

Information Paper

Use of Business Income Tax Data for Regional Small Business Statistics — Experimental Estimates, Selected Regions, Australia

1995–96 to 1997–98

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PREFACE

The purpose of this paper is to alert users to the results of research undertaken by the Australian Bureau of Statistics (ABS), using Australian Tax Office (ATO) business income tax records, to produce estimates of business activity at a regional level. The experimental estimates in this information paper are part of the strategy of the ABS to meet the need for small area data expressed by various users including the Commonwealth Government, the State Governments, regional organisations and local authorities.

This information paper discusses the analysis that has been carried out on the business income tax data. The analysis was done in order to determine what information, of acceptable quality, could be derived for regions and what user needs it might meet. It also includes examples of the data available for regions from this data source.

The ABS will continue to explore the possibilities of deriving useful tabulations from ATO business income tax data based on the feedback it receives on these experimental estimates.

In summary, the results of the research show that the data have deficiencies if used to assess the economic activity in a region. The ATO collects information from the head office of a business, therefore all the data from businesses with more than one location are coded to the location of the head office. The data also exclude government activity. These and other limitations are discussed in the paper. However, despite these limitations, the data do provide information on the economic activity of small businesses at a regional level.

Both the methodology used to compile these estimates and the plans for extending the use the ABS makes of ATO business income tax data to derive regional economic estimates, are subject to further evaluation.

Suggestions and comments would be most welcome and can be addressed to Sally Barrett in Brisbane on telephone 07 3222 6132, fax 07 3222 6283, or email <sally.barrett@abs.gov.au>.

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SYMBOLS AND ACRONYMS	ABS	Australian Bureau of Statistics
	ANZSIC	Australian and New Zealand Standard Industrial Classification
	ATO	Australian Taxation Office
	BAS	Business Activity Statement
	DSD	Department of State Development
	EAS	Economic Activity Survey
	SLA	Statistical Local Area
	TNTS	The New Tax System
	n.a.	not available
	n.p.	not available for publication
	. .	not applicable
	—	nil or rounded to zero

RELATED PUBLICATIONS

Australian Standard Geographical Classification (ASGC)
(Cat. no. 1216.0)

Australian and New Zealand Standard Industrial Classification (ANZSIC) 1993 (Cat. no. 1292.0)

Information Paper, ABS Statistics and The New Tax System, 2000
(Cat. no. 1358.0)

Information Paper, The Expanded Use of Business Income Tax Data in ABS Economic Statistics — Experimental Estimates for Selected Industries, 1994–95 and 1995–96 (Cat. no. 5672.0)

Information Paper, The Use of Individual Income Taxpayer Data for ABS Regional Statistics — Wage and Salary Indicators for Small Areas, 1995–96 and 1996–97 (Cat. no. 5673.0)

Business Operations and Industry Performance, Australia
(Cat. no. 8140.0)

Australian Industry (Cat. no. 8155.0)

Information Paper: Australian Industry, A State Perspective
(Cat. no. 8156.0) (Due for release July 2001)

A significant amount of regional or small area data has been collected by the ABS since its formation. There has been an increasing focus on regional economic issues by the Commonwealth and State governments. User consultations undertaken throughout Australia by the ABS, identified a demand for better regional economic statistics. The general commitment of the ABS to improving the range and quality of the data it provides, has led to the search for additional sources of regional data.

The key requirements identified through user consultations, which included Commonwealth, State and local government agencies, were for annual and more frequent regional statistical indicators. These are needed to assist in monitoring the performance of regional economic activity and to measure the impact of government and private sector initiatives on regional economies and labour markets.

The ATO is a valuable source for data on business activity. For many years, the ABS has used business income tax data to supplement data collected from businesses in ABS sample surveys and censuses, in order to derive national figures. More recently, the data have been examined with a view to deriving regional information. At this stage, the ABS has concentrated on deriving regional information for small businesses.

The decision to focus on small business was made because the nature of the ATO data means that regional estimates for larger business are not feasible. This issue is discussed in Chapter 3 and Appendix 1. The Commonwealth Government and some State Government departments have expressed a particular interest in small business economic data over time as an indicator of the flow on effect of some major economic or policy changes both Australia-wide and in particular regions.

The analysis does not provide a complete measure of the economic activity of a region. It is distorted by the omission of multi-regional businesses (which can dominate a local economy). However, it does provide information on the numbers and activity of small businesses at a regional level.

The *Income Tax Assessment Act 1936* enables the ATO to provide the ABS with specific information in respect of businesses to be used for the purposes of the *Census and Statistics Act 1905*. However, the ABS cannot provide identifiable data to the ATO because of the confidentiality provisions contained in the *Census and Statistics Act 1905*. The ABS unequivocally protects the confidentiality of all its data holdings, including data provided to the ABS by other government agencies.

This information paper includes data for selected regions of Queensland, based on an aggregation of postcodes, for 1995–96, 1996–97 and 1997–98. The data are experimental estimates and can be derived for other regions of Australia (where the regions can be defined by postcode boundaries). The data go some way towards filling an identified gap in information on business activity and trends for small regions.

The ABS plans to continue to improve statistical data of this type and extend its statistical analyses.

The ABS has been working closely with the ATO for many years to broaden the range and improve the quality of Australian economic statistics. A brief outline of the changes that have occurred since the 1960s, can be found in Appendix 1 of the *Information Paper: The Expanded Use of Business Income Tax Data in ABS Economic Statistics — Experimental Estimates for Selected Industries, 1994–95 and 1995–96* (Cat. no. 5672.0).

In 1986, the *Income Tax Assessment Act 1936* was amended to allow the ATO to provide the ABS with identifiable business information to be used in accordance with the purposes of the *Census and Statistics Act 1905*.

The ATO is an excellent source of information that can be used to produce economic statistics. The ABS has been able to utilise ATO data to supplement or enhance data collected directly from businesses by the ABS, to produce new output such as the experimental estimates in this paper.

Information about the Australian business population, provided by the ATO, is used to maintain and update the ABS Business Register, which is used as a framework for most ABS business collections. Aggregated ATO business data have been used for many years in compiling the National Accounts. Since 1996–97, the ABS has combined data from the annual Economic Activity Survey (EAS) and from the ATO to produce industry estimates at the national level. This information is available in *Business Operations and Industry Performance, Australia* (Cat. no. 8140.0).

In response to ongoing demand for more detailed information regarding industry performance, the ABS has also produced a range of experimental estimates to show business characteristics at a detailed industry level. This information is contained in a new publication which was released in March 2001 titled *Australian Industry* (Cat. no. 8155.0). These estimates were derived using a combination of data from the EAS and from the ATO. It is only the incorporation of ATO business income tax data that has made it feasible to produce estimates at this level of detail. The ABS is also developing plans to use the tax data with other ABS collections, e.g. manufacturing and service industries.

In July 2001, the ABS will release the *Information Paper: Australian Industry, A State Perspective* (Cat. no. 8156.0), which will contain experimental State dissections of EAS/Tax data for non-goods producing industries, excluding finance, for 1998–99. It is intended that the range of estimates will expand each year with the longer term objective being to produce these estimates for the whole economy.

In addition, in line with the need to produce more regional statistics, the ATO business income tax datasets and aggregated individual taxpayer datasets have been investigated and some regional measures are being produced. The aggregated individual taxpayer data, prior to being released to the ABS, have been subjected to a confidentiality process that avoids the risk of inadvertently releasing any information that may identify an individual. No individual unit records have been released to the ABS and no information has been provided that could enable an individual to be identified.

The ABS will shortly release the *Information Paper: The Use of Individual Income Taxpayer Data for ABS Regional Statistics, Wage and Salary Indicators for Small Areas* (Cat. no. 5673.0), which will describe ABS analyses of the confidentialised ATO individual income taxpayer data. Various profiles of wage and salary earners, by statistical local areas (SLAs) in Australia, will be produced.

This information paper discusses the investigations the ABS made to derive regional data from the ATO business income tax files for companies, partnerships and trusts and from individuals declaring business income and expenses.

