



## Proposal for GST & BAS Simplification

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# 1 Summary and Background

GST & the BAS is the largest “Red Tape” burden on business<sup>1</sup> in Australia (MYOB research “Small Business Survey” August 2005). This paper outlines a solution for simplifying this burden on business.

The current GST system used by business is poorly understood and inaccurate in the statistical reporting on the BAS (demonstrated by MYOB analysis contained in this proposal). However the GST assessments provided by businesses are correct (net GST payable).

The cause of the inaccuracy is systemic complexity. Business understands the fundamentals of “I did pay GST” or “I did not pay GST” but they don’t understand the specialist reporting mandated to support the GST (see the section titled “Why are the GST and BAS complex?”)

MYOB has conducted extensive research to try and find a way to further simplify the workload burden of GST and the BAS and we have come to the conclusion that unless there is structural change in the GST and BAS system we cannot reduce the workload burden any further.

In order to support our proposal MYOB conducted research:

- Market research into business perceptions of the red tape burden. This is attached to the cover email.
- Detailed research on how businesses were micro managing the transaction coding required for GST compliance. This is included in this proposal.
- Qualitative research with tax agents.

This paper outlines our research and proposes a solution to the GST & BAS workload burden. Under our proposal business would simply operate their businesses, account for their sales and acquisitions and the GST components on the BAS would be derived from their normal business accounts. This would lead to a dramatic drop in compliance burden.

With this approach statistical data is still supplied to the ATO to assist with risk managing the operation of the GST. However the data is different to the context of the current BAS Instructions. This data should still provide a sound basis for risk management and potentially be more accurate.

An additional benefit of adopting this approach for BAS derivation is that the role of bookkeepers can be substantially simplified. Treasury is currently considering amendments to regulations relating to bookkeepers and if this regulation progresses will add a substantial cost burden to small business. If the BAS is simplified via this proposal then regulation of the Bookkeeper industry could be softened as the BAS can be derived from the business accounts.

It is our understanding that our proposal does not require legislative change. It was ATO operational practice that developed the BAS GST reporting model that is currently in use today. Consequently a change in the reporting model will primarily impact ATO risk management practices and potentially ABS data gathering.

The ATO is currently progressing investigation of this proposal. Their research will consult small business, ATO internal divisions, the tax industry and the ABS. Broader government sponsorship under the Regulation Taskforce will assist its passage to ensure that a balanced outcome is achieved that considers the benefits of business compliance workload reduction against ATO risk management practices.

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<sup>1</sup> Note that this paper uses the term “business” as a generic expression for all business. While this is clearly a generalisation, we feel it is appropriate as the vast majority of businesses (>80%) are quite small and have no full time finance or accounting people on their staff to support GST management.



## 2 Why are the GST and BAS complex?

The workload burden imposed on business to support the GST and the BAS consists of a number of areas of effort:

1. Understanding the system. The core basis of instruction comes from a 159 page document sourced from the ATO – “BAS Instructions”. An example of its complexity is the 4 kinds of transactions a business can perform that have “No GST”,
2. Configuring their business to the tax system. Any business that chooses to use an electronic record keeping system needs to adapt that system to their business purpose in order to operate within the tax system. For example establishing or refining tax codes that apply to their business, cash accrual reporting, GST type etc,
3. Considering GST law and income tax law for all transaction in the business when tax codes are applied. For example item purchased may need to be recorded as an expense for income tax purposes but as capital for GST purposes. So all transactions recorded for the business are considered in their consequences for both income tax and GST,
4. Reconciling accounts for GST purposes,
5. Discussing the return with (or passing the return to) a tax agent prior to lodgment to lower compliance risk,
6. Deriving BAS and GST reporting and
7. Lodging the BAS return.

| HRS                            | MINS                           |
|--------------------------------|--------------------------------|
| <input type="text" value="0"/> | <input type="text" value="0"/> |

Please estimate the time taken to complete this form. Include the time taken to collect any information.

The ATO asks business to assess the amount of time taken to complete the BAS, however the context of the question really only scratches the surface of the total effort involved in supporting the GST and the BAS.

This is how business thinks of the transactions that underpin the profit & loss statement. Transactions are coded to appear in certain accounts in their record keeping system such as MYOB accounting software.

|          |        |        |
|----------|--------|--------|
| Sales    | ITEM 1 | ITEM 7 |
| Exports  | ITEM 5 |        |
| Capital  | ITEM 3 |        |
| Stock    | ITEM 4 | ITEM 8 |
| Auto     | ITEM 2 |        |
| Power    | ITEM 6 |        |
| Salaries |        | ITEM 9 |



However, an inadvertent outcome of the introduction of GST & the BAS was that business now has to code or tag every transaction so it appears on the BAS correctly so there is additional complexity with the entry of all or many transactions.

|          | G1     | G2     | G10    | G11    |
|----------|--------|--------|--------|--------|
| Sales    | ITEM 1 |        |        | ITEM 7 |
| Exports  |        |        | ITEM 5 |        |
| Capital  |        | ITEM 3 |        |        |
| Stock    |        | ITEM 4 |        | ITEM 8 |
| Auto     | ITEM 2 |        |        |        |
| Power    |        |        | ITEM 6 |        |
| Salaries |        |        |        | ITEM 9 |

There are two main purposes of this tax coding process:

- Ensuring the GST Paid and Collected is accounted for correctly and
- To provide data to the ATO to assist with risk management (is the business correctly accounting for GST).

### 3 Research – Business and GST

#### 3.1 Detailed research on specific areas of the GST and BAS reporting

MYOB conducted detailed analysis of the financial records of 50 randomly selected businesses. Financial records refer to the detailed bookkeeping records for that company covering sales, purchases, payroll etc. When customers buy goods or services for their business, they record the acquisition in their MYOB software and note the tax consequences for each transaction (eg GST, FRE, CAP, ITS – ie the three character tax codes users of MYOB software apply).

The purpose of examining the detailed records was to understand:

- The quality of their current record keeping processes and
- Their level of understanding of different elements of their GST obligations.

