

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 115

**Topic: International Distinction between Tax Rates
for Small & Large Businesses**

Hansard Page: Wednesday 30 May 2012, page 107

Senator WATERS asked:

Senator WATERS: Are there any jurisdictions overseas that make a distinction between small business and not small business—in relation to tax rates, predominantly?

Mr Heferen: I understand that some countries might have a different corporate rate according to some characterisation of turnover or profit.

Senator WATERS: I understand there are quite a lot. Are you across the numbers there?

Mr Heferen: No.

Senator WATERS: If you could compile a list for me, that would be really great.

Mr Heferen: We will take that on notice.

Senator WATERS: Similarly, at what levels do they set their threshold for the definition of small business? Can you give me an impression and do the detailed work later about roughly what level they set small business at?

Mr Heferen: I think it would be unwise to do that now. I really do not know.

Senator WATERS: Sure. I will await the details.

Answer:

Definition of small business definitions in other jurisdictions

There is no single definition of small business used internationally for the purposes of tax and other policies. Definitions can be based on a number of metrics, including turnover, profit or employee numbers.

International comparisons of corporate tax regimes is a challenging task, and caution is advised when viewing comparisons, as there are many factors which affect the tax rate for small business. For example, unlike Australia, most other jurisdictions do not provide dividend imputation credits to investors. Noting these qualifications, the following points are made:

UK: The UK does not have a single definition of small business. Different criteria are used for different tax and other policy measurers. The UK corporation tax rate is dependent on the size of the company and the level of profits. The small profits rate of the UK corporation applies to companies with taxable profit below £300,000. The main rate of corporation tax is applied to taxable profit over £1.5 million.

US: The US tax system does not have a standard definition for small business. A number of programs exist to support certain types of small business, including four different tax rates

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

depending on profit level (\$0-\$50,000, \$50,000-\$75,000, \$75,000 to \$10 million, and greater than \$10 million)

NZ: NZ uses employee numbers to identify small and medium size business for tax policy considerations. Generally businesses with less than 19 full-time employees are considered as small-medium enterprises (SMEs) for tax purposes. NZ has a number of tax relief measures to help smaller businesses. Some of these rules aim to reduce compliance costs for SMEs.