MYOB Business Monitor GST & BAS Special Report

THE VOICE OF AUSTRALIAN BUSINESS OWNERS

September 2011
MYOB Business Monitor – GST and BAS Special Report – Highlights

Majority of business owners do the day to day booking and BAS themselves
But when it comes completing their BAS reporting some businesses will refer to an external accountant (15%) for assistance. Only 2% of business owners refer to an external accountant for day-to-day bookkeeping.

Most businesses calculate GST and submit BAS forms with internal resources

Over a third of business owners feel the BAS form is difficult for most business people to understand.
39% of businesses feel it’s difficult for most business people to understand all sections on the BAS form.

Three quarters of businesses are confident they calculate GST owed accurately

Only a third of businesses put aside the GST they owe ahead of time, and 31% don’t plan their cash flow to meet tax obligations at all.
Only 36% of businesses always put aside the GST they owe to the ATO ahead of time (i.e. so it’s ready for payment before its due), while 19% sometimes do, 13% rarely do and nearly a third (31%) never put GST aside (meaning they leave it to until it’s due to find the money owed to the ATO).

Most businesses spend up to 10 hours per month on preparing data for the BAS

Nearly three quarters (71%) businesses would prefer the freedom to choose the frequency of their BAS form submission (e.g. monthly or quarterly)

The voting intentions of a third of businesses would be influenced by a policy to simplify GST reporting and the BAS

The majority of businesses (59%) feel like they are an administration department for the Government.
More than half of all business owners indicated that they need to spend more time on compliance reporting now, they did 5 years ago. 53% of business owners find the ATO educational material on BAS and GST reporting difficult to understand.

Three quarters(76%) of business owners want GST rules simplified
The vast majority (83%) want the Federal Government to stop applying GST to other taxes (i.e. A tax on a tax). 71% want the BAS form itself simplified, where businesses need only record GST collected and paid, PAYG tax contributions and the total of what they owe or are owed.
# Table of Contents

- MYOB Business Monitor – GST and BAS Special Report – Highlights ............................................................... 2
- About the study ................................................................................................................................................ 4
- Reporting by State and Business Size ............................................................................................................... 5
- Who does the bookkeeping and works on the BAS? ........................................................................................ 6
- Who calculates GST and completes the BAS? ................................................................................................... 7
- Understanding the BAS form ............................................................................................................................ 8
- Confidence with GST calculations ................................................................................................................... 10
- Management of GST funds prior to submission ............................................................................................. 11
- Time and money spent on preparing financial data ....................................................................................... 12
- Influence on timing of BAS submission ........................................................................................................... 13
- Influence on vote in next Federal Election ..................................................................................................... 14
- Agreement with GST and BAS statements ...................................................................................................... 15
- Appeal of set GST & BAS ideas ........................................................................................................................ 16
About the study

This report presents the summary findings for the key online indicators from the MYOB Business Monitor, comprising a national sample of 3,945 business owners and decision makers, conducted in July 2011. The businesses participating in the online survey are defined as those with 0 employees (‘sole traders’), 1-4 employees (‘micro businesses’), 5-19 employees (‘small businesses’) and 20-199 employees (‘medium businesses’).

This research fieldwork and associated report were prepared by MYOB for: Julian Smith (General Manager - Corporate Affairs) julian.smith@myob.com

The findings in this study are reported here under the following main headings:

- Business administration around BAS and GST reporting in Australia
- Responsibility for calculating GST and submitting BAS reporting within a business
- Difficulty in completing BAS reports
- Proactive accrual of tax obligations in cash flow forecasting
- Time spent per month on BAS and GST reporting
- Reporting frequency preferences
- Impact of government policy to simplify BAS and GST reporting on voting intentions
- Business owner sentiment in relation to BAS and GST reporting
- Appeal of a range of changes to tax reporting policy to business owners.
Reporting by State and Business Size

The findings of this research are reported by State for some questions, and the sample size in each State is as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>July 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales (NSW)</td>
<td>1188</td>
</tr>
<tr>
<td>Victoria (VIC)</td>
<td>809</td>
</tr>
<tr>
<td>Queensland (QLD)</td>
<td>892</td>
</tr>
<tr>
<td>South Australia (SA)</td>
<td>313</td>
</tr>
<tr>
<td>Western Australia (WA)</td>
<td>485</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>55</td>
</tr>
<tr>
<td>ACT</td>
<td>83</td>
</tr>
<tr>
<td>Tasmania</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3945</strong></td>
</tr>
</tbody>
</table>

The findings are also reported by the number of employees in each of the businesses surveyed and was capped for companies with less than 200 employees. The proportions of sole, micro, small and medium businesses included in this survey are outlined below.

