



Australian School of Business

Treasury Submission

Never Stand Still

Australian School of Business

Taxation and Business Law

15 March 2013

Manager
Policy Development Unit
Standard Business Reporting Infrastructure Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Re: Use of Standard Business Reporting for Financial Reports

In response to your request, I would like to make a submission on the use Standard Business Reporting (SBR) for financial reports on behalf of Associate Professor Binh Tran-Nam, Ms Hanna Zakowska and myself. To this end, please find attached our report on the potential costs and benefits of the SBR, prepared for CPA Australia. In particular, I wish to draw your attention to our five policy recommendations on pages 52-53 of the attached report. Among other things, recommendation five on page 53 calls for SBR to be made mandatory for businesses in the longer term.

Yours faithfully,

A handwritten signature in blue ink that reads 'Chris Evans' with a horizontal line underneath.

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Standard Business Reporting: Short term pain for long term gain?

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Final Report

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The authors assume full responsibility for any shortcomings.

1 Executive summary

This research project, funded by CPA Australia under the Global Research Perspectives Program, evaluates Standard Business Reporting (SBR) as a measure designed to reduce the tax compliance burden of Australian businesses resulting from reporting obligations imposed by the government. In evaluating the effectiveness of SBR in reducing the tax compliance costs of businesses, the research project examines:

- the business to government tax reporting burden as part of business tax compliance costs and the extent of that burden addressed by SBR;
- the drivers of high tax compliance costs and the adequacy of SBR in addressing these drivers;
- the reporting solution offered by SBR from the perspective of benefits and savings offered to businesses that adopt SBR;
- the level of understanding of the SBR solution among businesses and reporting practitioners and their readiness to adopt it as part of their reporting practices;
- the experience of businesses and reporting practitioners in using SBR as a channel to lodge reports to the government, realised costs and benefits, challenges and future expectations; and
- the extent to which SBR has reduced or can reduce the tax reporting burden of businesses.

This Report examines the above issues and presents findings from empirical work conducted by the researchers that used a mix of qualitative and quantitative approaches involving a series of in-depth interviews with representatives of key stakeholders in the SBR initiative: government agencies, software developers and reporting practitioners, together with a cross sectional survey of businesses.

While the evidence of the research does not rule out that SBR may have some potential to reduce some of the tax compliance burden of businesses in the longer term, it shows that the government's initial business case that predicted savings of \$800 million in 2013/14 was overstated. The take up of SBR to date has been significantly lower than expected, mostly due to the very low level of awareness of SBR among its potential users, namely businesses and reporting practitioners.

The Report shows that the main reason for this poor awareness of SBR among its potential users is the lack of clear ownership of the task of driving the demand for SBR, as well as differences in opinions as to who would benefit from SBR. The findings indicate that there is a gap in expectations as to who should drive the demand for SBR. While the software developer community, reporting practitioners and businesses expect the government to actively drive the demand for SBR through targeted promotion, marketing and educational campaigns, the participating government agencies perceive themselves as responsible only for delivering the required IT solution.

The Report also indicates a lack of conviction and consensus about the expected benefits and beneficiaries of SBR that, in turn, hinders the take-up of SBR among its potential users. The findings show that neither the reporting practitioners nor businesses are entirely convinced about SBR's ability to reduce their reporting burdens. About 50 per cent of businesses who used SBR to lodge their reports to the government have not observed any reduction in their reporting costs and only 10 per cent of respondents who used SBR to lodge their reports observed some reduction of their reporting costs. This reduction was estimated to be about 15 per cent of their reporting costs. At the same time 80 per cent of the respondents who had not observed any reduction in their reporting costs as a result of using SBR thus far were of the opinion that in the future, when the number of forms included in SBR increases, SBR will help them to reduce their reporting costs.

The research project also explored the perceptions of businesses about their current levels of regulatory, tax compliance and reporting burdens. The Report shows that businesses are frequently required to deal with many government regulations (and tax regulations in particular), and in the year ended 30 June 2011 spent \$131,700 on average to comply with their tax regulations. While businesses perceive their current levels of tax compliance costs as average when compared with costs of complying with other non-tax regulations (on average about 23 per cent of their total costs of complying with government regulations), most businesses consider tax reporting obligations imposed on them by the government as either significant or very significant (on average about 31 per cent of their total costs of complying with government regulations).

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Given the significantly lower than expected take-up of SBR by businesses and reporting practitioners to date, the research team puts forward the following recommendations for the government designed to increase the levels of awareness and the rate of adoption of SBR by potential SBR users:

Recommendation One: The government should take ownership of driving the demand for SBR.

Recommendation Two: This should involve direct educational and marketing programs tailored to specific information and reporting needs of the potential SBR stakeholders.

Recommendation Three The educational and marketing programs should recognise different needs of users and address them appropriately when explaining benefits of SBR and its potential capacity to reduce the reporting and tax compliance burdens, increase the convenience in lodging reports or improve the quality and consistency of reporting data.

Recommendation Four The government agencies should consider introducing incentives to encourage greater use of SBR. The incentives may involve shorter turnaround time for processing tax returns lodged through SBR channels or extended time to lodge returns for SBR users.

Recommendation Five The government should consider making SBR compulsory in the long term, with large or publicly listed entities as a starting point.

2. Background

According to the traditional approach to public policy making, governments impose regulations on businesses to achieve a variety of policy objectives aimed mainly at protecting public interest and welfare. While government regulations are perceived by many as a necessary evil and are often maligned by businesses, they are important tools used by governments to set enforceable standards and maintain a framework within which businesses conduct their activities in a way that protects public interests. Government regulations can be beneficial to businesses and provide the necessary interventions into markets to better align public and private interests. However, complying with regulations inevitably imposes costs on the businesses affected by them. With different tiers of governments imposing regulations on businesses and multiple government agencies administering these regulations, the costs of complying with the regulatory obligations can be substantial.

In Australia, the compliance burden imposed on businesses as a result of government regulations has been attracting increased attention over many years. In 1996 the Small Business Deregulation Taskforce published a report in which it identified the taxation system and difficulties it imposes on small businesses as one of the more burdensome areas of government regulations and estimated that the annual cost to small businesses of taxation and other compliance was \$7,000 per year.¹ These findings were confirmed by a national study of tax compliance costs conducted by a research team from the Australian Taxation Studies Program (ATAX, University of New South Wales) in 1997. The study analysed incremental compliance costs of taxes collected by the Australian Taxation Office (ATO) and found that the compliance costs were regressive for both personal and business taxpayers, who perceived the complexity of the Australian taxation system as the main cause of their concerns about compliance costs.²

In 2001 and 2004 the Australian Chamber of Commerce and Industry (ACCI) conducted pre-election surveys of businesses to identify their priorities in assessing party policy platforms. Both surveys identified the level and complexity of the

¹ Small Business Deregulation Taskforce, 1996, *Time for Business: Report of the Small Business Deregulation Taskforce*.

² Evans, C, Ritchie, K, Tran-Nam, B, Walpole, M 1997, *A Report into Taxpayer Costs of Compliance*, Australian Government Publishing Services, Canberra.

Australian tax legislation and frequency of legislative changes, as being major concerns of businesses. The results of the 2004 survey showed that 60 per cent of the surveyed businesses expressed concerns about the time required to complete business activity statements.³

In 2006 the Regulation Taskforce conducted a study of the impact of government regulations on businesses.⁴ The Taskforce received over 150 submissions from businesses of all sizes expressing their concerns about the red tape burden. It was reported that in some cases, complying with government regulations took up to 25 per cent of senior management's time.⁵ The reporting burden imposed on businesses was identified as one of the key areas of concern.⁶

In 2011 the Australian Industry Group and Deloitte conducted a national survey of Chief Executive Officers (CEO) regarding their experience with business regulatory regimes across Australia.⁷ The survey established that the average Australian business deals with eight regulators in a given year and spends 3.9 per cent of its total annual expenses on complying with regulatory requirements.⁸ Almost 70 per cent of surveyed CEOs had experienced a rise in compliance costs over the past three years, mostly driven by greater demands relating to occupational health and safety (OH&S), environment protection and taxation.⁹ Furthermore, 75 per cent of the respondents expected their compliance costs to increase in the next three years.¹⁰

Despite this public attention and unceasing concern about the burden imposed by government regulations on businesses in Australia, to date only a few substantial measures have been undertaken by the Australian government to reduce the compliance burdens of businesses. One such measure, arguably the one which is the most challenging to date, has been Standard Business Reporting (SBR) – a whole-of-government initiative that aims to reduce the cost of red tape to business through the removal of duplication, increased automation of business reporting and the

³ Australian Chamber of Commerce and Industry, 2004, '2004 Pre-Election Survey Small Business Priorities: Taxation, Economic Management & Workplace Relations'.

⁴ Regulation Taskforce 2006, *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*.

⁵ *Ibid*, p ii.

⁶ *Id*.

⁷ The Australian Industry Group, 2011, *National CEO Survey: Business Regulation*.

⁸ *Ibid*, p 3.

⁹ *Ibid*, p 4.

¹⁰ *Id*.

standardisation of data collection through the use of a common data exchange language – eXtensible Business Reporting Language (XBRL).

This Report presents the findings of research funded by CPA Australia which is designed to evaluate SBR as a measure to reduce the tax compliance burden of Australian businesses resulting from reporting obligations imposed by the government. While SBR, as a concept, is not limited to tax reporting and has the ability to deal with a wide range of government regulations, the current scope of the SBR program and reporting forms that it has implemented to date predominantly concentrate on business tax reporting obligations. For this reason, the research focuses on the tax compliance costs of businesses.

To evaluate the effectiveness of SBR in reducing business tax compliance costs, the research examines the following:

- the business to government tax reporting burden as part of business tax compliance costs and the extent of that burden addressed by SBR;
- the drivers of high tax compliance costs and the adequacy of SBR in addressing these drivers;
- the reporting solution offered by SBR from the perspective of benefits and savings offered to businesses that adopt SBR;
- the level of understanding of the SBR solution among businesses and reporting practitioners and their readiness to adopt it as part of their reporting practices;
- the experience of businesses and reporting practitioners in using SBR as a channel to lodge reports to the government, realised costs and benefits, challenges and future expectations; and
- the extent to which SBR has reduced or can reduce the tax reporting burden of businesses.

In its business case developed in 2008 the Australian government estimated that once fully implemented, SBR would save businesses up to \$800 million a year in their compliance costs. This research explores the extent to which this claim can be confirmed by empirical evidence thus far. In doing so, the research team develops recommendations to assist in the successful implementation and uptake of SBR by businesses and reporting practitioners.

The next section of this Report provides an overview of SBR. It explains what it involves and how it intends to reduce the business reporting burden. It considers the benefits that SBR promises to deliver to participating stakeholders and explains the progress to date in implementing SBR in Australia. Section 3 then explains the research design that was employed to achieve the research objectives. In Sections 4 and 5 the Report discusses the outcomes of the in-depth interviews and the survey of businesses through which empirical evidence was collected to verify whether SBR has the ability to reduce the tax compliance costs of businesses. Section 6 draws conclusions and makes recommendations to assist in successful implementation and uptake of SBR by businesses and reporting practitioners.

3. Standard Business Reporting

3.1 What is Standard Business Reporting?

SBR is a whole-of-government initiative that commenced in 2008 with the goal of reducing the burden of business to government reporting by removing unnecessary and duplicated information from government forms, using pre-filled forms, electronic lodgement and reporting channels based on a common data exchange language. SBR enables businesses to send reports directly from their accounting systems to the appropriate government agency. It uses an electronic interface to government agencies directly from accounting software that also provides validation and confirms receipt of reports. Lodgement of reports is facilitated through a single secure digital credential – AUSkey. To transmit reporting data from accounting systems to relevant government agencies, SBR uses XBRL, which is an open standard mark-up language developed for communication of business and financial information. XBRL provides an identifying unique tag for each individual reporting element and allows computers to recognize, select, store and exchange information across platforms.