The results of that detailed file analysis:

##### 1. GST Free sales

14 out of 50 had free sales

8 coded correctly,

6 of the 14 would not have appeared on BAS correctly (43% in error)

Significant error was the pollution of Free by other Free codes (Not Taxable and ITS)

##### 2. ITS

34 of the files had ITS related items



28 of the 34 or 82% were coded incorrectly

Of those 28 – 14 would not appear on BAS at all, other 14 would be reported in the wrong location

### 3. Capital Purchases

40 files contained items that should have been Cap.

31 of the 40 were calculating GST correctly (the 9 were under claiming credits)

26 of the 40 would probably report on the BAS correctly.

14 of the 40 or 35% would not report on the BAS correctly

General poor understanding of “what is a capital item for GST purposes”

## 3.2 Tax Agents

Qualitative research with tax agents indicates that accountants and tax agents do not provide oversight on the statistical labels on the BAS (all GST labels other than 1a & 1b). This means that tax agents will validate accuracy of 1a & 1b (GST collected and paid) but do not get involved with other labels such as G1, G2, G3, G10 etc.

Some bookkeepers are very focused on maintaining the accuracy of these labels but they are the minority.

## 3.3 Conclusions:

In general business are accounting for GST **financial** obligations correctly. 1a and 1b on the BAS are right (only errors found were underestimates of credits). The other BAS GST reporting fields are poorly understood and systemic complexity is the cause of the inaccuracy. Business is exposed because they are not complying with GST requirements imposed by the ATO.

It is not an issue to do with poor attitude of the business it is caused by systemic complexity.



## 4 Proposed solution

MYOB proposes the following solution:

1. The vast majority (>95%) of business are only confronted with two tax codes "GST" or "No GST" for all transactions. (The exceptions will be exporters, WET, LCT etc),
2. Tax Paid and Tax Collected will be accounted for as per current practices which is really about whether there was GST or not on a transaction,
3. The BAS "G" labels will be populated by extracting data "automatically" out of the business normal accounts in their record keeping system,

### 4.1 Solution outline

#### 1. Ledger account structures in record keeping systems

No change – the business maintains its normal operating accounts used for business management purposes and income tax purposes. There is no separate tax coding per account (although defaults could be established across GST or NOT). There is no hidden tax coding per account (for example 4-666 being coded ITS).

Account set up initially required for a business would be based on the needs of the business to run their business for effective management purposes. There would be no requirement to specifically structure accounts for GST purposes.

#### 2. Initial set up of accounting system for GST

There may be some need for exporters, WET and LST etc. Otherwise the vast majority of businesses would require no GST set up. No requirement for additional tax codes, no special accounts for GST other than GST Paid and Collected, and no linkage of tax codes or special accounts to the BAS.

#### 3. Tax code list

GST: Any transaction where GST is involved

NOT: Any transaction where GST is not involved i.e. for most it is both the old N-T code and FRE

WET/LCT/SHG/EXP would be set up for those requiring specialist codes, only following setup questions i.e. for most clients (>95%) the default tax codes will be limited to two "GST" or "NOT"

#### 4. Transaction entry

No change – except tax codes for the vast majority of businesses would be reduced to GST & NOT. There may be some exceptions for EXP code exporters, WET, LCT etc but these are a very small segment of businesses.

#### 5. Chart of Accounts

In order to populate the BAS directly from the business accounts, assumptions have to be made regarding the accounts that are linked to the various labels.

As an example, the easiest approach (from the customer's perspective) is to assume that all expenses are held in a range of accounts and automate the extraction of data from those accounts. For example expenses are the accounts 5-#### (Cost of Sales) + 6-#### (Expenses) + 9-#### (Other Expenses) and



extract the total \$ amount from those accounts (the normal business view of expenses) and populate the G11 field. However while this follows the normal business practice, it does not follow current GST guidelines.

## 4.2 Specific BAS Fields

### 1. Field 1A (G9)

The amount of GST Payable is calculated by reference to the “GST” code which matches the net collection of GST. This is the current method of calculating 1A and complies with current requirement for the derived by accounts method.

This is not an estimate but an accurate computation.

### 2. Fields 1B (G20)

Input Tax Credits are calculated in the same way but for expense rather than income related activity. Again this is not an estimate but an accurate computation.

The values for 1A and 1B are verified/audited by reference to the relevant existing reports that provide a list of all transactions that has the GST code. This report is available to all cash transactions or alternatively accrual based transactions as appropriate.

This report can also be produced for transactions that do not have GST.

This is not an estimate but an accurate computation. There is no compromise to the estimate of tax paid or collected.

### 3. G1 - Total sales and income and other supplies

As an example these would be derived from the 4-#### accounts (normal income) and 8-#### accounts (other income). In this circumstance, Derive may mean:

- 1) Full sales proceeds from sale of Plant and Equipment **may** not be reported.
  - It is viewed that most businesses would record the full asset sale amount upon creation of an invoice including relevant GST applicable. In this case the full proceeds would be recorded in G1. This is definitely the most likely scenario and “normal business practice”.
  - If the business (or accountant) passes an adjustment transaction to reflect the net benefit of the sale, discounted by the depreciated value, to the accounts then G1 could be an under-estimate in the BAS.
- 2) Dividend and grant income would be reported in G1.

Note that the amount of GST payable on the transactions will still be correct.

### 4. G2 - Exports

For the small number of businesses involved in exports this reporting may be based on tax coding or from annotations on the ‘customer card’ function of their MYOB software.

### 5. G3 – Other GST free sales

G3 could be calculated by “deriving the value of all sales from the accounts” (the G1 value) and deducting the value of GST sales (For this purpose “GST Sales” is a calculated value being the answer provided for field 1A above multiplied by 10) and deducting the value of Exports G2.



$$G3 = G1 - (1A * 10) - G2$$

The business process that would occur:

- A GST free sale occurs and is coded to an income account,
- As there is no GST it is coded to the “NOT” code.
- This calculation method then will include the income into G3 & G1.
- This sale won’t be deducted as it isn’t an export nor did it have GST on it

#### 6. G10 – Capital acquisitions

Derived by looking at the Balance Sheet: Plant & Equipment, Office Equipment, Motor Vehicles etc. accounts (i.e. the fixed asset accounts) and reporting the total debits to these accounts during the reporting period.

#### 7. G11 – Other acquisitions

Propose these are derived from all the expense accounts and totalling all values in all 5-#### (Cost of Sales), 6-#### (Expenses) and 9-#### (Other Expenses) accounts. . However there are three items in these accounts that need to be considered under the Derive model.