<table>
<thead>
<tr>
<th>Number of Employees/Business Type</th>
<th>July 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Employees/Sole Traders</td>
<td>372</td>
</tr>
<tr>
<td>1-5 Employees/Micro Business</td>
<td>1625</td>
</tr>
<tr>
<td>6-20 Employees/Small Business</td>
<td>1489</td>
</tr>
<tr>
<td>20+ Employees/Medium Business</td>
<td>459</td>
</tr>
<tr>
<td>0-199 Employees/ Sole, Micro, Small, Medium Businesses</td>
<td><strong>3945</strong></td>
</tr>
</tbody>
</table>
Who does the bookkeeping and works on the BAS?

**Majority of business owners do the day to day booking and BAS themselves**

**Base:** Business owners & directors (n = 3945)

Q. Who does the day to day bookkeeping (ie recording and entering bills, expenses, payments, etc) in your business/this business?

Q. Who works on the BAS for this business? Please select all that apply

While 84% of business do the day to day bookkeeping themselves, when it comes to working on the BAS, this drops slightly to 79% of businesses working on the BAS themselves. Went to comes to completing their BAS reporting requirements for the ATO, more business owners will use an external accountant (15%), compared with their use of an accountant for day-to-day bookkeeping (2%). (See Figure 1)

**Figure 1: Who does the day to day bookkeeping and who works on the BAS for this business**: by Total Sample (% of n = 3945)
Who calculates GST and completes the BAS?

Most businesses calculate GST and submit BAS forms with internal resources

Base: Business owners & directors who do not have own business website: (n = 3945)
Q. Who calculates GST owed and completes the BAS form for this business?
Q. Who checks and submits the BAS form to the ATO on behalf of this business?

Most businesses calculate GST (83%) and complete and submit the BAS to the ATO (78%) themselves.

Figure 2: Who calculates GST owed and completes the BAS form for this business: by Total Sample (% of n = 3945)

The businesses most likely to calculate GST owed and complete the BAS form internally are in the Administrative & Support Services (95%), Arts & Recreational Services (93%) and Finance & Insurance (91%) industries.

The businesses more likely to calculate GST owed and complete the BAS form with external help are in the Mining (29%), Transport and Storage (24%) and Hospitality (23%) industries.

Figure 2.1: Who checks and submits the BAS form to the ATO on behalf of this business: by Total Sample (% of n = 3945)

The businesses most likely to check and submit the BAS form to the ATO internally are in the Administrative & Support Services (89%), Arts & Recreational Services (89%) and Finance & Insurance (88%) industries.

The businesses more likely to check and submit the BAS form to the ATO with external help are in the Mining (37%), Hospitality (27%) and Construction & Trades (27%) industries.
Understanding the BAS form

Over a third of business owners feel the BAS form is difficult for most business people to understand

Base: Business owners & directors (n = 3,945)
Q. How easy or difficult do you think it is for most business people to understand all the sections on the BAS form?

Over a third (39%) of businesses feel it’s difficult for most business people to understand all sections on the BAS form.

Figure 3: How easy or difficult do you think it is for most business people to understand all the sections on the BAS form: by Total Sample (% of n = 3945)

The businesses most likely to think that the BAS form is easy to understand are in the Arts & Recreational Services (28%) and the Transport & Storage (28%) industries. While those more likely to feel that the BAS form is difficult to understand are businesses from the Education & Training (48%) and Professional, Scientific & Technical (45%) industries. Business owners in ACT (53%) and the Northern Territory (51%) find understanding their BAS reporting requirements most difficult. 22% of businesses in Western Australia and New South Wales have no trouble understanding their BAS requirements.
Figure 3.1: How easy or difficult do you think it is for most business people to understand all the sections on the BAS form etc. by State (% of n = 3945)

<table>
<thead>
<tr>
<th>State</th>
<th>Easy</th>
<th>Difficult</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUS</td>
<td>21%</td>
<td>39%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>22%</td>
<td>35%</td>
</tr>
<tr>
<td>Victoria</td>
<td>13%</td>
<td>41%</td>
</tr>
<tr>
<td>Tasmania</td>
<td>15%</td>
<td>38%</td>
</tr>
<tr>
<td>South Australia</td>
<td>20%</td>
<td>37%</td>
</tr>
<tr>
<td>Queensland</td>
<td>21%</td>
<td>37%</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>13%</td>
<td>51%</td>
</tr>
<tr>
<td>New South Wales</td>
<td>22%</td>
<td>41%</td>
</tr>
<tr>
<td>ACT</td>
<td>12%</td>
<td>53%</td>
</tr>
</tbody>
</table>
Confidence with GST calculations

Majority of businesses confident they calculate GST owed accurately

Base: Business owners & directors (n = 3,945)
Q. How confident are you that this business calculates its GST amount owed accurately throughout the year?

