

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**TREASURY**

**Australian Taxation Office**

(Budget Estimates 30 May 2006)

**Question**     **BET-133**

**Topic:**       **COST OF SOFTWARE FOR TAX CHANGES**

**Hansard**     **Written Question**

Senator **Sherry** asked:

The highlight small business concerns about the cost of updating software for changes to tax, announced in 2006-2007 Budget:

1.     *Does the ATO have a preferred software package for small business?*

No. However in recognition of the needs and benefits for small business in using a record keeping or accounting software package, the Tax Office produces a free, basic, electronic record keeping package (e-Record) which is designed as an intermediate step between manual (paper) record keeping and commercial software products.

2.     *Does the ATO recommend small business use any particular software package and if yes, why?*

The Tax Office does not recommend any commercial software packages.

3.     *Does the ATO receive money from the software company, by recommending small business use their product?*

No. The Tax Office does not recommend products from software companies.

4.     *How many small businesses will have to upgrade their accounting software, because of tax changes?*

Legislative changes that result in changes to tax rates will require businesses that manage their own payroll function, whether electronic or manual, to update their systems to ensure that tax is withheld at the correct rates.

5.     *How much will it cost each business, on average, to upgrade their software?*

It is a commercial decision on the part of software developers to charge for upgrades.

6.     *Is this cost tax deductible?*

Expenses incurred as part of the costs of carrying on a business are tax deductible.

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7. *If not, why can't the ATO at least provide updated tax tables from this software, to be made available to small business as a minimum solution?*

See answer to Q6.