- 1) Wages and salaries. While it is acknowledged these are not part of the GST system ideally these can be included in G11.
- 2) Stock. May include stock balance day adjustment
- 3) Depreciation. For most business this would have no impact on the Derive expenses as depreciation would be passed to account on an annual basis. However for businesses who account for depreciation more frequently then G11 may include depreciation.

## 5 SUMMARY

This concept allows BAS reporting for GST by a process that is close to natural business process.

1. Allocate the “GST” or “NOT” codes as defaults to the chart of accounts,
2. Enter the transactions, using the defaults but also with enough GST knowledge to know whether the transaction has “GST” or “NOT”.
3. Report and check transactions at each BAS reporting period
4. Print, check and reconcile the BAS reports

There are a number of substantial benefits over the current approach of GST management:

1. Setup of GST codes is removed
2. Knowledge of GST codes now limited to “GST” or “NOT”
3. Reporting, reconciling and checking now more complete, conclusive and intuitive
4. BAS preparation and reporting now quite simple.





## **Benefits to stakeholders**

### Benefits to small business

- Eliminate a vast amount of the workload associated with GST
- Reduced GST complexity
- Reduced cost of compliance

### Benefits to ATO

- Improved accuracy of data
- More compliant business
- More business operating within the tax system

### Benefits to the Australian government

- Let business “get back to business” and let software manage compliance
- Significant reduction in the red tape burden

### Benefits to the software industry

- Enhances the relevance of accounting software
- A simpler system to support

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# MYOB Australian Small Business Survey

## Special Focus Report: Super Choice Legislation & Industrial Relations Reforms

### August 2005

Small Business Survey Report

Prepared by AMR Interactive

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## About the Study

This report presents findings for Special Focus Questions from the Q2 2005 MYOB Small Business Survey comprising a national sample of 2,003 small business proprietors and general managers, whose businesses have a connection to the internet, conducted in August 2005. These are defined as both non-employing and employing businesses with fewer than 20 employees. Results have been weighted to reflect the small business population distribution according to the Australian Bureau of Statistics (ABS) for company size, length of time operating, and selected ANZSIC Industry divisions. Refer to ABS publications *Characteristics of Small Business*, 8127.0, 2001 and *Small Business in Australia*, 1321, 2001.

For a copy of the main report please contact the survey project manager or MYOB Public Relations.

Special Focus Areas presented about Super Choice and Industrial Relations Reforms are:

- Number of super funds currently paid into
- Influence of Super Choice on increasing super funds
- Burden of Super Choice on small business
- Level of understanding of IR reforms
- Likelihood to hire more staff in the next 12 months
- Reasons for not planning to hire in the next 12 months
- Relationship between new dismissal laws and reluctance to recruit staff
- Impact of centralisation of IR system at Federal Government
- Perceived supportiveness of different levels of Government
- Federal versus State Governments on regulations, authority and autonomy
- Perception of changes in the levels of red tape and compliance
- Preference for reducing red tape at various Government levels
- Relative burden on small business of different red tapes

**Industry Sample**

|   |      |
|---|------|
| Agriculture                             | 101  |
| Manufacturing                           | 168  |
| Construction                            | 211  |
| Wholesale trade                         | 94   |
| Retail trade                            | 313  |
| Accommodation, cafe and restaurants     | 94   |
| Transport and storage                   | 69   |
| Communication services                  | 124  |
| Finance and insurance                   | 137  |
| Property and business services          | 248  |
| Education                               | 63   |
| Health and Community Services           | 136  |
| Cultural and Recreational Services      | 47** |
| Personal and Other Services             | 141  |
| Information & Communications Technology | 47** |
| Tourism                                 | 10*  |

**NOTE:**

\*Due to low base size Tourism is included in the total but not reported at an industry level.

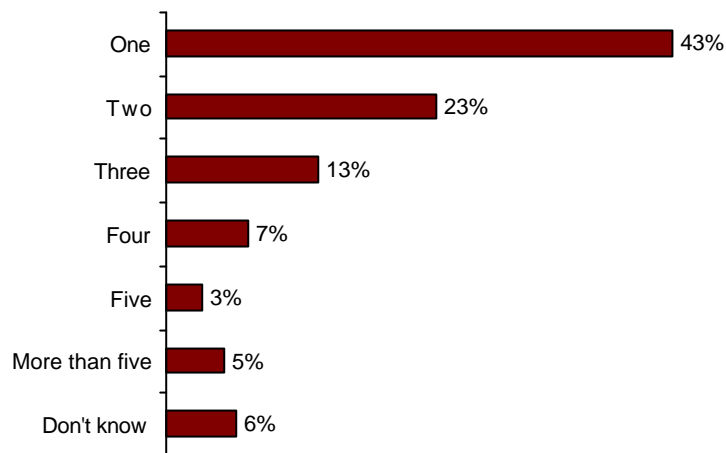
\*\*Cultural and Recreational Services and Information & Communications Technology are very low base sizes.

Sole traders by definition are not included in the bases for particular questions (such as those pertaining to Super Choice as sole traders make their own superannuation arrangements).

## Number of Super Funds Small Business

Chart 1: Number of Super funds Small Business Pay Into (%)

### Most small businesses pay into two or less super funds



Base: Online Australian small businesses excluding Sole Traders

Q: For you and your workforce, how many distinct super funds do you NOW pay into?