Three quarters of businesses are confident that they calculate their GST amount owed accurately throughout the year.

The industries with the most GST confident businesses are Finance & Insurance (86%) and Administrative & Support Services (85%), while businesses in Western Australia are more GST confident (65%) than other states.

The industries with the most unconfident businesses, in relation to GST calculations, are the Arts & Recreational Services (21%) and Transport & Storage (20%) industries.

Figure 4: How confident are you that this business calculates its GST amount owed accurately throughout the year: by Total Sample (% of n = 3945)
Management of GST funds prior to submission

Only 36% put aside the GST they owe ahead of time, and nearly a third don’t

Base: Business owners & directors (n = 3,945)

Q. Does this business put aside the amount of GST to be remitted to the ATO ahead of time (i.e. so its ready for payment before its due) or leave it until its due to find the money owed?

Only 36% of businesses always put aside the GST they owe to the ATO ahead of time (i.e. so it’s ready for payment before its due), while 19% sometimes do, 13% rarely do and nearly a third (31%) never put GST aside (meaning they leave it to until it’s due to find the money owed to the ATO). (see Figure 5)

Figure 5: Putting aside the amount of GST to be remitted to the ATO ahead of time: by Total Sample (% of n = 3945)

Business most likely to always put GST aside are businesses in the ACT (51%), Western Australia (40%) and in the Healthcare & Social Assistance industry (47%). While businesses most likely to never put aside GST are in the Agriculture, Forestry & Fishing industry (45%), and are in New South Wales (34%) and South Australia (34%).

Figure 5.1: Putting aside the amount of GST to be remitted to the ATO ahead of time: by Total Sample (% of n = 3945)
Time and money spent on preparing financial data

Majority of businesses spend up to 10 hours per month on preparing data for the BAS

Base: Business owners & directors (n = 3,945)
Q. Thinking about the total time spent in the last month preparing your financial data in order to complete the BAS accurately (for example, reviewing reconciling GST amounts, etc), approximately how many hours will all people in this business have spent doing this? Your best estimate is fine...
Q. Approximately how much money has this business spent on external Accountant or Bookkeeping Fees (eg including all GST, BAS, Accounting and Bookkeeping, Advice or Consulting fees) in the last 12 months? Your best estimate is fine...

The majority of businesses spend between 1 and 10 hours each month preparing their financial data in order to complete the BAS. And 30% of businesses are spending over 10 hours each month preparing their financial data for the BAS.

Figure 6: Total time spent in the last month preparing your financial data in order to complete the BAS accurately: by Total Sample (% of n = 3945)

Figure 6.1: Money spent on external Accountant/Bookkeeping Fees in last 12 months: by Total Sample (% of n = 3945)

None. We have not spent any money on external...

- $1-$1000: 12%
- $1001-$2000: 14%
- $2001-$3000: 14%
- $3001-$4000: 11%
- $4001-$5000: 9%
- $5001-$6000: 7%
- $6001-$7000: 7%
- $7001-$8000: 2%
- $8001-$9000: 2%
- $9001-$10,000: 3%
- $10,000+ in the last 12 month: 11%

Dont know
Influence on timing of BAS submission

Majority of businesses would prefer the freedom to choose the frequency of their BAS form submission

Base: Business owners & directors (n = 3,945)
Q. Would you prefer to be able to choose the frequency (e.g. monthly or quarterly) for BAS form submission?

The majority (71%) of businesses would prefer to be able to choose the frequency (e.g. monthly or quarterly) for BAS form submission.

The businesses most likely to want to choose the frequency of BAS form submission are in the Rental, hiring & real estate (80%) and Education & Training (78%) industries, and in the Northern Territory (73%) and Tasmania (73%).

Figure 8: Preference to choose the frequency for BAS form submission: by Total Sample (% of n = 3945)
Influence on vote in next Federal Election

The voting intentions of a third of businesses would be influenced by a policy to simplify GST reporting and the BAS

Base: Business owners & directors (n = 3,945)
Q. Would a policy to simplify GST reporting and the BAS influence your primary vote in the next Federal election?

The voting intentions in the next Federal election of a third of businesses would be influenced by a policy to simplify GST and the BAS.