CHAPTER 3

METHODOLOGY

The ABS decided to produce experimental small business regional estimates using Business Income Tax data from two selected Queensland regions to demonstrate the potential of ATO data to capture economic trends in defined regions. Detailed results for Mackay Economic Region are presented in Chapter 4 and some comparisons between Mackay Economic Region, Cairns Economic Region and Queensland are provided in Chapter 5.

INITIAL PROCESSING OF ATO DATA

Once the required variables had been extracted from the National ATO Datafiles for companies, partnerships and trusts, and individuals declaring business income and expenses, irregularities in the Australian and New Zealand Standard Industrial Classification (ANZSIC) and postcode data were identified and resolved. Further editing was carried out to identify and resolve other general errors in the records. Finally, some basic validation processes were carried out on the resulting datasets in order to minimise the occurrence of inaccurate statistics.

THE SELECTED SMALL BUSINESS DEFINITION

For the purposes of this information paper and the experimental estimates provided within it, the definition of small business refers to those businesses whose total income or expenses were between \$10,000 and \$5m in the financial year.

Once the decision to produce regional data for small business had been taken, a process had to be found to identify these businesses and extract their data from the ATO Business Income Tax File. The ABS considered a number of definitions for small business. From the outset of this process, it was assumed that most small businesses would have only one location.

As the ATO does not require tax-paying legal entities to state whether they have more than one location, it was not possible to use a simple process to identify small business. Research was undertaken into various methods of identifying small business including a number of analytical investigations on the data as well as considering various definitions of small business.

There was a need to set a lower limit to exclude businesses which are hobbies generating a small amount of income as these could be operating quite differently from most businesses and could also distort analyses of economic activity. Analyses were carried out, using 1996–97 ATO data, on two lower limits and using income only or both income and expenditure.

A lower limit of \$25,000 was too high, particularly for a regional analysis at industry level. The number of records that would be excluded was significant and the subsequent decline in the proportion of businesses that would be captured was far higher for some ANZSIC divisions than for others. It was felt this would lead to a misrepresentation of the regional industry profile.

It was decided to use the ATO's lower limit for micro-businesses, which was \$10,000. The ATO defines non-commercial business as 'those non-employing businesses which earn less than \$10,000'. These include (i) part-time businesses, (ii) hobbies i.e. wage employees with a small business on the side and (iii) body corporates, i.e. strata titles which can be trading or non-trading.

Rather than defining small business solely from total income cut-offs, a combination of total income and total expenditure cut-offs was preferable when doing time series comparisons as a business could have unusually high or low income or expenditure in one particular year.

When the expense component was added to the definition, and the lower cut-off for both income and expenses was set at \$10,000, more entities were captured than when there was no expense component, however, the total increase in data items was significant. For a 32.7% increase in the number of entities, comparatively large increases were achieved in the values of major data items. In some respects, it appeared that this definition negated the trade off between number of entities and values of major data items.

From the ABS's experience with Australian tax data, \$5m seemed to be an appropriate upper limit.

Therefore, small business is defined as those businesses whose total income or expenses were between \$10,000 and \$5m in the financial year.

The ABS has also included data from a subset of small business in the experimental estimates produced in this paper. There was considerable interest amongst users in data on non-employers.

Non-employers are identified by the ABS as businesses which fit the following criteria

(TOTAL WAGE and SALARY EXPENSES = \$0 and SUPERANNUATION <= \$27,000)

and

(TOTAL INCOME > \$0 or TOTAL EXPENSES > \$0)

and

(TOTAL INCOME <= \$2m and TOTAL EXPENSES <= \$2m)

CHAPTER 4

EXPERIMENTAL ESTIMATES FOR SMALL BUSINESS IN THE MACKAY ECONOMIC REGION

INTRODUCTION

This chapter gives examples of the kind of data available for regions defined by postcode boundaries. The tables contain data for the Mackay Economic Region as well as some figures for the Cairns Economic Region and Queensland, for comparison.

After discussions with the Queensland Department of State Development (DSD), the ABS selected the Mackay Economic Region for the case study. DSD were interested in four specific economic regions: Mackay, Cairns, Mt Isa and Bundaberg. The Mackay Economic Region was chosen because it aligns closely with the Mackay Statistical Division, as defined by the ABS.

The Mackay Economic Region, as defined by the Department of State Development, includes all the local government regions in the Mackay Statistical Division (Belyando, Broadsound, Mackay, Mirani, Nebo, Sarina and Whitsunday) plus Bowen Shire.

The ABS was able to use postcode boundaries to create a statistical area very similar to the Mackay Economic Region. This Mackay Economic Region does not include the north western corner of Belyando Shire nor the southern tip of Broadsound Shire. For a complete list of the postcodes that constitute the Mackay Economic Region, referred to in this information paper, see Appendix 3. The postcodes which make up the Cairns Economic Region are also listed in Appendix 3.

Some industry classifications contain a low number of contributors and therefore caution should be used when drawing conclusions based on these experimental estimates.

The financial data are current prices reported in the specific financial years and not constant prices adjusted for inflation.

EXPERIMENTAL ESTIMATES FOR MACKAY ECONOMIC REGION

Table 1 demonstrates that the number of small businesses operating in the Mackay Economic Region has increased steadily, from 1995–96 to 1997–98. In the financial year 1995–96, there were 11,789 small businesses. The number rose by 4.4% from 1995–96 to 1996–97 and a further 5.0% between 1996–97 and 1997–98.

The number of companies rose significantly from 1,771 in 1995–96 to 1,993 in 1996–97 and while there was still an increase to 2,108, in 1997–98, it was at a rate of 5.8%, lower than the previous increase of 12.5%. Conversely, the number of individuals reporting business income increased 5.2% and 10.5% over the respective years. Partnerships and trusts rose slightly as well, but at a more slow and steady rate of 1.6% and 1.3%, respectively.

	1995-96	1996-97	Change 1995-96 to 1996-97	1997-98	Change 1996-97 to 1997-98
	no.	no.	%	no.	%
Companies	1 771	1 993	12.5	2 108	5.8
Partnerships/trusts	6 266	6 364	1.6	6 447	1.3
Individuals	3 752	3 946	5.2	4 359	10.5
Total	11 789	12 303	4.4	12 914	5.0

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

Table 2 shows that the number of businesses in the ANZSIC divisions which account for a high percentage of reporting units increased over the three financial years but there was some volatility in the industries with a lower percentage of reporting units. Agriculture, forestry and fishing had the highest number of businesses amounting to approximately a third of all reporting entities in the Mackay Economic Region. There was a steady increase between years. Conversely, the number of businesses involved in Cultural and recreational services and Retail trade decreased slightly over the three financial years. Communication services and Wholesale trade changed very little over the same period. All other industry divisions (excluding those businesses contained in the Mining, Transport and storage and Not specified categories) showed consistent growth.

Industry	1995-96	1996-97		1997-98	
	Small businesses no.	Small businesses no.	Change (from previous financial year) %	Small businesses no.	Change (from previous financial year) %
Agriculture, forestry and fishing	3 475	3 780	8.8	4 077	7.9
Mining	40	50	25.0	52	4.0
Manufacturing	559	587	5.0	606	3.2
Construction	1 891	1 918	1.4	2 009	4.7
Wholesale trade	323	320	-0.9	326	1.9
Retail trade	1 509	1 480	-1.9	1 470	-0.7
Accommodation, cafes and restaurants	373	398	6.7	412	3.5
Transport and storage	707	719	1.7	771	7.2
Communication services	82	82	0.0	84	2.4
Finance and insurance	440	477	8.4	516	8.2
Property and business services	1 163	1 265	8.8	1 343	6.2
Education	47	55	17.0	64	16.4
Health and community services	345	358	3.8	365	2.0
Cultural and recreational services	259	253	-2.3	240	-5.1
Personal and other services	480	497	3.5	529	6.4
Not specified(a)	96	64	-33.3	40	-37.5
Total	11 789	12 303	4.4	12 914	5.0

(a) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

Table 3 shows the comparison between employing and non-employing businesses in Mackay. Over the three financial years 1995-96 to 1997-98, the number of employing businesses decreased by 0.7%, whereas the number of non-employing businesses increased significantly, from 6,041 to 7,206 (an increase of 19.3%). This difference was reflected in the total income for employers and non-employers, with the income of employing businesses decreasing by 8.0%, whereas the income of non-employing businesses increased significantly, by 21.4%. However, while the number of employing businesses was less than the number of non-employing businesses, over the period 1995-96 to 1997-98, employing businesses showed a total income of between four and six times the total income of non-employing businesses. Non-employers constituted over 50% of businesses and the figure has risen steadily over the three financial years.

