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## **MEDIA RELEASE**

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### **FURTHER STRENGTHENING THE UNFAIR CONTRACT TERM PROTECTIONS FOR SMALL BUSINESSES**

The Morrison Government will further strengthen protections to all small business from unfair contract terms (UCTs).

The Government will introduce amendments strengthening the current laws, subject to the outcomes of a Regulation Impact Statement (RIS) process.

In late 2018, a review of the existing legislative protections provided to small businesses in relation to UCTs was undertaken. The review found while the current UCT regime (which commenced in November 2016) has improved protections to small business in certain industry sectors, it does not provide strong deterrence for businesses to not use UCTs and therefore does not afford appropriate protections to many small businesses. In addition, a number of the legislative settings of the current regime appear to have created ambiguity, uncertainty and practical difficulties for businesses in complying with the law.

In light of the findings of the review, the Government will consult on the following options to amend the UCT regime for small business through a RIS process. The options include:

- Making UCTs illegal and attaching civil penalties to breaches;
- Redefining small business for the purposes of the protections as a business that employs fewer than 100 persons at the time the contract was entered into or had an annual turnover less than \$10 million;
- Broadening the coverage of small business contracts by removing the value threshold;
- Further clarifying the definition for a standard form contract;
- Extending the UCT protections to government contracts; and
- Considering exempting 'minimum standards' prescribed by state and territory laws.

In addition to these options, stakeholder views on a number of technical amendments will be sought through the RIS process.

The UCT protections for small business are mirrored in the Australian Consumer Law for consumers and the Government has also committed to extend UCT protections to insurance contracts. To ensure the regime continues to be consistently applied across the economy, the Government will also consult, as part of the RIS process, on whether it is appropriate to apply any enhanced protections for small business to consumers and insurance contracts.

The review also highlighted the need for regulators to improve their guidance for complying with the law and to work with industry stakeholders to promote awareness of the UCT protections for small business. Following the finalisation of the consultation process, the Government will ask regulators to revise UCT guidance and work with industry to improve awareness of the provisions where possible.

These reforms would significantly strengthen the UCT protections for small businesses. However, the Government intends to consult with all stakeholders, including states and territories, before making policy decisions to ensure any changes achieve their intended affect.

**Ends**