

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

#### Budget Estimates

31 May – 2 June 2011

**Question No:** BET 4

**Topic:** Entrepreneurs' Tax Offset

**Hansard Page:** Written

#### Senator Abetz asked:

1. How many smaller businesses have claimed the Entrepreneurs Tax Offset each year since its introduction and if figures are not available for the current year, how many are expected to claim the ETO for 2009-10, 2010-11 and 2011-12?
2. What changes have been made to the eligibility criteria for the offset since its introduction?
3. Will you provide a table for each year where data is available showing the distribution of ETO benefit received was categorised in amounts rising by \$100 and the number of claimants in each category and the total value of the offset paid for each category?
4. Will you provide a table categorised by incomes ranges that show the number of claimants in each income range, average ETO benefit for claimant in the income range and total value of ETO benefit for the income range?
5. Will you provide a table that categorises the range of claimants by enterprise classification (e.g. independent contractor, partnership, etc), the number of claimants, average ETO benefit and total ETO benefit by classification?

#### Answer:

1. Data is not yet available for the 2010-11 and 2011-12 financial years as these returns have not yet been lodged. It is estimated that the number claiming the entrepreneurs' tax offset in 2010-11 and 2011-12 will be similar to 2009-10.

The table below lists the number of claimants for each year.

Year	Number claiming offset
2005-06	263,795
2006-07	349,233
2007-08	411,986
2008-09	425,447
2009-10*	346,539

Data is current as at 10 June 2011 for income years 2005-06 to 2007-08 and as at 15 June 2011 for income years 2008-09 and 2009-10 inclusive, for those returns available in the Tax Return Database.

\* Note: 2009-10 was the first year that the additional income test was applied to offset claimants. Also, tax returns for this year are still being submitted to the ATO, and the number of claims may therefore increase.

2. The main change to the eligibility criteria since its introduction relates to individuals meeting an additional income test from the 2009-10 income year onwards. Broadly, the new income test applies if you are a small business sole trader, a partner in small business partnership, or a beneficiary of a trust that is a small business.
3. Due to the size of the data table required to answer this question, this information has been included at Attachment A.
4. Due to the size of the data table required to answer this question, this information has been included at Attachment B.
5. Due to the size of the data table required to answer this question, this information has been included at Attachment C.

