ARCA

FY26
Policy Priorities:
Supporting Australia’s Restaurant & Cafe Future

Prepared by the Australian Restaurant & Cafe Association (ARCA) as part of our national industry advocacy agenda for FY26.

About ARCA

The Australian Restaurant and Cafe Association (ARCA) represents one of the most economically and culturally significant – yet increasingly vulnerable - sectors of the hospitality industry. Restaurants and cafes are critical to local communities and the broader economy, but they face mounting challenges, including rising costs, complex compliance, workforce shortages, and unsustainable rents.

ARCA was created to give this segment a strong, unified voice in national policy conversations. Our focus is on practical, collaborative advocacy that addresses the unique pressures on restaurants and cafes – from workforce and migration policy to tax to industrial relations and regulatory reform.

We work with industry and government to ensure this vital part of the economy is not left behind. ARCA is committed to ensuring restaurants and cafes have a seat at the table in shaping a more sustainable and resilient future for hospitality in Australia.

Segment Snapshot

55,730

Restaurants & cafes in the Accommodation & Foodservice Industry

500k

People employed in restaurants & cafes: largest under 25's-employing industry in Australia

1 in 10

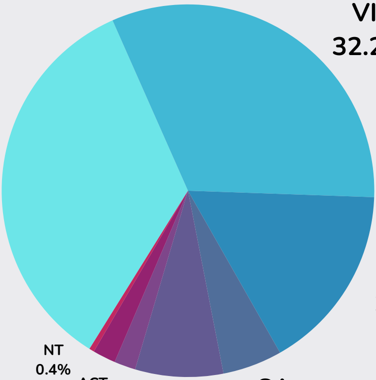
Venues predicted to close in 2025, in line with 2024 closures

Hospitality in numbers: 2025

55,730

Restaurants & Cafes

(up just .9% from last FY)



Restaurants & Cafes represent

49.91%

of the Accommodation & Foodservice Industry

Takeaway	23.56% (up 4.6%)
Accomomdation	12.63% (down 1.8%)
Pubs/Hotels/Bars	6.23% (down 0.9%)
Catering	4.52% (down 1.7%)
Clubs	3.15% (up 0.7%)

Source: ABS Entry Exit FY24 (abs.gov.au)

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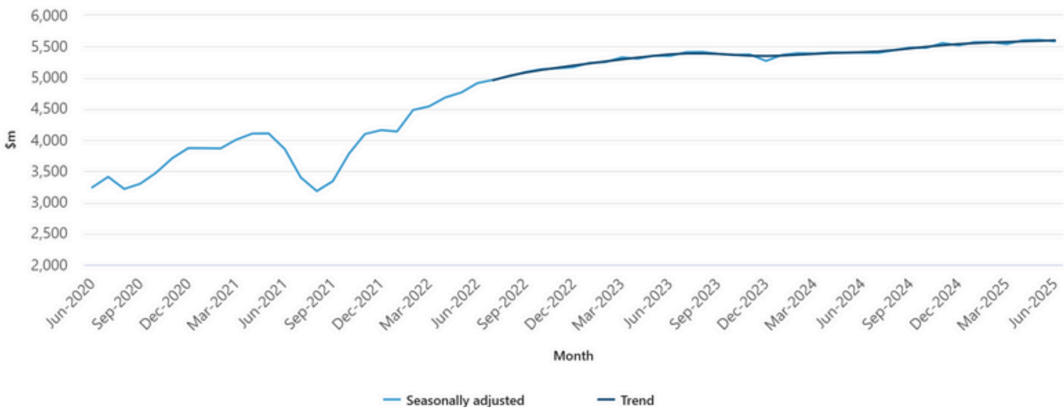
Hospitality in numbers: 2025

Segment generates $66 billion per year in revenue and has been relatively flat since April 2023, though up 40% in nominal terms from 2019 levels, Monthly Retail Report June 2025 | ABS July 2025 release (abs.gov.au)

Cafes, Restaurants & Takeaway Food Services



Revenue Trends

Cafes, restaurants and takeaway food services fell **0.6% (-$24.5m)** in June, in seasonally adjusted terms.