AMR Interactive, August 2005 (n =1,410)

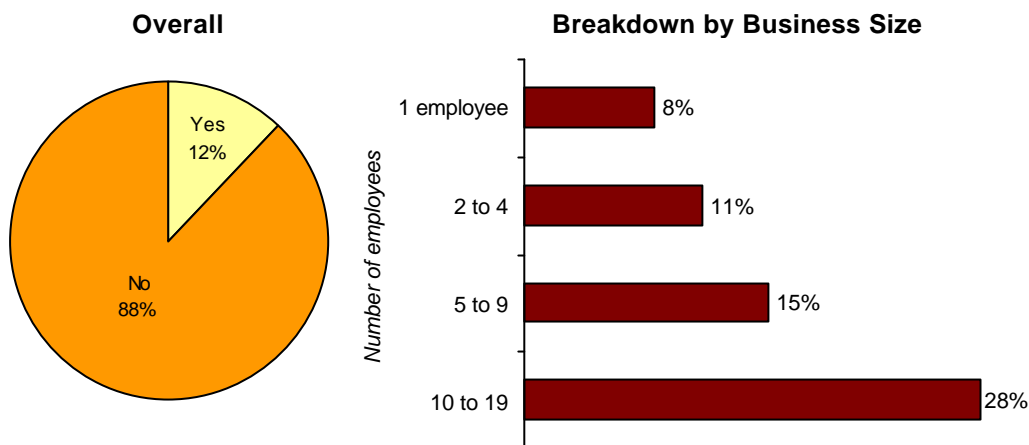
Two-thirds small businesses pay into two or less super funds, with 43% paying into only one fund.

8 out of 100 small businesses are paying into five or more super funds now.

## Increases in Number of Super Funds Due to Super Choice

Chart 2: Increases in super funds due to Super Choice (%)

### Most small businesses did not report an increase in super funds



Base: Online Australian small businesses excluding Sole Traders

Q: Did this increase due to super choice? Y/N

AMR Interactive, August 2005 (n =1,410)

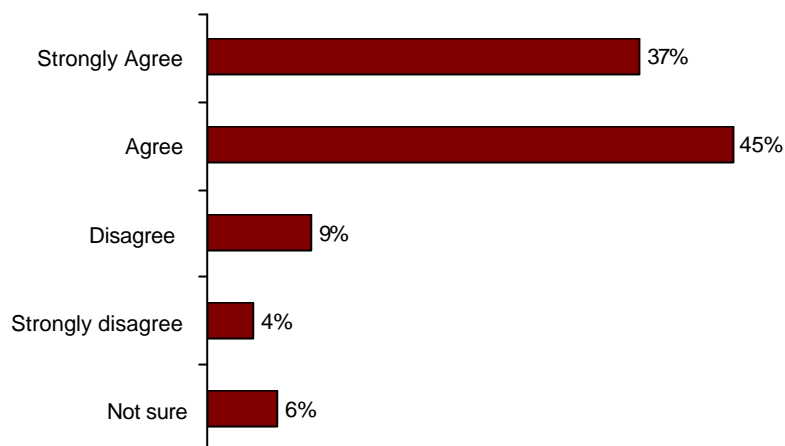
The majority of small businesses reported that Super Choice is not the reason for increasing the number of super funds for their employees. Only 12% said that they have increased super funds because of Super Choice

When breaking down the results by business size, it shows that the number of super funds increases with business size.

## Burden of Having Choice of Super on Small Businesses

Chart 3: Agreement that new Super Choice legislation was NOT a burden(%)

### Most small businesses do not consider Super Choice as a burden



Base: Online Australian small businesses excluding Sole Traders

Q: Please indicate your agreement with this statement: "The choice of super fund legislation was not a significant burden to my business".

AMR Interactive, August 2005 (n =1,410)

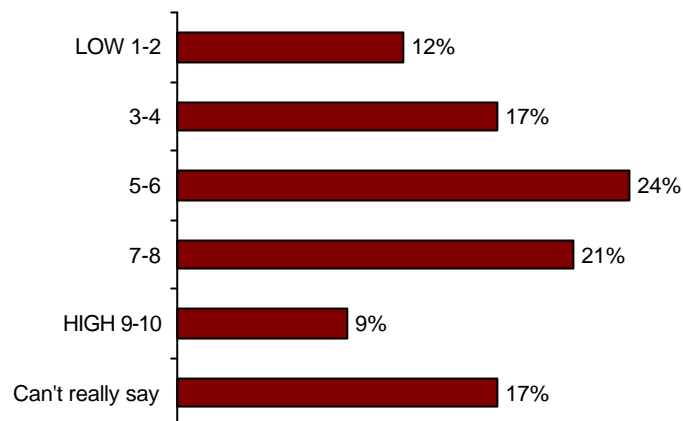
The choice of super fund legislation does not seem to affect most small businesses (82%). However, 13% consider the legislation as a significant burden on their business.



## Level of Understanding of Industrial Relations Reforms

Chart 4: Rating of Understanding on 10-point scale (%)

### Many small businesses remain neutral/undecided on IR reforms



Base: Online Australian small businesses excluding Sole Traders

Q: On a scale of 1 (low) to 10 (high), please rate your level of understanding of the Federal Government's proposed Industrial Relations reforms.

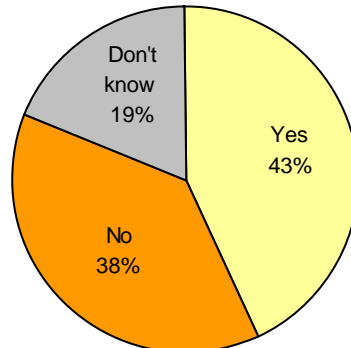
AMR Interactive, August 2005 (n =1,410)

Two out of five small businesses remain neutral or undecided regarding the Federal Government's proposed Industrial Relations reforms. Nearly one third have a moderate to high level of understanding of IR reforms.

## Likelihood to Employ More People in Next 12 months

Chart 5: Expectancy of small businesses to employ more people over next 12 months (%)

### About 2 in 5 small businesses expect to hire in coming year



Base: Online Australian small businesses excluding Sole Traders  
Q: Over the coming 12 months do you plan to employ more people?

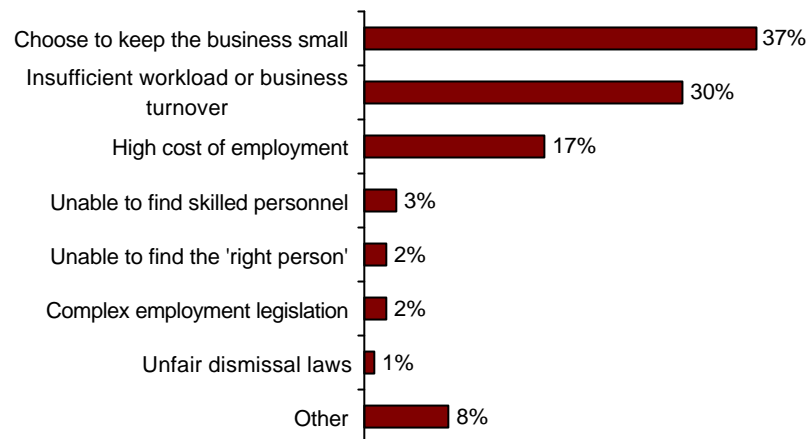
AMR Interactive, August 2005 (n =1,410)

Less than half of small businesses plan to hire more people in the coming 12 months, with 38% saying that they will not hire and 19% having not decided yet.

