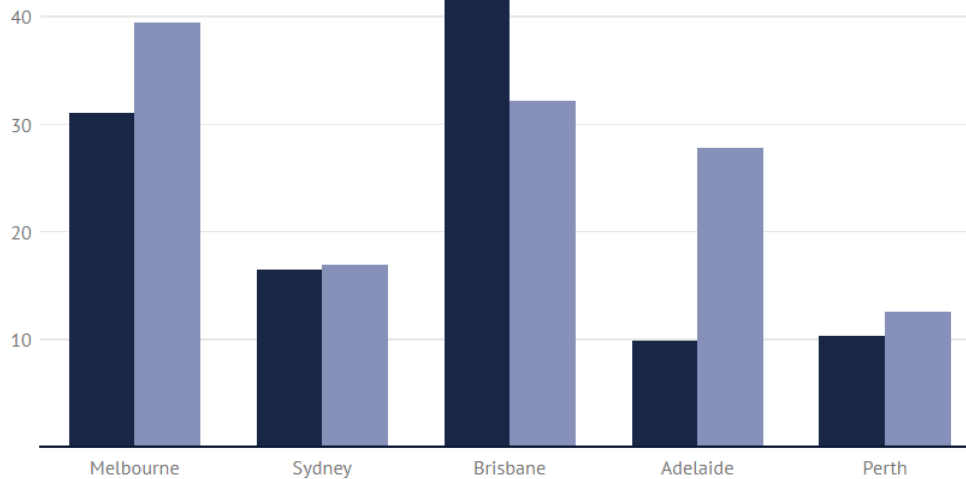
Average tip dollar value



Source: Zeller

How have Australia's capital cities tipped over the past two years?

■ 2023 ■ 2024



Source: Zeller

Unlike other non-taxable amounts where the ATO indicates generally there is no requirement to declare amounts received for such as rewards or gifts on special occasions, prizes and

¹⁷ [Tipping in Australia on rise despite cost-of-living pressures: data](#)



lottery winnings¹⁸, the ATO does indicate that gifts (like tips) may be taxable if received as part of a business-like activity or income-earning activities as an employee or contractor.

According to the ATO, a customer who dines at a restaurant may give a tip in addition to the payment for the meal that is purely voluntary and is intended for the restaurant employees that provided the service, which may be paid by way of cash or credit card and as long as the restaurant operator passes on the tip to the employees, it is not part of supply nor subject to GST.^{19,20}

Impact on Small Businesses

Small cafes and restaurants are often considered to be low paying, with the ABS reporting Average Weekly Earnings²¹ in Accommodation & Foodservice of \$1421 per week. A change in ATO policy would allow restaurants & cafes to convey to potential employees that there is a Freeze on the Income Tax on Tips (Gratuities) and increase workforce participation in the industry, which is struggling with shortages throughout Australia (as noted in this Submission).

Benefits of a Freeze

A Freeze on Taxes on Tips (Gratuities) could:

- **Improve Industry Sentiment:** Freezing Income Tax on Tips (Gratuities) will give hospitality businesses more confidence in advertising the average tips their employees are given, and ultimately could be encompassed in the ABS Average Weekly Earnings.
- **Drive employment:** Freezing Income Tax on Tips (Gratuities) will assist in recruiting onshore workforce into hospitality jobs, who would be incentivised by the policy change.
- **Benefit workers:** Freezing Income Tax on Tips (Gratuities) will put more money back into the pockets of workers in the Accommodation & Foodservice Industry, struggling under severe cost of living pressures.
- **Bring Tips in Line with other non-reportable items:** Freezing Income Tax on Tips (Gratuities) will bring those amounts in line with other windfall tax treatments.

¹⁸ [Amounts you do not include as income | Australian Taxation Office](#)

¹⁹ [Restaurant tips | Legal database](#)

²⁰ [STP for Tipping/Gratuity | ATO Community](#)

