



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

54,614

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

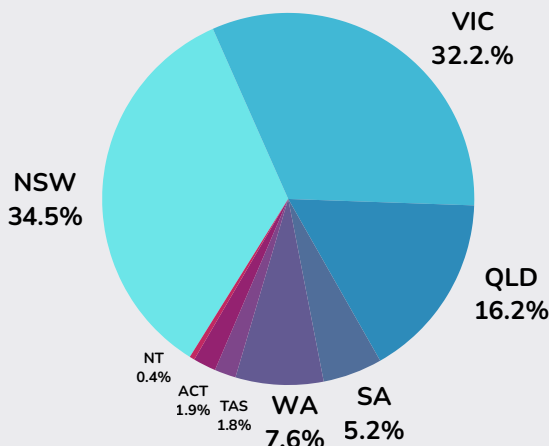


Hospitality in numbers: 2025

54,614

Restaurants & Cafes

(down 2% from last FY)



Restaurants & Cafes represent

49.98%

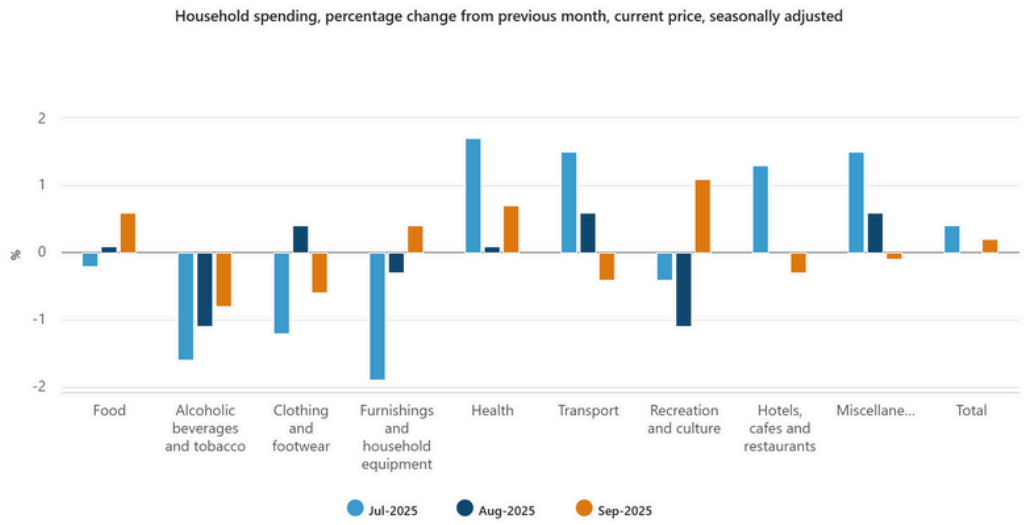
of the Accommodation & Foodservice Industry

Takeaway	24.37% (up 1.24%)
Accommodation	11.52% (down 10.68%)
Pubs/Hotels/Bars	6.38% (up 0.23%)
Catering	4.59% (down 0.59%)
Clubs	3.16% (down 1.76%)

Source: ABS Entry Exit FY25 (abs.gov.au)

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, IBIS World 2025.



Source: Australian Bureau of Statistics, Monthly Household Spending Indicator September 2025

Monthly Household Spending Trends

Household spending for hotels, cafes, and restaurants decreased by **0.3%** in September 2025.

By state, the largest decreases in household spending for hotels, cafes, and restaurants, were in ACT (**-1.7%**) and NT (**-1.7%**), while QLD & VIC both fell 0.9%.