By industry subgroup, the seasonally adjusted estimate:

- fell **0.6% (-$24.5m)** for Cafes, restaurants and catering services.
- fell **0.1% (-$3.2m)** for Takeaway food services.

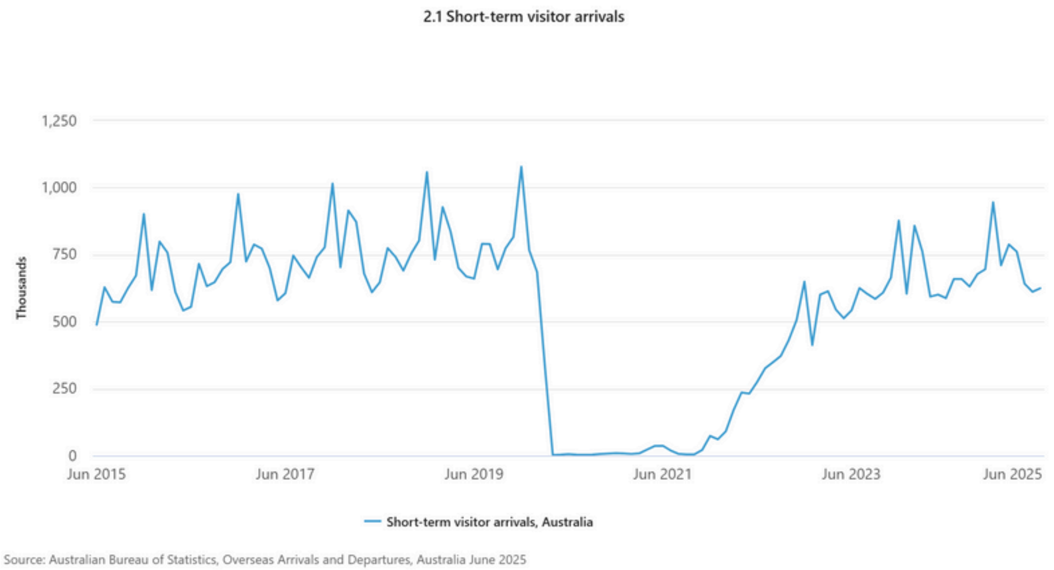
Quarterly Menu Price Inflation

	Mar-24 (%)	Jun-24 (%)	Sep-24 (%)	Dec-24 (%)	Mar-25 (%)	Jun-25 (%)
Services - total	4.3	4.5	4.6	4.3	3.7	3.3
Restaurant meals	4.4	4.1	2.8	2.7	2.7	2.3

Restaurant Meals up 2.3% YoY, one of the contributors to the **Services Inflation** that rose 3.3% YoY.

Source: June Monthly CPI Indicators, July 2025 | ABS (**abs.gov.au**)

Demand Challenges



Inbound visitor numbers remain stuck at 2016 levels, significantly below the 2019 peak. This lingering shortfall is being felt most acutely by hospitality businesses that rely on international tourism, particularly cafes and restaurants in major tourist regions. As of June 2025, international short-term visitor arrivals were still down 8.6% compared to the same period in 2019 and in line with 2017 arrivals and with China falling to 3rd, down 32% from 2019 and in line with 2015 arrivals, highlighting the slow pace of recovery and the ongoing pressure on businesses that depend on overseas visitors for foot traffic and revenue.

