



AUSTRALIAN HOTELS ASSOCIATION

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30 January 2026

Hon Dr Jim Chalmers MP
Treasurer
Parliament House
Canberra ACT 2601

By email PreBudgetSubmissions@treasury.gov.au

Dear Treasurer,

Pre-Budget Submission 2026

Please see the submission below.

1 BACKGROUND

The Australian Hotels Association (AHA) is an organisation of employers in the hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009*. Its diverse membership includes pub-style hotels, bars, taverns and restaurants plus three, four and five-star international accommodation hotels located in each state and territory. The size and scope of the AHA hotel industry includes:

- More than 6,000 businesses
- Generating more than \$12,000,000,000 in economic benefit
- Providing over 300,000 jobs
- Providing 150,000 plus accommodation rooms across the country
- Supporting more than 50,000 community groups

Accommodation Australia

The AHA notes that Accommodation Australia is a division of the AHA. The AHA supports the submission of Accommodation Australia.

2 MERCHANT CARD COSTS AND SURCHARGES

Issue

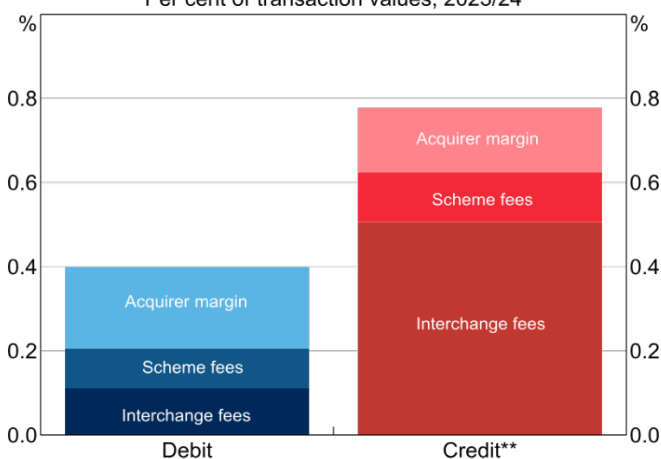
On 15 October 2024, the Prime Minister and Treasurer announced, “The Government is prepared to ban debit card surcharges, subject to further work by the Reserve Bank of Australia (RBA) and safeguards to ensure both small businesses and consumers can benefit from lower costs.” The AHA

supports this principle. Unfortunately, the RBA in its review papers so far has extended this ban to include banning surcharges on credit cards.

The underlying cost of a debit transaction is less than 0.5%, whereas the actual cost of a credit transaction can be as high as 2.5%. A major cause of this is the higher interchange fees charged on credit transactions.

Average Merchant Fees of Card Payments*

Per cent of transaction values, 2023/24



The issue is that most small businesses are paying “bundled rates” as high as 1.6% so that debit card users and credit card users pay the same surcharge. The RBA estimates about 80% of transactions are by debit card. This means that 80% of all transactions cost three times more than they need to.

These higher fees are then used by payment system providers to fund benefits for credit card users that are not provided to debit card users. These benefits include for example long interest free periods, frequent flyer points, complimentary airline lounge passes and complimentary international travel insurance.

It is unfair that debit card users are cross subsidising credit card users. Credit card users should be required to pay for the additional benefits they enjoy, and these costs should not be borne by debit users, merchants or cash users.

Solution

The AHA has provided submissions to the RBA on this matter.¹ The solutions include:

- Stick with the basic principle outlined by the PM and Treasurer and make debit cards surcharge-free - but allow business to continue surcharging on credit cards.
- Enforce separation of debit from credit card merchant service fees (e.g. no blended rates for debit and credit), unless the business wants to opt out to a blended rate
- Mandate Dynamic Least Cost Routing on debit card transactions, unless the business wants to opt out
- Cap Scheme Fees (not just interchange) at:
 - Debit - \$0.01 for transactions under \$50.00, and at \$0.15 above \$50.00
 - Credit - \$0.02 for transactions under \$50.00 and at \$0.20 above \$50.00

¹ [RBA-Submission-re-Merchant-Card-Costs-and-Surcharging-response-to-2nd-consultation-paper-August-2025.pdf](#)

- Reduce debit interchange close to zero as recommended by the Black Economy Taskforce and Productivity Commission²
- Delay implementation of any proposed surcharge ban for 12 months so as to enable existing contracts to be reviewed and revised

3 ENSURE A PIPELINE OF SKILLED MIGRANT WORKERS

Issue

Recent calls to ban or reduce migration will do immense harm to Australia's hospitality sector. Such bans or reductions will also harm other industries including for example, aged care, hospitals, transport, and the meat industry.