3

SELECTED TOTALS FOR EMPLOYERS AND NON-EMPLOYERS, MACKAY ECONOMIC REGION, 1995–96 TO 1997–98

	<i>Employing businesses</i>	<i>Non-employing businesses</i>	<i>Total income employers(a)</i>	<i>Total income non-employers(a)</i>
<i>Year</i>	<i>no.</i>	<i>no.</i>	<i>\$m</i>	<i>\$m</i>
1995–96	5 748	6 041	2 399.4	441.0
1996–97	5 741	6 562	2 447.4	475.9
1997–98	5 708	7 206	2 591.1	535.5

(a) Total business operating income as indicated in ATO data, for small businesses.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995–96, 1996–97 and 1997–98.

Over the financial years 1995–96 to 1997–98 shown in table 4, total income and total expenses increased steadily for small businesses in the Mackay Economic Region. The total profit decreased after the first financial year. Although this was followed by an increase in the 1997–98 financial year, total profit was still lower than in 1995–96.

For the period 1995–96 to 1996–97, average income and average profit fell for small business in the Mackay Economic Region, whereas average expenses rose slightly in that period. In 1996–97 to 1997–98, all averages increased, although average profit did not return to the 1995–96 levels.

Profit as a proportion of income decreased 1.8 percentage points from 1995–96 to 1996–97 and increased marginally from 1996–97 to 1997–98.

4

SMALL BUSINESS SELECTED TOTALS AND AVERAGES, MACKAY ECONOMIC REGION, 1995–96 TO 1997–98

	<i>Total income(a)</i>	<i>Average income(a)</i>	<i>Total expenses(b)</i>	<i>Average expenses(b)</i>	<i>Total profit(c)</i>	<i>Average profit(c)</i>	<i>Profit as a proportion of income</i>
<i>Year</i>	<i>\$m</i>	<i>\$'000</i>	<i>\$m</i>	<i>\$'000</i>	<i>\$m</i>	<i>\$'000</i>	<i>%</i>
1995–96	2 840.4	240.9	2 494.1	211.6	346.3	29.4	12.2
1996–97	2 923.2	237.6	2 618.4	212.8	304.8	24.8	10.4
1997–98	3 126.6	242.1	2 799.3	216.8	327.3	25.3	10.5

(a) Total and average business operating income as indicated in ATO data, for small businesses.

(b) Total and average business operating expenses as indicated in ATO data, for small businesses.

(c) Total and average operating expenses subtracted from total business operating income, for small businesses. Where figures have been rounded, discrepancies may occur between profit and the subtraction of expenses from income.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995–96, 1996–97 and 1997–98.

Table 5 demonstrates that the number of companies (which was the only dataset to record sales) increased in the Mackay Economic Region as did the amount of sales and total income. Gross dividends and gross rent decreased between 1995–96 and 1996–97, but this was followed by greater increases between 1996–97 and 1997–98.

5

SELECTED SMALL BUSINESS COMPANIES TOTALS, MACKAY ECONOMIC REGION, 1995-96 TO 1997-98

	<i>Small businesses</i>	<i>Sales</i>	<i>Gross interest</i>	<i>Gross rent</i>	<i>Gross dividends</i>	<i>Income (a)</i>
<i>Year</i>	<i>no.</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
1995-96	1 771	776.6	9.9	21.2	4.6	869.5
1996-97	1 993	843.0	11.8	19.6	3.4	935.5
1997-98	2 108	894.5	11.0	24.1	8.4	1 007.2

(a) Total business operating income as indicated in ATO data, for small businesses.

Source: ATO files for companies for 1995-96, 1996-97 and 1997-98.

Table 6 shows that the number of non-employers increased steadily over the three financial years, over most of the industries examined below. There was also a steady increase in the income and expenses for more than half of the industries.

6

SELECTED TOTALS FOR NON-EMPLOYERS BY INDUSTRY, MACKAY ECONOMIC REGION, 1995-96 TO 1997-98

<i>Industry</i>	<i>1995-96</i>			<i>1996-97</i>			<i>1997-98</i>		
	<i>Businesses</i>	<i>Total income(a)</i>	<i>Total expenses(b)</i>	<i>Businesses</i>	<i>Total income(a)</i>	<i>Total expenses(b)</i>	<i>Businesses</i>	<i>Total income(a)</i>	<i>Total expenses(b)</i>
	<i>no.</i>	<i>\$m</i>	<i>\$m</i>	<i>no.</i>	<i>\$m</i>	<i>\$m</i>	<i>no.</i>	<i>\$m</i>	<i>\$m</i>
Agriculture, forestry and fishing	1 848	146.5	115.0	2 126	154.2	134.9	2 477	171.4	153.3
Mining	26	3.7	3.4	33	2.2	2.3	35	2.3	2.4
Manufacturing	284	15.3	11.3	294	14.9	11.4	316	16.4	11.7
Construction	1 112	61.5	38.3	1 173	69.8	43.8	1 274	88.6	58.1
Wholesale trade	44	2.0	1.9	44	3.3	2.0	50	2.7	2.4
Retail trade	524	49.7	45.2	529	50.0	45.4	522	56.4	51.7
Accommodation, cafes and restaurants	78	7.1	6.4	88	7.1	6.4	113	9.3	8.6
Transport and storage	370	27.8	23.0	393	30.2	25.6	427	33.2	28.1
Communication services	48	1.6	0.9	50	2.1	1.1	41	1.6	0.9
Finance and insurance	348	31.9	11.6	380	38.1	14.3	421	40.5	15.5
Property and business services	611	53.0	39.8	685	56.5	41.3	757	69.4	50.8
Education	29	0.6	0.3	37	0.9	0.5	46	1.4	0.9
Health and community services	156	12.5	8.9	164	15.3	10.6	163	14.3	10.0
Cultural and recreational services	157	5.6	5.7	148	6.4	6.2	142	5.5	4.8
Personal and other services	244	8.3	7.4	277	10.0	8.0	295	12.1	10.5
Not specified(c)	162	13.6	11.2	141	14.9	13.1	127	10.5	9.4
Total	6 041	441.0	330.1	6 562	475.9	366.9	7 206	535.5	419.0

(a) Total business operating Income as indicated in ATO data, for small businesses.

(b) Total business operating expenses as indicated in ATO data, for small businesses.

(c) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

Table 7 shows that Agriculture, forestry and fishing, Construction, Retail trade and Property and business services dominated the Mackay Economic Region data in terms of the number of businesses, total income and total expenses for the years 1995–96, 1996–97 and 1997–98. Agriculture, forestry and fishing had by far the highest number of small businesses (roughly twice as many as the next highest) and the highest total income for the three financial years. Construction had the second highest number of businesses and the third highest total income and total expenses for all three financial years. In contrast, Retail trade had the third highest number of businesses and second highest total expenses, over the same period, excluding 1995–96 when it had the highest total expenses.

The picture changes with regard to average income and expenses. Wholesale trade had the highest average income and average expenses per business for each of the three financial years.