-1.2m
Fewer visitors in 2024

→

-50m
Fewer meals out in restaurants & cafes

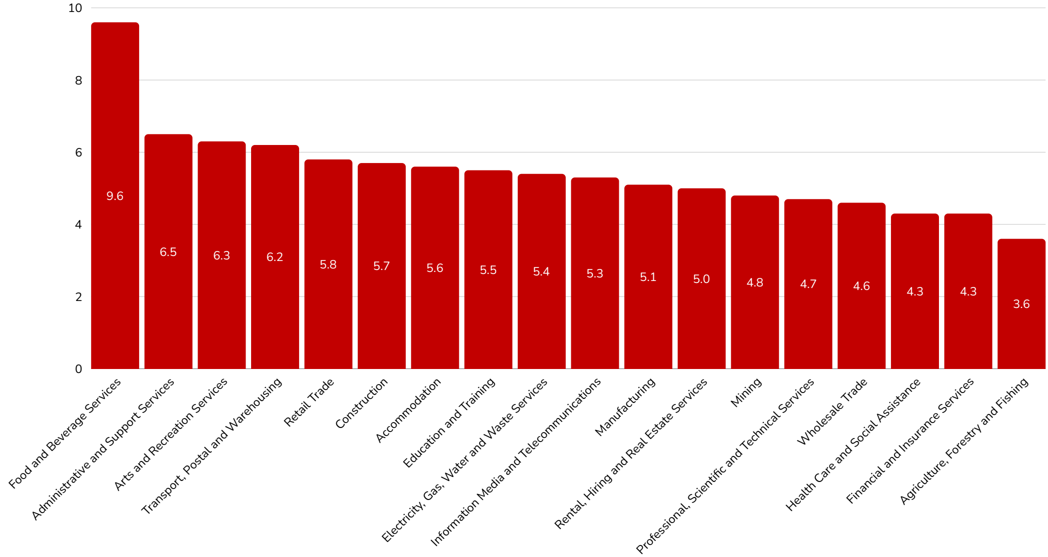
→

-$2.5b
Missed revenue for restaurants & cafes, an unaffordable loss

Source: ABS Overseas Arrivals and Departures, Australia, August 2025
Estimates made on lost revenue based on decline in tourist numbers

State of the industry

Rolling annual business closure rate by industry -12 months to April 2025



Source: CreditorWatch, May 2025

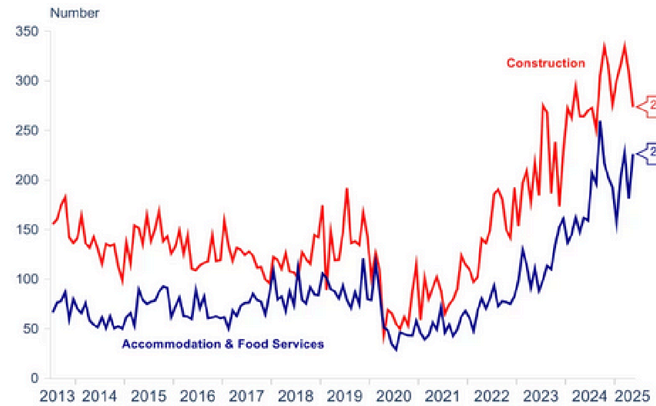
The hospitality industry continues to grapple with a complex and deeply challenging operating environment. As a sector largely dependent on discretionary spending, it's often the first to feel the impact when household budgets tighten. Rising interest rates and cost-of-living pressures have seen **consumers pull back on dining out**, particularly at cafes, restaurants, pubs and bars - many of which are already stretched thin.

The shift toward remote and hybrid working arrangements has further changed the dynamics for hospitality businesses, **especially those in CBDs and business districts that once thrived on office worker foot traffic**.

At the same time, operators are facing **sharp increases in input costs -** from wages and utilities to insurance premiums and the rising price of food and alcohol. For small businesses, which make up the bulk of the industry, the **lack of significant cash reserves** means there is little room to absorb these shocks. Many are simply doing what they can to survive week to week.

While there is hope that relief may come as interest rates eventually ease, the **road to recovery is unlikely to be swift**. For many venues, stability hinges not just on economic policy shifts, but on broader structural change and support to help them weather the storm.