The SBR initiative is led by the Australian Treasury and currently involves the ATO, the Australian Securities and Investment Commission (ASIC), the Australian Bureau of Statistics (ABS), the Australian Prudential Regulation Authority (APRA) and State

and Territory Revenue Offices. In total, there are 13 government agencies currently participating in the SBR initiative.¹¹

SBR went live on 1 July 2010. It currently includes 84 reporting forms in scope, as well as around 400 APRA forms. To date 70 forms have been released as SBR-enabled reports. The reports targeted by SBR include, among others, the ATO's Business Activity Statements (BAS), Pay-As-You-Go (PAYG) payment summaries, Tax File Number (TFN) declarations, and monthly and annual payroll tax returns.

3.2 Expected benefits

SBR is intended to deliver numerous benefits to participating businesses, tax practitioners and the government. According to the official SBR website businesses are expected to gain the most from SBR and will be able to increase their reporting efficiency and operating effectiveness, reduce their production costs, thus reducing their compliance costs. Under SBR businesses are expected to spend less time and effort on assembling information and will be able to collate and submit their reports directly from their accounting systems. SBR promises to reduce the need for reporting professionals' services on low value-added activity, such as organising and re-keying data, and should make it easier for businesses to prepare and lodge their own reports — with less need for specialist support. The electronic interface has the ability to validate the reporting information and confirm that reports have been received by the relevant government agency. The effectiveness benefits to businesses promised by SBR involve better access to sophisticated accounting and management systems, more current financial performance information, increased inter-operability of information across financial applications and better access to potential investors.¹²

The prospective benefits of SBR to tax practitioners include improved efficiency through less re-keying of information and fewer errors as information can be auto-filled directly from their clients' systems, the certainty that reporting obligations have been met, and an easier way to share business information with clients including better access to more sophisticated reports. The implementation of AUSkey as a single secure online sign-on also means improved convenience in dealing with the government through using one password regardless of the number of clients and

¹¹ SBR Website, *About SBR*, <http://www.sbr.gov.au/About_SBR.aspx>, viewed on 11 January 2012.

¹² SBR Website, *Business*, <<https://www.sbr.gov.au/content/public/business>>, viewed on 11 January 2012.

agencies. SBR promises to save tax practitioners and other reporting professionals' time and effort in compiling and sending financial reports. It thus gives them the opportunity to focus more on offering businesses value-added services to improve their overall performance.¹³

SBR also promises to deliver some benefits to the government agencies participating in the initiative. These include better quality of data submitted to the government, reduced paper lodgements, reduced costs of dealing with unintentional non-compliance, better data exchange and improved collaboration among government agencies, and more efficient and effective revenue collection and regulatory monitoring.¹⁴

As noted above, the SBR business case developed by the Australian Treasury estimates that Australian businesses will achieve net savings of approximately \$800 million a year when SBR is fully implemented. These savings, according to the Treasury, will result from reduced workloads in gathering, analysing, assembling and reporting business financial information to the government. The business case assumed that these savings will be achieved by 2013/14 when the take-up of SBR by businesses and tax practitioners will reach 60 per cent. These benefits, if achieved, would be significant and are expected to outweigh the costs of implementing and operating SBR. This Report assesses these claims against the reality of SBR to date.

3.3 Expected costs

The business case developed by the Australian Treasury estimates that the average costs of implementing SBR by businesses will be \$403 per business and will predominantly cover the cost of a new SBR-enabled software or the cost of upgrading their software to SBR-enabled versions. While businesses will be expected to devote some time to learn the new product, it is expected that learning how to use SBR-enabled products is not going to be a time consuming task, and for this reason the cost associated with this task is not expected to be significant.

¹³ SBR Website, *Reporting professionals*, <<https://www.sbr.gov.au/content/public/reporting>>, viewed on 11 January 2012.

¹⁴ SBR Website, *Government and International*, <<https://www.sbr.gov.au/content/public/government>>, viewed on 11 January 2012.

The next section explains the research design that was employed to achieve the objectives of the research project.

4. Research design

4.1 Overview

The objective of the research project was to evaluate the effectiveness of SBR in reducing business tax compliance costs. The research applied a combination of qualitative and quantitative methodologies and involved all four sets of key SBR stakeholders: businesses, tax practitioners, software developers and the government agencies participating in the SBR initiative. The research explored the views of each of these sets of stakeholders to gauge their independent opinions on the aspects of SBR outlined earlier.

The research methodology involved two phases. In the first phase structured in-depth individual interviews were conducted with representatives of participating government agencies, software developers and reporting practitioners in order to explore their opinions and attitudes towards SBR and experience with SBR thus far. Representatives of the participating government agencies and software developers were interviewed first to allow the researchers to build a sound understanding of the concept of SBR and XBRL – how they worked, what they involved and how they fitted in with the work practices of businesses and reporting practitioners. Subsequently, the researchers interviewed reporting practitioners to gauge their level of awareness and perceptions of SBR and to discuss their experience in using SBR thus far. The researchers also discussed the incurred or expected costs of implementing SBR, experienced or expected challenges in adopting the solution, realised or expected benefits, and the impact of SBR on their reporting practices.

The second phase of the research involved a large scale cross-sectional survey of businesses to find out how much of their business reporting burden was caused by tax regulations, to identify the drivers of high tax compliance costs and to gauge their awareness of and experience with SBR to date. The survey was also designed to estimate the extent to which SBR had reduced or could reduce the tax compliance costs of Australian businesses.

The following sections outline the research methodology in greater detail.

4.2 The in-depth interviews

The structured in-depth interview method was chosen to explore the participants' knowledge and experience of SBR and XBRL and to collect data to help understand particular aspects of SBR from the perspective of the participants. The interviews were also used as a 'cognitive laboratory' to inform the design of the survey instrument in the subsequent phase.

The first phase of the research involved fourteen structured in-depth interviews with representatives of participating government agencies, software developers and reporting practitioners. Table 1 below provides details of the interviewed stakeholders and the period when interviews were conducted.

Table 1 In-depth interviews with SBR stakeholders

Type of SBR stakeholder	Number of interviews	Period when interviews conducted
Government agencies	6	Apr 2011 - Sep 2011
Software developers	5	May 2011 - Aug 2011
Reporting practitioners	3	Jun 2011 - Nov 2011

Each interview lasted between 60 and 90 minutes. Prior to the interview, the participants received a brief list of topics for discussion to allow them to have a sufficient understanding of the purpose and scope of the interviews. With the exception of one interview, all interviews were audio recorded with the participants' consent. The records were subsequently transcribed and transcripts were distributed to the participants – for their record and verification of the accuracy and completeness of the content. For the interview that was not audio recorded, the interviewer took notes and the participant was aware of it and did not object. The identity of participants remained confidential. Participants were not paid for their involvement and all agreed to volunteer their time.

Government agencies

Table 2 below provides details of the interviews conducted with officials representing government agencies participating in SBR.

Table 2 In-depth interviews with government agencies participating in SBR

Government agency	Number of interviews	Time of interviews
Treasury	1	Apr 2011
NSW OSR	2	May 2011, Jun 2011
ATO	2	Jul 2011, Aug 2011
ASIC	1	Sep 2011

The four interviewed government agencies are responsible for over 70 per cent of SBR-enabled forms that have been released to date, with the ATO being the most significant player in the SBR arena, followed by State Revenue Offices and ASIC. The Treasury is driving the SBR program. The scope of SBR-enabled reporting to all State Revenue Offices is the same (monthly and annual payroll tax), therefore the research project accepted that the viewpoints and experience expressed by the OSR in NSW can be considered as indicative of all State Revenue Offices participating in the initiative. The participation of ABS in the SBR initiative has been limited to adopting the common taxonomy and no reporting is being done with ABS using SBR-enabled channels. APRA joined SBR only in July 2011.

As Table 2 indicates two interviews were conducted with representatives from the ATO and the OSR in NSW. Due to the significant involvement of the ATO in the SBR initiative two interviews were considered necessary to cover all research questions. In the case of the OSR the initial interview identified a significant segregation of roles in the project of implementing SBR in the OSR; therefore interviews with two officials were required to obtain a complete picture of the OSR's experience with SBR.

The in-depth interviews with government agencies participating in the initiative explored their commitment and ability to develop SBR and support it in a longer term, incurred and expected costs, realised or expected benefits, as well as the impact of SBR on the autonomy of the government agencies in shaping their regulations and reporting requirements. The interviews also covered the take-up of SBR by businesses and tax practitioners and any feedback obtained from users of SBR thus far.

Software developers

The first phase of the research included five in-depth interviews with representatives of software developers that had built SBR into their products. The list of software developers participating in SBR is provided on the official SBR website and it was used by the researchers to contact and invite developers for the interviews. At the time of commencing the interviews, there were in total ten developers listed on the SBR website.¹⁵ In selecting participants for the in-depth interviews, the researchers focused on software developers with a released to the market SBR-enabled software or offering the widest range of SBR-enabled forms. Based on the information obtained in the course of the interviews, the participating software developers covered in total over 90 per cent of the market for the SBR-enabled accounting software and included both developers of software products as well as cloud based applications.

The interviews with software developers focused on the technological solution behind SBR and its robustness, sustainability and adaptability to changes in reporting requirements. In the course of the interviews the level of collaboration and support from the Treasury and other participating government agencies was also explored. The software developers were asked about feedback from their clients that use SBR-enabled software. Finally the researchers discussed incurred or perceived costs of developing SBR-enabled software solution and the realised or perceived benefits.

Reporting practitioners

The in-depth interviews with reporting practitioners included three interviews with tax practitioners and representatives of relevant industry groups. The participants were identified through calls for interest in relevant professional magazines and electronic newsletters and referrals from other interviewed stakeholders. The interviews focused on the reporting practitioners' experience and attitudes towards SBR thus far. The interviews discussed the incurred or perceived costs and savings, expected or realised benefits, and challenges in adopting SBR, as well as the impact of SBR on business practices of the interviewed practitioners. The interviews also covered the reporting practitioners' levels of technological prowess.

¹⁵ The number of participating (conformed) software developers has since increased to sixteen. Note that a conformed software developer does not mean a developer with an SBR-enabled product released to the market. Some of the listed software developers, although meeting the conformity requirements set by the SBR Program to date, have not released any forms yet.

The principal outcomes of the in-depth interviews with each of the three sets of key stakeholders are detailed in Section 5.

4.3 The survey

The survey methodology is commonly used in researching tax compliance costs and other related studies. It is the most cost-effective way of reaching a large number of targeted participants that may be geographically dispersed. Large samples are feasible and therefore are potentially more representative of the entire population and increase the possibility of statistical reliability. The survey gives the respondents the opportunity to answer the questions at a time and place convenient to them. The survey also bears no risk of the respondent being influenced by the researcher.

Questionnaire design and pilot testing

The survey instrument was designed to meet the following objectives:

- user friendliness – the questions were designed using a simple language and were kept short to help legibility and maximise the response rate. Skip logic was used in the survey design so irrelevant questions could automatically be omitted;
- administrative simplicity – an e-survey was chosen to eliminate paper, thus any work involved in collating, stapling and folding questionnaires, as well as dealing with unclaimed returned mail. Whenever appropriate, the e-survey used pre-defined menus with available response options, formatted response fields and validations to facilitate automated collation and analysis of data;
- comprehensiveness – the survey included 51 questions. While the number of questions was kept to a minimum to encourage responses, the researchers acknowledged the necessity of collecting a large amount of relevant quantitative and qualitative data.