<i>Industry</i>	<i>Small businesses no.</i>	<i>Total income(a) \$m</i>	<i>Average income(a) \$'000</i>	<i>Total expenses(b) \$m</i>	<i>Average expenses \$'000</i>
1995-96					
Agriculture, forestry and fishing	3 475	732.5	210.8	588.0	169.2
Mining	40	18.8	470.1	14.7	367.0
Manufacturing	559	152.1	272.1	140.1	250.6
Construction	1 891	341.9	180.9	296.9	157.1
Wholesale trade	323	176.9	547.6	166.1	514.1
Retail trade	1 509	633.2	419.6	604.5	400.6
Accommodation, cafes and restaurants	373	150.0	402.2	142.6	382.2
Transport and storage	707	169.0	239.4	157.5	223.1
Communication services	82	6.0	73.4	4.4	53.7
Finance and insurance	440	48.1	109.5	25.0	57.0
Property and business services	1 163	234.8	202.1	203.5	175.1
Education	47	4.8	101.7	4.5	95.7
Health and community services	345	77.4	224.4	63.9	185.3
Cultural and recreational services	259	26.8	103.5	26.4	102.1
Personal and other services	480	56.5	117.6	47.1	98.1
Not specified(c)	96	11.6	112.6	8.9	86.4
<i>Total</i>	<i>11 789</i>	<i>2 840.4</i>	<i>240.9</i>	<i>2 494.1</i>	<i>211.6</i>
1996-97					
Agriculture, forestry and fishing	3 780	726.7	192.4	630.8	167.0
Mining	50	10.7	213.8	9.1	181.4
Manufacturing	587	169.3	288.4	157.1	267.6
Construction	1 918	360.8	188.3	311.1	162.4
Wholesale trade	320	183.3	574.7	171.5	537.7
Retail trade	1 480	637.1	430.4	609.2	411.6
Accommodation, cafes and restaurants	398	155.9	391.7	147.1	369.7
Transport and storage	719	173.5	241.3	163.7	227.6
Communication services	82	6.7	81.5	5.1	61.7
Finance and insurance	477	57.1	120.1	32.8	69.0
Property and business services	1 265	264.2	209.4	226.7	179.6
Education	55	5.2	95.4	4.4	80.6
Health and community services	358	83.2	232.3	69.3	193.5
Cultural and recreational services	253	32.3	127.8	30.5	120.6
Personal and other services	497	48.5	97.9	43.7	88.0
Not specified(c)	64	8.7	117.6	6.3	85.1
<i>Total</i>	<i>12 303</i>	<i>2 923.2</i>	<i>237.6</i>	<i>2 618.4</i>	<i>212.8</i>
1997-98					
Agriculture, forestry and fishing	4 077	777.4	190.8	676.7	166.1
Mining	52	14.2	272.5	14.6	281.4
Manufacturing	606	196.7	324.5	182.4	300.9
Construction	2 009	393.2	195.8	339.0	168.8
Wholesale trade	326	193.9	594.7	186.5	572.2
Retail trade	1 470	654.3	445.1	626.8	426.4
Accommodation, cafes and restaurants	412	155.6	377.6	147.3	357.5
Transport and storage	771	184.2	239.2	168.2	218.5
Communication services	84	7.5	89.1	5.9	70.3
Finance and insurance	516	74.5	144.9	46.4	90.3
Property and business services	1 343	290.8	216.9	245.8	183.3
Education	64	7.8	121.5	7.3	113.8
Health and community services	365	86.6	237.3	71.3	195.2
Cultural and recreational services	240	31.7	132.0	28.9	120.6
Personal and other services	529	55.9	105.6	50.1	94.7
Not specified(c)	40	2.3	45.1	2.1	41.2
<i>Total</i>	<i>12 914</i>	<i>3 126.6</i>	<i>242.1</i>	<i>2 799.3</i>	<i>216.8</i>

(a) Total and average business operating income as indicated in ATO data, for small businesses.

(b) Total and average business operating expenses as indicated in ATO data, for small businesses.

(c) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

EXPERIMENTAL ESTIMATES
FOR MACKAY ECONOMIC
REGION *continued*

As shown in table 8, Agriculture, forestry and fishing declared a total profit of \$144.5m, \$96.0m and \$100.7m for the three years respectively, with the industry with the next highest profit being Construction showing \$45.0m, \$49.7m and \$54.2m, respectively.

The Mining industry saw large changes over the three financial years, with an average profit of \$103.1m in 1995–96. In 1996–97, it had the fourth highest average profit of all industries. In 1997–98, the Mining industry reported an average loss of \$8.9m. Finance and insurance had the largest profit as a proportion of income for all three years, followed by Communication services.

<i>Industry</i>	<i>Small businesses no.</i>	<i>Total income(a) \$m</i>	<i>Total profit(b) \$m</i>	<i>Average profit(b) \$'000</i>	<i>Profit as a proportion of income %</i>
1995-96					
Agriculture, forestry and fishing	3 475	732.5	144.5	41.6	19.7
Mining	40	18.8	4.1	103.1	21.8
Manufacturing	559	152.1	12.0	21.5	7.9
Construction	1 891	341.9	45.0	23.8	13.2
Wholesale trade	323	176.9	10.8	33.5	6.1
Retail trade	1 509	633.2	28.7	19.0	4.5
Accommodation, cafes and restaurants	373	150.0	7.5	20.0	5.0
Transport and storage	707	169.0	11.5	16.3	6.8
Communication services	82	6.0	1.6	19.6	26.7
Finance and insurance	440	48.1	23.0	52.4	47.8
Property and business services	1 163	234.8	31.3	27.0	13.3
Education	47	4.8	0.3	6.0	6.3
Health and community services	345	77.4	13.5	39.1	17.4
Cultural and recreational services	259	26.8	0.4	1.5	1.5
Personal and other services	480	56.5	9.4	19.5	16.6
Not specified(c)	96	11.6	2.7	26.2	23.3
<i>Total</i>	<i>11 789</i>	<i>2 840.4</i>	<i>346.3</i>	<i>29.4</i>	<i>12.2</i>
1996-97					
Agriculture, forestry and fishing	3 780	726.7	96.0	25.4	13.2
Mining	50	10.7	1.6	32.4	15.0
Manufacturing	587	169.3	12.2	20.7	7.2
Construction	1 918	360.8	49.7	25.9	13.8
Wholesale trade	320	183.3	11.8	37.1	6.4
Retail trade	1 480	637.1	27.8	18.8	4.4
Accommodation, cafes and restaurants	398	155.9	8.8	22.0	5.6
Transport and storage	719	173.5	9.8	13.6	5.6
Communication services	82	6.7	1.6	19.8	23.9
Finance and insurance	477	57.1	24.3	51.1	42.6
Property and business services	1 265	264.2	37.5	29.7	14.2
Education	55	5.2	0.8	14.8	15.4
Health and community services	358	83.2	13.9	38.8	16.7
Cultural and recreational services	253	32.3	1.8	7.2	5.6
Personal and other services	497	48.5	4.9	9.9	10.1
Not specified(c)	64	8.7	2.3	31.1	26.4
<i>Total</i>	<i>12 303</i>	<i>2 923.2</i>	<i>304.8</i>	<i>24.8</i>	<i>10.4</i>
1997-98					
Agriculture, forestry and fishing	4 077	777.4	100.7	24.7	13.0
Mining	52	14.2	-0.5	-8.9	-3.5
Manufacturing	606	196.7	14.3	23.6	7.3
Construction	2 009	393.2	54.2	27.0	13.8
Wholesale trade	326	193.9	7.3	22.5	3.8
Retail trade	1 470	654.3	27.5	18.7	4.2
Accommodation, cafes and restaurants	412	155.6	8.3	20.0	5.3
Transport and storage	771	184.2	16.0	20.7	8.7
Communication services	84	7.5	1.6	18.8	21.3
Finance and insurance	516	74.5	28.1	54.6	37.7
Property and business services	1 343	290.8	45.0	33.6	15.5
Education	64	7.8	0.5	7.7	6.4
Health and community services	365	86.6	15.4	42.1	17.8
Cultural and recreational services	240	31.7	2.7	11.4	8.5
Personal and other services	529	55.9	5.8	10.9	10.4
Not specified(c)	40	2.3	0.4	7.8	17.4
<i>Total</i>	<i>12 914</i>	<i>3 126.6</i>	<i>327.3</i>	<i>25.3</i>	<i>10.5</i>

(a) Total and average business operating income as indicated in ATO data, for small businesses.

(b) Total and average business operating expenses subtracted from total business operating income, for small businesses. Where figures have been rounded, discrepancies may occur between profit and the subtraction of expenses from income.

(c) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

EXPERIMENTAL ESTIMATES
FOR MACKAY ECONOMIC
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Table 9 shows current liabilities as a proportion of assets for companies. The proportions varied over the three financial years. Accommodation, cafes and restaurants; Transport and storage; and Communication services had consistently high current liabilities as a proportion as assets over the years 1995–96 to 1997–98. Wholesale trade and Retail trade, along with Finance and insurance and Health and community services, had lower current liabilities as a proportion of assets than the total for all industries, over all three financial years, with Personal and other services falling to below the proportion for the total in 1997–98. Cultural and recreational services showed extremely high liabilities as a proportion of assets with 165.0% in 1995–96 but decreased rapidly to below 100% in 1996–97 and fell further in 1997–98.