**Attachment A – Answer to Question 3.**

Claim Amount	2005-06		2006-07		2007-08		2008-09		2009-10	
	No. of claimants	Total offset (\$)	No. of claimants	Total offset (\$)	No. of claimants	Total offset (\$)	No. of claimants	Total offset (\$)	No. of claimants	Total offset (\$)
0 to 100	55,481	2,559,019	74,281	3,303,959	91,012	4,002,294	101,793	4,391,822	80,469	3,496,622
100 to 200	37,679	5,603,974	50,949	7,615,454	57,984	8,617,709	60,446	8,950,209	48,731	7,221,433
200 to 300	30,245	7,508,785	40,032	9,952,174	50,601	12,615,603	48,207	12,012,097	38,621	9,614,786
300 to 400	24,496	8,543,655	32,750	11,417,942	39,263	13,691,168	41,831	14,614,585	33,860	11,836,652
400 to 500	19,621	8,804,036	26,204	11,760,359	32,423	14,530,036	34,088	15,283,789	29,454	13,214,074
500 to 600	15,602	8,540,152	21,649	11,881,168	25,604	14,064,155	26,537	14,564,036	23,090	12,666,677
600 to 700	10,619	6,897,831	17,651	11,452,073	21,118	13,709,864	21,813	14,149,102	18,675	12,120,164
700 to 800	9,302	6,965,641	12,487	9,337,739	17,489	13,098,031	18,073	13,546,117	15,227	11,401,600
800 to 900	8,149	6,919,625	10,224	8,683,243	14,363	12,201,605	14,827	12,591,297	12,655	10,740,771
900 to 1,000	7,155	6,792,355	9,037	8,582,169	9,643	9,154,959	11,917	11,301,682	10,129	9,599,743
1,000 to 1,100	6,406	6,721,016	7,970	8,365,156	8,534	8,953,081	8,636	9,039,915	7,777	8,150,435
1,100 to 1,200	5,695	6,549,300	7,010	8,060,471	7,382	8,480,248	6,601	7,583,639	5,316	6,104,214
1,200 to 1,300	5,099	6,369,488	6,395	7,986,301	6,269	7,831,448	5,670	7,082,168	4,543	5,673,578
1,300 to 1,400	4,530	6,110,643	5,526	7,457,287	5,514	7,437,245	4,868	6,570,198	3,892	5,248,786
1,400 to 1,500	3,875	5,620,308	4,805	6,970,382	4,717	6,836,344	4,120	5,971,336	3,155	4,571,923
1,500 to 1,600	3,517	5,446,257	4,161	6,448,164	3,978	6,158,860	3,447	5,338,965	2,630	4,073,252
1,600 to 1,700	3,077	5,074,666	3,508	5,784,525	3,300	5,440,455	2,830	4,667,910	2,125	3,501,683
1,700 to 1,800	2,528	4,422,310	3,063	5,355,497	2,899	5,070,465	2,227	3,893,311	1,652	2,889,488
1,800 to 1,900	2,178	4,024,492	2,463	4,553,724	2,340	4,325,343	1,709	3,158,756	1,287	2,378,568
1,900 to 2,000	1,876	3,656,121	2,053	4,002,798	1,809	3,523,202	1,269	2,471,067	866	1,687,965
2,000 to 2,100	1,438	2,943,799	1,706	3,495,771	1,438	2,946,375	996	2,039,078	683	1,399,175
2,100 to 2,200	1,190	2,558,118	1,312	2,819,222	925	1,987,001	785	1,686,384	511	1,097,366
2,200 to 2,300	965	2,169,521	954	2,142,911	760	1,707,695	594	1,334,277	323	725,640
2,300 to 2,400	757	1,775,965	697	1,636,433	619	1,454,260	420	986,096	238	559,283
2,400 to 2,500	498	1,219,924	571	1,397,885	382	935,008	338	828,209	178	435,374
2,500 to 2,600	377	960,632	420	1,070,492	290	739,058	251	639,871	122	310,909
2,600 to 2,700	312	826,745	283	749,006	249	659,300	210	557,015	88	232,776
2,700 to 2,800	211	578,998	217	596,727	198	544,792	179	492,304	62	170,250
2,800 to 2,900	150	427,018	174	496,495	158	450,248	153	436,100	58	164,976
2,900 to 3,000	126	372,018	152	448,214	128	377,518	104	306,852	38	111,907
3,000 to 3,100	116	353,681	101	308,061	129	392,469	103	313,317	24	73,115
3,100 to 3,200	104	326,912	75	236,186	80	251,660	68	214,084	23	72,482
3,200 to 3,300	74	240,435	75	243,431	92	299,037	70	226,705	11	35,735
3,300 to 3,400	64	214,405	54	180,870	52	174,125	51	171,026	7	23,453
3,400 to 3,500	56	192,694	42	144,357	46	158,503	45	155,243	4	13,766
3,500 to 3,600	39	138,336	38	134,898	55	195,360	46	163,213	6	21,258
3,600 to 3,700	37	135,014	31	113,023	37	135,019	45	164,209	2	7,302
3,700 to 3,800	30	112,589	20	74,905	25	93,730	18	67,245	0	0
3,800 to 3,900	24	92,507	17	65,316	13	49,858	10	38,418	0	0
3,900 to 4,000	24	94,759	21	82,959	17	67,204	8	31,617	2	7,899
4,000 to 4,100	15	60,677	8	32,494	16	64,849	9	36,406	1	4,075
4,100 to 4,200	11	45,631	6	24,892	6	24,869	6	25,017	2	8,234
4,200 to 4,300	14	59,503	9	38,377	8	34,021	10	42,532	0	0
4,300 to 4,400	11	47,859	2	8,687	8	34,809	3	12,941	0	0
4,400 to 4,500	2	8,875	11	49,130	2	8,887	2	8,895	1	4,427
4,500 to 4,600	6	27,218	6	27,311	4	18,228	3	13,627	0	0
4,600 to 4,700	5	23,229	7	32,560	2	9,263	1	4,694	0	0
4,700 to 4,800	2	9,565	4	18,998	1	4,703	2	9,462	0	0
4,800 to 4,900	3	14,602	0	0	3	14,609	3	14,517	0	0
4,900 to 5,000	4	19,721	2	12,881	1	7,846	5	28,821	1	4,916
<b>Total</b>	<b>263,795</b>	<b>139,180,624</b>	<b>349,233</b>	<b>175,653,077</b>	<b>411,986</b>	<b>193,582,419</b>	<b>425,447</b>	<b>188,230,176</b>	<b>346,539</b>	<b>151,676,732</b>

