

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 30 May 2006)

Question **BET 165**

Topic: **SIMPLIFIED TAX SYSTEM**

Hansard Page: **E122**

Senator Sherry asked:

—Turning now to the simplified tax system, how many small businesses have adopted the simplified tax system since its introduction in 2001?

Mr Konza—As at 31 December 2005 there were more than 620,000.

Senator SHERRY—The predictions of take-up: didn't the ATO not give a prediction of 95 per cent?

Mr Konza—I do not have any recollection of that.

Senator SHERRY—Could you take that on notice. What is the number of small businesses? Do we have a comparison in terms of the 620,000 take-up?

Mr Konza—I am advised that that is estimated to be 28 per cent of eligible businesses.

Senator SHERRY—Is that a lower take-up than expected by the ATO?

Mr Konza—The ATO just administer the simplified tax system and we have emphasised at all times since its implementation that it is a choice for taxpayers to make.

Senator SHERRY—Yes, I understand that, but you have to do costings. So you would still attempt to estimate, I would have thought, the likely take-up just for costing purposes.

Mr Konza—There may have been estimates but I am not aware of them.

Senator SHERRY—Take it on notice.

Answer:

The *Review of Business Taxation – A Tax System Redesigned*, July 1999 included *costings* based on the assumption that approximately two-thirds of eligible businesses could potentially benefit from and may elect to take up the option of the simplified tax system (STS).

Tax Office estimates in 2000 (i.e. prior to the passage of legislation) using a static 'snap-shot' analysis of 1997-98 income year tax return data, also showed that around two-thirds of tax returns with total business income (turnover) of less than \$1 million, had the potential to immediately benefit from the STS package upon its introduction.

For the remaining one-third of STS eligible taxpayers, the analysis of one year's data showed that they either returned no depreciable assets, no creditors, no debtors, and no closing stock and therefore would be unlikely to benefit from the STS package, or had the potential to immediately benefit from only one aspect of the regime.