## Reasons for Not Planning to Hire in Next 12 months

Chart 6: Reasons for businesses not expecting to hire in the next 12 months (%)

### Small businesses most frequently choose to keep business small



Base: Online small businesses (excluding sole traders) that are not planning to take on more staff members in the next 12 months (as per the previous question).

Q: What has been the main reason for that decision?

AMR Interactive, August 2005 (n = 536)

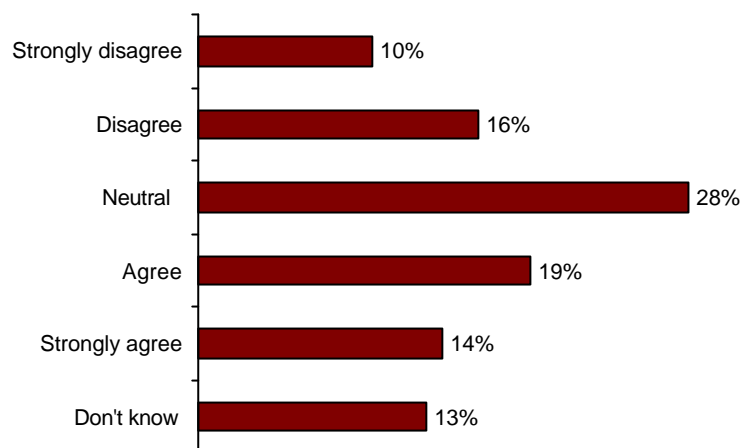
For those who have decided not to employ people in the next 12 months, keeping business small (37%), insufficient workload or business turnover (30%), and high cost of employment (17%) are the main reasons for their decisions.

1% of businesses do not plan to hire because of the current unfair dismissal laws.

## Relationship Between New Dismissal Laws and Reluctance to Recruit

Chart 7: Agreement with statement linking dismissal laws to reluctance to recruit new staff (%)

### 1 in 3 small businesses may not hire due to unfair dismissal laws



Base: Online small businesses

Q: Please indicate your view on the following statement – "The current unfair dismissal laws make me reluctant to take on more employees."

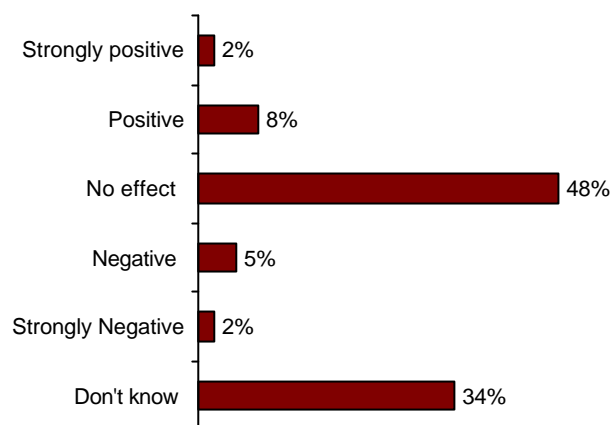
AMR Interactive, August 2005 (n = 2003)

One third of small businesses may consider not hiring due to the current unfair dismissal laws, while many of them (41%) remain neutral or undecided regarding the effect of dismissal laws on their recruitment decisions.

## Impact of Centralisation of IR System at Federal Level

Chart 8: Ratings of strength & direction of impact of centralizing IR system (%)

### Nearly half believe the centralisation will have no impact



Base: Online small businesses

Q: The current industrial relations system is managed at a state level (except in Victoria). How will centralising this system, so it is managed at a Federal level, impact your business?

AMR Interactive, August 2005 (n = 2003)

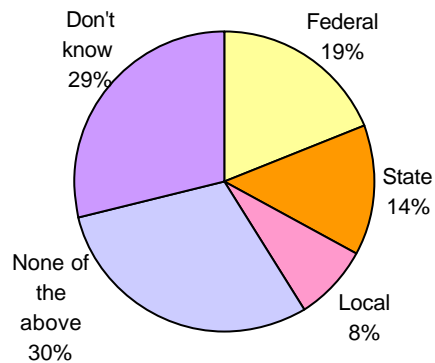
Nearly half of small businesses believe that centralisation of IR system at Federal level will not influence their business. Only 10% see the centralisation will have positive impact.

One-third of businesses are unsure about the effect of the centralisation.

## Perceived Supportiveness of Different Levels of Government

Chart 9: Level of Government deemed most supportive of one's small business (%)

### About half don't know or believe Government is not supportive



Base: Online small businesses

Q: As a Federation, Australian businesses are supported and regulated by Federal, State and Local Government. Which level of Government is most supportive to your business?

AMR Interactive, August 2005 (n = 2003)

Nearly one third of small businesses believe that Government, no matter at which level, is unsupportive to them, while another one third do not know which level of Government is most supportive.

Among the three levels of Government, as indicated by the above chart, Federal Government is rated more supportive than State and Local Governments.

## Federal vs. State Regulations, Authority & Autonomy

Chart 10: Agreement with statements on role of State and Federal Governments (%)

### Overlapping in Governments' responsibilities the main concern

|  |     |
|--|-----|
| State Governments offer no value to businesses and the community. Their responsibilities should be re-allocated to Federal and Local Government and the State Governments eliminated | 17% |
| State Governments play an important role in governing Australia and overseeing business and their autonomy should be increased   | 7%  |
| Federal and State Governments overlap in their responsibilities and some work should be done to harmonise working with governments   | 41% |
| The current Federal-State systems works and should not be changed  | 7%  |
| Don't know   | 28% |

Base: Online small businesses

Q: Please choose which of following statements most reflects your view.

AMR Interactive, August 2005 (n = 2003)

Two in five small businesses are concerned about the overlap in responsibilities of Federal and State Governments and believe that some work should be done to harmonise working with Governments.