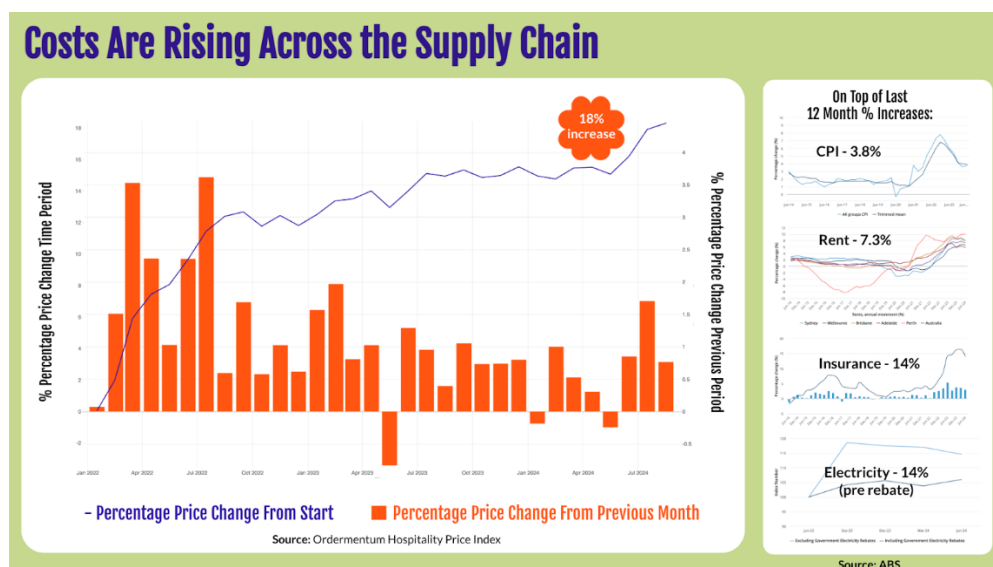
²¹ [Average Weekly Earnings, Australia, May 2024 | Australian Bureau of Statistics](#)

Digital Tax Rebate

As noted throughout this submission, the restaurant & cafe segment has endured flat demand and sharp rises including costs of rent, insurance, wages, and produce. On top of these pressures, the **cost of compliance** for businesses in our segment has also risen dramatically driven by policy changes including but not limited to; The introduction of [Single Touch Payroll Phase 2](#), increasing complexity in modern awards and the rollout of the [Closing Loopholes](#) policy, coupled with the introduction of [wage theft criminalisation](#) and the [Voluntary Small Business Wage Compliance Code](#), and the introduction of the [Food Safety Standard 3.2.2A](#).

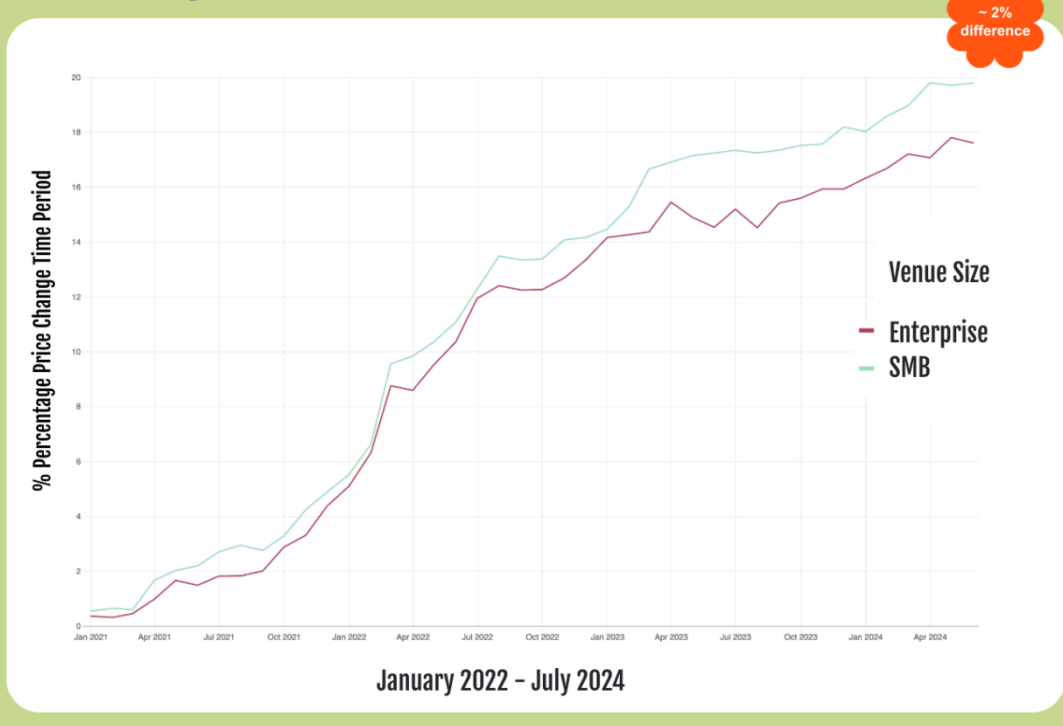
It has become critical for restaurants and cafes to maintain compliance with these (and other) legislative requirements to invest in software and technology solutions, especially with the increase in digital adoption in the population from both a payments and marketing standpoint. Small operators are finding it harder and harder to afford to invest in this increasingly complex environment, and with **costs as high as \$42,000** or more per venue according to Ordermentum, it can be out of reach for many small restaurants & cafes.