The survey instrument included four sections:

- i. General information – questions about the type, legal structure and main activity of the business, length of time the business had operated, spread of operations, the turnover and the number of full time employees.
- ii. Regulatory and reporting burden – questions about the type and number of regulations relevant to the responding business, estimated costs of dealing with

regulations, their distribution and breakdown. The section also included questions targeting the reporting and tax compliance burden of businesses.

- iii. Taxation details – questions about the type and number of taxes applicable to the responding business, frequency of dealing with tax affairs, type and cost of help engaged to deal with tax affairs, reasons for engaging external help (if applicable), method of lodgement of tax returns and business record keeping practices.
- iv. Awareness and experience with SBR – questions gauging the responding business's level of awareness of SBR and, if applicable, experience, attitudes and perceptions regarding SBR's ability to reduce the tax compliance costs of the business.

The survey tool also provided the respondents with an option to add comments, provide contact details for follow up questions and request a summary of survey findings. Prior to the main survey, a pilot survey was issued to five businesses for testing. No major concerns regarding the survey questions were received as a result of the testing and only minor modifications of questions were made.

Sample selection

The survey participants were drawn from two commercially available databases. The research team obtained data on businesses with 10 or more employees from a commercial company and supplemented these data with data on small businesses purchased previously by ATAX for the purpose of another study. It was necessary to pull out a sample from the two databases as the research team was unable to find a single database on all sizes of businesses that would include their email address contact details. In selecting participants for the survey there was no restriction on the size, turnover, number of employees, location or industry of the business. A total sample size of 7,384 businesses was obtained.

Survey distribution

Email invitations to complete the survey (for businesses with 10 or more employees) were distributed by the external commercial company that provided that particular sample. The distribution of emails targeting small businesses from the second database was undertaken by the research team. The invitations to the survey were sent to the selected sample of businesses in four batches issued between 29 January 2012

and 9 February 2012 and were followed by reminder emails issued between 12 February 2012 and 18 February 2012.

Response rate

Table 3 contains information about the total of emails sent, received, opened and the response rates for the survey of businesses.

Table 3 Response rates for the survey of businesses

Gross sample (first send-out)	7,384
Emails bounced or unsubscribed (first send-out) <i>*emails bounced - not delivered due to invalid email addresses</i> <i>*emails unsubscribed – where the recipients requested to be removed from the list</i>	2,164 breakdown: 2,118 46
Second send-out	5,220
Emails bounced or unsubscribed (second send-out) <i>emails bounced</i> <i>emails unsubscribed</i>	267 breakdown: 265 2
Emails with a confirmed valid address (including unsubscribed)	5,001
Emails opened (including unsubscribed)	3,184
Number of unique clicks on the survey link	238
Click rate per opened email	8%
Number of completed surveys (usable responses)	124
Response rate	4%

Many business accounts are equipped with anti-spam filters that block unsolicited bulk emails (such as emails with invitation to the survey) and prevent them from reaching the respondent. This explains the significant difference between the number of emails with a confirmed valid address and the number of emails that were opened. For this reason, it is considered to be more appropriate to calculate the response rate as the ratio of completed surveys to the number of emails that have been opened, as opposed to with a confirmed valid address. On this basis the response rate was 4 per cent, which is considered a reasonable response rate for an electronic survey, and which promises a reasonable basis for the major conclusions of this Report.

Non-response bias

To verify whether there was any ‘non-response bias’ in the survey of businesses, that is a significant difference in some key areas between respondents and non-

respondents, the analysis of the survey results included a wave analysis. A wave analysis identifies respondents' answers to certain central questions in the survey by reference to the point of time that they completed the survey. The wave analysis allows the researcher to determine whether responses to the key selected questions changed significantly from period to period and considers the respondents who completed the survey in the latter part of the response period as 'almost non-respondents'.

For the purpose of the wave analysis, the responses to the survey were divided into two waves: those respondents who responded early in the survey process, after receiving the first email with invitation to the survey, comprising the first 44 per cent of respondents; and those who responded later, after receiving the email reminding them to complete the survey – the remaining 56 per cent of respondents. The key questions selected for the wave analysis were Questions 10 and 39, which examine the respondents' perceptions of the tax compliance costs imposed on their businesses and their levels of awareness of SBR.

A chi-square test revealed that, at the 5 per cent level of significance, there was no statistically significant difference between the perceptions of tax compliance costs imposed on businesses of early and late survey respondents. Similarly, no statistically significant difference was found between the levels of awareness of SBR of early and late respondents. The outcomes of the wave analysis therefore suggest the absence of any non-response bias in the survey.

Overall, therefore, the researchers were satisfied with the integrity of the data obtained from the survey and considered it to be sufficiently robust for the purpose of the project.

5 Interview Outcomes

5.1 Introduction

This section provides a summary of key findings from the series of in-depth interviews conducted in phase one with the representatives of the government agencies participating in SBR, software developers and reporting practitioners. The interview questions explored the following:

- the reporting solution offered by SBR from the perspective of its technological robustness and the level of technological prowess of the potential SBR users;
- the level of understanding of the SBR solution among SBR stakeholders and their readiness to adopt it as part of their business as usual;
- the experience with SBR thus far, realised costs and benefits, challenges and future expectations;
- the perceived ability of SBR to reduce the tax compliance costs of businesses and reporting practitioners; and
- the drivers of high tax compliance costs and the adequacy of SBR in addressing these drivers.

To facilitate analysis of information collected during the in-depth interviews, the researchers followed a three-step process in which the data collected in the course of interviews were coded, reduced and transferred into a meta-matrix that identified critical points of interest. The information organised in the meta-matrix was further used to identify common themes and patterns.

Section 5.2 summarises key patterns and common themes. A table synthesising key findings from the interviews is provided at the end of that section. Sections 5.3 and 5.4 summarise findings from answers to additional questions relating to aspects of SBR that are specific to software developers and reporting practitioners respectively.

5.2 Common themes

Analysis of the outcomes of the in-depth interviews with SBR stakeholders suggests a number of common themes, relating to: the concept of SBR; take-up of SBR by potential users to date; the responsibility for driving demand for SBR; the perceived benefits and beneficiaries of SBR; the capacity of SBR to reduce the tax compliance

costs of business; its sustainability over the longer term; and attitudes to the issue of making SBR compulsory. Each of these aspects is now considered in more detail.

The concept of SBR

All of the interviewed stakeholders expressed their support for XBRL, SBR and the concepts of common data exchange language, automated generation of reports and standardised data collection. The interviewed software developers saw SBR as the future direction for reporting and the reporting practitioners perceived it as an opportunity to improve the convenience of lodging reports to the government and particularly liked the idea of having ‘one stop to lodge to many departments’.

In a similar manner, the single secure log-on AUSkey was perceived positively and as a significant improvement to existing lodgement processes, particularly when compared to other digital credentials. While some of the reporting practitioners identified some problems with finding AUSkey once it had been downloaded onto their computers, these problems seemed to be perceived as minor and did not seem to have any discouraging impact on the users of AUSkey.

All of the interviewed stakeholders were also of the opinion that the timing of the SBR initiative was good, as the level of technical prowess among businesses and reporting practitioners was sufficient to enable most of them to embrace SBR and SBR-enabled software without posing any larger issues. All of the interviewed practitioners used computerised filing systems to keep their records. They stated that they found it easy to learn how to report using SBR and did not find the cost of SBR-enabled solution to be high.¹⁶ It should be noted, however, based on the feedback provided by the practitioners, that they tended to use SBR to simply lodge reports rather than collate data and create reports directly from their accounting software. The feedback indicated that the level of understanding of SBR among reporting practitioners was still rather limited and they did not take the benefit of all of the functionalities and features of SBR. All of the interviewed reporting practitioners regularly used electronic lodgement channels to submit reports to the government.

¹⁶ It should be noted here that the majority of interviewed reporting practitioners based their observations on either GovDirect or GovReports – currently the two most prevalent SBR solutions on the market that are cloud lodgement portals. The solutions do not require any installation; only registration using AUSkey. The pricing model involves a subscription fee that depends on the number of forms in scope. At the time of writing this Report, and in order to encourage take-up, basic access to GovReports was offered for free.

The take-up of SBR

All of the interviewed stakeholders were disappointed with the slow take-up rate of SBR by businesses and tax practitioners and cited a range of reasons for this situation: lack of available software (particularly for payroll tax and financial reporting); low level of awareness of SBR; lack of understanding among businesses and reporting practitioners as to how SBR differs from other electronic lodgement channels; lack of promotion and marketing of SBR to potential users; reluctance to change; lack of incentives for SBR users and software developers; and, finally, lack of visible ownership of the task to drive the demand for SBR.

One of the most commonly quoted reasons for the slow take-up of SBR was the lack of a comprehensive accounting software available on the market and the fact that the key players (eg MYOB) had not released an SBR-enabled product at that point. The software developers believed that the limited number of available SBR-enabled forms acted as a deterrent to getting involved in the initiative. As one of the interviewed software developers noted, their company was not going to release an SBR-enabled software until there was a complete set of forms available to lodge via SBR.

The interviewed government officials agreed that the initial business case that assumed the take-up rate to be 12 per cent of all businesses technologically capable to adopt SBR in the first year and 60 per cent in the fourth year, was overly optimistic. However they believed that the take-up of SBR would gradually rise, and once it gained the critical mass it would accelerate. Nevertheless, they did not foresee that this would happen any time soon.

Who should drive the demand for SBR?

The researchers noted a significant disparity in opinions relating to the issue of the ownership of the task of driving the demand for SBR. While all of the interviewed stakeholders observed a very limited awareness and understanding of SBR among its potential users and believed that it was caused by the lack of sufficient education, promotion and marketing of SBR, as well as an absence of any visible incentives offered to either software developers or potential users of SBR, their opinions as to who should drive the demand for SBR and provide the necessary education and, potentially, incentives, varied significantly.

Both software developers and reporting practitioners were of the unanimous opinion that the responsibility to drive the demand for SBR belongs to the government, which should increase its efforts to promote SBR and educate potential users about the benefits of SBR. The software developers believed that the government should put more effort into marketing and promoting SBR and offered different suggestions to increase the take-up of SBR. While some developers favoured the option to mandate SBR as a reporting channel, most of them believed that the technology was not mature enough to make it a viable option. Other suggestions put forward by the developers included financial incentives (available to both software developers and to users), extended time to lodge via SBR channels, and more diversified and aggressive marketing of SBR through a wider range of channels. The interviewed reporting practitioners also supported the idea of incentives and believed they were necessary to ‘break the reporting habits’ of using Business Portal and other electronic lodgement channels.

In contrast, when asked who should drive the demand for SBR, most of the interviewed officials believed it should be the users of SBR (businesses and tax practitioners) or software developers. Most of the officials believed that once the government had implemented SBR, it should be left to interested businesses, tax practitioners and software developers who – understanding the potential benefits of SBR – would create and drive the demand for the product. With the exception of the ATO, none of the interviewed officials believed their agencies had a role in educating businesses and tax practitioners about SBR.

What are the real benefits of SBR?

The researchers observed significant differences in opinions relating to the benefits of SBR. The interviews with representatives of participating government agencies showed that some officials believed that it was the quality and correctness of reported data collated in an efficient way. Others argued that SBR had the potential to improve only the efficiency of reporting but not necessarily the quality of reported data (‘if it is garbage in, it is garbage out’).

Most of the interviewed developers and reporting practitioners believed that SBR offers real time better quality data, which will result in reduced compliance activity, elimination of paper returns and savings in processing time and improved data sharing

between government agencies. The interviewed reporting practitioners were also of the opinion that SBR can improve the quality of data and enhance opportunities to data match and share data with other agencies. The practitioners also saw some benefits in SBR around the improved convenience in lodging returns from one portal to many government agencies.