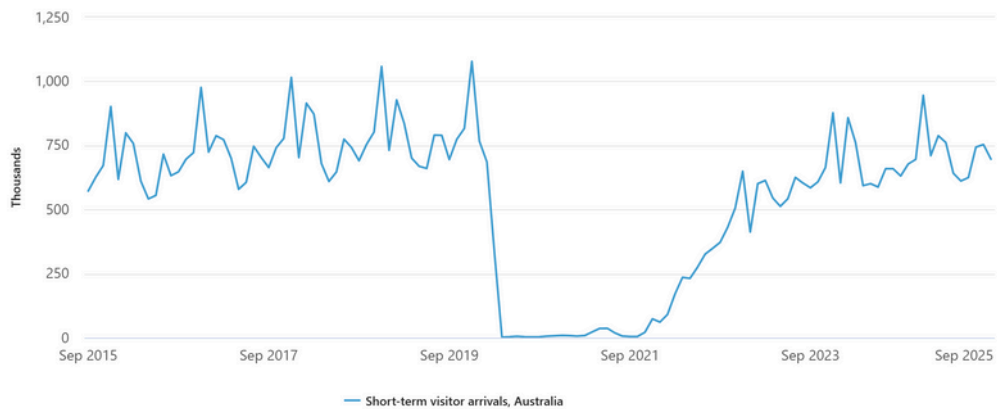
Quarterly Menu Price Inflation

	Jun-24 (%)	Sep-24 (%)	Dec-24 (%)	Mar-25 (%)	Jun-25 (%)	Sep-25 (%)
Services - total	4.5	4.6	4.3	3.7	3.3	3.5
Restaurant meals	4.1	2.8	2.7	2.7	2.3	3.3

Restaurant Meals up **3.3%** YoY, one of the contributors to the **Services Inflation** that rose **3.5%** YoY.

Source: September 2025 CPI Indicators | ABS (abs.gov.au)
Source: September 2025 | ABS (abs.gov.au)

Demand Challenges



Source: Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia September 2025

Inbound visitor numbers remain stuck at 2017 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 September 2025, international short-term visitor arrivals were still down 7% from Pre-COVID 2019 (down nearly 500,000 visitors) - still in line with 2017 figures, highlighting the slow pace of recovery and the ongoing pressure on businesses that depend on overseas visitors for foot traffic and revenue.

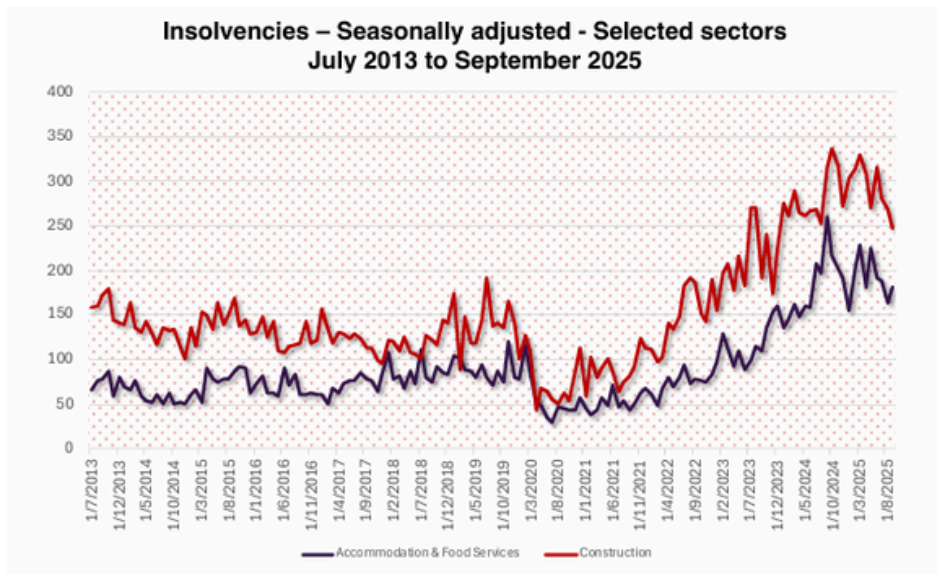
Additionally, while NZ visitors are up 7% (\$1,700 average spend per pax), visitors from China are down 16% (\$10,000 average spend per pax) (www.tra.gov.au).

Of specific note, Victoria is tracking **down** nearly 11% over the last 6 months.