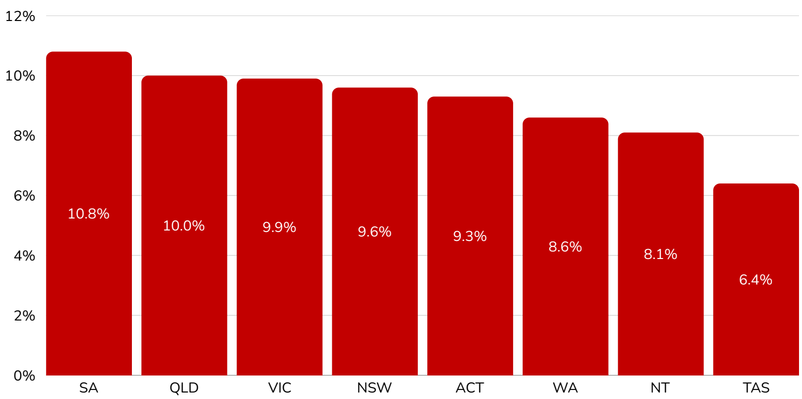
Companies entering insolvency for the first time - Construction and Hospitality



Data sources: CreditorWatch, ASIC, Macrobond

The **plateauing in overall insolvencies hides several differing trends across sectors**. The two sectors that have consistently reported the highest level of insolvencies in the past 12 to 18 months - Construction and Hospitality - are seeing insolvencies tentatively stabilise in the case of Construction, while Hospitality insolvencies are below the previous highs, but **likely still trending higher**.

Hospitality business closure rate by state/ territory -12 Months May 2024 to April 2025



Source: CreditorWatch, May 2025

3.8%
Average Restaurant profit margin

3.3%
Average Cafe profit margin

91.4%
Businesses earn less than $2m

Source: H4511A Restaurants in Australia - MyIBISWorld, December 2024
Source: ABS Counts of Australian Businesses, June 2024

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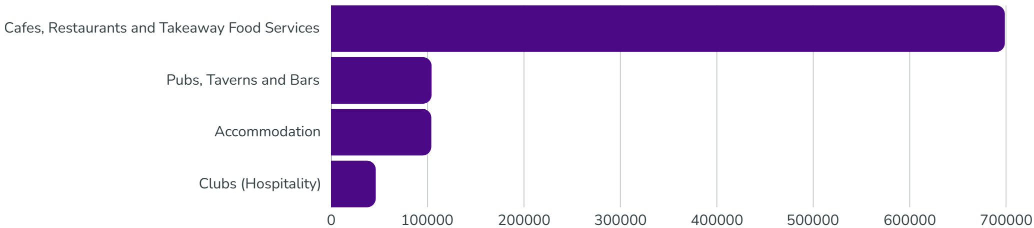
Workforce

Accommodation & Foodservice Industry employs **958,200**, and is the 6th largest employing industry in Australia. Cafes, Restaurants and Takeaway Food Services is the largest sector in the Accommodation and Food Services industry, employing **698,700** workers, Nearly **500,000** working in Restaurants & Cafes (Jobs & Skills Australia). The median employee age is **25** and **52%** of employees are female.

Employment by industry sectors



3125

AUS Completions of Cert 3/4 Food Trades in 2024

$60,000

per Completion cost to AUS Taxpayers

$63m wasted

In dropout costs (55.4% Dropout Rate)

Staff Shortages	August 2025	
Chef	5474	
Sous Chef	2442	
Chef de Partie	2877	
Commis Chef	2748	
Kitchen Hand	3593	
Pastry Chef	612	**Up YOY**
Restaurant Manager	**6106**	**43%**
Restaurant Asst Manager	**6976**	**371%**
Café Manager	3428	
Waitstaff	4004	
Barista	1591	
Bartender	2636	
Host/Hostess	681	
Total	**43,168**	
www.seek.com.au	166597	
Percentage of all Seek Jobs	25.9%	