Who will benefit the most from SBR?

Similar to the issue of benefits of SBR, the question about the recipients of benefits of SBR generated different responses. Most of the interviewed developers and reporting practitioners believed that while SBR has the potential to reduce the time needed to prepare and lodge reports, the government has the most to gain from SBR from the improved real time better quality of data and enhanced opportunities to data match and share data with other agencies. The practitioners also saw some benefits in SBR for themselves, mainly around the improved convenience in lodging returns from one portal to many government agencies. The practitioners did not believe that SBR was of any benefit to businesses. The prevalent opinion expressed by the practitioners in the course of the interviews was that businesses were too busy focusing on their core operations to take an interest in SBR or attempt to adopt it to drive their compliance costs down. The interviewed practitioners did not believe the potential reduction of business tax compliance costs would be substantial enough to make businesses change their practices of engaging intermediaries (tax practitioners, advisers or accountants) to manage their tax affairs.

In contrast, most of the interviewed officials did not perceive SBR as beneficial to them in any way, although some observed that SBR was strategically beneficial to them as it strengthened their commitment to providing a better level of customer support. In general, most of the interviewed officials believed that the purpose of SBR was to reduce the reporting burden of businesses and did not see SBR as an initiative that could deliver any benefits to the government. Most of the interviewed government officials believed that large businesses and tax practitioners may gain more from SBR than small businesses, due to the high volumes of reporting they do on a regular basis.

Will SBR reduce the tax compliance costs of businesses?

The interviewed software developers expressed strong support for the concepts of common data exchange language facilitating business to government reporting, automated generation of reports and standardised data collection and saw them as an opportunity to reduce the time and effort required to prepare and lodge reports – both for businesses and reporting practitioners.

Most of the interviewed practitioners saw the benefits of increased convenience of reporting using SBR, but, in contrast to the views expressed by software developers, none of them indicated that they had experienced any significant reductions of their costs or changes to their business practices. When asked whether, in a situation where SBR results in reduction of their costs they would be willing to lower their service fees, thus passing on those savings in full or in part to their clients, none of the practitioners seemed to be prepared to do that. None of the practitioners expressed any concerns about losing any of their business due to SBR making their clients self-reliant in lodging reports to the government. The majority of the interviewed practitioners stated that lodgement of reports was only a small part of the services they provided to their clients and in their opinion there was no risk SBR would make them redundant.

While the interviewed officials expressed strong support for SBR and XBRL as a measure to facilitate better business to government reporting and reduce red tape, they believed that, compared to other already available electronic lodgement channels, SBR added little value and was not going to substantially reduce the compliance costs of businesses or improve the quality of reported data.

Commitment to SBR and its sustainability over a longer time

Despite the slow take-up of SBR among businesses and reporting practitioners, all of the interviewed officials confirmed their agencies' commitments to the initiative and their intention to continue their involvement in SBR. While most of the interviewed officials acknowledged the complexity of implementing SBR into their reporting channels, none of them believed that maintaining the SBR-enabled reporting channel, even alongside the traditional channels, was going to be an issue either in terms of costs or required effort.

Standard Business Reporting: Short term pain for long term gain?

When asked about SBR's sustainability over a longer time and the ability to control the rate of change to the government regulations, many of the interviewed officials believed it was too early to form any opinion. It was noted that the Treasury has limited the number of changes to the SBR taxonomy to two per year. While some of the officials believed this was reasonable and should sufficiently accommodate the government's evolving needs for reported information, other officials were more sceptical about the number of allowable changes and expected it to be much higher. Some of the officials were concerned about not having full control over the taxonomy and expressed opinions that the agencies should be able to control their own releases.

The interviewed software developers displayed the opinion that XBRL and SBR were flexible enough to incorporate any required changes without much effort. However, for the same reasons, the developers were not convinced that SBR was going to help monitor and effectively manage the rate of changes to reporting requirements and believed that changes to the tax laws and reporting requirements, which result in higher compliance costs, would continue.

Despite the government officials' expressed commitment to the SBR initiative, the researchers noted a polarity in opinions when discussing the perceived government's commitment to SBR. Some of the interviewed developers believed that they observed a decreasing level of activity in the 'SBR space' among the government agencies and expressed their concerns about the future of the initiative. Some concerns were raised that due to the poor take-up of SBR among the users, the government may put the SBR program on hold. At the same time, other developers expressed a strong conviction that the government's support and involvement in the initiative would continue, as the government 'has simply invested too much to pull the plug now'.

The interviewed reporting practitioners had no opinion about the future of SBR and did not demonstrate any strong convictions about the capacity of SBR to keep up or, on the other hand, reduce the rate of changes to the government regulations.

Should government make SBR compulsory?

The researchers noted significant differences in opinions relating to the issue of making SBR a compulsory business to government reporting channel. All of the interviewed stakeholders agreed that mandating SBR would increase its take up, as

businesses and reporting practitioners would be simply forced to adopt it. The interviewed software developers supported the idea and were of the opinion that the government should mandate SBR in the longer term. The software developers acknowledged the current challenges with the stability of the SBR channel and the lack of a complete suite of SBR-enabled reporting forms. However, they supported the idea of making it compulsory in the longer term, when the IT solution behind SBR is more stable and there are more forms included in the scope of SBR, so they are in a better position to release a complete SBR-enabled software product to the market.

In contrast, most of the government officials displayed a different opinion and opposed the idea of making SBR compulsory, either in the shorter or longer term. The interviewed officials expressed their opinion that, unlike the United Kingdom or the United States that mandated XBRL as a reporting language for use by large entities, the Australian government did not have a tradition of enforcing reporting standards. Moreover, the business case for SBR was focused on reducing the reporting burden of businesses rather than improving the quality of financial data, therefore the interviewed officials said they could not foresee the Australian government pursuing legislation that would make SBR compulsory. The only exception was the ATO which, while not supporting the idea of mandating SBR, saw opportunities of moving towards one SBR-enabled electronic reporting platform and gradually transitioning from its current Electronic Lodgement Service (ELS) to SBR technology.

The interviewed reporting practitioners were somewhat ambivalent about the idea of making SBR compulsory. While some saw benefits in it, particularly for the government, others were of the opinion that the SBR technology was at too early a stage of development to become compulsory.

Table 4 summarises key findings from the in-depth interviews and compares responses provided by the stakeholders in relation to standard questions that were posed to all interviewed groups of stakeholders.

Table 4 Summary of key findings from in-depth interviews with SBR stakeholders

Question	Government agencies	Software developers	Reporting practitioners
Is SBR and AUSKey a 'good' concept?	Yes	Yes	Yes
Will SBR prove to be sustainable over a longer time?	Yes, but limited releases of new taxonomies may prove to be a challenge	Yes and it is flexible enough to cope with frequent changes to reporting requirements	Too early to say
What has been your experience so far?	Disappointed with low take-up rates	Disappointed with low take-up rates	Low awareness of SBR
What are the perceived reasons for this low take-up?	Poor awareness of SBR, lack of available software, lack of promotion, incentives and marketing of SBR, reluctance to change	Poor awareness of SBR, lack of promotion, marketing of SBR and incentives for users and software developers	Poor awareness of SBR, lack of available software
Who should drive the demand for SBR?	Software developers and businesses	Government	Government
Who will benefit from SBR the most?	Practitioners and large businesses	Government	Government
Can SBR reduce the compliance costs of businesses?	No	Yes, to some extent	No
Should government make SBR compulsory?	No	Yes, eventually	Too early to say but open to the suggestion

Apart from the set of standard questions asked of all interviewed SBR stakeholders, the in-depth interviews also included questions tailored to address the unique role played in the SBR initiative by different stakeholders. A summary of findings from answers to specific questions posed to the software developers and to the reporting practitioners is provided in Sections 5.3 and 5.4 respectively.

5.3 Issues specific to software developers

Reasons for getting involved in SBR

Varied responses were provided to this question: the software developers with an established or larger market presence believed it was a necessary step to maintain their competitive edge but saw no further market opportunities or benefits for themselves from building SBR into their products; smaller and emerging software

developers perceived SBR as an opportunity to enter or gain some share of the market by offering a unique and technologically advanced product. One of the interviewed software developer was part of a larger entity providing accounting services that had already been extensively utilising XBRL in their business. SBR was built into their existing solution predominantly for the internal use with the objective of achieving reductions in the ‘compliance work’ involving preparation and lodgement of tax returns for their clients, so the entity could move towards providing more advisory type of services to their clients, as well as broadening their potential client base.

Cost of implementing SBR

Similarly divided perceptions were observed when discussing the implementation costs. The established and larger software developers considered these costs as very substantial and with uncertainty around returns on investment, found these costs almost prohibitive. As one of the interviewed software developer explained, only the development of the Software Developer Kit (‘SDK’) and publishing it on the SBR website, convinced them to go ahead with building SBR into their products. At the same time, smaller or emerging software developers did not perceive the costs of developing an SBR-enabled software as particularly substantial.

Collaboration with the government, commitment to SBR and its sustainability

The interviewed software developers evaluated the level of collaboration offered by the Treasury and other participating government agencies as very good. All agencies were considered to be responsive to provided feedback, although some of the developers found the time taken to respond and incorporate their feedback as overly long. The identified areas for improvement were clearer directions, more detailed technical information and the availability of a testing environment, where software developers could try out their SBR-enabled software prior to releasing it into production. Some of the interviewed developers found the lack of a testing environment to be a significant drawback. This was of particular importance in the earlier stages of SBR when the technology behind the solution was described by many of the developers as ‘flimsy’ and riddled with technical problems, particularly around the connectivity and availability of SBR Core Services. It should be noted, however, that these technical problems seem to have been resolved, as interviews with software developers conducted at a later time did not identify any technical issues.

5.4 Issues specific to reporting practitioners

A summary of findings from answers to questions posed only to the reporting practitioners is provided below.

Perceptions of the tax compliance and reporting burdens of businesses in Australia

All the interviewed practitioners perceived government regulations relating to businesses as difficult to understand and administer and as imposing unjustifiable costs on businesses that are required to comply with them. The interviews revealed that tax compliance costs were considered to be a significant part of the regulatory burden imposed on businesses. While some of the interviewed practitioners considered the tax compliance costs imposed on businesses to be excessive, they found the cost of reporting to the government as reasonable. The interviewed practitioners were strongly of the opinion that the method of lodging reports to the government may impact the cost of reporting to the government and that electronic lodgement of reports can drive this cost down. At the same time they did not believe that SBR was going to significantly reduce the tax compliance costs of businesses, as they perceived lodgement of reports to be only a small element of compliance activities required of businesses.

What are the drivers of high tax compliance costs for business in Australia?

When asked about drivers of high tax compliance costs of businesses, the interviewed practitioners identified a number of factors. The most commonly raised were the complexity and ambiguity of tax legislation, the variety of concessions, deductions and thresholds, the high number of rules and exceptions and frequent changes to the tax laws. While the interviewed practitioners acknowledged the volume of reports required and the existence of duplication in reporting, they did not perceive these issues as primary factors leading to the high costs of complying with tax regulations.

What are the actual costs of implementing and using SBR-enabled products?

The reporting practitioners were asked about the incurred costs of implementing and using SBR in reporting to the government. While their responses varied depending on the range of used SBR-enabled reports, the identified costs of implementing and using SBR were not considered as significant. These costs were predominantly associated with gaining access to SBR-enabled forms and products rather than time spent on learning how to use SBR. The majority of interviewed reporting practitioners were

using cloud based solutions such as GovReports and GovDirect and identified their costs to be between \$0 (for the most basic package including only SBR-enabled Activity Statements) to \$600 per year, depending on the reporting package they subscribed to.