9

PROPORTION(a) OF CURRENT LIABILITIES TO ASSETS FOR SMALL BUSINESS BY INDUSTRY, MACKAY ECONOMIC REGION, 1995–96 TO 1997–98

	1995–96	1996–97	1997–98
<i>Industry</i>	%	%	%
Agriculture, forestry and fishing	89.1	97.5	101.6
Mining	n.p.	n.p.	n.p.
Manufacturing	93.1	82.0	82.7
Construction	99.2	99.6	92.1
Wholesale trade	77.1	87.3	79.1
Retail trade	76.0	82.0	83.6
Accommodation, cafes and restaurants	121.4	130.0	162.6
Transport and storage	129.0	138.8	118.7
Communication services	100.3	143.8	111.0
Finance and insurance	51.2	61.0	62.8
Property and business services	100.9	106.2	97.4
Education	89.9	27.0	91.7
Health and community services	74.0	82.1	82.2
Cultural and recreational services	165.0	96.8	90.9
Personal and other services	84.0	96.8	75.7
Not specified(b)	68.7	66.5	73.5
Total	88.2	92.3	92.8

(a) Current liabilities divided by current assets multiplied by 100. Current assets and current liabilities are only reported for companies and partnerships and trusts.

(b) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995–96, 1996–97 and 1997–98.

Table 10 shows that for all industries, over the three financial years, cost of sales and total wages and salaries dominated as a proportion of total expenses in the Mackay Economic Region. In each year, cost of sales and total wages and salaries accounted for just over 50% of total expenses. On the other hand, bad debts consistently formed the lowest proportion of total expenses, at 0.1% for each financial year. In the Retail trade industry however, cost of sales comprised over two-thirds of total expenses, in contrast to the Agriculture, forestry and fishing industry where cost of sales comprised approximately 6% of the total expenses. Total wages and salaries as a proportion of total expenses was higher in the Property and business services than the figure for All industries, comprising over a quarter of the total expenses in each financial year.

	1995-96	1996-97	1997-98
<i>Industry</i>	<i>%</i>	<i>%</i>	<i>%</i>
All industries			
Total wages and salaries	15.0	15.6	15.5
Rent expenses	2.3	2.3	2.4
Total lease expenses	2.1	2.2	2.4
Cost of sales	36.3	35.1	35.2
Superannuation	1.8	1.6	1.7
Bad debts	0.1	0.1	0.1
Motor vehicle expenses	1.8	1.9	1.6
Repairs and maintenance	4.6	4.2	4.1
Other expenses	36.0	37.1	37.0
<i>Total expenses</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
Agriculture, forestry and fishing			
Total wages and salaries	11.3	11.8	10.8
Rent expenses	1.1	1.1	1.2
Total lease expenses	4.2	4.6	4.6
Cost of sales	5.9	6.1	5.8
Superannuation	1.8	1.5	1.7
Bad debts	n.p	0.0	0.0
Motor vehicle expenses	1.6	1.6	1.4
Repairs and maintenance	11.2	10.2	9.7
Other expenses	62.8	63.1	64.7
<i>Total expenses</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
Construction			
Total wages and salaries	14.5	16.0	15.5
Rent expenses	0.6	0.7	0.7
Total lease expenses	1.5	1.7	2.2
Cost of sales	41.7	36.1	36.4
Superannuation	1.7	1.5	1.4
Bad debts	0.2	0.2	0.3
Motor vehicle expenses	2.7	2.7	2.6
Repairs and maintenance	3.1	3.2	2.9
Other expenses	34.0	37.9	38.1
<i>Total expenses</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
Retail trade			
Total wages and salaries	11.2	11.6	11.5
Rent expenses	3.4	3.4	3.5
Total lease expenses	0.6	0.6	0.7
Cost of sales	69.0	68.8	68.7
Superannuation	1.1	1.0	1.0
Bad debts	0.0	0.1	0.1
Motor vehicle expenses	1.0	1.0	0.9
Repairs and maintenance	0.8	0.8	0.8
Other expenses	12.8	12.8	12.8
<i>Total expenses</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
Property and business services			
Total wages and salaries	26.0	25.2	25.7
Rent expenses	2.7	2.8	2.9
Total lease expenses	1.8	1.8	2.2
Cost of sales	17.3	17.0	21.3
Superannuation	3.2	3.1	3.2
Bad debts	0.3	0.2	0.3
Motor vehicle expenses	2.0	2.1	1.9
Repairs and maintenance	2.4	1.8	1.9
Other expenses	44.3	45.9	40.8
<i>Total expenses</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

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FOR MACKAY ECONOMIC
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Table 11 demonstrates that wages and salaries, as a proportion of total expenses, for the Mackay Economic Region overall, showed a slight increase after the first financial year and then remained fairly steady. Wages and salaries formed a larger proportion of the expenses of Health and community services than in any other industry in all of the three financial years; 32.1% in 1995–96, 30.8% in 1996–97 and 33.3% in 1997–98. Property and business services had the second highest percentage figures with 26.0% in 1995–96 and 25.2% in 1996–1997. In 1997–98 Education had the second highest percentage figure with 27.8%.

Wholesale trade, Manufacturing and Cultural and recreational services showed an increase in wages and salaries as a proportion of total expenses over the three financial years. There were no steady three-year declines observed in any of the selected industries, with most of the selected industries fluctuating between respective years. The largest decline was recorded in the Mining industry between the 1995–96 and 1996–97 financial years, from 20.4% to 15.6%, however, this was followed in the next financial year by the largest increase, to 26.1%.

11

WAGES AND SALARIES AS A PROPORTION OF TOTAL EXPENSES FOR SMALL BUSINESSES BY INDUSTRY, MACKAY ECONOMIC REGION, 1995–96 TO 1997–98

	1995–96	1996–97	1997–98
<i>Industry</i>	%	%	%
Agriculture, forestry and fishing	11.3	11.8	10.8
Mining	20.4	15.6	26.1
Manufacturing	19.7	20.2	21.1
Construction	14.5	16.0	15.5
Wholesale trade	12.0	12.3	14.2
Retail trade	11.2	11.6	11.5
Accommodation, cafes and restaurants	18.5	18.2	18.3
Transport and storage	16.5	17.2	15.9
Communication services	16.2	18.3	17.5
Finance and insurance	16.0	22.2	17.9
Property and business services	26.0	25.2	25.7
Education	22.0	20.8	27.8
Health and community services	32.1	30.8	33.3
Cultural and recreational services	13.3	16.3	16.8
Personal and other services	23.6	23.9	23.0
Not specified(a)	12.7	5.5	6.0
<i>All industries</i>	15.0	15.6	15.5

(a) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995–96, 1996–97 and 1997–98.

CHAPTER 5

EXPERIMENTAL ESTIMATES COMPARING MACKAY ECONOMIC REGION WITH CAIRNS ECONOMIC REGION AND QUEENSLAND

The following two tables provide a comparison for the Mackay Economic Region with the Cairns Economic Region and Queensland.

Table 12 shows that the average income for the Cairns region is higher than both Mackay and Queensland for all three financial years, with the Mackay region having a higher average income than Queensland. In both Mackay and Cairns and Queensland as a whole, Wholesale trade consistently had the highest average income in all three financial years. Education and Communication services in the Cairns region have significantly higher average incomes than in Mackay and Queensland in all years. Finance and insurance throughout Queensland has a higher average income than it does in the Mackay and Cairns Economic Regions. Average income for Agriculture, forestry and fishing is higher in both Mackay and Cairns than in Queensland as a whole with Cairns showing the highest figures with \$224,900 in 1995–96, \$225,900 in 1996–97 and \$232,600 in 1997–98.