Workforce Policy Priorities

Challenge	Ask	Benefit
International Student Hours: Current cap of 48 hours per fortnight	-Remove or increase cap on hours that an international student can work	Reduce staff shortages
CSOL List: Cafe & Restaurant Managers removed from CSOL list in 2024	-Add Cafe & Restaurant Managers back onto the CSOL list permanently	More certainty / clarity around sponsoring workers
Working Holiday Makers: Slow rate of WHM arrivals due to new caps and lottery systems, increased competition in global WHM visas & high fees	-Include regional hospitality work -Review visa fees & structures to stay competitive -Increase country caps on WHM visas	Reduce staff shortages
TSMIT: Above the award rate at $76k, a 4.6% increase YoY that businesses can't afford	-Pin the TSMIT to the annual Minimum Wage Review Increase	Parity across wages - same job, same pay for Australian & foreign workers
Training: Current training funding prioritises apprenticeships, which have high dropout rates and don't suit fast-paced hospitality. There's little support for short, practical entry-level courses.	-Fund a nationally available, fully subsidised Hospitality Job-Ready Short Course Program covering RSA, food safety, barista, bartender, and knife skills.	Provides job-ready candidates, boosts workforce participation, reduces dropouts, and strengthens hospitality employment outcomes.

Source: NCVER, December 2024
Source: Dept of Employment & Workplace Relations & Budget Papers
Source: Dept of Employment & Workplace Relations & Budget Papers

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Tax Policy Priorities

Challenge	Ask	Benefit
Tax on Tips / Gratuities: Very difficult to report on tipping	-Remove tax on gratuities / tipping	Transparency, increase to ABS average income for Accom & Foodservice, a real help to workers during the cost-of-living crisis
Digital Tax Rebate: Unaffordable but necessary spending on software for payroll processing, time & attendance, accounting, positive duty, online ordering, cyber security, & licensing to remain compliant.	-A refundable tax rebate equal to 20–30% of eligible digital technology expenditure, capped at $20,000 per business per year	Reducing the cost of compliance with red tape will go a long way in improving productivity and compliance
Payroll Tax: Thresholds have not been raised in line with wage increases + confusion over grouping	-Thresholds need to be raised at least in line with Minimum Rate increases. -Discuss grouping for ‘like businesses’ rather than 'barely related' entities	Payroll Tax is seen as a punishment tax on employment, and reduces funds that could be reinvested in the business to improve productivity
FBT: Discourages spending in restaurants & cafes. Compliance is costly & complicated for SMEs.	-Allow 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.	Stimulate increased patronage of restaurant & cafe, driving revenue growth & boosting GDP

Challenge	Ask	Benefit
GST Reform: Remove complexity	-Simplify GST Rules for Mixed-Supply Venues -Streamline GST compliance for venues offering both GST-free (e.g. bottled water, basic food) and GST-applicable items (e.g. prepared meals). -Reconsider the complexity and inconsistency of Australia's food GST laws (e.g. a muffin is GST-free until heated).	Reduce bookkeeping complexity, avoids misclassification and audit risk, especially helpful for takeaway and multi-service venues
Instant Asset Write-off:	-Increase the threshold to $100,000 -Establish a permanent scheme -Increase scope for eligibility criteria	Allows more funds to be reinvested into the business to improve productivity

Challenge: Industrial Relations

Unintended Consequences

Potential Removal of Junior Rates
Removing junior pay rates would significantly increase staffing costs for entry-level roles, making it harder for venues to offer young people who predominantly live at home, their first job in hospitality and ultimately increasing menu prices.

Portable Long Service Leave
Early discussions of national rollout creating uncertainty and may increase expenses, levies and red tape for employers without improving retention. High proportions of student & foreign workers on temporary visas in hospitality means that many employers won't benefit from the scheme. (e.g. Leave ACT)

Casual Employment Reforms
Redefining casual work and limiting flexibility affects venues that rely on dynamic staffing models. It also risks reducing shifts for staff who prefer casual terms and penalty rates.

Annual Wage Review Volatility
Above-inflation wage increases with no productivity link create unpredictability for future wage costs. This impacts menu pricing, payroll forecasting, and long-term viability for small operators.