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

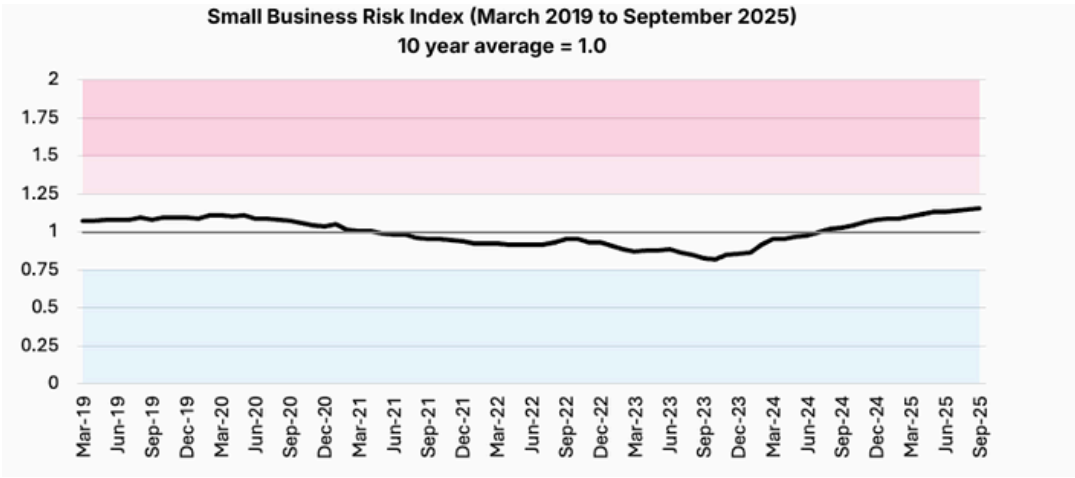
State of the industry



Data source: Creditor Watch, ASIC, October 2025

The September 2025 CreditorWatch Business Risk Monitor shows that while insolvencies in hospitality have fallen slightly, the sector remains one of the most vulnerable in the country. Insolvencies in the **Accommodation and Food Services category** dropped 19% month-on-month, signalling some stabilisation after months of high failure rates. However, CreditorWatch notes that this decline is largely due to a reduction in Small Business Restructuring (SBR) approvals rather than an improvement in business conditions. The Australian Tax Office has tightened eligibility for SBRs, which means fewer small hospitality operators are entering formal restructuring despite ongoing financial stress.

Hospitality, particularly food and beverage services, continues to rank among the highest-risk industries for small business failure. CreditorWatch's Small Business Risk Index shows that **failure rates across small enterprises are now 15.1% above the 10-year average**, up from 12% in August, with **cafés, restaurants and caterers driving much of that increase**. The report highlights that many operators remain heavily exposed to weak consumer spending and the cumulative impact of higher costs.



Data source: Creditor Watch, ASIC, October 2025

Payment defaults, while still elevated, have stabilised after peaking earlier in the year. This suggests that although **cashflow pressures persist**, the rate of deterioration has eased slightly. However, defaults remain a leading indicator of future insolvencies, and CreditorWatch expects **elevated failure levels to continue over the coming months**.

Overall, the **sector remains in a fragile position**. High energy prices, rising wages and input costs continue to weigh on margins, and while recent interest rate cuts and tax adjustments may eventually offer relief, their effects are yet to flow through meaningfully. CreditorWatch expects **insolvencies across hospitality and foodservice to stay near record highs through the rest of 2025**, with only gradual improvement expected into 2026.