	Mackay	Cairns	Queensland
Industry	\$'000	\$'000	\$'000
1995-96			
Agriculture, forestry and fishing	210.8	224.9	139.4
Mining	470.1	126.4	360.4
Manufacturing	272.1	289.8	309.6
Construction	180.8	171.8	165.2
Wholesale trade	547.6	666.4	576.7
Retail trade	419.6	425.1	377.0
Accommodation, cafes and restaurants	402.2	474.5	378.2
Transport and storage	239.0	256.2	198.0
Communication services	73.4	153.6	80.9
Finance and insurance	109.2	136.3	179.8
Property and business services	201.9	235.5	204.3
Education	101.7	141.7	106.7
Health and community services	224.4	246.0	234.3
Cultural and recreational services	103.5	130.9	122.6
Personal and other services	117.6	109.2	107.7
Not specified(a)	121.2	72.6	99.9
<i>Total</i>	240.9	258.4	226.4
1996-97			
Agriculture, forestry and fishing	192.3	225.8	141.4
Mining	213.8	218.6	363.8
Manufacturing	288.4	277.6	321.3
Construction	188.1	180.9	170.8
Wholesale trade	573.0	641.8	589.8
Retail trade	430.4	449.1	386.9
Accommodation, cafes and restaurants	391.7	489.6	395.7
Transport and storage	241.3	242.9	206.7
Communication services	81.5	183.3	84.0
Finance and insurance	119.7	138.6	202.8
Property and business services	208.9	204.4	209.4
Education	95.4	133.4	95.3
Health and community services	232.3	252.2	244.3
Cultural and recreational services	127.8	143.8	123.8
Personal and other services	97.7	111.6	108.0
Not specified(a)	135.3	75.0	102.2
<i>Total</i>	237.6	259.1	233.0
1997-98			
Agriculture, forestry and fishing	190.7	232.6	148.2
Mining	272.5	208.2	361.6
Manufacturing	324.5	269.8	329.3
Construction	195.7	182.3	174.9
Wholesale trade	594.7	589.7	594.8
Retail trade	445.1	472.3	400.1
Accommodation, cafes and restaurants	377.6	469.8	388.8
Transport and storage	238.9	238.5	209.6
Communication services	89.1	175.9	86.1
Finance and insurance	144.4	132.4	207.5
Property and business services	216.6	219.9	216.5
Education	121.5	145.8	94.9
Health and community services	237.3	280.2	243.6
Cultural and recreational services	132.0	152.6	130.0
Personal and other services	105.6	127.4	109.0
Not specified(a)	49.1	38.1	89.2
<i>Total</i>	242.1	264.1	237.1

(a) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995-96, 1996-97 and 1997-98.

Table 13 shows that over the three financial years, Mackay small businesses had a higher average profit than those in Cairns or Queensland as a whole. This was also true for the majority of industries. Cairns small businesses had a higher average profit than Queensland as a whole in 1995–96 but this figure fell to slightly below the Queensland average in 1996–97 and 1997–98.

<i>Industry</i>	<i>Mackay</i> \$'000	<i>Cairns</i> \$'000	<i>Queensland</i> \$'000
1995–96			
Agriculture, forestry and fishing	41.6	19.3	11.9
Mining	103.1	–8.9	5.9
Manufacturing	21.5	21.7	19.1
Construction	23.8	25.9	22.0
Wholesale trade	33.5	25.1	21.0
Retail trade	19.0	18.1	14.8
Accommodation, cafes and restaurants	20.0	31.8	16.4
Transport and storage	16.3	15.9	17.7
Communication services	19.6	21.9	17.6
Finance and insurance	52.3	57.7	72.0
Property and business services	27.0	32.2	23.6
Education	6.0	8.9	13.8
Health and community services	39.1	27.3	31.9
Cultural and recreational services	1.5	2.8	10.3
Personal and other services	19.5	12.1	12.2
Not specified(a)	27.7	–23.6	15.2
<i>Total</i>	29.4	23.7	20.4
1996–97			
Agriculture, forestry and fishing	25.4	25.6	9.6
Mining	32.4	4.0	–6.7
Manufacturing	20.7	15.3	18.9
Construction	25.9	24.7	22.7
Wholesale trade	37.0	17.7	23.5
Retail trade	18.8	14.6	15.0
Accommodation, cafes and restaurants	22.0	16.2	13.5
Transport and storage	13.6	14.8	18.7
Communication services	19.8	21.8	18.8
Finance and insurance	50.9	47.7	82.6
Property and business services	29.7	26.0	25.3
Education	14.8	8.8	8.1
Health and community services	38.8	26.4	31.8
Cultural and recreational services	7.2	6.1	7.8
Personal and other services	9.9	14.3	13.2
Not specified(a)	35.8	2.9	14.2
<i>Total</i>	24.8	21.1	21.2
1997–98			
Agriculture, forestry and fishing	24.7	16.7	11.9
Mining	–8.9	8.4	–7.0
Manufacturing	23.6	18.4	21.0
Construction	27.0	25.3	24.5
Wholesale trade	22.5	17.2	21.0
Retail trade	18.7	15.4	16.1
Accommodation, cafes and restaurants	20.0	20.0	12.2
Transport and storage	20.7	19.1	19.7
Communication services	18.8	14.4	17.8
Finance and insurance	54.4	45.0	78.8
Property and business services	33.5	24.3	26.9
Education	7.7	9.9	6.5
Health and community services	42.1	24.0	32.8
Cultural and recreational services	11.4	6.6	7.9
Personal and other services	10.9	18.9	13.7
Not specified(a)	9.8	11.7	10.0
<i>Total</i>	25.3	21.5	22.4

(a) Not specified includes records which could not be allocated an ANZSIC code as well as businesses coded to the industry, 'Electricity, gas and water supply'.

Source: ATO files for companies, partnerships and trusts, and individuals for 1995–96, 1996–97 and 1997–98.

The tables provided in Chapters 4 and 5 illustrate only some of the ATO variables available. Tables can be produced for any other region delineated by postcode boundaries using any ATO variables. For a full list of ATO variables see Appendix 2.

One of the ABS's ongoing strategies is to evaluate data from the ATO and other sources, to determine if they can be used for statistical purposes. The quality of the experimental estimates produced continues to improve because of the employment of a number of strategies, including review of concepts and methodology.

Over time, the ABS expects to improve the quality and breadth of Australia's statistical information by using data collected by the ATO under The New Tax System (TNTS). It also anticipates that small business record keeping will be improved as a result of compliance with ATO requirements leading to an improvement in data quality.

In April 2000, the ABS released an information paper entitled *Information Paper: ABS Statistics and The New Tax System* (Cat. no. 1358.0). This paper describes the impacts and opportunities afforded to the ABS as a result of The New Tax System. It is hoped that The New Tax System will offer the ABS opportunities to improve the range and quality of data it provides to users, while at the same time reducing the reporting load it places on businesses.

The New Tax System is expected to deliver a range of potential opportunities for the ABS including:

- access to a more comprehensive and up to date register of businesses and other organisations with economic activity;
- using data from the Business Activity Statement (BAS) to substitute information currently collected directly from respondents by the ABS or using BAS data to estimate for units which have not yet responded or to check the consistency of reported data;
- improving the quality of ABS information through data supplementation, for example, deriving benchmarks from the BAS data and using a smaller direct collection from businesses; and
- investigating the use of BAS information for producing State estimates.

The ABS is continuing its expansion on both the use of Income Tax data and in the production of State estimates. The ABS is publishing an information paper *Australian Industry, a State Perspective* (Cat. no. 8156.0) at the end of July 2001. Experimental estimates produced at State level derived using a combination of data from the ABS annual Economic Activity Survey and 1998–99 business income tax data provided to the Australian Taxation Office will be presented. The data will be for a subset of industries only. It is intended that the range of estimates expand each year with the longer term objective being to produce these estimates for the whole economy. Data items will include total income, total expenses, wages and salaries and profit. The information will be presented at the 1 digit and 2 digit ANZSIC levels.

Improvements are continually sought for both quarterly and annual ABS collections and many efforts are made to ensure that the expansion in data available does not mean an increase in the reporting required by businesses. The ABS understands the key role businesses play in providing information and respect the time and resources required to fulfil these obligations.