According to Ordermentum, produce costs have risen by 18% year-on-year/18 months, with increases as high as 45% in certain food and beverage categories. Data also shows that small and medium-sized restaurants & cafes are experiencing higher price hikes than larger groups. These pressures come on top of rental, insurance, and other increases noted in recent ABS CPI data²².



²² [Consumer Price Index, Australia, December Quarter 2024 | Australian Bureau of Statistics](#)

SMB Subject To More Price Rises (So Far)



Digital technology is a key to venues surviving and thriving in this environment. Tools like integrated digital payments and digital procurement platforms streamline operations, reduce bad debt across the supply chain, and provide clear visibility into profitability and costs of goods sold (COGS). These efficiencies free up time for business growth while enhancing viability. Other digital products ranging from social media management, menu costing, staff training, rostering, booking, pos, payroll and accounting also making it easier and less time consuming for operators to run effectively. These benefits are most felt by those family-run small-medium hospitality businesses that do not have the luxury of a CFO or operations manager.

To support the industry's recovery and resilience, we propose a **\$10,000 Tax Rebate** to encourage small businesses to adopt digital tools. This rebate will supercharge the digital transformation of an industry that desperately needs it.

Benefits of a Digital Tax Rebate (to offset costs incurred)

- **Improve SEO (Search Engine Optimization):** Improved online visibility drives diner demand & bookings.
- **Improve Online Staff Training:** Upskilled staff deliver superior customer service and ensure compliance with industry standards.



- **Allow more robust implementation of Rostering and Workforce Management Applications:** Streamlined scheduling reduces labour costs and ensures compliance with Fair Work regulations.
- **Foster more widespread use of Online Ordering and Menu Management Tools:** Increased convenience for customers leads to higher sales and better operational efficiency.
- **Enhance Payroll, HR, and Compliance:** Software Automation ensures compliance with award rates and reduces administrative workload.

3.2 Workforce & IR Challenges

Fee Free VET

The restaurant and cafe industry understands that the Government expects to continue funding fee-free TAFE places annually from 2027. While this initiative has the potential to bolster vocational education and training (VET) in hospitality, it is essential to approach its implementation with the lens of equity.

Firstly, we advise postponing the permanent inclusion of free skills training as a core feature of the VET system until sufficient data is available to evaluate its effectiveness. There is currently limited evidence supporting the program's success in improving completion rates and employment outcomes in the café & restaurant segment of our industry, which are vital measures of its practical impact. Committing to significant expenditure without clear proof of its benefits **could lead to inefficient use of resources.**

Secondly, **any spending of taxpayer dollars should be broadened to include all accredited VET providers, rather than focusing solely on TAFE institutions.** This inclusive approach would ensure that students across Australia, particularly in regional, rural, and remote areas, have access to high-quality and flexible training options. Expanding eligibility would strengthen the overall training system and better address workforce needs in the restaurant and cafe segment throughout Australia.

Taking these steps would ensure that the initiative is both effective and equitable, providing meaningful benefits to the hospitality industry and beyond.

Supporting Apprenticeships in the restaurant and cafe segment, hardest hit by the cost-of-living crisis



There is strong argument for Australian Government intervention in the apprenticeship system.²³, and financial incentives to encourage employers to take on apprentices should be targeted effectively. Government intervention in the apprenticeship system is essential to ensure the restaurant and cafe segment has access to a skilled and sustainable workforce. Financial incentives to encourage employers to take on apprentices must be designed thoughtfully to address the specific challenges faced by small businesses in the hospitality industry.

While hiring apprentices involves significant costs—such as supervision, training, and the initial loss of productivity—these investments are offset as apprentices progress, providing valuable skilled labour and the potential to remain with the business post-apprenticeship. In the later stages of training, apprentices become highly productive, balancing the early costs of their development. This long-term benefit to employers should be carefully considered when determining the level and structure of government-provided financial incentives.

Effective reform of the incentives system should focus on addressing the unique needs of hospitality employers and target incentives to alleviate skill shortages in critical areas while reducing upfront costs for small business owners, making it more feasible to hire and retain apprentices. The Government should also simplify the application and navigation process for incentives to ensure accessibility for busy operators to help cafes and restaurants build a stronger pipeline of skilled workers while fostering long-term growth and resilience in the hospitality industry.

