

The New Financial Year: A cashflow reset for SMEs

AUSTRALIAN SME OUTLOOK · FY27

Australian SMEs are entering the new financial year with a long list of policy, workplace and economic changes to absorb. That makes it an ideal time for a working capital reset.

Some changes will be welcomed by business owners; the permanent \$20,000 instant asset write-off, confirmed in the May Federal Budget, provides useful certainty for small businesses planning equipment, vehicle or technology purchases.

Unfortunately, other changes will place immediate pressure on cashflow, particularly for employers managing payroll, award wages, superannuation and supplier payments. At the same time, global uncertainty, including the ongoing impact of conflict in the Middle East on fuel, freight and supply chains, continues to create cost and margin pressure for many businesses.

For SMEs, the issue is not whether any one change is positive or negative when looked at in isolation. The real question is whether business owners have adjusted their cashflow, pricing, purchasing and funding settings to manage the cumulative impact of a raft of changes.

Pay-day Super changes the timing of cash out-flows

One of the most significant shifts for employers in FY27 is Payday Super.

From 1 July 2026, employers are required to pay superannuation at the same time as wages, rather than quarterly. The reform is designed to improve compliance and make it easier for employees to track whether their super has been paid, but it also has practical cashflow implications for employers.

Payday Super does not change the total amount employers owe, but it does change when cash leaves the business. For SMEs that have historically managed superannuation on a quarterly cycle, the change reduces the ability to use that period as a short-term cash buffer. That makes payroll accuracy, payroll system readiness and short-term forecasting more important.

Employers will need to forecast wages and super together, not separately. They will also need to ensure cash is available on each pay cycle, especially where revenue is uneven or debtor payments are slow, which is an increasing trend in Australia's B2B payment landscape. For

businesses already managing tight margins, this timing shift for superannuation payments is significant.

Residential builders also start the new financial year absorbing a fresh compliance shift, as Victoria's first-resort home building insurance model under the Buyer Protections Act begins full implementation from 1 July 2026. For SME builders and developers, that combination of rising costs, labour scarcity, supply-chain insolvency risk and an unrelenting state tax and regulatory load is making flexible, fast-moving finance an increasingly critical part of simply getting through the year.

Wage and Award increases will lift the true cost of labour

The new financial year also brings higher wage costs. The national minimum wage has increased to \$1,004.90 per week, or \$26.44 per hour, while modern award minimum wages have increased by 4.75 per cent. The increase affects about 2.8 million lower-paid workers and took effect from the first full pay period on or after 1 July 2026.

For SMEs in labour-intensive industries, including: hospitality, retail, transport, care, agriculture, construction and business services, the impact will not be limited to the base hourly rate.

Wage increases flow through to superannuation, leave accruals, overtime, penalty rates and the overall cost of doing business. They can also effect quoted work, contract margins and pricing models, so businesses need to update their assumptions.

This is where many businesses can be caught out. A pay increase may look manageable at first glance, but the broader payroll impact can be much larger once on-costs are included. SMEs that haven't already done so should urgently review award coverage, salary arrangements and payroll settings now. The cost of getting it wrong can show up later as back-pay liabilities, employee disputes or compliance issues — all of which can become working capital problems.

Instant Asset Write-Off certainty is welcome, but cash matters

On the positive side, the permanent \$20,000 instant asset write-off, provides useful certainty for businesses planning investment.

The measure is designed to support investment and improve small business cashflow. Those with turnover under \$10 million will be able to immediately deduct eligible assets costing less than \$20,000, rather than depreciating those assets over several years.

It can help SMEs plan purchases of equipment, vehicles, tools, technology and other productive assets. However, business owners should still be careful not to confuse a tax benefit with free cash.

While the instant asset write-off may improve the after-tax position of an eligible purchase, businesses still need to fund the asset upfront or through finance. As always, the best investment decisions should be driven by the potential for productivity and capacity gains, not tax treatment alone.

The key question should be whether this purchase helps the business operate more efficiently, increase capacity, win more work or improve margins. If the answer is yes, the write-off can support a sound investment decision. If the answer is no, the business may simply be adding cost and complexity at a time when working capital needs to be protected.

Global uncertainty is still effecting SME cash-flow

External risks also remain front of mind.

The ongoing impact of Middle East conflict has reinforced how quickly global events can affect local business conditions. Fuel prices, freight costs, shipping routes, insurance costs, currency movements and input prices can all shift quickly.

For importers, exporters, transport operators and inventory-heavy businesses, these pressures can have an immediate working capital impact.

Higher freight or fuel costs can squeeze gross margins. Shipping delays can create stock shortages and revenue gaps. Currency volatility can increase the cost of imported goods. In some cases, businesses may need to carry more inventory to protect supply, which ties up cash that could otherwise be used elsewhere.

Global uncertainty often lands in an SME's bank account before it appears in official data. That makes scenario planning essential. Business owners should know what happens to cashflow if freight costs rise, supplier payments are brought forward, debtor payments slow, or stock takes longer to arrive.

Cash-flow Is King

The new financial year brings both opportunity and pressure. The common thread across all of the changes mentioned is timing; when does cash come in, when does cash go out, what happens if either side of that equation changes?

A business can be profitable, growing and winning new customers while still coming under pressure if cash is tied up in stock, invoices, payroll or compliance obligations. That distinction matters more in FY27.

SMEs should use the start of the financial year to update their cashflow forecasts, review payroll and superannuation settings, reassess pricing, check debtor days and stress-test their working capital needs.

For many businesses, a rolling 13-week cashflow forecast is a practical place to start. It should map payroll, super, tax, rent, insurance, supplier payments, finance commitments and expected receipts by due date, not just by monthly average.

Business owners should also ask whether their current funding structure is fit for the year ahead. A growing business may need working capital to fund stock, staff, equipment or larger orders. A business facing cost pressure may need flexibility to manage uneven revenue, delayed payments or higher input costs. In both cases, waiting until cashflow pressure becomes acute usually means fewer options.

Relief measures such as the instant asset write-off are welcome, but they sit alongside higher labour costs, tighter payroll obligations, compliance changes and ongoing global uncertainty.

FY27 will reward preparation.

The businesses best placed to navigate change will not necessarily be the biggest. They will be the ones with the clearest view of their cashflow and the right funding structure in place to absorb pressure and take advantage of opportunities. So, talk to your advisors early, and don't wait for a cashflow crunch before reviewing working capital.

Small & Medium Business Cashflow Checklist for the New Financial Year

1	Update payroll forecasts to include wage increases and payday super timing.
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2	Check payroll and super systems are ready for payday-based super contributions.
3	Review award coverage, classifications and salary arrangements to avoid costly back-payments down the track.
4	Re-forecast working capital using weekly or fortnightly cashflow timing, not just monthly averages.
5	Identify exposure to fuel, freight, imported goods and currency volatility.
6	Review pricing to reflect higher labour, freight, insurance and compliance costs.
7	Assess planned asset purchases under the permanent \$20,000 instant asset write-off and whether they will improve productivity or capacity.
8	Review debtor days and strengthen collections processes.
9	Consider whether existing finance arrangements are flexible enough for FY27 changes, whether financial safety nets are available, and whether personal and business cash outflows can be lowered.
10	Speak early with your accountant, Chocolate Money, or your finance broker.

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