Ongoing Restaurant Award Complexity Reforms
Uncertainty around Modern Award simplification makes it difficult to plan staffing, ensure compliance, and manage classifications. This discourages hiring and adds risk for venues already navigating complex rostering obligations.

Right to Disconnect Legislation
Restrictions on after-hours contact challenge venue managers needing to fill shifts or manage compliance. Small operators who manage rosters personally may struggle with urgent operational needs.

Criminalised Wage Underpayments
Criminalising wage underpayments increases fear and legal risk for small operators, even when mistakes are unintentional or due to Award complexity.

Migration and Skilled Worker IR Integration
Rising thresholds and changes to migration lists don't reflect real hospitality wage structures. This creates hiring delays and uncertainty for venues trying to sponsor essential skilled staff.

Penalty Rates and Public Holiday Pay
Inconsistent policy direction on penalty rates undermines cost modelling and confidence in trading. Venues face tough choices on staffing or reducing hours on weekends and public holidays with many now choosing to close.

Green Tick Pilot
Support ARCA to establish a Green Tick program to improve compliance with the Fair Work Act & Restaurant Award.

Key Challenge: Surcharge Ban

Challenge: RBA Surcharge Ban threatens small businesses
The Reserve Bank's proposed ban on card surcharges would force small hospitality businesses to absorb rising merchant fees - stripping them of a vital cost-recovery tool. This shift benefits card issuers and premium cardholders, while hurting venues and inflating prices for all diners, especially those using cheaper payment methods like cash or EFTPOS.

Why It Matters:
Costs Shift to Venues: Without surcharges, operators absorb 100% of processing fees on most transactions — up to 2% per sale. 81% of restaurants & cafes passed on costs through surcharges to 2025.
Prices Will Rise: Businesses will have no choice but to increase menu prices, impacting all customers.
Transparency Lost: Diners won't see the true cost of their payment choices.
Unfair to Small Operators: Many already waive surcharges for debit cards or loyal customers. The ban removes flexibility.
Less Competition: Surcharges encourage use of low-cost payment methods. A ban pushes people toward expensive cards, increasing fees over time.

Recommendation:
Reject the blanket surcharge ban. **Instead**:
- Preserve surcharge rights with clear transparency rules.
- Commission a Regulatory Impact Assessment to assess real-world effects on hospitality.
- Alternatively, cap surcharges at processing cost + a minimal admin margin.
- Target the real problem - excessive merchant fees - not venues managing costs fairly.

Outcome:
This balanced approach protects pricing flexibility, maintains transparency, and supports the long-term viability of Australia's hospitality industry - keeping dining out fair and affordable for all.

Other Challenges facing Restaurants & Cafes

Challenge: 65% of superannuation paid to short-term visa workers is often forfeited to the ATO upon departure
Recommendation: Allow hospitality operators to offset forfeited super balances against future super obligations or industry training contributions
Outcome: Fairer treatment for employers and more reinvestment into the industry rather than leakage to general revenue

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Challenge: Rising energy costs and future uncertainty around mandatory electrification
Recommendation: Provide targeted energy transition grants and grid readiness assessments before mandating electric-only commercial builds
Outcome: Energy savings without cost shocks or disruption to kitchen operations

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Challenge: Absence of Australia in the Michelin Guide, limiting prestige dining tourism
Recommendation: Co-invest with state governments in a Federal Michelin Guide Partnership, with coverage across CBDs and regional food hubs
Outcome: Enhances Australia's global culinary reputation and attracts high-value international food tourists

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Challenge: Lack of national investment in hospitality entrepreneurship and innovation including AI
Recommendation: Establish a national Hospitality Innovation Fund to support pilot programs, technology trials, and business model experimentation
Outcome: Future-proofed industry with globally competitive practices and job creation through innovation and improve productivity

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Let's Build a Better Future for Hospitality

ARCA represents thousands of restaurants and cafes across Australia. We work with policymakers to secure practical, long-term solutions that support jobs, reduce cost pressures, and enable hospitality to thrive.

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