

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 2012

30 May 2012

QUESTION: BET 35 – 38

Topic: Small business - definition (ATO)

Hansard Page: Written

Senator RYAN asked:

35. What is ATO's definition of a small business?
36. Using the ATO's definition of small business, how many small businesses were there in the following financial years:
(a) 2006-07
(b) 2007-08
(c) 2008-09
(d) 2009-10
37. Using the ATO's definition of a small business, how many small businesses were structured as companies for the following financial years:
(a) 2006-07
(b) 2007-08
(c) 2008-09
(d) 2009-10
38. Using the ATO's definition of a small business, how many small businesses paid company tax for the following financial years:
(a) 2006-07
(b) 2007-08
(c) 2008-09
(d) 2009-10

Answer:

35. The ATO website, under the definition of small business entity refers to an entity that carries on a business with an aggregated turnover of less than \$2 million.

The Tax Laws Amendment (Small Business) Act 2007 provides a single definition of small business. Previously, separate eligibility tests existed for goods and services tax (GST), the simplified tax system, capital gains tax, fringe benefits tax and pay as you go small business concessions. The definition of a small business entity used by the ATO now follows this definition.

An extract is included here:

General rule: based on aggregated turnover worked out as at the beginning of the current income year

(1) You are a small business entity for an income year (the current year) if:

*(a) you carry on a * business in the current year; and*

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(b) one or both of the following applies:

*(i) you carried on a business in the income year (the previous year) before the current year and your * aggregated turnover for the previous year was less than \$2 million;*

(ii) your aggregated turnover for the current year is likely to be less than \$2 million.

In the *ATO Compliance Program*, those with an annual turnover under \$2 million are referred to as a micro enterprise, this term is used within the ATO to define entities that fit this market segment.

Small to medium enterprises are those with an annual turnover of \$2 million to \$250 million with the small enterprises turning over between \$2 million and \$10 million. This definition is also used in *Taxation Statistics* that is published annually.

For the purposes of BET 36, 37 and 38 we have used the definition provided within the *Tax Laws Amendment (Small Business) Act 2007*. A small business entity refers to an entity that carries on a business with an aggregated turnover of less than \$2 million.

36.

(a) 2006-07	2,845,900
(b) 2007-08	2,905,900
(c) 2008-09	2,889,100
(d) 2009-10	2,878,600

37.

(a) 2006-07	740,700
(b) 2007-08	746,100
(c) 2008-09	742,600
(d) 2009-10	730,200

38.

(a) 2006-07	289,700
(b) 2007-08	294,000
(c) 2008-09	273,100
(d) 2009-10	258,300