Notes:

- Some entities can claim more than one tax offset, as they can be entitled to an offset from their own business activities, and also those from the business activities of a partnership or trust they are a partner or beneficiary of.
- The \$4,901 to \$5,000 category can include amounts greater than \$5,000 due to the note above.
- Data current as at 10 June 2011 for income years 2005-06 to 2007-08 and as at 15 June 2011 for income years 2008-09 and 2009-10 inclusive, for those returns available in the Tax Return Database..
- 2009-10 data cannot be directly compared to other years due to changes in the eligibility criteria for the offset, and also due to less returns being available compared to earlier years due to the lodgment cycle.

**Attachment B – Answer to Question 4 - Entrepreneurs’ Tax Offset ranged by business turnover**

Income ranges (\$)	2005-06			2006-07			2007-08			2008-09			2009-10		
	No. of claimants	Total offset (\$)	Average offset	No. of claimants	Total offset (\$)	Average offset	No. of claimants	Total offset (\$)	Average offset	No. of claimants	Total offset (\$)	Average offset	No. of claimants	Total offset (\$)	Average offset
0 or less	51	11,245	220	69	27,336	396	11	5,207	473	8,025	2,134,928	266	35	18,370	525
0 to 5,000	24,763	1,625,193	66	37,352	2,319,203	62	45,868	2,735,120	60	50,461	2,856,306	57	35,657	1,789,711	50
5,001 to 10,000	22,902	3,740,437	163	31,283	4,995,055	160	37,369	5,776,805	155	39,072	5,781,206	148	30,386	3,997,381	132
10,001 to 15,000	21,676	5,498,745	254	28,792	7,209,311	250	33,751	8,223,022	244	34,661	8,280,711	239	27,416	5,843,554	213
15,001 to 20,000	21,105	7,329,836	347	27,514	9,446,621	343	31,672	10,591,921	334	31,929	10,457,635	328	26,466	8,010,086	303
20,001 to 25,000	20,746	9,164,559	442	26,888	11,811,479	439	30,961	13,261,200	428	30,899	12,898,387	417	25,541	10,094,321	395
25,001 to 30,000	19,788	10,541,808	533	25,510	13,503,555	529	29,372	15,100,307	514	29,168	14,734,792	505	25,058	12,132,037	484
30,001 to 35,000	19,178	12,492,861	651	24,343	15,271,885	627	27,870	16,844,524	604	27,694	16,332,688	590	23,742	13,359,876	563
35,001 to 40,000	18,277	13,939,281	763	23,749	17,464,249	735	27,169	19,008,007	700	26,717	18,063,067	676	22,979	14,898,951	648
40,001 to 45,000	18,057	15,894,805	880	22,995	19,694,241	856	25,778	20,601,497	799	25,330	19,466,397	769	21,868	16,176,040	740
45,001 to 50,000	19,177	19,404,701	1,012	24,382	23,655,700	970	25,360	22,883,470	902	24,541	21,328,337	869	21,372	17,750,242	831
50,001 to 55,000	14,151	14,174,310	1,002	18,325	17,850,415	974	22,855	20,559,433	900	22,473	19,532,377	869	19,991	16,735,015	837
55,001 to 60,000	13,081	11,064,305	846	16,670	13,923,427	835	20,859	16,208,653	777	20,786	15,553,237	748	18,586	13,232,295	712
60,001 to 65,000	11,789	7,917,247	672	15,224	9,992,521	656	18,853	11,533,441	612	19,099	11,211,058	587	16,784	9,433,282	562
65,001 to 70,000	10,197	4,374,380	429	13,725	5,836,250	425	17,299	6,970,830	403	17,333	6,569,356	379	15,246	5,578,556	366
70,000 to 75,000+	8,857	2,006,910	227	12,412	2,651,834	214	16,939	3,278,983	194	17,259	3,029,693	176	15,412	2,627,015	170
<b>Total</b>	<b>263,795</b>	<b>139,180,623</b>	<b>528</b>	<b>349,233</b>	<b>175,653,082</b>	<b>503</b>	<b>411,986</b>	<b>193,582,420</b>	<b>470</b>	<b>425,447</b>	<b>188,230,175</b>	<b>442</b>	<b>346,539</b>	<b>151,676,732</b>	<b>438</b>

