



# TAX DEFINITION OF SMALL BUSINESS

ACCI Submission to the  
Department of Treasury

March 2007



**ABN 85 008 391 795**

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# CONTENTS

About ACCI	4
Background	4
ACCI Response	4
ACCI Members	5

## ABOUT ACCI

The Australian Chamber of Commerce and Industry (ACCI) has been the peak council of Australian business associations for 104 years and traces its heritage back to Australia's first Chamber of Commerce in 1826.

ACCI is Australia's largest and most representative business association.

Through our membership, ACCI represents over 350,000 businesses nationwide, including:

- Australia's top 100 companies
- Over 55,000 medium sized enterprises employing 20 to 100 people
- Over 280,000 smaller enterprises employing less than 20 people

These businesses collectively employ over 4 million people.

ACCI's 35 member organisations include the State and Territory Chambers of Commerce and Australia's leading national employer and industry associations. Our members represent all major sectors of Australian industry including small employers and sole traders as well as medium and larger businesses.

A list of ACCI members is attached.

## BACKGROUND

In November, the Government announced that it would harmonise the definitions of small business for tax purposes.

The proposal was that businesses that meet the new test, turnover of less than \$2 million, will be able to access various small business tax concessions for CGT, FBT, PAYG and the Simplified Tax System.

However, existing tests will still be available if a business doesn't meet the \$2m test.

The cost of the proposal is \$277m over the next four years.

ACCI welcomed this announcement. Our press release is available from: [http://www.acci.asn.au/text\\_files/media\\_](http://www.acci.asn.au/text_files/media_)

[releases/2006/120-06.pdf](#).

On 9 February 2007, the Government released draft legislation to implement this commitment.

This submission is in response to the exposure draft legislation.

## ACCI RESPONSE

ACCI welcomes the harmonised definition of small business for tax purposes.

However, we note that the legislation appears to be fairly complex for a change that is meant to make the system simpler. In particular, the grandfathering of existing entitlements (which ACCI supports) may be making the tax system a bit more complicated. Only time will tell whether this complexity translates into increased compliance costs.

Sales of retail fuel are excluded from the definition of turnover because retail fuel is high turnover, low margin. The Government should explore whether other similar exclusions should occur.

- An example could be chickenmeat growers, who are often high turnover and low margin.

The Bill contains definitions of connected and affiliated entities. Similar definitions exist in other parts of the tax act, it is unclear how these definitions interact.

- An example would be the definition of control under rules for Controlled Foreign Companies, income tax consolidation and GST grouping.
- It is generally a good idea to have a concept defined once and reused rather than defined multiple times in different ways.

The GST registration calculation is done on a different basis from the other turnover calculations, increasing compliance costs.

## ACCI MEMBERS

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