

OVERVIEW

For the 2010–11 income year:

- the average time taken to complete a business income tax return was 5.7 hours
- the average time taken to complete a business activity statement was 2.0 hours
- it took an average of 11.5 hours to complete a fringe benefits tax return
- the average cost of managing tax affairs claimed by an individual was \$358.

INTRODUCTION

This chapter provides information on cost of taxation compliance data, as reported on the major tax forms used by businesses. This includes time-based data from the income tax returns for individuals, companies, trusts and partnerships; business activity statements (quarterly only); and the fringe benefits tax return. Taxpayers may use the time-box label on these forms to record their estimate of the total time taken to complete the form in addition to the time required for the compilation of relevant information and record keeping.

It is not compulsory for taxpayers to complete the time-box. As a result, the percentage of forms with this label completed is generally low, yet still statistically viable.

Cost estimates are based on the income tax return label 'Cost of managing your tax affairs'. This label is only in the individual income tax return and captures the fees that individual taxpayers pay for preparing their income tax return. This label does not capture the fees that businesses pay to tax practitioners.

INCOME TAX RETURNS

The forms for businesses have one label that captures both the preparation and the time taken to complete the form.

For the 2010–11 income year, the number of entities who completed the time-box increased by 2.8% from 2009–10.

The biggest change in the number of hours per taxpayer taken to complete the form occurred with funds, increasing by 4.7%.

TABLE 17.1: Average time¹ to complete income tax return, 2009–10 and 2010–11 income years

	2009–10 ²			2010–11 ²		
	Number of taxpayers	Total hours	Hours per taxpayer	Number of taxpayers	Total hours	Hours per taxpayer
Company	30,106	216,202	7.2	29,357	205,549	7.0
Fund	17,771	101,741	5.7	18,162	108,907	6.0
Partnership	10,017	85,236	8.5	8,592	74,931	8.7
Trust	13,032	92,067	7.1	12,746	88,535	6.9
Individual ³	99,868	489,342	4.9	106,763	523,686	4.9
Total	170,794	984,588	5.8	175,620	1,001,608	5.7

1 Large outlier values were removed before totals and averages were calculated.

2 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

3 Taxpayers who completed the individuals – business and professional items schedule only.

BUSINESS ACTIVITY STATEMENT – QUARTERLY LODGERS

For the 2010–11 income year, 2,695,071 quarterly BAS forms were submitted by taxpayers where the time-box contained a value. The average time involved in completing a quarterly BAS form was 2.0 hours.

TABLE 17.2: Average time¹ to complete business activity statements submitted quarterly by market segment, 2009–10 and 2010–11 income years

	2009–10 ²			2010–11 ²		
	Number of BAS	Total hours to complete BAS	Hours per BAS form	Number of BAS	Total hours to complete BAS	Hours per BAS form
Not-for-profit	100,708	164,063	1.6	99,526	165,599	1.7
Individuals	65,852	38,274	0.6	68,570	43,675	0.6
Micro business	2,381,491	4,937,852	2.1	2,364,554	4,960,100	2.1
Small-medium business	147,109	289,313	2.0	151,199	297,604	2.0
Large business	10,467	10,314	1.0	11,222	11,350	1.0
Total	2,705,627	5,439,817	2.0	2,695,071	5,478,328	2.0

1 Large outlier values were removed before totals and averages were calculated; the government market segment has not been included as there were not enough forms completed with time-box information to be statistically useful.

2 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

FRINGE BENEFITS TAX RETURNS

Micro businesses had the lowest hours per taxpayer to complete FBT forms. These entities generally provide few fringe benefits to employees. By contrast, government and large business recorded the largest hours per taxpayer, reflecting their use of the fringe benefits tax system to provide benefits to large numbers of their employees.

For the 2010–11 income year, only the government sector had a decrease in the number of hours taken to complete FBT forms, by 2.1%, and also recorded the largest decrease in the number of employees subject to FBT – 6.0%.