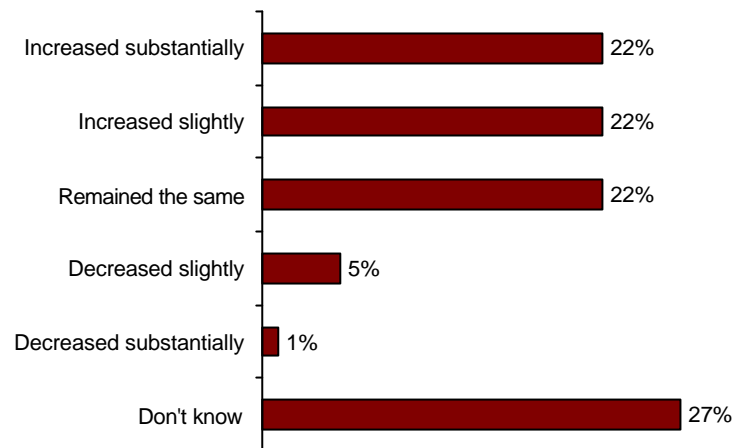
17% of small businesses believe that State Government should be eliminated, as they offer no value to businesses and the community.

Only 7% support the current Federal-State system, believing that the system works and should not be changed.

## Perception of Changes in Levels of Red-Tape & Compliance

Chart 10: Perception of changes in Levels of Red-Tape & Compliance (%)

### Few businesses believe that red-tape/compliance has decreased



Base: Online small businesses

Q: In your experience over the past 3 years has the level of government 'red tape' and compliance requirements ...?

AMR Interactive, August 2005 (n = 2003)

Only 6% of small businesses believe that the level of Government red tape and compliance requirements has decreased over the past 3 years.

22% of businesses see the red tape and compliance as unchanged, while 44% believe they have increased.

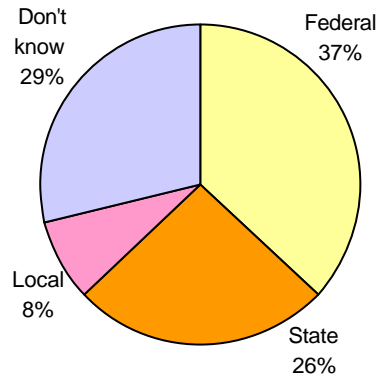
Many businesses (27%) show no awareness of the changes in the level of red-tape and compliance.



## Preference for Reducing Red-Tape at Various Government Levels

Chart 11: Nominations for Government level at which red tape should be reduced (%)

### Federal most commonly cited level for reduction in “red tape”



Base: Online small businesses

Q: If you could reduce red tape in one level of Government which do you believe would benefit your business the most?

AMR Interactive, August 2005 (n = 2003)

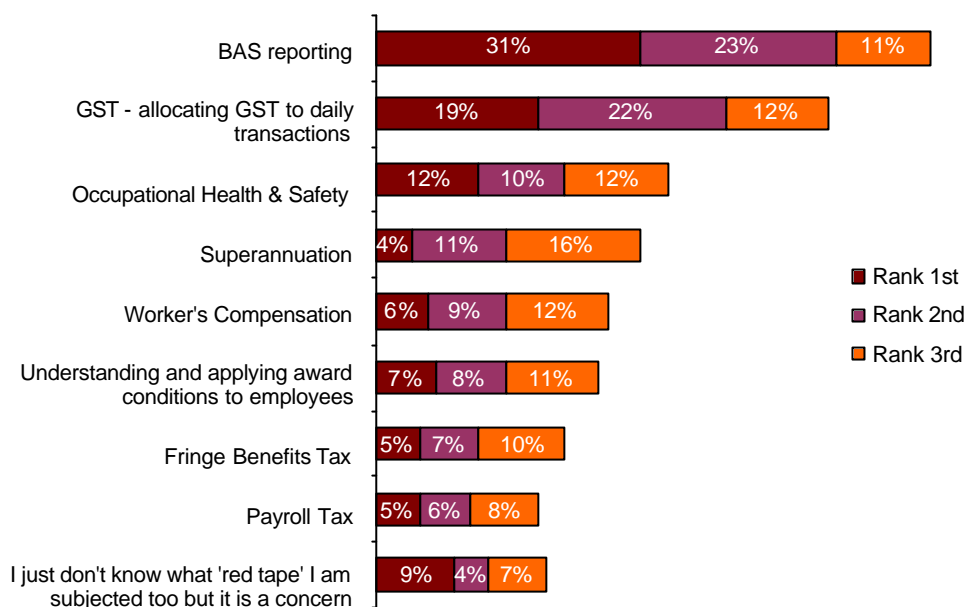
About one in three small businesses believe that reducing red tape in Federal Government would benefit their business the most, compared to that in State or Local Governments. 26% see the decrease in red tape in State Government is more beneficial to them.

Nearly one third are unsure about the benefit of reducing red tape in various levels of Government.

## Relative Burden on Small Business of Different “Red-Tapes”

Chart 12: Ranking of red-tape (first 3 preferences shown) (%)

### BAS reporting & GST (daily transactions) prioritized most highly



Base: Online small businesses

Q: Please **rank** the areas of 'red tape' that are the greatest burden on your business from 1 (highest) to 9 (lowest) [please randomise this list]

AMR Interactive, August 2005 (n = 2003)

When asking small businesses to rank the areas of red tape that is the greatest burden on them, BAS reporting and GST allocated to daily transaction are the two areas placed most highly, followed by Occupational Health & Safety.

