

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET 538

Topic: Small business profits

Reference: Hansard page no. 54 - 02 June 2015

Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: If you could, I would be very interested to know that. I got some answers this morning already, but what does your analysis show—presumably you did this when you did the costings for the government on what the budget measure would be—about what percentage of small businesses actually make a profit and would therefore get a benefit from the 1½ per cent tax cut? Mr Heferen: I think we might have to take that one on notice. Senator WHISH-WILSON: Okay, because I have seen, I think, Saul Eastlake and some other economists out there just saying it is not a very high percentage of businesses that actually make a profit. My party supports a two per cent tax cut, so we— Senator Cormann: A two per cent tax cut? Senator WHISH-WILSON: Two per cent, so a bit more than you, Senator Cormann. Senator Cormann: How are you going to pay for it? Senator WHISH-WILSON: I am just interested to know how many small businesses make a profit. Mr Heferen: We will take that on notice. It does vary a lot year to year. That is one of the things. And there are a certain number of small businesses that do go out of business, and obviously those ones are not making that much money, which is why they go out of business. But we will take that on notice and see how refined a calibration we can provide. The other thing is the proportion of companies and sole traders and partnerships, so there may be some difference also along the method of how they have set up, but we will take that on notice.

Answer:

There are around 2.1 million small businesses with positive turnover in Australia, which is around 69 per cent of all small business. There are around 400,000 small businesses which are structured as companies and which have a positive turnover and would benefit from the 1.5 per cent tax cut. Small businesses that are not structured as a company are eligible to receive a tax discount on small business income, delivered via a non-refundable tax offset.

These figures are based on the average number of small businesses, inclusive of companies, partnerships, sole traders and trusts, for the 2007-08 to 2012-13 income years. A 'small business' is defined as a business with less than \$2 million in annual turnover.