

TREASURY EXECUTIVE MINUTE

Minute No. 20114029

21 December 2011

Minister for Financial Services and
Superannuation

cc: Deputy Prime Minister and Treasurer
Assistant Treasurer

NUMBER OF SMALL BUSINESSES THAT MIGHT BENEFIT FROM TAX CHANGES RELATED TO THE MINERALS RESOURCE RENT TAX (MRRT)

Timing: Your office requested this briefing on 1 December 2011.

Recommendation:

- That you note the indicative data on the number of small businesses by electorate and how many might benefit from the small business tax assistance measures related to the MRRT.

Noted

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KEY POINTS

- Your office requested information on the number of businesses in each electorate that will benefit from the small business tax assistance measures related to the MRRT. An explanation of the small business taxation measures related to the MRRT are at **Additional Information**.
- The actual number of small businesses (total or by electorate) that will benefit from the small business tax measures related to the MRRT cannot be known until the benefits are claimed.
- Attachment A includes estimated data by electorate on the number of small businesses and small business companies that *might* benefit from these small business tax measures.

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- Small business companies that pay tax will benefit from the reduced company tax rate.
 - : Tax statistics for 2008-09 indicate that less than half of small business companies had a positive tax liability. However, this proportion can be expected to vary over time and across electorates, particularly given changing economic conditions.
- Tax Analysis Division has been consulted in the preparation of this minute.

(Ext:)
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ADDITIONAL INFORMATION

As part of the Government's response to the *Australia's Future Tax System (AFTS) Review*, the Government announced two small business assistance measures for Australia's 2.7 million small businesses. These measures were contingent on the introduction of the MRRT.

Section 22

Early start to the company tax rate cut for small business

Small business companies will receive an early start to the company tax rate cut, from 30 per cent to 29 per cent, from the 2012-13 income year.

The company tax rate will be cut to 29 per cent for other businesses from the 2013-14 income year. Attachment B provides data on the number of companies (that are not small businesses) by State.

- The data is aggregated to State level because data by electorate would not provide a useful guide to the benefits of the company tax rate cut. For large businesses in particular, the location of the head office (or address for tax purposes) is not necessarily a good guide to the location of a business's assets or activities. For example, BHP Billiton's address is in Melbourne but it has activities around the country.

ATTACHMENT A

TABLE 1: ESTIMATED NUMBER OF SMALL BUSINESS ENTITIES AND SMALL BUSINESS COMPANIES BY ELECTORATE

State	Electoral Division 2009	Company tax rate
		Total number of small business companies (turnover <\$2m)
NSW	Banks	6,660
NSW	Barton	7,850
NSW	Bennelong	7,170
NSW	Berowra	7,520
NSW	Blaxland	5,530
NSW	Bradfield	10,370
NSW	Calare	4,060
NSW	Charlton	3,240
NSW	Chifley	3,060
NSW	Cook	8,130
NSW	Cowper	4,070
NSW	Cunningham	5,180
NSW	Dobell	4,310
NSW	Eden-Monaro	4,240
NSW	Farrer	3,460
NSW	Fowler	3,690
NSW	Gilmore	3,810
NSW	Grayndler	7,130
NSW	Greenway	4,690
NSW	Hughes	4,960
NSW	Hume	4,250
NSW	Hunter	3,310
NSW	Kingsford Smith	7,540
NSW	Lindsay	5,100
NSW	Lyne	3,940
NSW	Macarthur	4,490
NSW	Mackellar	10,070
NSW	Macquarie	5,080
NSW	McMahon	5,280
NSW	Mitchell	7,340
NSW	New England	3,860
NSW	Newcastle	5,000
NSW	North Sydney	15,970
NSW	Page	3,140
NSW	Parkes	4,100
NSW	Parramatta	8,220
NSW	Paterson	4,180
NSW	Reid	8,910
NSW	Richmond	4,860
NSW	Riverina	3,430
NSW	Robertson	4,970
NSW	Shortland	3,810
NSW	Sydney	29,300
NSW	Throsby	4,090
NSW	Warringah	12,480
NSW	Watson	7,220