6 Survey Outcomes

Section 6 provides a summary of the outcomes of the survey of businesses. It uses the data provided by the respondents to estimate the size of the regulatory, reporting and tax compliance costs incurred by businesses in Australia. It explores the level of dependence of businesses on reporting practitioners in managing their tax affairs to establish whether SBR can impact upon this dependence. It also analyses the responses to the questions about SBR and evaluates the level of awareness of SBR among the survey respondents, their perceptions of SBR and their experience with SBR thus far.

The analysis of survey results follows the structure of the survey and covers the following major themes:

- the demographic aspects of survey respondents;
- the perceived regulatory, reporting and tax compliance costs of businesses;
- the management of tax affairs; and
- the experience and perceptions of SBR to date.

6.1 Demographic aspects

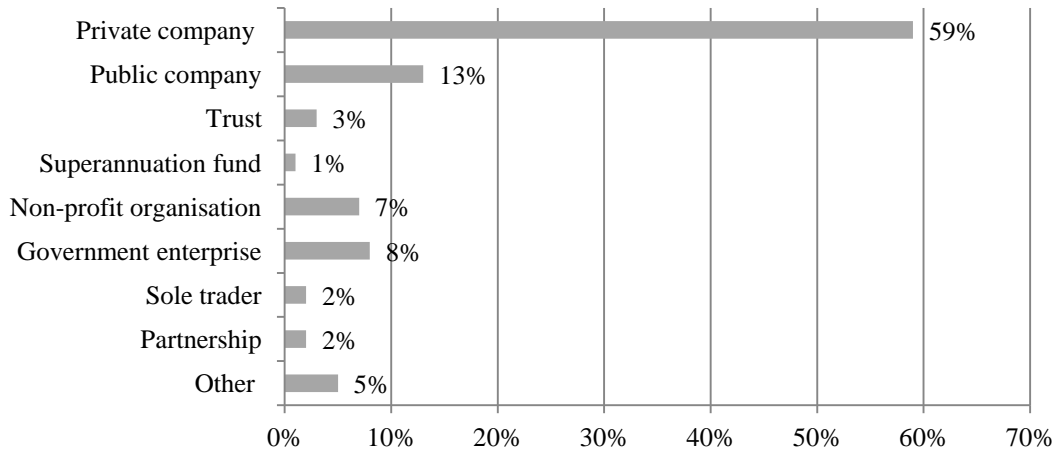
In total, 258 respondents opened the survey instrument and provided responses to some of the questions. However, of the 258 respondents who started the survey, only 124 respondents completed the entire survey. In analysing survey responses, therefore, the researchers have only considered those responses provided in the fully completed surveys.

Responses to the questions in Section 1 of the survey (General Information) reveal the following:

- The majority of respondents (72 per cent) were companies, of which 59 per cent were private companies and 13 per cent were public companies. Only 2 per cent

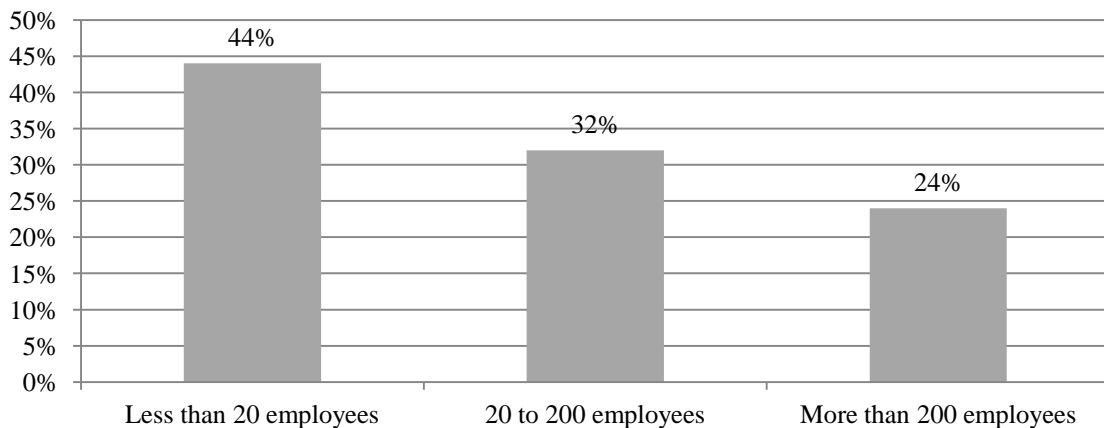
of the respondents were sole traders. Chart 1 provides a complete breakdown of respondents by their legal form.

Chart 1 Legal form of survey respondents (n = 124)



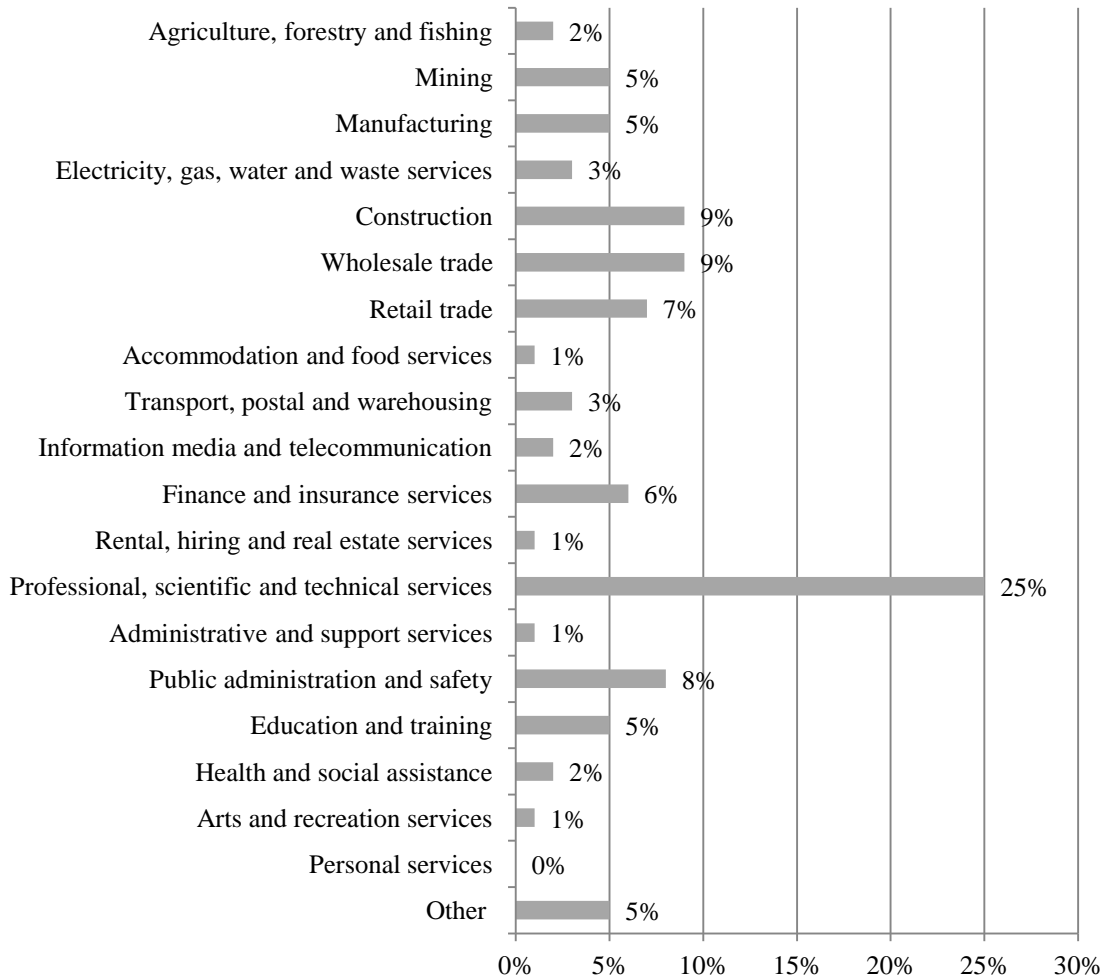
- Respondents tended to operate within a single state (46 per cent) or in more than one state or nationally (39 per cent). Only 15 per cent of respondents conducted international operations.
- Respondents tended to be mature businesses – 98 per cent had been in operation for over five years. The remaining 2 per cent of responses came from businesses that had been operating for more than two but less than five years. None of the respondents was newly established (less than two years in operation).
- All of the respondents had full time employees (FTEs) in the year ended 30 June 2011, as shown in Chart 2: 44 per cent of respondents had less than 20 employees; 32 per cent had between 20 and 200 employees; and 24 per cent had more than 200 employees.

Chart 2 Number of employees engaged by survey respondents as at 30 June 2011 (n = 124)



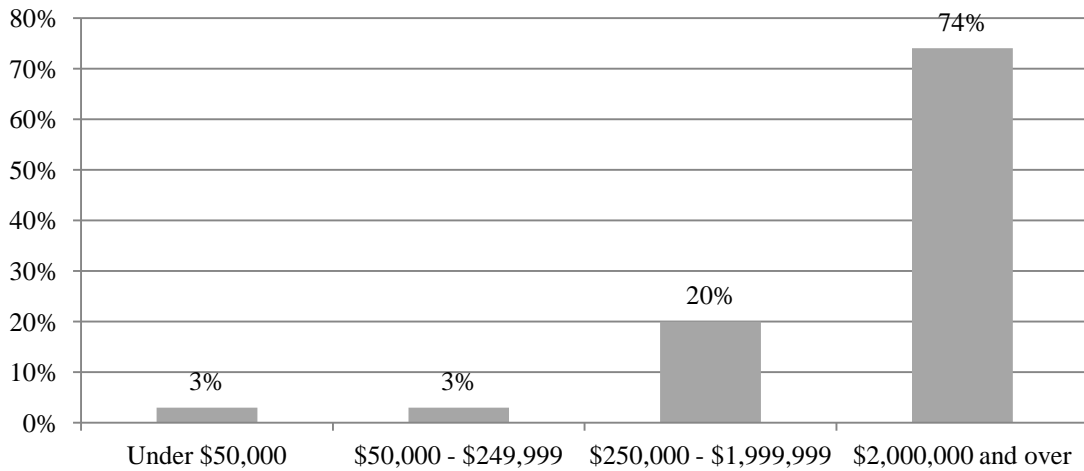
- Respondents represented a wide range of business activities. One quarter of the survey respondents came from the professional, scientific and technical services background, followed by construction (9 per cent) and wholesale trade (9 per cent). Chart 3 provides a complete breakdown of respondents by their main business activity.

Chart 3 Main business activities of survey respondents (n = 124)



- Almost three-quarters of the respondents (74 per cent) had an annual GST inclusive turnover of over \$2,000,000 in the year ended 30 June 2011; 20 per cent had a turnover in the range \$250,000 to \$2,000,000; and only 6 per cent of the respondents had a turnover of less than \$250,000. Chart 4 provides a complete breakdown of respondents by their annual GST inclusive turnover.

Chart 4 Estimated turnover of respondents (incl. GST) as at 30 June 2011 (n = 124)



These results suggest that the respondents predominantly represented well established, larger companies from the professional, scientific and technical services background operating within Australia, who engage a relatively higher number of employees and have a relatively higher annual GST inclusive turnover.