3.9%

Average Restaurant
profit margin

3.3%

Average Cafe
profit margin

91.4%

Businesses earn
less than \$2m

Source: H4511A Restaurants in Australia - MyIBISWorld, March 2025

Source: ABS Counts of Australian Businesses, September 2025

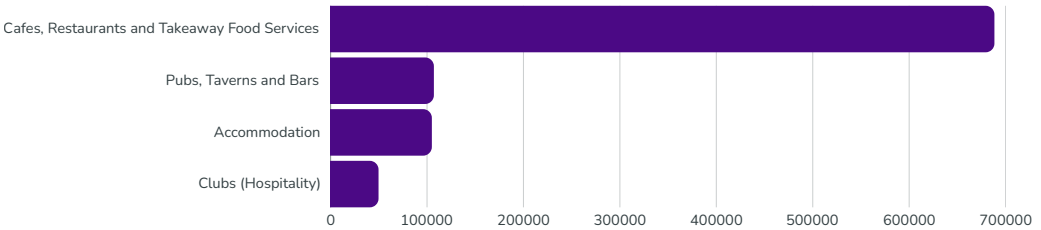
Source: CreditorWatch Business Risk Monitor, October 2025



Workforce

Accommodation & Foodservice Industry employs **966,000**, 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 **688,400** 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	Nov 2025	
Chef	6039	
Sous Chef	2780	
Chef de Partie	3288	
Commis Chef	3179	
Kitchen Hand	3985	
Pastry Chef	722	Up YOY
Restaurant Manager	7691	138%
Restaurant Asst Manager	7077	556%
Café Manager	3365	
Waitstaff	5278	
Barista	1652	
Bartender	2940	
Host/Hostess	2050	
Total	50,046	
www.seek.com.au	166,775	
Percentage of all Seek Jobs	30.0%	

Workforce Policy Priorities

Challenge	Ask	Benefit
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
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
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.
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

Source: NCVER, March 2025

Source: Dept of Employment & Workplace Relations & Budget Papers

Source: Dept of Employment & Workplace Relations & Budget Papers



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
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	Ask	Benefit
GST Reform: Remove complexity	<ul style="list-style-type: none"> -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
FBT: Discourages spending in restaurants & cafes. Compliance is costly & complicated for SMEs.	<ul style="list-style-type: none"> -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: Industrial Relations

Unintended Consequences

Woolworths and Coles Federal Court Decision — Impact on Restaurants & Cafés

The decision increases exposure to obviously unintentional underpayments IF the decision is upheld, which, depending on interpretations, may go back 6 years. This will lead to increased insolvencies in the industry, already at 10%. Government must step in to set guardrails and introduce a time-limited safe-harbour for self-disclosure with staged remediation and waived penalties.

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)

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.

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.

THE INDUSTRIAL RELATION PUZZLE FACING RESTAURANTS



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



The Risk

The RBA's fast-tracked plan to ban card surcharges would force small hospitality venues to absorb rising merchant fees, removing a vital cost-recovery tool and shifting value to card issuers and premium cards at the expense of diners and small businesses.

Why it matters:

Costs shift to venues: Without surcharges, operators wear up to ~2% per sale in processing costs, even if merchant fees are reduced in the short term. 81% of restaurants & cafés currently pass through fees.

Prices will rise for everyone: With no way to steer or recover costs, menu prices increase across the board, even for those paying cash.

Choice and transparency disappear: Diners won't see the true cost of payment choices (cash/eftpos vs premium credit).

Less competition, higher fees: Surcharges encourage low-cost rails; a ban pushes usage to expensive cards, entrenching higher fees over time.

ARCA's Ask - Don't rush it, get this right:

1. **Pause** the blanket ban and conduct a full Regulatory Impact Assessment focused on hospitality.
2. Based on a review, potentially cut merchant fees first: cap interchange, ban anti-steering, and mandate least-cost routing (incl. wallets & tap-to-phone).
3. Preserve surcharge rights with transparency rules; if capped, limit to actual processing cost + minimal admin margin Or stick with debit only bans.
4. Publish quarterly fee data so businesses and consumers can see who benefits.

The outcome we want:

A balanced approach that **protects pricing flexibility**, keeps payment costs visible, and **supports small venues' viability**—so dining out remains **fair and affordable** for all.

Let's get this Right, not Rushed

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 industry to offset forfeited superannuation vs Skilling Australians Fund ('SAF') Levy

Outcome: Fairer treatment for employers and more reinvestment into the industry rather than leakage to general revenue

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

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

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





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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