



## Australian Government

### The Treasury

## APPENDIX 3

4 March, 2005

Mr Peter Hallahan  
Committee Secretary  
Senate Economics Committee  
Department of the Senate  
Parliament House  
Canberra ACT 2600

Dear Sir

### **TAX LAWS AMENDMENT (2004 MEASURES NO.7) BILL 2004**

I refer to the Senate inquiry into the abovementioned bill which was held on 1 March 2005. During the course of the inquiry a number of questions were taken on notice. In response to those questions, I now provide the following responses:

Senator Stephens

Q 1. How many taxpayers are estimated to be in the STS system after these measures (in schedule one) are introduced?

Answer It is estimated that the population of STS taxpayers after the commencement of these measures will be approximately 860,000.

Q 2. How many extra taxpayers are expected to join the STS system as a result of schedule one measures?

Answer It is estimated that the measures in schedule one will attract a further 440,000 taxpayers into the STS system.

Q 3. Is this increment to the STS tax base from schedule one measures included in the costings of the expansion of the STS in schedule two?

Answer Yes, the accruals impact for entities taking up the STS was factored in to the costings for schedule two.

Q 4. What is the average cost to the revenue per new STS taxpayer under schedule one measures, schedule two measures or schedules one and two?

Answer As the accruals impact for entities taking up the STS as a result of the schedule one measure was considered to be minor the average cost to the revenue of schedule one measure is estimated to be \$700.

Q 5. What is the average estimated taxable income of STS taxpayers who are expected to receive the offset?

Answer The average estimated taxable income of taxpayers who are expected to benefit from the offset is expected to be approximately \$18,000.

Q 6. What is the average estimated taxable income of STS taxpayers?

Answer The average estimated taxable income of STS taxpayers is approximately \$25,000.

Senator Brandis

Q 1. What is Treasury's estimate of the number of small businesses that will benefit from these provisions?

Answer On the basis of 2002-03 income tax return data, it is estimated that 540,000 small businesses will benefit from the provisions contained in schedule one.

Senator Watson

Q 1 What is the offset worth for a taxpayer with \$35,000 purely of business income compared to a person with \$35,000 purely of salary and wages?

Answer Assuming the taxpayer's turnover is less than \$50,000 (ie. is not in the shade-out range) a taxpayer with \$35,000 of net STS income would have an initial tax liability of \$6,672. The 25% offset would be \$1,668 leaving a final liability (not including medicare levy) of \$5004. These figures are based on the 2005-06 rates of tax applicable to resident individual taxpayers.

A taxpayer earning income purely from salary or wages is not an entrepreneur.

I trust the above responses will be of assistance to the Committee.

Yours sincerely

Mark O'Connor  
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