## Appendix 1 – Relationship Between New Dismissal Laws and Reluctance to Recruit

### Breakdown by Industry

|   | Strongly agree/agree<br>% | Neutral<br>% | Strongly disagree/<br>disagree<br>% | Don't Know<br>% |
|---|---------------------------|--------------|-------------------------------------|-----------------|
| <b>Total</b>                              | <b>26%</b>                | <b>28%</b>   | <b>33%</b>                          | <b>13%</b>      |
| Agriculture                               | 29%                       | 22%          | 40%                                 | 10%             |
| Manufacturing                             | 22%                       | 26%          | 39%                                 | 14%             |
| Construction                              | 22%                       | 29%          | 39%                                 | 9%              |
| Wholesale Trade                           | 17%                       | 29%          | 42%                                 | 12%             |
| Retail Trade                              | 22%                       | 29%          | 33%                                 | 15%             |
| Accommodation, Cafes and Restaurants      | 26%                       | 34%          | 31%                                 | 10%             |
| Transport and storage                     | 15%                       | 36%          | 33%                                 | 16%             |
| Communication, media & marketing services | 28%                       | 22%          | 42%                                 | 9%              |
| Finance and Insurance                     | 29%                       | 31%          | 31%                                 | 9%              |
| Property and Business services            | 33%                       | 26%          | 27%                                 | 14%             |
| Education                                 | 27%                       | 27%          | 30%                                 | 17%             |
| Health and Community Services             | 30%                       | 30%          | 27%                                 | 13%             |
| Cultural and Recreational Services        | 28%                       | 36%          | 21%                                 | 15%             |
| Personal and Other Services               | 30%                       | 28%          | 25%                                 | 17%             |
| Information and Communications Technology | 26%                       | 21%          | 31%                                 | 21%             |

Base: Online small businesses

Q: Please indicate your view on the following statement – “The current unfair dismissal laws make me reluctant to take on more employees.”

AMR Interactive, August 2005 (n = 2003)

## Appendix 2 – Impact of Centralisation of IR System at Federal Level

### Breakdown by Industry

|   | Strongly<br>positive/positive<br>% | Neutral<br>% | Strongly<br>negative/negative<br>% | Don't Know<br>% |
|---|------------------------------------|--------------|------------------------------------|-----------------|
| <b>Total</b>                              | <b>10%</b>                         | <b>48%</b>   | <b>7%</b>                          | <b>34%</b>      |
| Agriculture                               | 12%                                | 58%          | 6%                                 | 25%             |
| Manufacturing                             | 16%                                | 37%          | 9%                                 | 38%             |
| Construction                              | 10%                                | 51%          | 10%                                | 30%             |
| Wholesale Trade                           | 18%                                | 41%          | 5%                                 | 36%             |
| Retail Trade                              | 12%                                | 38%          | 8%                                 | 43%             |
| Accommodation, Cafes and Restaurants      | 14%                                | 32%          | 11%                                | 43%             |
| Transport and storage                     | 8%                                 | 46%          | 3%                                 | 43%             |
| Communication, media & marketing services | 13%                                | 42%          | 12%                                | 34%             |
| Finance and Insurance                     | 10%                                | 62%          | 10%                                | 19%             |
| Property and Business services            | 9%                                 | 55%          | 6%                                 | 29%             |
| Education                                 | 9%                                 | 45%          | 8%                                 | 38%             |
| Health and Community Services             | 9%                                 | 51%          | 9%                                 | 30%             |
| Cultural and Recreational Services        | 3%                                 | 47%          | 3%                                 | 47%             |
| Personal and Other Services               | 4%                                 | 54%          | 10%                                | 32%             |
| Information and Communications Technology | 14%                                | 47%          | 1%                                 | 38%             |

Base: Online small businesses

Q: The current industrial relations system is managed at a state level (except in Victoria). How will centralising this system, so it is managed at a Federal level, impact your business?

AMR Interactive, August 2005 (n = 2003)

## Appendix 3 – Perceived Supportiveness of Different Levels of Government

### Breakdown by Industry

|   | Federal<br>% | State<br>% | Local<br>% | None of the<br>above<br>% | Don't know<br>% |
|---|--------------|------------|------------|---------------------------|-----------------|
| <b>Total</b>                              | <b>19%</b>   | <b>14%</b> | <b>8%</b>  | <b>30%</b>                | <b>29%</b>      |
| Agriculture                               | 30%          | 8%         | 12%        | 26%                       | 24%             |
| Manufacturing                             | 19%          | 14%        | 7%         | 32%                       | 28%             |
| Construction                              | 17%          | 15%        | 10%        | 30%                       | 28%             |
| Wholesale Trade                           | 24%          | 13%        | 1%         | 31%                       | 32%             |
| Retail Trade                              | 15%          | 8%         | 10%        | 32%                       | 34%             |
| Accommodation, Cafes and Restaurants      | 19%          | 18%        | 13%        | 22%                       | 28%             |
| Transport and storage                     | 18%          | 10%        | 2%         | 37%                       | 33%             |
| Communication, media & marketing services | 25%          | 19%        | 5%         | 30%                       | 21%             |
| Finance and Insurance                     | 24%          | 10%        | 5%         | 35%                       | 25%             |
| Property and Business services            | 18%          | 19%        | 7%         | 31%                       | 25%             |
| Education                                 | 24%          | 24%        | 7%         | 28%                       | 16%             |
| Health and Community Services             | 26%          | 16%        | 11%        | 24%                       | 24%             |
| Cultural and Recreational Services        | 16%          | 11%        | 12%        | 27%                       | 34%             |
| Personal and Other Services               | 10%          | 16%        | 12%        | 28%                       | 34%             |
| Information and Communications Technology | 12%          | 11%        | 4%         | 32%                       | 41%             |

Base: Online small businesses

Q: As a Federation, Australian businesses are supported and regulated by Federal, State and Local Government. Which level of Government is most supportive to your business?

AMR Interactive, August 2005 (n = 2003)