The changes made to employer subsidised apprenticeship incentives have been terrible for restaurants & cafes and need to be reviewed. According to the NCVET VET Training Statistics 2024 June Quarter²⁴, commencements in Food Trades for the year to June 2024 were only up only 790 participants (5905 vs 5115) from June 2020 and were down significantly compared to 2021 and 2022 (down 19% & down 35%). Only 925 people Commenced in Food Trade Apprenticeships & Traineeships from 2023 to 2024. As predicted the figures show a sharp decline with the withdrawal of much of the traineeship support including to the hospitality industry and had the biggest impact to 30 June 2023.

²³ [Australian Apprenticeship Incentives System Reform Regulation Impact Statement_1.pdf](#)

²⁴ NCVET, *Apprentices and Trainees 2024 June Quarter*.



Chefs & Cooks remains on the CSOL List as the segment, and the entire Accommodation & Foodservice Industry suffers from a severe shortage with tens of thousands of open roles on seek.com.au as of January 2025. To combat this shortage, Apprenticeship employer incentives should be a minimum of 25% wage subsidy in year 1 for wages paid during the first 12-month period from the date of commencement for any new or recommencing Apprentice or Trainee.

Benefits of Apprenticeship Support

- **Proven Method:** Apprenticeships, combining structured training with hands-on experience, are a proven method for building high-quality skills and boosting productivity in the cafe and restaurant segment.
- **Seamless Transition:** Traineeships offer a seamless transition from school to work, providing young individuals with stable employment and recognised qualifications while meeting the workforce needs of hospitality businesses.
- **Beneficial for marginalized groups:** Traineeships are particularly beneficial for marginalized groups, including the long-term unemployed and individuals with disabilities, as they integrate supportive frameworks that help participants succeed in the workplace.
- **Demonstrated effectiveness:** Wage incentives have consistently demonstrated their effectiveness in encouraging employers to hire apprentices and trainees. Historical evidence shows a strong link between well-structured incentives and increased participation.
- **Reduced Risk:** When financial support is sufficient, it reduces the perceived risks for cafe and restaurant operators in hiring unskilled individuals, enabling them to invest in training and development for the benefit of their business and the broader industry.

No changes to Junior Rates

The Accommodation & Foodservice Industry provides many opportunities for young people looking for their first job, with 47% of the workforce aged 15-24²⁵ the highest of any industry.

²⁵ [Accommodation and food services | Your Career](#)



Restaurant & cafes around Australia rely heavily on this youth workforce currently paid the below rates²⁶.

Junior employees	Employees aged under 21	Under 17: 50% of adult employee rate 17 years: 60% of adult employee rate 18 years: 70% of adult employee rate 19 years: 85% of adult employee rate 20 years: 100% of adult employee rate	Junior apprentices (cooking trade)	Apprentices in the cooking trade under 21	1st year: 55% of Level 4 rate 2nd year: 65% of Level 4 rate 3rd year: 80% of Level 4 rate 4th year: 95% of Level 4 rate
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Juniors covered by the Restaurant & Hospitality Award who sell or serve alcohol, including as a part of their general waiting duties, are paid the adult rate for their classification regardless of their age²⁷.

According to BDO, wages in restaurants and cafes can run as high as 34% of revenue²⁸ and with profit margins already thin (as noted above), the segment cannot afford a paradigm shift where a large portion of the workforce receive a 50% jump in wages overnight, especially without a jump in productivity. This could not only lead to job losses in the segment for youth, but also sharp increases in menu prices for those restaurants & cafes who opt to maintain their workforce, further compounding the 2025 cost of living crisis and stubborn inflation²⁹.

While there may be an argument for fairness, our argument is not about a drop in the workforce. Rather, the focus is without an equal jump in productivity on the back of scrapping junior rates, **the outcome could be disastrous for the segment and ultimately the consumer.** This aligns closely with The Australian Chamber of Commerce and Industry and the Business Council of Australia (who) cautioned that the economy is already facing challenges, with record insolvencies and tightened consumer spending forcing businesses to absorb the cost of higher wages. This could lead to job cuts and reduced hours, especially in industries such as retail and hospitality, as raising prices during a cost-of-living crisis isn't a viable option³⁰.