Table 5 compares the demographic information of survey respondents (observed percentage) with the general demographic information on all Australian business population (expected percentage), as collated and reported by the ABS.¹⁷

The researchers noted that there was a much stronger representation of companies among survey respondents than in the Australian business population (71 per cent compared to 33 per cent). It was also noted that while sole proprietors amounted to 29 per cent of the Australian business population (and in recent years have been the second most popular form of business in Australia), they were under-represented among the respondents. Finally, the percentage of businesses with more than 20 employees was higher among the survey respondents than in the Australian business population.

In addition to the particular characteristics of the databases used in the survey, one of the other reasons for these outcomes may have been the form of the survey – an electronic survey that required the respondents to have a valid email address, access

¹⁷ Australian Bureau of Statistics, 2010, 'Report 8165.0 – Counts of Australian Businesses, including Entries and Exits Jun 2007 to Jun 2009', <<http://www.abs.gov.au/ausstats/abs@.nsf/PrintAllPreparePage?>> viewed on 2 March 2012.

to internet and some degree of computer literacy. It can be argued that many sole proprietors, due to the micro size of their business activities, may not have met these criteria and as such may not have been reached by the survey.

Table 5 Business demographic information: sample representativeness

Type of demographic information	Survey respondents: observed percentage	Australian business population: expected percentage
Industry/business activity	Observed industries: 1. Professional, scientific and technical services (25%) 2. Construction (9%) 3. Wholesale trade (9%)	Expected industries: 1. Construction (17%) 2. Professional, scientific and technical services (11%) 3. Rental, hiring and real estate (11%)
Legal form of business	Observed legal forms: 1. Companies (71%) 2. Government enterprises (8%) 3. Non-profit organisations (7%) 4. Trusts (3%) 5. Sole proprietors (2%)	Expected legal forms: 1. Companies (33%) 2. Sole proprietors (29%) 3. Trusts (20%)
Number of employees	Observed employment size: 1. Less than 20 employees (44%) 2. 20 – 199 employees (32%) 3. 200+ employees (24%)	Expected employment size: 1. Less than 20 employees (89%) 2. 20 – 199 employees (10%) 3. 200+ employees (1%)

Notwithstanding the divergence between the observed outcomes of the survey and what might have been expected if a fully representative sample had been drawn from the Australian population of businesses, the research team was satisfied that the results were sufficiently representative of the Australian business population to be able to undertake a robust analysis.

The next section of the survey included questions designed to estimate the regulatory, tax compliance and reporting burdens of responding businesses.

6.2 Regulatory, reporting and tax compliance burdens

Given that the survey frequently referred to the concepts of the *regulatory, reporting* and *tax compliance* burdens, it is considered appropriate to explain the difference

between these three concepts before exploring the survey results and the estimated levels of these different business burdens.

The *regulatory* burden is the cost imposed on businesses by the regulatory framework, consisting of legislative measures as well as other rules and restrictions controlling business operations. It includes the costs of meeting the substantive requirements of the regulatory framework, the administration and paperwork costs of complying with the regulatory framework, costs arising from disincentives, lost opportunities, distortions and duplications that are attributable to the regulatory framework and other costs that may be associated with compliance. Examples of regulatory burden may include costs for employers of complying with multiple workers' compensation schemes, costs of complying with greenhouse gas and energy reporting regimes or costs of preparing business activity statements. Only part of the regulatory burden is directly caused by taxation measures and only part of it relates to government reporting requirements.¹⁸

Tax compliance costs are one part of the regulatory burden. They are costs incurred by taxpayers or third parties, such as businesses, in meeting the requirements laid upon them in complying with a given tax structure. Tax compliance costs include the cost of collecting, remitting and accounting for tax on products, services or profits of their business and on the wages and salaries of their employees, together with the cost of acquiring knowledge to enable this work to be done and knowledge of their tax obligations. These costs may be internal to the business and may also comprise the fees paid to external tax advisers. They may also include associated overhead costs, like the cost of storage of records as required by the tax authorities.¹⁹

Although all tax compliance costs result from regulatory obligations, only some of them relate to reporting requirements imposed on businesses by the government. For example, costs of obtaining expert advice on the tax implications of planned business transactions result from regulatory obligations but not from reporting requirements. At the same time, costs of completing a tax return and submitting it to the relevant tax authority are incurred as a result of the tax reporting requirements imposed by the

¹⁸ Bickerdyke, I & Lattimore, R 1997, 'Reducing the Regulatory Burden: Does Firm Size Matter?', Industry Commission Staff Research Paper, Australian Government Publishing Services, Canberra, p 1.

¹⁹ Sandford, C, Godwin, M, Hardwick, P 1989, *Administrative and Compliance Costs of Taxation*, Fiscal Publications, Bath, p 12.

government. The *tax reporting burden* results from the regulatory framework imposed by taxation measures and refers to requirements imposed by the government on businesses to provide business information to the government or its agencies.

The survey respondents were asked about the frequency with which they have to deal with issues relating to the following government regulations (representing most aspects of the regulatory burden):

- i. labour market regulations (for example occupational health and safety, worker compensation);
- ii. consumer-related regulations (for example food regulations, privacy, labeling);
- iii. environmental and building regulations (for example environmental protection regulations);
- iv. economic regulations (for example corporate regulations and reporting, customs, transport);
- v. tax regulations (for example income tax, GST, payroll tax legislation); and
- vi. other.

In the year ended 30 June 2011 the majority of respondents frequently dealt with each of the above regulations (more than three times in a year) with the exception of the consumer-related regulations, with which almost half of the respondents had no dealings at all. Tax regulations were selected by almost 73 per cent of respondents as requiring frequent dealings, followed by labour market regulations (60 per cent) and economic regulations (59 per cent). The survey responses showed that of all government regulations, tax regulations were the most common ones that required frequent dealings.

The question about frequency of dealings with various government regulations, including tax regulations, was asked to help respondents to work out the time they spent on tax affairs. It was considered that if they were reminded how often they had to deal with various types of government regulations, it would assist them in establishing likely levels of cost for each regulatory area. Moreover, the authors anticipated that frequent dealings with different types of government regulations would indicate higher costs of complying with those types of regulations.

Table 6 compares the mean and median for costs associated with tax regulations.

Table 6 Cost of complying with tax regulations compared with the total costs of complying with government regulations as at 30 June 2011 (n = 124)

	mean	median
Cost of complying with tax regulations as % of costs of complying with all government regulations	23%	10%

Table 6 shows that on average (mean) the respondents attributed roughly one quarter (23 per cent) of all of their annual costs spent on complying with all government regulations to tax regulations. However, approximately half of the respondents estimated their costs of complying with tax regulations at 10 per cent or less of the total costs of complying with government regulations (median). These results may indicate that among survey respondents there were a few respondents who attributed a significantly higher percentage of their annual costs of complying with government regulations to tax regulations and whose results drove the mean up.

When asked how they perceived their costs of complying with tax regulations when compared with their costs of complying with other non-tax government regulations (Chart 5), 39 per cent of respondents considered them as average and 41 per cent as high or very high. Of those who considered their tax compliance costs low or very low, over 92 per cent operated in Australia only and 68 per cent were medium or large businesses with turnover over \$2,000,000 in the year ended 30 June 2011. This may indicate that businesses operating in more than one state, as well as smaller businesses, are more likely to perceive their levels of tax compliance costs as average or high when compared with the levels of other non-tax government regulations imposed on them.

Chart 5 Perceptions of the relative level of tax compliance costs (n = 124)

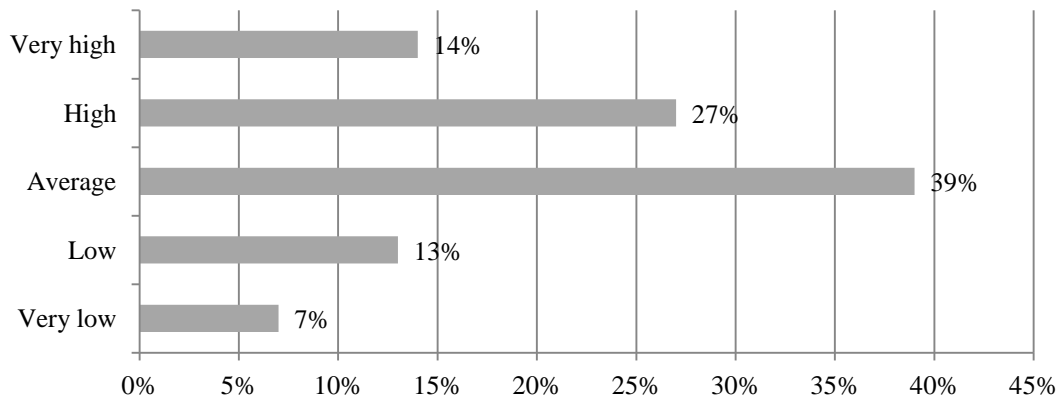


Table 7 compares the mean and median for the costs of preparing and lodging various reports to all government agencies incurred by businesses as a result of government regulations, compared with their total costs of complying with government regulations.

Table 7 Cost of preparing and lodging reports to the government compared with the total costs of complying with government regulations as at 30 June 2011 (n = 124)

	Mean	median
Cost of complying with reporting requirements as % of costs of complying with all government regulations	31%	20%

The table indicates that respondents believed that, on average, nearly one third (31 per cent) of their total annual regulatory costs were incurred as a result of reporting requirements imposed by the government. However, for about 50 per cent of respondents, their total annual costs of preparing and lodging returns to the government were 20 per cent or less of the total annual costs of complying with government regulations (median). These results were consistent with the results for tax regulations and could indicate that among survey respondents there were a few respondents who attributed a significantly higher percentage of their annual costs of complying with government regulations to reporting obligations and whose results drove the mean up.

When asked about their perceptions of reporting obligations imposed on them by tax regulations when compared with reporting obligations imposed on them by other

government regulations, 40 per cent of respondents considered tax reporting obligations as very significant and 33 per cent as rather significant. Only 5 per cent of the respondents considered the reporting obligations imposed on them as a result of tax regulations as insignificant. All of that small number of respondents who did perceive their reporting obligations as insignificant were mature businesses, and over two thirds of those engaged less than 10 employees.

These results confirm that a positive correlation exists between the number of employees and the level of reporting obligations imposed on businesses, where businesses with more employees face more significant reporting obligations. The results may also indicate the existence of a learning curve where new businesses find reporting requirements more burdensome but learn to better cope with these obligations as their operations mature.

6.3 Managing tax affairs

The third part of the survey included questions aimed at establishing how respondents managed their tax affairs. The purpose of these questions was to estimate the tax compliance costs, in particular the tax reporting costs imposed on businesses, as a result of tax regulations. The survey questions referred to all types of taxes. To enable comparable conclusions to be drawn, whenever appropriate, the questions referred to the financial year ending 30 June 2011.

The survey respondents were asked about the frequency with which they had to deal with issues relating to different taxes. The vast majority of respondents (82 per cent) identified GST as the tax they had to deal frequently (that is more than three times in a year), followed by superannuation guarantee charge (62 per cent), payroll tax (53 per cent) and income tax (52 per cent). The question about frequency of dealings with various taxes was asked to help respondents to work out time spent on tax affairs if they were reminded how often they had to deal with different types of taxes. This was on the basis that it would help them to more accurately estimate time spent on tax affairs.

Almost 84 per cent of the respondents involved internal personnel in managing their tax affairs. This included owners and partners. The average number of staff (in FTE terms) involved by the respondents in managing their tax affairs was 2 FTE and the

average total annual wages paid to the staff involved in managing the respondents' tax affairs was estimated at \$137,500 (\$68,750 per FTE). This covered wages paid to the staff for the time solely spent on managing the respondents' tax affairs.

Respondents identified that the biggest component of work performed by the internal personnel involved in managing their tax affairs was record keeping (40 per cent of all time spent of managing tax affairs), preparation and processing of tax returns (13 per cent) and provision of information to external tax advisers and auditors (13 per cent).