## Appendix 4 - Perception of Changes in Levels of Red-Tape & Compliance

### Breakdown by Industry

|   | Increased substantially<br>% | Increased slightly<br>% | Remained the same<br>% | Decreased slightly/<br>substantially<br>% | Don't know<br>% |
|---|------------------------------|-------------------------|------------------------|---|-----------------|
| <b>Total</b>                              | <b>22%</b>                   | <b>22%</b>              | <b>22%</b>             | <b>6%</b>                                 | <b>27%</b>      |
| Agriculture                               | 29%                          | 22%                     | 22%                    | 11%                                       | 17%             |
| Manufacturing                             | 18%                          | 26%                     | 28%                    | 6%  | 23%             |
| Construction                              | 28%                          | 17%                     | 20%                    | 5%  | 30%             |
| Wholesale Trade                           | 14%                          | 17%                     | 28%                    | 5%  | 37%             |
| Retail Trade                              | 16%                          | 21%                     | 21%                    | 6%  | 35%             |
| Accommodation, Cafes and Restaurants      | 22%                          | 21%                     | 33%                    | 4%  | 20%             |
| Transport and storage                     | 20%                          | 25%                     | 17%                    | 2%  | 36%             |
| Communication, media & marketing services | 14%                          | 27%                     | 30%                    | 7%  | 22%             |
| Finance and Insurance                     | 29%                          | 27%                     | 30%                    | 2%  | 11%             |
| Property and Business services            | 24%                          | 28%                     | 22%                    | 5%  | 21%             |
| Education                                 | 13%                          | 23%                     | 36%                    | 8%  | 21%             |
| Health and Community Services             | 28%                          | 23%                     | 21%                    | 7%  | 21%             |
| Cultural and Recreational Services        | 29%                          | 24%                     | 18%                    | 2%  | 26%             |
| Personal and Other Services               | 20%                          | 22%                     | 20%                    | 5%  | 34%             |
| Information and Communications Technology | 14%                          | 24%                     | 26%                    | 8%  | 28%             |

Base: Online small businesses

Q: In your experience over the past 3 years has the level of government 'red tape' and compliance requirements ...?

AMR Interactive, August 2005 (n = 2003)

## Appendix 5 - Preference for Reducing Red-Tape at Various Government Levels

### Breakdown by Industry

|   | Federal<br>% | State<br>% | Local<br>% | Don't know<br>% |
|---|--------------|------------|------------|-----------------|
| <b>Total</b>                              | <b>37%</b>   | <b>26%</b> | <b>8%</b>  | <b>29%</b>      |
| Agriculture                               | 28%          | 36%        | 8%         | 28%             |
| Manufacturing                             | 45%          | 21%        | 8%         | 27%             |
| Construction                              | 25%          | 34%        | 12%        | 29%             |
| Wholesale Trade                           | 37%          | 26%        | 6%         | 31%             |
| Retail Trade                              | 35%          | 21%        | 12%        | 32%             |
| Accommodation, Cafes and Restaurants      | 29%          | 30%        | 19%        | 22%             |
| Transport and storage                     | 20%          | 37%        | 9%         | 35%             |
| Communication, media & marketing services | 50%          | 23%        | 2%         | 25%             |
| Finance and Insurance                     | 51%          | 21%        | 3%         | 25%             |
| Property and Business services            | 45%          | 27%        | 6%         | 23%             |
| Education                                 | 43%          | 27%        | 2%         | 28%             |
| Health and Community Services             | 53%          | 24%        | 5%         | 19%             |
| Cultural and Recreational Services        | 36%          | 14%        | 5%         | 46%             |
| Personal and Other Services               | 51%          | 12%        | 6%         | 30%             |
| Information and Communications Technology | 46%          | 10%        | 1%         | 43%             |

Base: Online small businesses

Q: If you could reduce red tape in one level of Government which do you believe would benefit your business the most?

AMR Interactive, August 2005 (n = 2003)

**SPECIAL FOCUS QUESTIONS*****Special focus questions- Super Choice***

Under the Superannuation Choice of Fund legislation - "super choice" - (effective 1 July 2005) most businesses now have to offer their employees a choice of superannuation funds.

Q. For you and your workforce, how many distinct super funds do you NOW pay into?

1. One
2. Two
3. Three
4. Four
5. Five
6. More than five
7. Don't know

Q: Did this increase due to super choice? Y/N

Q. Please indicate your agreement with this statement:

"The choice of super fund legislation was not a significant burden to my business".

1. Strongly Agree
2. Agree
3. Disagree
4. Strongly disagree
5. Not sure

***Special focus questions- Industrial Relations changes***

The Federal Government is promoting its changes to Industrial Relations. These changes have not yet been legislated.

Q. On a scale of 1 (low) to 10 (high), please rate your level of understanding of the Federal Government's proposed Industrial Relations reforms. [Include options for "I can't really say"]

Q. Over the coming 12 months do you plan to employ more people?  
Y/N/DK

Q. (If 20 = N), "what has been the main reason for that decision?  
(choose one only)

1. Insufficient workload or business turnover
2. Complex employment legislation
3. Unfair dismissal laws
4. High cost of employment
5. Unable to find the 'right' person
6. Unable to find skilled personnel
7. Choose to keep the business small
8. Other.....[SPECIFY].....

Q. Please indicate your view on the following statement – "The current unfair dismissal laws make me reluctant to take on more employees."

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know



Q. The current industrial relations system is managed at a state level (except in Victoria). How will centralising this system, so it is managed at a Federal level, impact your business?

1. Strongly positive
2. Postitive
3. No effect
4. Negative
5. Strongly Negative
6. Don't Know

Q. As a Federation, Australian businesses are supported and regulated by Federal, State and Local Government. Which level of Government is most supportive to your business?

1. Federal
2. State
3. Local
4. None of the above
5. Don't Know

Q. Please choose which of following statements most reflects your view (randomise order)

1. State Governments offer no value to businesses and the community. Their responsibilities should be re-allocated to Federal and Local Government and the State Governments eliminated
2. State Governments play an important role in governing Australia and overseeing business and their autonomy should be increased
3. Federal and State Governments overlap in their responsibilities and some work should be done to harmonise working with governments
4. The current Federal-State systems works and should not be changed

Q. In the Federal Government's July 2004 policy paper "Committed to Small Business" they stated "Continuing efforts to remove unnecessary red tape and streamline government regulations remain a high priority for this Government."

In your experience over the past 3 years has the level of government 'red tape' and compliance requirements ...

1. Increased substantially
2. Increased slightly
3. Remained the same
4. Decreased slightly
5. Decreased substantially
6. Don't Know

Q. If you could reduce red tape in one level of Government which do you believe would benefit your business the most?

1. Federal
2. State
3. Local
4. Don't Know

Q. Please rank the areas of 'red tape' that are the greatest burden on your business from 1 (highest) to 9 (lowest) [please randomise this list]

GST – allocating GST to daily transactions

1. BAS reporting
2. Workers Compensation
3. Payroll Tax
4. Occupational Health and Safety
5. Superannuation
6. Understanding and applying award conditions to employees
7. Fringe Benefits Tax
8. I just don't know what 'red tape' I am subjected too but it is a concern