The methodology used to compile estimates in this information paper and ABS future plans for the use of ATO business income tax data are subject to further evaluation. The ABS will continue to release information papers reporting on the investigations involved in this and related strategies. A list of relevant publications is provided on page iv of this information paper.

The ABS can offer a consultancy service for the production of business income tax data for regional small business statistics following the methodology outlined in this information paper. Data can be produced for any aggregate of postcodes in Australia, subject to the usual confidentiality restrictions. For information on the methodology or advice on this consultancy service please contact Sally Barrett on Brisbane telephone 07 3222 6132, fax 07 3222 6283, or email <sally.barrett@abs.gov.au>.

APPENDIX 1

ATO BUSINESS INCOME TAX DATA

An understanding of ATO data items and what they represent is necessary in order to gain a thorough understanding of the limitations of the experimental estimates in this paper. (For a complete list of ATO data items see Appendix 2.)

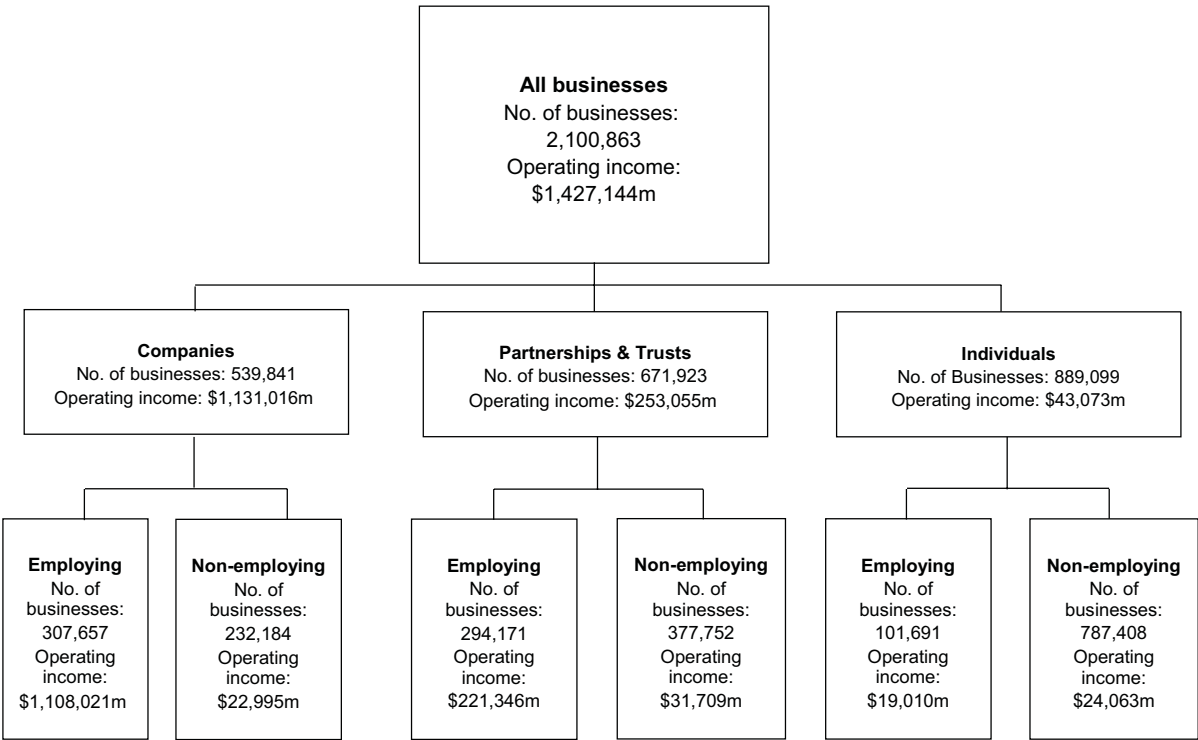
The ATO obtains information from businesses on income and expenses for the purposes of calculating tax payable. The ABS makes secondary use of this data to supplement statistical data collected to measure economic activity and trends.

COVERAGE

Throughout this information paper, ‘business’ refers to the tax-paying legal entity. The Business Income Tax File, supplied by the ATO, contains data for tax-paying legal entities, which operated as a trading business for, at least, some time during the financial year. This includes companies, partnerships, trusts and individuals reporting business income.

The diagram below illustrates the coverage of these data and shows the breakdown of businesses across Australia.

STRUCTURE OF AUSTRALIAN BUSINESSES, 1997–98



Source: ATO files for companies, partnerships, trusts and individuals declaring business income 1997–98.

In addition to the counts shown in the chart above, there are almost 50,000 businesses, which submitted an income tax return in 1997–98 but are inoperative.

Although broad in scope, there are areas of the economy in which the tax files do have limitations. There are a variety of legal entities, which are tax-exempt. However, many tax-exempt businesses do complete income tax returns.

Under tax law, some types of organisations are not required to file income tax returns:

- general government organisations do not submit income tax returns, therefore there are no data for this sector;
- Commonwealth public trading enterprises complete income tax returns, however public trading enterprises in some States and Territories do not;
- some organisations in the not for profit institutional sector submit annual income tax returns because they engage in some taxable trading activities but others do not. This has some effect on the data for industries such as Community services, Other services and Education; and
- funds (including superannuation funds, approved deposit funds and pooled superannuation trusts), although filing income tax returns, are not included in the Business Income Tax File.

As with all economic surveys and data sources, any economic activity undertaken in the ‘cash economy’, which occurs when transactions undertaken are not reported, is not included in the dataset.

On the other hand, the ATO does collect business information on non-employers which is a very useful factor in understanding business economic activities. The non-employer data is used by the ABS to produce estimates for non-employers.

Both the ATO and ABS definitions of what constitute business income restricts the coverage of the Business Income data. For the ATO, this is particularly so in the case of individuals, partnerships and trusts earning rental income. Rental income is included only for legal entities, which are ‘in business’. Nationally, approximately \$3,000m in rental income, pertaining to ‘non-business’ investment, is not included in the tax data.

The factors that indicate whether a legal entity is ‘in business’ are quite complex and have been the subject of court and tribunal decisions. Basically, the manner in which a legal entity takes part in an activity is the main indicator. To be ‘in business’ the activity must be something other than a hobby, i.e. run like a business with the intention and prospect of profit. (For details see article ‘Am I in Business’ on ATO website <<http://www.ato.gov.au>>)

TYPES OF ORGANISATIONS

The data examined in this information paper covers individuals declaring business income and three types of organisations — companies, partnerships and trusts.

A company is a business or organisation incorporated under the *Corporations Law*. By incorporating (becoming a corporation), a legal entity is created which is a separate body from the owners. A company is capable of performing the same legal action as an individual including holding property, capacity to sue and be sued. The majority of Australian corporations are governed by the *Corporations Law*.

A partnership involves the relationship that exists between individual persons carrying on a business together with the intention of making a profit. A partnership is not a legal entity separate from the partners. The partners are therefore separately and jointly legally responsible for the actions, debts and obligations of the partnership (though this relates only to the business of the partnership, not to matters outside it). The actions of an individual partner bind all the partners unless it is a limited liability partnership.

A trust is formed when a third party, on behalf of the owners, administers money and/or other assets. The money and/or assets are held in a trust fund and may be invested by the trustee who is accountable to, and in a fiduciary relationship with, the beneficiary(ies).

DATA ITEMS

All of the data items on the income tax return form are available to the ABS although these vary depending on the type of organisation covered by the form and this study investigates only data for companies, partnerships, trusts and individuals declaring business income. Data items can be divided into three sections: identifier and status information, profit or loss calculation and other financial information.

(i) Identifier and status information:

This includes information on the name of the business, company number and postcode. In addition, the company tax form includes fields relating to the ultimate and immediate holding company.

(ii) Profit or loss calculation:

The main area of concern of the ATO is the calculation of taxable profit or loss for a business. A large number of data items relate to this.

(iii) Other financial information:

Although not subject to as rigorous an editing procedure as income and expenses, the other financial data items have substantial potential for the production of regional statistics.

A full listing of data items is provided in Appendix 2.

INDUSTRY CLASSIFICATION

The ABS has been using industrial classifications for many years culminating in the introduction of the Australian and New Zealand Standard Industrial Classification (ANZSIC) in 1992. The ANZSIC was developed by the ABS and the New Zealand Department of Statistics to improve the comparability and usefulness of statistics and to align more closely with international standards.