The businesses most likely to be influenced by a simplify the GST and BAS policy are:
- Businesses in the Information, Media & Telecommunications (39%), Wholesale (38%), Construction & Trades (38%) and Hospitality (38%) industries.
- Businesses in the Northern Territory (47%) and Queensland (34%).
- Businesses in a suburb/town outside the city (34%).

Businesses most likely not to be influenced by a GST and BAS policy are:
- In the Arts & Recreational Services (70%), Finance & Insurance (67%) and Administrative & Support Services (57%) industries.
- In Tasmania (55%) and the ACT (53%).
- In the City/metro area (51%).

Figure 9: Simplifying GST & BAS reporting – impact on voting intentions (% of n = 3945)
**Business sentiment in relation to BAS & GST reporting**

The majority of businesses feel like they are an admin department for the Government & that they now need to spend more time on compliance reporting than they did 5 years ago. Most business owners find the ATO educational material on BAS and GST reporting difficult to understand.

Base: Business owners & directors (n = 3,945)

Q. Below are some things other business people have said about GST and the BAS… how strongly do you personally agree or disagree with each statement?

Businesses were asked if they agreed or disagreed with a number of statements. The results revealed:

- Over half (59%) of businesses feel that they are acting as an administration department for the Government.
- Over half (55%) of businesses agree that compared to five years ago, the amount of money the business spends on an accountant/bookkeeper has increased.
- Just over half (53%) of businesses find the GST and BAS information provided by the ATO difficult to understand.
- Nearly half (47%) of businesses agree that being about to only claim part of certain GST amounts adds confusion to their GST calculations.
- 45% of businesses agree that the rules for GST are too complex, with it feeling like there are rules within rules.

Figure 10: Agreement or disagreement with set GST and BAS related statements: by Total Sample (% of n = 3945)
Appeal of a range GST & BAS ideas

The over-whelming majority (84%) of businesses want Government to stop applying GST to other taxes (tax on a tax)

Base: Business owners & directors (n = 3,945)
Q. Below are some ideas we can present to Government for them to potentially consider to make GST calculation and BAS reporting processes easier business like yours... how appealing or unappealing is each idea to you personally?

Businesses were presented with a number of ideas that could possibly be presented to Government and were asked if they found each one appealing or unappealing. The results revealed:

- Over three quarters (84%) of businesses are attracted to policies with 'stop applying GST to other taxes (tax on tax)';
- 76% of businesses agree that initiatives to 'reduce the complexity of the GST rules' are appealing;
- 49% of businesses are open to the idea to 'allow more transactions between two businesses entities (business to business) to be treated as if they were GST-free';
- Nearly three quarters (71%) of businesses would like 'The BAS form to be simpler' where less information is required;
- Half of business owners (50%) are opposed to applying a flat GST rate on everything.
**Figure 11: Appeal of set GST & BAS ideas: by Total Sample (% of n = 3945)**

<table>
<thead>
<tr>
<th>Idea</th>
<th>Unappealing</th>
<th>Appealing</th>
<th>Neither appealing or unappealing</th>
</tr>
</thead>
<tbody>
<tr>
<td>The BAS form should made simpler – just record the GST collected, the GST paid and PAYG tax only, with the total of what I owe/am owed</td>
<td>7%</td>
<td>71%</td>
<td>21%</td>
</tr>
<tr>
<td>GST is applied to everything</td>
<td>50%</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Introduce a flat rate of taxation – with no exemptions</td>
<td>34%</td>
<td>38%</td>
<td>26%</td>
</tr>
<tr>
<td>Provide businesses with improved explanations of the various GST and tax requirements and what GST is reportable</td>
<td>6%</td>
<td>70%</td>
<td>23%</td>
</tr>
<tr>
<td>Reduce the levels that exist within some tax laws/treatments (eg, for one treatment there may be numerous ways it's applied depending on the...)</td>
<td>5%</td>
<td>66%</td>
<td>22%</td>
</tr>
<tr>
<td>Stop applying GST to other taxes (tax on a tax)</td>
<td>5%</td>
<td>84%</td>
<td>8%</td>
</tr>
<tr>
<td>Allow more transactions between two registered entities (business to business) to be treated as if they were GST-free.</td>
<td>12%</td>
<td>49%</td>
<td>31%</td>
</tr>
<tr>
<td>Reduce the complexity of the GST rules</td>
<td>5%</td>
<td>76%</td>
<td>18%</td>
</tr>
<tr>
<td>Make the process to deregister for GST easier</td>
<td>4%</td>
<td>33%</td>
<td>47%</td>
</tr>
</tbody>
</table>