Where a skilled Australian worker cannot be found (sadly, all too often), hotels rely on skilled workers from overseas to fill the gaps.³ Never has this been more important. The hospitality industry relies on 5,000 permanent skilled migration places and 10,000 temporary skilled migrant places each year.

The Accommodation and Food Services (AFS) industry is predicted to grow by 33,400 or 3.5% in the five years to May 2030 and 92,400 or 10% by 2035. Skilled migrants, both permanent and temporary, are the only way to fill these gaps nationwide.

Solution

Where gaps cannot be filled by skilled local workers, the government should ensure the hospitality industry can sponsor key skilled occupations for both permanent and temporary migration:

- 5,000 permanent skilled migrant places a year
- 10,000 temporary skilled migrant places a year

4 ENSURING A PIPELINE OF AUSTRALIAN APPRENTICE CHEFS

Issue

Australia's hospitality industry is experiencing a critical shortage of chefs. Seek currently lists 5,246 chef vacancies and 4,824 cook vacancies. Many establishments rely on temporary skilled migrants to maintain kitchen operations. However, continued dependence on skilled migration is not a sustainable or complete solution.

Despite improvements in workplace conditions, including higher wages and stronger work health and safety regulations the industry continues to struggle with high attrition rates and insufficient local chef training pipelines. The table below indicates over the last five years:

- a reduction in chef apprentices in training of 26.1%
- a reduction in chef apprentice commencements of 50.1%

² [Interchange fees | Review of Retail Payments Regulation – Conclusions Paper | RBA](#)

³ [Skilled-Migration-Inquiry-January-2026.pdf](#)

Chef Apprentices in training June quarter								
	2021	2022	2023	2024	2025	2025 v 2021	2025 v 2024	
Chefs Cert IV	435	630	540	515	720	65.5	39.8	
Cooks Cert III	7375	7745	6945	6020	5055	-31.5	-16.0	
Total	7810	8375	7485	6535	5775	-26.1	-11.6	
Chef Apprentices commencements year to 30 June								
Chefs Cert IV	260	535	125	430	270	3.8	-37.2	
Cooks Cert III	4170	4005	2725	2505	1940	-53.5	-22.6	
Total	4430	4540	2850	2935	2210	-50.1	-24.7	
Hospitality Traineeships in training June quarter								
Cert I to Diploma	12155	18175	11655	8575	5955	-51.0	-30.6	
Hospitality Traineeships commencements year to 30 June								
Cert I to Diploma	12060	17650	6920	7140	5090	-57.8	-28.7	
<i>Source: National Centre for Vocational Education Research</i>								

One of the largest barriers to increasing apprentice chef commencements is the cost to the employer in the first year. The costs of supervision, particularly in the first year and in a sector which works 24/7, is a major barrier to employers committing to hiring an apprentice chef. A new apprentice knows little about operations in the kitchen, their productive output is low and supervisory costs high. These costs are even higher in hospitality due to the 24/7 nature of the industry and the rostering complexities of ensuring adequate supervision for the apprentice.

A stronger, incentivised apprenticeship model is essential to attract and retain aspiring chefs, ensuring a skilled workforce that meets industry demand. By reducing the financial burden on apprentices and providing targeted employer support, the government can improve retention rates, strengthen local employment, and promote long-term industry growth.

The capacity of hospitality businesses to take on apprentice chefs was not helped by the Government's recent announcement that employer incentives in the first year for taking on an apprentice chef will reduce from \$5,000 to \$2,500. This is despite employers still being required to pay into the Skilling Australia Fund.

Solution

It is proposed that the current incentives to both the employer and the apprentice be increased over the term of the apprenticeship to \$15,000 for each, with the employer incentives concentrated on year 1, where productivity of the apprentice is low and supervisory costs are high. The proposed incentive structure would be as follows:

Incentives Payment Schedule	Chef apprentice	Chef Employer
Year One		
3 months		2,000
6 months	3,000	2,000
9 months		2,000
12 months	3,000	2,000
Year Two		
18 months	2,500	2,000
24 months	2,500	2,000
Year Three	2,000	2,000
On completion	2,000	1,000
Total	15,000	15,000

Benefit

By adopting this structured financial incentive model, the government can help hospitality businesses:

- Increase apprentice chef commencements
- Reduce apprentice dropout rates
- Encourage more young Australians to pursue culinary careers
- Support industry growth while easing cost pressures on businesses
- Reduce dependency on skilled migration

5 SKILLING AUSTRALIA FUND (SAF)

As far as the hospitality industry is concerned, the Skilling Australia Fund (SAF) needs to be called out for what it really is – just another tax on business.