Notes:

- Some entities can claim more than one tax offset, as they can be entitled to an offset from their own business activities, and also those from the business activities of a partnership or trust they are a partner or beneficiary of.
- Data current as at 10 June 2011 for income years 2005-06 to 2007-08 and as at 15 June 2011 for income years 2008-09 and 2009-10 inclusive, for those returns available in the Tax Return Database..
- 2009-10 data cannot be directly compared to other years due to changes in the eligibility criteria for the offset, and also due to less returns being available compared to earlier years due to the lodgment cycle.

**Attachment C – Answer to Question 5**

Claimant Type	2005-06			2006-07			2007-08			2008-09			2009-10		
	No. of claimants	Total offset (\$)	Average claim (\$)	No. of claimants	Total offset (\$)	Average claim (\$)	No. of claimants	Total offset (\$)	Average claim (\$)	No. of claimants	Total offset (\$)	Average claim (\$)	No. of claimants	Total offset (\$)	Average claim (\$)
Individual	204,706	115,502,798	564	279,857	148,458,642	530	325,701	162,028,360	497	341,250	159,209,508	467	278,742	129,356,129	464
Partnership or trust distribution	55,170	21,607,830	392	64,597	24,695,370	382	81,319	28,911,229	356	79,359	26,432,940	333	63,589	20,097,657	316
Company	3,919	2,069,995	528	4,779	2,499,067	523	4,966	2,642,830	532	4,838	2,587,727	535	4,208	2,222,948	528
<b>Total</b>	<b>263,795</b>	<b>139,180,623</b>	<b>528</b>	<b>349,233</b>	<b>175,653,079</b>	<b>503</b>	<b>411,986</b>	<b>193,582,419</b>	<b>470</b>	<b>425,447</b>	<b>188,230,175</b>	<b>442</b>	<b>346,539</b>	<b>151,676,734</b>	<b>438</b>

Notes:

- Some entities can claim more than one tax offset, as they can be entitled to an offset from their own business activities, and also those from the business activities of a partnership or trust they are a partner or beneficiary of.
- Data current as at 10 June 2011 for income years 2005-06 to 2007-08 and as at 15 June 2011 for income years 2008-09 and 2009-10 inclusive, for those returns available in the Tax Return Database..
- 2009-10 data cannot be directly compared to other years due to changes in the eligibility criteria for the offset, and also due to less returns being available compared to earlier years due to the lodgment cycle.
- Claimant type represents the source of where the business activity originated for the tax offset. Entities that have obtained an offset from their own activities and activities from a partnership or trust will be counted once in either the individuals or company classification.