The ANZSIC code is one of the data items supplied by the ATO. The income tax return requires that the main business activity be described and coded. An ANZSIC code list, in alphabetical order is included in the ATO's 'Business Industry Coder' booklet.

In the vast majority of cases, it is the tax agent rather than the taxpayer who completes the form. The accuracy of the industry data is reliant on the knowledge and accuracy of individuals who may not have a full understanding of the ANZSIC. While there are inaccuracies in the quality of ANZSIC coding of income tax returns, the ABS and the ATO are working together to ensure higher quality data in future.

REGIONAL INDICATOR

The ATO income tax form requests the head office address rather than an individual business address (see the business address data item under 'Indicative Information' in Appendix 2). The ABS uses the postcode of this head office address as the regional indicator. All the data from businesses with more than one location are coded to the location of the head office. This means that any regional breakdown of data from multi-location businesses would be inaccurate. Analysis done by the ABS indicates that approximately 5% of operating business management units are multi-location units, leaving approximately 95% as single location units. When considering small businesses, the proportion of businesses that are single location businesses is expected to be higher than 95%.

APPENDIX 2

ATO DATA ITEMS

Indicative Information		
<i>Companies</i>	<i>Partnerships & Trusts</i>	<i>Individuals</i>
<ul style="list-style-type: none"> • Business name • Business post code • Scrambled tax file number (TFN) • Status of business • ANZSIC code • Final return indicator • Australian company number (ACN) or Australian registered business number (ARBN) • Ultimate holding company ACN/ARBN • Intermediate holding company ACN/ARBN • Client assessment branch code • Company type code • Business line • Business line code • New client indicator 	<ul style="list-style-type: none"> • Business name • Business post code • Scrambled tax file number (TFN) • Status of business • ANZSIC code • Final return indicator • Form type (Partnership or Trust) 	<ul style="list-style-type: none"> • Business name • Business address • Business post code • Scrambled tax file number (TFN) • Status of business • ANZSIC code • Final return indicator

ATO DATA ITEMS *continued*

Data Items Used in Calculating Taxable Income		
<i>Companies</i>	<i>Partnerships & Trusts</i>	<i>Individuals</i>
<ul style="list-style-type: none"> • Total business income • External labour costs • Cost of sales • Bad debts • Lease expenses • Rent expenses • Interest expenses • Superannuation • Depreciation expenses • Motor vehicle expenses • Repairs and maintenance • All other expenses • Total expenses • Gross PPS (prescribed payments system) income • Gross RPS (reportable payments system) income • Royalty expenses • Other sales of goods and services • Distribution from partnerships • Distribution from trusts • Gross interest • Gross rents, leasing and hiring • Gross dividends • Assessable government industry payments • Other gross income • Employee superannuation • Interest expenses • Operating profit or loss • Extraordinary items • Total profit or loss • Total capital gains • Other add back items • Capital losses transferred in • Net capital losses of prior years applied • Total capital losses of current year applied • Depreciation deducted • Immediate write-off¹ • Other capital expenditure¹ • Special building write-off • Drought investment allowance • Development allowance • Non-syndicated research and development • Syndicated research and development • Land degradation expenses • Environment protection expenses • Offshore banking unit adjustment • Other subtraction items • Losses recouped • Losses transferred in • Taxable income or loss • Losses transferred out • Losses carried forward • Net capital losses transferred out • Net capital losses carried forward 	<ul style="list-style-type: none"> • Total business income • External labour costs • Cost of sales • Bad debts • Lease expenses • Rent expenses • Interest expenses • Superannuation • Depreciation expenses • Motor vehicle expenses • Repairs and maintenance • All other expenses • Total expenses • Primary production (PP) income • Non-primary production (NPP) income • Net income or loss from business (PP/NPP) • Royalty expenses • Investment allowance • Reconciliation adjustment • PPS credit • RPS credit • Distribution from partnerships (PP/NPP) • Distribution from trusts (PP/NPP) • Deduction relating to distribution (PP/NPP) • Net PP/NPP production distribution • Share of PPS credit • Share of RPS credit • Share of imputation credit from franked dividends • Share of credit for TFN amounts deducted from interest and dividends • Gross rent • Interest deductions • Other rental deduction • Net rent • Gross interest • Dividends • Other Australian Income • Deductions relating to Australian investment income • Other deductions • Net Australian income or loss • Attributed foreign income • General net foreign source income • Total net income/loss from all sources • Overseas transactions 	<ul style="list-style-type: none"> • Total business income • External labour costs • Cost of sales • Bad debts • Lease expenses • Rent expenses • Interest expenses • Superannuation • Depreciation expenses • Motor vehicle expenses • Repairs and maintenance • All other expenses • Total expenses • Primary production (PP) income • Non-primary production (NPP) income • Net Income or loss from business (PP/NPP) • Drought investment allowance • Reconciliation adjustment

ATO DATA ITEMS *continued*

Other Data Items		
<i>Companies</i>	<i>Partnerships & Trusts</i>	<i>Individuals</i>
<ul style="list-style-type: none"> • Opening stock • Closing stock • Trade debtors • Trade creditors • Total salary and wage expenses • Payments to associated persons • Depreciable assets purchased • Depreciable assets sold • All current assets • All current liabilities • Total assets • Total liabilities • Income or loss from partnership or trusts • Income from partnerships • Income from trusts • Net worth • Non-current assets • Trading stock election • Shareholders' funds • Franked dividends paid • Unfranked dividends paid • Class A franking account balance • Class C franking account balance • Loans to shareholders • Net foreign income • Tax spared foreign tax credits • Attribute foreign income: <ul style="list-style-type: none"> • listed country • unlisted country • transferor trust • foreign investment funds income • foreign life policy • Currency gain or loss • Section 128F exempt interest paid • Percentage of non-member income² • Superannuation business income <ul style="list-style-type: none"> • complying • non-complying • net capital gains • gross taxable contributions • total superannuation deductions • Small and medium sized enterprises income • Unregulated investment income • Foreign tax credits • Franking deficit tax offset • Deficit deferral tax offset • Instalments paid • Early payment interest credit • PPS credit • RPS credit • Tax withheld from interest/investments • Other refundable credits • Taxable or net income • Gross tax • Rebates • Tax assessed • Tax payable • Sec102AAM interest • Amount of payment or refund • Net Capital Gains 	<ul style="list-style-type: none"> • Opening stock • Closing stock • Trade debtors • Trade creditors • Total salary and wage expenses • Payments to associated persons • Depreciable assets purchased • Depreciable assets sold • All current assets • All current liabilities • Total assets • Total liabilities • Income or loss from business (PP/NPP) • Total net income loss From business • Net worth • Non-current assets • Gross PPS income • Gross RPS income • Assessable government industry payments • Overseas interest expenses • Interest expenses in Australia • Land degradation expenses • Environment protection expenses • Investment allowance • Proprietors' funds • Overseas royalty expenses • Royalty expenses in Australia 	<ul style="list-style-type: none"> • Opening stock • Closing stock • Trade debtors • Trade creditors • Total salary and wage expenses • Payments to associated persons • Depreciable assets purchased • Depreciable assets sold • Total Business Income (PP/NPP) • Gross PPS income • Gross RPS income • Assessable government industry payments • Overseas interest expenses • Interest expenses within Australia • Land degradation expenses • Environment protection expenses • Investment allowance

¹ Applies to mining and quarrying companies only

² Applies to licensed clubs only

APPENDIX 3**POSTCODES**

Mackay Statistical Region postcodes	Cairns Statistical Region postcodes
4707	4865
4721	4868
4737	4869
4738	4870
4739	4878
4740	4879
4741	
4742	
4743	
4744	
4745	
4746	
4750	
4751	
4753	
4754	
4756	
4757	
4798	
4799	
4800	
4801	
4802	
4803	
4804	
4805	

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<i>DIAL-A-STATISTIC</i>	For the latest figures for National Accounts, Balance of Payments, Labour Force, Average Weekly Earnings, Estimated Resident Population and the Consumer Price Index call 1900 986 400 (call cost 77c per minute).

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