The principle underlying the SAF is fair. That is, the SAF levy is designed to ensure that employers who hire foreign workers contribute to the broader skills development of Australians. However, in practice the SAF is non-transparent, unfair, and under delivers on training outcome for our industry.

One of the worst aspects is the employer not being refunded the levy if an application for a Skills in Demand or ENS (permanent) visa application is unsuccessful. The employer already pays substantial visa application fees (\$330-\$540 plus \$420 to become an approved sponsor), so it is unjustifiable that the SAF levy is not refunded in all circumstances where the role is not filled.

We estimate the hospitality industry would have contributed in 2024-25 approximately \$64 million to SAF.⁴ There is zero transparency as to how any of this \$64 million has been allocated to benefit the hospitality businesses who paid for it to develop Australian workers.

This lack of transparency is compounded by the Government's recent decisions to halve the government funded employer incentives to employ an apprentice for many occupations; the

⁴Estimate based on 10,770 industry temporary migrants, and 2,000 employer sponsored permanent migrants, estimating that half the applicants would be large businesses.

removal of employer incentives entirely from hospitality traineeships; and the decline in publicly funded training for hospitality qualifications

Solution

- The Skilling Australia Fund levy should, at a minimum, be halved to \$600 per year for small business and \$900 for large.
- Improve the fairness of the SAF levy by ensuring industries that contribute via the levy to skilling Australians are prioritised for government training funding.
- The Government should increase transparency by publishing the allocation of funding by sector.
- Reduce the complexity of refunds of the SAF levy so that when the job role is not filled by a sponsored migrant, the levy should be refunded.

6 VISA PROCESSING

Issue

Post Covid, the Government's efforts to clear the backlog of visa applications and improve visa processing times were successful. However, members report that they are again experiencing extensive delays, particularly with temporary skilled visas (at times up to 9 months).

There are also increasing examples from members of refused visa nominations based on poor assessment decisions. It seems that some assessors are making assumptions about businesses they have no idea about. The assessors are also drawing conclusions "on the papers" without proper investigation.

Solution

We recommend the Government increase the investment in visa processing resources and look at ways of reducing delays, further cutting red tape, improve decision making, and reducing costs to business and migrants.

7 LIQUOR EXCISE

In the 2025 budget, the Government announced it will pause indexation on draught beer excise and excise equivalent customs duty rates for a two-year period, from August 2025. Biannual indexation will then recommence from August 2027. The AHA thanks the Government for this pause in indexation of excise.

For the 2026 budget, the AHA proposes:

- The pause on indexation of excise be extended to include tap spirits served on-premise in hospitality venues.
- Tap spirits would include bulk containers of spirits and lower alcohol premixed drinks designed to be connected to pressurised or pump delivery systems.
- It is not proposed to extend to standard bottles of full-strength spirits or to individual ready-to-drink bottles or cans.

Spirits and Cocktails Australia industry costings, based on public ATO reporting, and data from international data house International Wine and Spirits Record (IWSR), indicate the cost of extending the excise freeze to tap spirits will be around \$5 million per year.

8 FRINGE BENEFITS TAX (FBT)

Issue

Currently, a hairdresser who takes their staff to a pub for the staff Christmas party has to pay FBT on that cost – but a big law firm who hosts its directors in their boardroom does not pay FBT and can claim the cost of the party as a tax deduction. In the ultimate Christmas Grinch scenario, the ATO guidance on FBT has four sections dealing with Christmas parties.⁵

The current structure of FBT favours large-scale businesses which have had the expertise to devise ways to work around and defeat the intent of the FBT scheme, for example by bringing catering in house for boardroom lunches. It also stifles expenditure in hospitality businesses, thus suppressing employment in the hospitality and accommodation sectors.

Solution

The AHA recommends the Government enable all taxpayers who carry on a business:

- Be allowed to claim a tax deduction and GST inputs on meal entertainment provided to workers (excluding alcohol)
- The Government may wish to impose a cap per head or per business.
- Together with being allowed a credit for the related GST and not requiring any FBT for the business owner or their employees
- Please note – this benefit is intended to be for workers only and not for business associates of the employer

9 CONCLUSION

Thank you for the opportunity to have made this submission.

Yours faithfully,



STEPHEN FERGUSON
NATIONAL CEO

⁵ [Fringe benefits tax - a guide for employers | Legal database](#)