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NSW	Wentworth	15,080
NSW	Werriwa	4,550
VIC	Aston	4,200
VIC	Ballarat	3,320
VIC	Batman	3,360
VIC	Bendigo	2,860
VIC	Bruce	5,090
VIC	Calwell	3,980
VIC	Casey	4,000
VIC	Chisholm	5,410
VIC	Corangamite	3,290
VIC	Corio	3,170
VIC	Deakin	4,150
VIC	Dunkley	4,460
VIC	Flinders	4,420
VIC	Gellibrand	4,020
VIC	Gippsland	3,040
VIC	Goldstein	7,360
VIC	Gorton	3,200
VIC	Higgins	8,940
VIC	Holt	3,710
VIC	Hotham	4,870
VIC	Indi	3,300
VIC	Isaacs	5,220
VIC	Jagajaga	4,580
VIC	Kooyong	8,440
VIC	La Trobe	4,320
VIC	Lalor	3,760
VIC	Mallee	2,840
VIC	Maribyrnong	3,630
VIC	McEwen	5,190
VIC	McMillan	3,120
VIC	Melbourne	15,710
VIC	Melbourne Ports	13,730
VIC	Menzies	5,450
VIC	Murray	3,370
VIC	Scullin	3,240
VIC	Wannon	2,240
VIC	Wills	3,650
QLD	Blair	1,970
QLD	Bonner	4,910
QLD	Bowman	4,220
QLD	Brisbane	13,150
QLD	Capricornia	2,770
QLD	Dawson	4,470
QLD	Dickson	3,890
QLD	Fadden	7,170
QLD	Fairfax	5,880
QLD	Fisher	5,360
QLD	Flynn	2,880
QLD	Forde	4,250
QLD	Griffith	7,600
QLD	Groom	3,470
QLD	Herbert	3,490
QLD	Hinkler	2,960

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QLD	Kennedy	2,820
QLD	Leichhardt	5,350
QLD	Lilley	4,710
QLD	Longman	3,010
QLD	Maranoa	2,930
QLD	McPherson	6,300
QLD	Moncrieff	13,280
QLD	Moreton	6,300
QLD	Oxley	3,080
QLD	Petrie	3,250
QLD	Rankin	3,890
QLD	Ryan	6,280
QLD	Wide Bay	4,250
QLD	Wright	3,700
SA	Adelaide	11,710
SA	Barker	2,980
SA	Boothby	3,610
SA	Grey	2,270
SA	Hindmarsh	4,420
SA	Kingston	2,000
SA	Makin	2,000
SA	Mayo	3,280
SA	Port Adelaide	3,100
SA	Sturt	5,940
SA	Wakefield	1,830
WA	Brand	1,920
WA	Canning	2,600
WA	Cowan	3,080
WA	Curtin	9,770
WA	Durack	3,110
WA	Forrest	2,690
WA	Fremantle	4,150
WA	Hasluck	2,680
WA	Moore	3,400
WA	O'Connor	2,930
WA	Pearce	2,950
WA	Perth	5,970
WA	Stirling	4,460
WA	Swan	5,290
WA	Tangney	4,830
TAS	Bass	1,600
TAS	Braddon	2,540
TAS	Denison	5,520
TAS	Franklin	5,210
TAS	Lyons	2,250
NT	Lingiari	1,620
NT	Solomon	2,410
ACT	Canberra	1,660
ACT	Fraser	1,630

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Total	Australia	762,340
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Notes to table

(1) This analysis is based on 2007-08, 2008-09 and 2009-10 tax return data provided by the ATO at postcode level.

(2) The data at postcode level are assigned to an electorate on the basis of the Parliamentary Library postcode to electorate concordance. Such a concordance provides only an approximation of the number of small businesses by electorate and does not reflect small businesses that have started up or ceased to exist since 2009-10.

ATTACHMENT B

TABLE 2: COMPANIES WITH A TURNOVER GREATER THAN \$2 MILLION

NSW	24,676
VIC	15,976
QLD	11,849
SA	3,858
WA	6,598
TAS	986
ACT	940
NT	482
Overseas/not stated/other	14
Total	65,379