This breakdown for employees dealing with the tax affairs of the business proved to be slightly different from the breakdown for business owners and partners involved in managing tax affairs of the respondents. While the respondents indicated that, similarly to the internal staff, record keeping and provision of information to external tax advisers and auditors were the activities on which business owners and partners spent most of their time when it came to managing tax affairs (29 per cent and 20 per cent of their time respectively), business owners and partners spent more time on tax planning activities than internal staff (16 per cent of their total time spent on managing tax affairs). Implementing changes in tax laws was identified as taking the least time devoted by either the internal personnel or business owners and partners to managing tax affairs of the respondents.

Almost 83 per cent of respondents engaged external advisers, such as reporting practitioners, accountants or tax agents, to help manage their tax affairs. The main areas where external advice was sought included preparation and processing of tax returns (identified by 82 per cent of respondents), provision of advice on tax laws (76 per cent) and calculation of taxes (56 per cent).

In the year ended 30 June 2011 the average total amount paid by the respondents to external advisers for managing their business tax affairs was \$81,552. The respondents estimated that, on average, 55 per cent of that amount (\$44,854) was paid for preparation and processing of tax returns. Table 8 compares the average and median amounts paid to external tax advisers for assistance in managing the respondents' tax affairs and the percentage of that amount identified by the respondents as paid for preparing and processing their various tax returns.

Table 8 Cost of external tax advice acquired by the respondents as at 30 June 2011 (n = 124)

Cost of external tax advice	mean	median
Total cost of external tax advice	\$81,552	\$20,000
% allocated to the preparation and processing of tax returns	55	60
Cost of external advice related to preparation and processing of tax returns	\$44,854	\$12,000

The table shows a substantial difference between the average and median costs. This may indicate that while among the survey respondents there were respondents who paid significantly higher amounts to their external tax advisers, thus bringing the mean up, about half of the respondents paid no more than \$20,000 to their external tax advisers for assistance in managing their tax affairs.

The respondents indicated that on average between 55 per cent and 60 per cent of the fees paid to external tax advisers was paid for preparation, processing and lodgement of reports. These responses indicate that businesses engaging external tax advisers, consider preparation, processing and lodgement of reports as a significant part of services offered to them by those advisers.

In the year ended 30 June 2011 almost 43 per cent of respondents incurred other non-labour costs that they regarded as related to managing the tax affairs of their business. On average, these costs amounted to \$25,900.

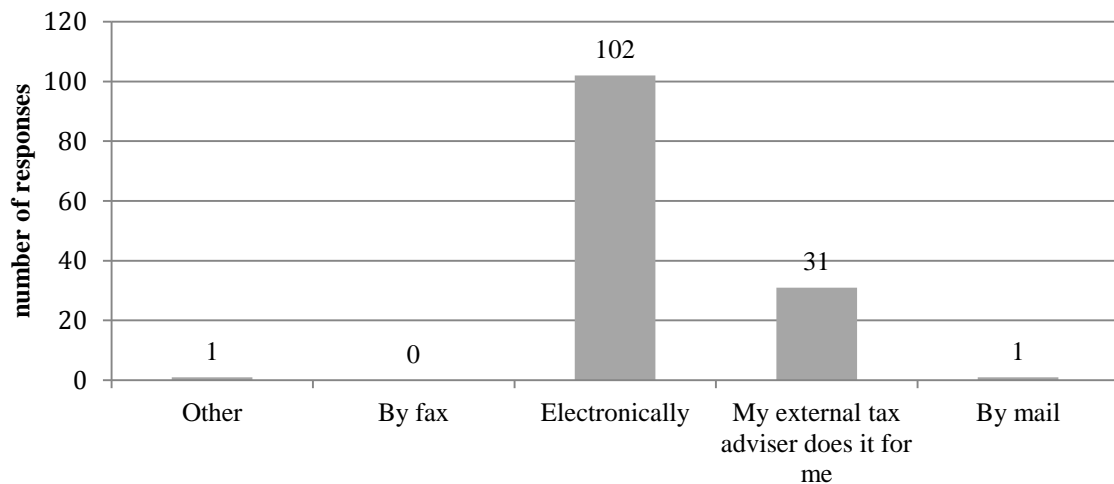
The average total tax compliance costs incurred by the survey respondents in the year ended 30 June 2011 were \$131,700. This amount included average wages paid to the internal staff for managing tax affairs of their business, fees paid to external tax advisors and any non-labour costs related to the tax affairs of the survey respondents. It should be noted that among the survey respondents there were several publicly listed companies and government enterprises engaging more than 100 employees and with operations spread across Australia. Their tax compliance costs tended to be higher and as such drove the average tax compliance costs up. The reported median total tax compliance costs in the year ended 30 June 2011 was \$59,800. The responses to the survey further suggested that tax compliance costs represented about 23 per cent of the total regulatory burden. Reporting costs (whether tax or non-tax) comprised 31 per cent of that regulatory burden.

The last questions in Section 3 of the survey asked the respondents about the channels they used to lodge their tax returns to the government and the manner in which they keep their tax records. The purpose of these questions was to establish the level of technological prowess of the respondents, thus assessing their potential readiness to adopt SBR.

Chart 6 shows the lodgement channels used by the respondents to lodge their tax returns to the government. While many respondents used a combination of different channels and selected more than one channel, electronic lodgement was used by the vast majority of respondents.

Chart 6 Report lodgement channels used by the respondents (n = 135)

How does your business lodge tax returns to the government authorities?



Over 83 per cent of respondents had in place a computerised filing system, which they used on its own (50 per cent) or in combination with another system (usually a manual filing system) to keep their tax records. Only 7 per cent of respondents relied entirely on a manual filing system to keep their tax records. Over 73 per cent of respondents used a standard accounting system acquired from outside and almost 6 per cent of the respondents used software developed internally and tailored to their needs.

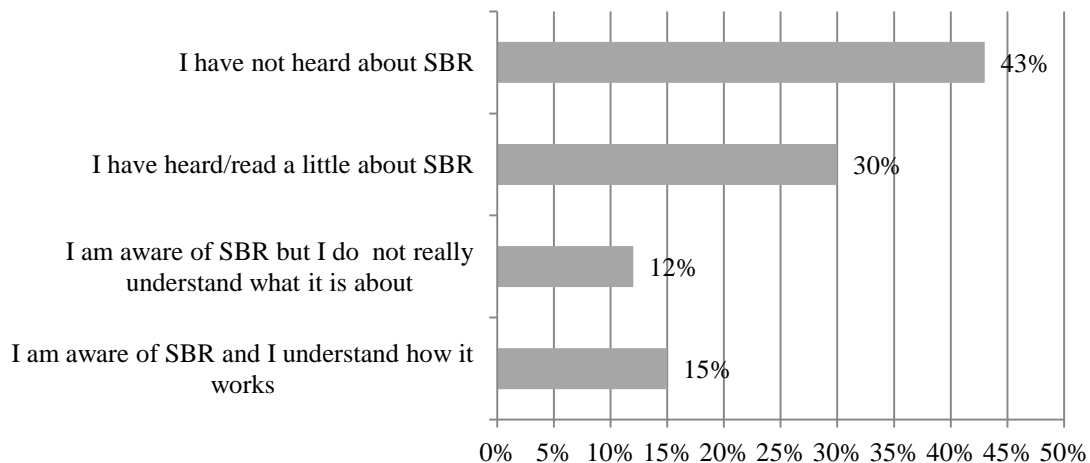
These findings indicate that the majority of respondents predominantly use electronic channels to lodge their tax reports, rely on computerised filing system to manage their tax records and use standard accounting software to manage their tax affairs, thus suggesting they are technologically ready to adopt SBR.

6.4 Levels of awareness, attitudes and perceptions of SBR

The final section of the survey contained questions designed to evaluate the respondents' levels of awareness of SBR, attitudes and perceptions of SBR – the concept as well as its ability to reduce the business reporting burden – and, wherever possible, their experiences with SBR thus far.

Responses to the questions included in this part of the survey revealed that almost 43 per cent of the respondents had not heard about SBR, about 30 per cent had only heard a little about SBR, and barely 15 per cent of respondents were aware of it and believed they had a good understanding of how SBR works. Chart 7 provides a complete breakdown of respondents by their level of awareness of SBR.

Chart 7 Level of awareness of SBR among the survey respondents (n=124)



Of those respondents who were aware of SBR to a greater or lesser extent (in total around 58 per cent), only 15 per cent had used SBR to lodge their business reports to the government. The respondents stated that the main reason why they decided to use SBR to lodge their report was the fact that they liked the concept behind SBR (46 per cent) or they had been convinced by encouraging recommendations made by their accountants (36 per cent) or other SBR users (27 per cent). BAS statements, PAYG payment summaries and monthly payroll tax returns were identified as the most popular reports lodged to the government using SBR.

The respondents who were aware of SBR but decided not to use it to lodge their reports to the government cited satisfaction with their current reporting arrangements

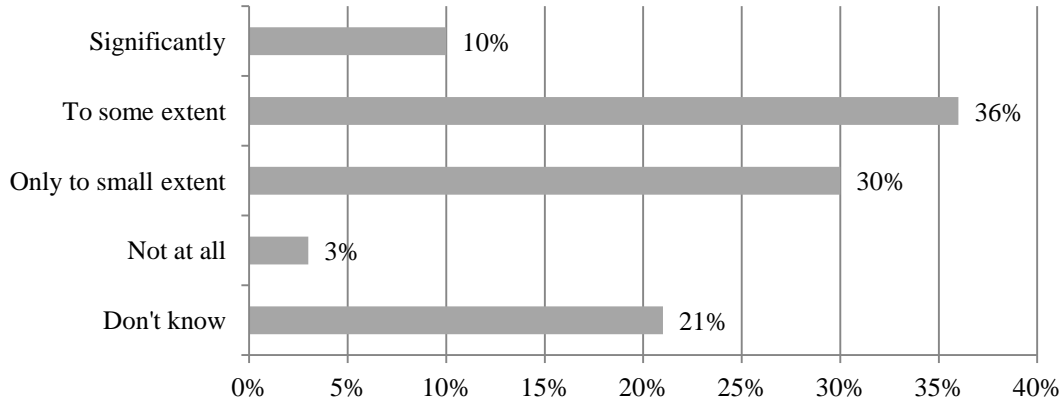
(34 per cent) or the lack of sufficient knowledge on how to use SBR (30 per cent) as the main reasons for deciding against using SBR to lodge their reports.

Ten per cent of the respondents who had used SBR to lodge their reports stated that SBR helped them reduce their reporting costs. The reduction was estimated to be 15 per cent of their total tax reporting costs. At the same time half of the respondents who had used SBR to lodge their reports to the government (50 per cent) had not observed any reduction in their reporting costs as a result of using SBR and the remaining 40 per cent of respondents were unable to decide. However, of the 50 per cent of respondents who had not observed any reduction in their reporting costs as a result of using SBR thus far, 80 per cent were of the opinion that SBR would help them reduce their reporting costs in the future. These responses indicate that the general attitude towards SBR among businesses that have used it so far is positive, as even of those businesses that failed to realise any savings as a result of using SBR thus far, a large majority (80 per cent) believed that SBR would help them reduce their tax reporting costs in the future.

All of the respondents who were aware of SBR were asked about its potential to reduce the compliance costs of businesses in Australia in the longer term. Chart 8 provides the breakdown of opinions expressed by respondents in relation to this question. It shows that 76 per cent of respondents believed that SBR has the potential to reduce their compliance costs, although to a varied extent. Almost half of those respondents expressed their opinion that SBR can reduce their compliance costs to some extent only. Only 10 per cent of respondents were of the opinion that this reduction could be significant. At the same time, only 3 per cent of respondents were of the opinion that SBR would not result in any savings of their compliance costs at all.