TABLE 17.3: Average time¹ to complete FBT form by market segment, 2009–10 and 2010–11 income years

	2009–10 ²			2010–11 ²		
	Number of taxpayers	Total hours	Hours per taxpayer	Number of taxpayers	Total hours	Hours per taxpayer
Government	764	27,383	35.8	718	25,165	35.0
Not-for-profit	2,666	30,093	11.3	2,660	30,429	11.4
Micro business	4,122	13,781	3.3	4,075	14,189	3.5
Small-medium business	7,410	77,738	10.5	7,392	80,671	10.9
Large business	1,523	36,728	24.1	1,523	36,961	24.3
Total	16,485	185,723	11.3	16,368	187,415	11.5

1 Large outlier values were removed before totals and averages were calculated.

2 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

COST OF MANAGING TAX AFFAIRS

The cost of managing tax affairs is taken directly from the label on the individual tax return form. This label records expenses relating to preparing and lodging tax returns and includes expenses such as tax agent fees and interest charges imposed by the ATO.

The average cost of managing tax affairs has increased by 0.6% from 2009–10 to 2010–11.

TABLE 17.4: Cost of managing tax affairs for individuals, 2009–10 and 2010–11 income years

	2009–10 ¹			2010–11 ¹		
	Number of taxpayers	Total cost \$m	Average cost per taxpayer \$	Number of taxpayers	Total cost \$m	Average cost per taxpayer \$
Individuals	5,671,852	2,017	356	5,930,499	2,125	358

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

SOURCE OF COST OF TAXATION COMPLIANCE STATISTICS

The statistics in this chapter are sourced from 2009–10 and 2010–11 income tax returns and business activity statements processed up to 31 October 2011 and 31 October 2012 respectively. The statistics are not necessarily complete as not all returns are processed by 31 October each year.

Fringe benefits tax data is taken from 2009–10 and 2010–11 fringe benefits returns (for the period 1 April to 31 March each year) that have been processed up to 31 October 2011 and 31 October 2012 respectively.

The statistics in the detailed tables for the current 2010–11 income year includes data processed up to 31 October 2012. All other prior years includes data processed up to 31 October of the following income year, for example 2009–10 includes data processed up to 31 October 2011.

A copy of each of the tax return forms is in the appendix which you can view or download in PDF file format from the attached CD-ROM, or from the online version of *Taxation statistics* on our website at ato.gov.au

COST OF TAXATION COMPLIANCE CHAPTER TABLES

The cost of taxation compliance chapter tables are on the attached CD-ROM and included in the online version of this publication on our website – you can view or download all the chapter tables in Excel.

LIST OF COST OF TAXATION COMPLIANCE DETAILED TABLES

The following cost of taxation compliance detailed tables are on the attached CD-ROM and included in the online version of this publication on our website – you can view or download all the detailed tables in PDF or Excel format.

Table 1: Tax return forms, cost of taxation compliance data for 1998–99 to 2010–11 income years

This table shows cost of taxation compliance data for BASs (quarterly only); and company, partnership, trust, fund, fringe benefits tax and individual return forms.

Table 2: FBT form, by employee benefit count and market segment – average time to complete form, 2006–07 to 2010–11 income years

This table shows cost of taxation compliance data for FBT returns, by the number of employees receiving benefits and market segment.

Table 3: Income tax return time-box data, by total business income – average time to complete form, 2006–07 to 2010–11 income years

This table shows cost of taxation compliance data for company, fund, individual, partnership and trust returns, by total business income.

Table 4: Income tax return time-box data, by market segment – average time to complete form, 2006–07 to 2010–11 income years

This table shows cost of taxation compliance data for company, fund, partnership, trust and individual entities by market segment.

Table 5: BAS submitted quarterly, by market segment and role indicators – average time to complete form, 2010–11 income year

This table shows the number of entities and the total and average hours taken to complete all BASs, by market segment and role indicator (combinations of GST, PAYG withholding, PAYG instalments and FBT instalments).

Table 6: Income tax return time-box data by lodgment method – average time to complete form, 2006–07 to 2010–11 income years

This table shows cost of taxation compliance data for company, fund, partnership, trust and individual entities, by lodgment method for multiple income years.

Table 7: Cost of taxation compliance index – trend over time, 2001–02 to 2010–11 income years

This table examines the cost of taxation compliance data as a series of index numbers for key tax and super forms. It is used to compare the movement in the cost of taxation compliance burden over time.