3.3 Migration to Address Labour Shortages

²⁶ [Restaurant Industry Award pay | Rippling](#)

²⁷ [Junior pay rates - Fair Work Ombudsman](#)

²⁸ [What Percentage Should Labour Cost Be in a Restaurant? | Epos Now](#)

²⁹ [Reserve Bank of Australia: Stubborn services inflation holding board from easing rates | The Nightly](#)

³⁰ [Young Australians aged 18 to 21 can vote. They should also be paid an adult wage | Intifara Chowdhury | The Guardian](#)



Cafe & Restaurant Managers Added back to CSOL List

While we appreciate that many restaurant & cafe positions remained on the Core Skills Occupation list (CSOL)³¹ including Chef & Cooks when changes were announced on 7 December 2024 after extensive consultations³², it is critical that in 2025 that Cafe & Restaurant Managers are added back to the list, especially for regional areas which continue to grapple with shortages.

Index changes to TSMIT to Fair Work Annual Wage Review Outcomes

Currently, the Temporary Skilled Migration Income Thresholds (TSMIT) is \$73,150 for Nomination applications lodged on and between 1 July 2024 and 30 June 2025, **up 4.5% from 30 June 2024, and 26.3% from 30 June 2023**. And according to The Australian Department of Home Affairs, salary indexation changes will apply from 1 July each year and if a cafe or restaurant lodges a sponsorship or nomination application on or after this date, they must meet the relevant income threshold for that year.³³ With the sharp increase from 2023, and the above the Fair Work's 2024 Annual Wage Review increase (3.75%) outcome in 2024, we call on the Government to limit the TSMIT increases to no higher/no more than the Fair Work's 2025 Annual Wage Review percentage increase.

We believe this is a fair and equitable outcome for both migrant and Australian cafe & restaurant employees. It will also give hospitality businesses a reasonable opportunity to budget for and plan for any increases, based on the same submissions, circumstances and criteria that Fair Work uses to determine Award Rate increases, aligning the two outcomes.

Increase International Student Hours

From 1 July 2023, the Australian Government re-introduced limits on the number of work hours allowed for student visa holders (subclass 500) studying and working in Australia³⁴. These changes to international student visas aimed to address some of the challenges for international students, particularly concerning the balance between study and work opportunities, which we support. However, there have been drawbacks with many overseas students needing financial help and many at risk of being priced out of Australia's high rental

³¹ [Federal Register of Legislation - Migration \(Specification of Occupations—Subclass 482 Visa\) Instrument 2024](#)

³² [2024 Core Skills Occupations List \(CSOL\) Consultations | Jobs and Skills Australia](#)

³³ [Salary requirements to nominate a worker](#)

³⁴ [Work hours limit for student visa holders to be re-introduced | Study Australia](#)



market amid the ongoing rising cost of living³⁵ and amid a workforce shortage in the café & restaurant segment, especially in lower skilled positions.

With recent Government announcements regarding a reduction in international students³⁶ and with the ABS reporting³⁷ Net overseas migration was 446,000 in 2023-24, down from 536,000 a year earlier and Migrant arrivals decreased 10% to 667,000 from 739,000 arrivals a year earlier this will continue to put disproportionate pressure on restaurants & cafes. According to the ABS, the most common industry of employment for employed temporary residents is Food and Beverage Services (12 per cent), with 23 per cent of students working in the industry³⁸.

4. Recommendations Summary

- 1. Remove Fringe Benefits Tax (FBT) on Hospitality**
 - 2. Freeze Alcohol Excise Increases for 24 Months**
 - 3. Freeze Income Tax on Tips (Gratuities)**
 - 4. Digital Tax Rebate**
 - 5. Fee Free VET**
 - 6. Supporting Apprenticeships in the restaurant and cafe segment**
 - 7. No changes to Junior Rates**
 - 8. Cafe & Restaurant Managers Added back to CSOL List**
 - 9. Index changes to TSMIT to Fair Work Annual Wage Review Outcomes**
 - 10. Increase International Student Hours**
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Conclusion

The ARCA looks forward to working with the Australian Government to ensure a robust and sustainable future for Australia's restaurant and cafe segment of the Accommodation & Foodservice Industry. The proposed measures will enhance economic growth, create employment opportunities, and maintain Australia's vibrant hospitality culture.

Yours sincerely,

³⁵ [Australia's Migration Changes and its Impact on International Students - Australian Institute of International Affairs](#)

³⁶ [New ministerial order to limit international student numbers | SBS News](#)

³⁷ [Overseas Migration, 2023-24 financial year | Australian Bureau of Statistics](#)

³⁸ [Over 1.6 million temporary visa holders in Australia on Census night | Australian Bureau of Statistics](#)



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