Chart 8 The potential of SBR to reduce the compliance costs of businesses in the longer term – opinions of respondents who are aware of SBR (n = 124)

Can SBR reduce the compliance costs of businesses in Australia in the longer term?

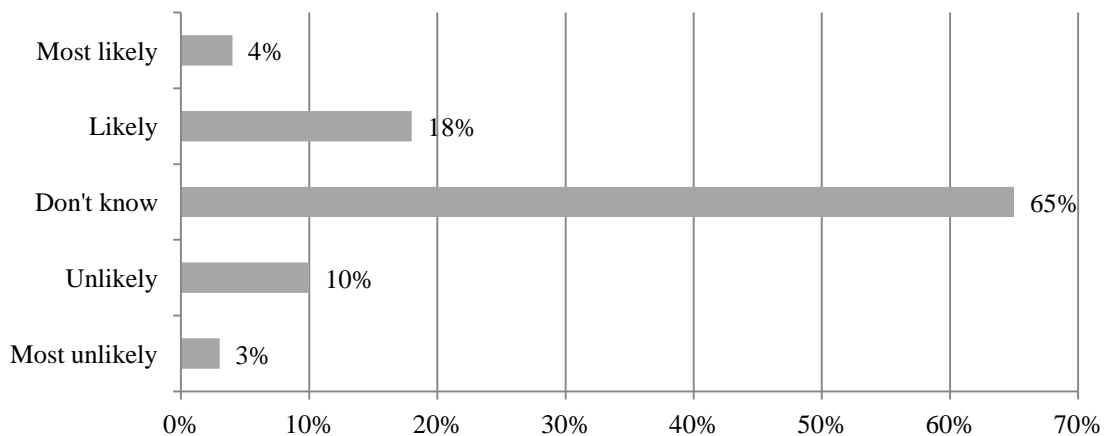


The results shown in Chart 8 support the observations made earlier in the Report: that the general attitude towards SBR among survey respondents that had used it to date is positive; and that most of the respondents believe that SBR has the potential to reduce their compliance costs.

When asked about their intention to use SBR in the future (Chart 9), 65 per cent of survey respondents were undecided, 22 per cent were either likely or most likely to use SBR in the future and 13 per cent stated they were either unlikely or highly unlikely to use it:

Chart 9 Respondents' intentions to use SBR in the future (n = 124)

Do you plan to use SBR in the future?



These findings show that while the majority of respondents were still unsure whether they would adopt SBR for reporting to the government, there were more respondents who would be inclined to use SBR in the future compared to respondents that did not plan to make any use of SBR.

Having discussed the major outcomes of the survey, the next section of this Report draws the analysis together and presents conclusions and recommendations based on the outcomes of both the in-depth interviews with SBR stakeholders and the survey of businesses.

7 Conclusions and recommendations

7.1 Conclusions

The research project sought the opinions and experience of the four key groups of stakeholders involved in the SBR initiative and expected that by drawing on their insights, and comparing the results of the interviews and the survey, it would develop a comprehensive picture of the level of awareness of SBR, and the attitudes and experience of SBR among its stakeholders. This would enable evaluation of SBR's ability to reduce the reporting burden of Australian businesses.

In addition, the survey of businesses included a series of questions designed to elicit information on the current size of the regulatory, reporting and tax compliance costs of businesses in Australia. The researchers required this information to enable them to estimate the extent to which SBR may be able to reduce the reporting burden of businesses.

The following paragraphs outline the findings and conclusions reached in each of the explored areas.

The take-up of SBR among businesses and reporting practitioners has been significantly lower than anticipated by the SBR stakeholders. The initial business case developed by the Treasury in 2008 predicted a take-up rate of 12 per cent in the year 2010/11.²⁰ This has proved to be overly optimistic. The Treasury anticipated that of

²⁰ According to the statistics quoted during the interview with the representative of the Treasury conducted on 19 April 2011.

the 1.5 million businesses in Australia that can potentially use SBR,²¹ by the end of 2010/11 180,000 businesses would be using SBR to lodge their reports to the government. While no statistics on the number of SBR users are available to the authors, as of 30 November 2011 there were 2,496 successful SBR lodgements received in SBR Core Services, some of which, it is anticipated, would be from the same taxpayer.²² It is therefore unlikely that by 2013/14, 60 per cent of businesses capable of adopting SBR (900,000) will be using SBR to lodge their reports to the government, thus enjoying the expected savings in their reporting costs of \$800,000 million a year.²³

One of the key reasons for this poor take-up rate is the perceived low awareness and limited understanding of SBR among the potential users: businesses and reporting practitioners. Each of the interviewed SBR stakeholders observed that the level of awareness and understanding of SBR and how it differs from the traditional electronic lodgement channels is disappointingly low. These observations were further supported by the results of the survey of businesses that showed that 43 per cent of the respondents have never heard of SBR and only 15 per cent of the respondents believed they have a proper understanding of it. Of those respondents who were aware of SBR, only 15 per cent have used SBR to lodge their reports to the government.

The in-depth interviews identified significant inconsistencies in expectations as to who should be responsible for driving the implementation of SBR. With the exception of the ATO, the government agencies involved in SBR were of the opinion that the demand for SBR should be driven by the SBR users and software developers. When asked the same question, the interviewed software developers and reporting practitioners answered that the responsibility for driving the implementation and uptake of SBR belongs to the government. It may be therefore of no surprise that while none of the SBR stakeholders perceive themselves as responsible for driving the demand for SBR, the demand hardly exists.

²¹ That is, businesses with contemporary accounting software that are capable of adopting SBR.

²² Standard Business Reporting, 2011, 'SBR Usage Report Week 27 Nov-3 Dec 2011'.

²³ It should be noted that in early 2012 the Treasury undertook to re-evaluate the expected savings stated in the business case. In calculating the expected savings, attempts are being made to quantify managerial benefits resulting from better access to real time financial performance information and more sophisticated accounting software.

Similar inconsistencies in expectations among SBR stakeholders were observed on the topic of the benefits that SBR can deliver. While all of the interviewed SBR stakeholders supported the concept of SBR, most of the government agencies did not believe that SBR is going to generate any significant improvements to them – either in terms of reduced costs of processing reports or a better quality of received data. The ATO and ASIC observed that SBR was strategically beneficial to them as it strengthens their commitment to providing better level of community support.

All of the interviewed government agencies were of the opinion that businesses (in particular large businesses) and reporting practitioners will benefit the most from SBR and will be able to reduce their costs of reporting to the government and improve the consistency and quality of their data. The interviewed software developers and reporting practitioners were of a contrary opinion and believed that SBR would prove most beneficial to the government. Some of the reporting practitioners believed that SBR can make lodgement of reports more convenient, however they did not consider SBR as able to generate any savings in reporting costs to the businesses.

This observation was supported to some extent by the results of the survey of businesses that showed that 50 per cent of the businesses who used SBR to lodge their reports to the government have not observed any reduction in their reporting costs and a further 40 per cent of respondents were unable to decide. Only 10 per cent of respondents who used SBR to lodge their reports observed some reduction of their reporting costs. This reduction was estimated to be about 15 per cent of their reporting costs. Interestingly, however, 80 per cent of the respondents who had not observed any reduction in their reporting costs as a result of using SBR thus far were of the opinion that in the future, when the number of forms included in SBR increases, SBR will help them to reduce their reporting costs.

Businesses proved to be technologically ready to adopt SBR as the majority of the survey respondents already lodge their reports electronically, use a computerised filing system to manage their records and use accounting software to manage their accounts. The current levels of technological prowess demonstrated by businesses and reporting practitioners could explain why most of the interviewed reporting practitioners were open to the idea of making SBR compulsory for business to government reporting. While the idea was also supported by the majority of software

developers, the consolidated view of the participating SBR stakeholders in the research was that making SBR compulsory, while guaranteeing an increase in the take-up of SBR, is not a solution to be sought by the government in the near future. Of all groups of interviewed stakeholders, the participating government agencies expressed the least favourable views in relation to the idea of making SBR compulsory.

The majority of businesses engage external advisers to manage their tax affairs and the main reason why businesses seek external tax advice is to assist them in the preparation and processing of tax returns. Despite this finding, the interviewed reporting practitioners were of the opinion that preparation and lodgement of reports is only a small part of the services that they provide to their clients and they were also of the opinion that SBR, although aimed at simplifying the process of preparation and lodgement of reports and making it almost a by-product of standard accounting practices, bears no risk of making tax practitioners redundant. Moreover, the interviewed reporting practitioners did not anticipate that SBR will impact in any way (in terms of forcing them to reduce) the fees they charge their clients.

The survey results indicate that businesses are frequently required to deal with many government regulations, tax regulations in particular, and while the current levels of tax compliance costs are perceived by businesses as average when compared with costs of complying with other non-tax regulations (on average 23 per cent of their total costs of complying with government regulations), most businesses consider tax reporting obligations imposed on them by the government as either significant or very significant when compared with reporting obligations imposed on them as a result of other, non-tax, government regulations.

The survey results showed that small businesses and businesses with overseas operations are more likely to perceive the levels of their tax compliance costs as high in comparison to costs of complying with other non-tax regulations. The survey results also showed that newly-established businesses and businesses with more than 10 employees are more likely to perceive their reporting obligations as imposing significant or very significant burdens on their businesses.

In summary, it can be concluded that the evidence thus far does not support the claims made as to the benefits of SBR for its various stakeholders. It remains to be seen whether, in the longer term, the risks of dashed or unfulfilled expectations may outweigh the putative benefits of SBR.

7.2 Recommendations

Based on the conclusions of the research, the research team makes the following recommendations designed to increase the levels of awareness and the take-up rate of SBR among potential SBR users.

Recommendation One

The government agencies participating in the SBR initiative should take on a more active role in driving the demand for SBR. SBR is perceived as a government initiative and the expectations of the software developers, reporting practitioners and businesses are that the government's involvement extends beyond the phase of developing the required IT solution, SBR Core Services and reporting channels.

Recommendation Two

This more active role should include proactive and direct educational and marketing programs tailored to specific information and reporting needs of the potential SBR stakeholders.

Recommendation Three

Given the lack of consensus and conviction among the SBR stakeholders about the benefits of SBR, the educational and marketing programs should recognise different needs of different users and address them appropriately when explaining benefits of SBR and its potential capacity to reduce the reporting and tax compliance burdens, increase the convenience in lodging reports or improve the quality and consistency of reporting data.

Recommendation Four

Given that the results of the survey indicate that one of the main reasons for not adopting SBR by businesses that were aware of SBR was satisfaction with their current reporting arrangements, the government agencies should consider introducing incentives, such as shorter turnaround time for processing tax returns lodged through

SBR channels or extended time to lodge returns for SBR users. While the United Kingdom experience with XBRL suggests that introducing free software for the smallest of businesses capable of adopting SBR may be used as an incentive, the researchers are of the opinion that this solution should be considered with caution as it would most likely be negatively received by the software developers with an existing SBR-enabled product in the market and deter software developers interested in implementing SBR into their products.

Recommendation Five

Finally, based on the responses provided by the participating reporting practitioners and software developers in the research, and in order to increase the take-up rates of SBR, the government should consider making SBR compulsory in the long term. Lessons from other countries that have mandated XBRL for business to government reporting may suggest a staged approach, with making SBR compulsory for large or publicly listed entities as a starting point. These entities are bigger, have more advanced IT infrastructure and are most likely already to be using reporting standards. Once made compulsory for large entities, SBR could be gradually expanded to smaller entities on a phased basis.