

# **Information Paper**

# **ABS Statistics and The New Tax System**

**2000**

New  
Issue

**Information paper**

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**2000**

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AUSTRALIAN BUREAU OF STATISTICS

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## PREFACE

The changes associated with The New Tax System will impact on a wide range of data series produced by the Australian Bureau of Statistics (ABS). This paper provides information about those impacts.

The ABS seeks to improve the range and quality of data it provides to users, while at the same time reducing the reporting load placed on businesses. The New Tax System is expected to offer opportunities to achieve both of these objectives, and to improve the infrastructure which supports ABS economic statistics.

However, there remain many uncertainties such as;

- how businesses will actually structure themselves for tax purposes and what restructuring might occur as a result of the (Ralph) Review of Business Taxation legislation; and
- the useability of Business Activity Statement (BAS) data for statistical purposes.

The ABS has decided to preserve (as far as is possible) its current business survey processes for the next couple of years, before making more extensive changes to them in line with the new taxation arrangements, and the availability of BAS data.

Further information about the impact on particular data series will be included in the specific survey publications as they are released. An information paper entitled *Price Indexes and The New Tax System* (Cat. no. 6425.0) expected to be released on 3 May 2000 will describe in more detail the implications for the Consumer Price Index (CPI) and the Producer Price Indexes (PPIs). The impact on the national accounts will be described in a special article which is expected to be published in the March quarter 2000 edition of *Australian National Accounts: National Income, Expenditure and Product* (Cat. no. 5206.0), to be released on 14 June 2000.

For more details of the issues covered in this information paper, contact Mr Peter Comisari on telephone (02) 6252 7218, fax (02) 6252 7788, or email [peter.comisari@abs.gov.au](mailto:peter.comisari@abs.gov.au)

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26 April 2000

## ABBREVIATIONS

ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ABS BR	Australian Bureau of Statistics Business Register
ABR	Australian Business Register
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
BAS	Business Activity Statement
CAC	Client Activity Centre
CPI	Consumer Price Index
FBT	Fringe Benefits Tax
GDP	Gross Domestic Product
GE	Group Employer
GFCF	Gross Fixed Capital Formation
GFS	Government Finance Statistics
GST	Goods and Services Tax
HES	Household Expenditure Survey
NPIs	Non Profit Institutions
n.y.a.	Not Yet Available
PAYE	Pay As You Earn
PAYG	Pay As You Go
PAYGW	Pay As You Go Withholding
PPIs	Producer Price Indexes
PPS	Prescribed Payments System
QEWS	Quarterly Economy Wide Survey
RBT	Review of Business Taxation ('Ralph' review)
RPS	Reportable Payments System
SNA93	System of National Accounts, 1993 Edition
TNTS	The New Tax System
VAT	Value Added Tax
WST	Wholesale Sales tax



## CHAPTER 1

## INTRODUCTION

**1.1** The New Tax System will have substantial impacts upon Australian businesses and the Australian population, and will result in changes in economic behaviour. As a consequence, ABS statistical series will be impacted, to varying degrees. For many, this will be significant. Some of the impacts will be immediate while others will be longer term. This information paper briefly outlines The New Tax System and describes the implications for ABS statistics. The issues are complex, and inter-related. There will be both direct and indirect effects on statistical series as a result of changed behaviour. There will also be changes in the statistical infrastructure—some from mid 2000, and some in the longer term as ABS explores opportunities to re-engineer its data collections to use the Australian Business Register and Business Activity Statement data. This paper describes the ABS strategies to manage the changes. It also provides an assessment of the expected short and long term changes to the ABS statistical series most likely to be affected.

**1.2** Chapter 2 provides an overview of the changes associated with The New Tax System which are important to the ABS.

**1.3** At present, the addition of businesses to the ABS business register (ABS BR) largely depends on the group employer registration process administered by the Australian Taxation Office (ATO). This register is used by the ABS as the survey population for most of its business surveys. Chapter 2 of this information paper describes the Australian Business Number (ABN) and the Australian Business Register (ABR). It should be noted that, throughout this information paper, the terms 'business' or 'businesses' are used to describe all units on the ABR and ABS BR including such entities as non-profit institutions and general government units, many of which will be included on the ABR.

**1.4** Chapter 3 describes the ABS's conceptual treatment of the GST including its classification in ABS statistics, and the valuation of transactions subject to GST in the national accounts and business surveys.

**1.5** Changes arising from The New Tax System, in particular the Review of Business Taxation (Ralph review), may impact on business structures, and consequently, on how businesses maintain their accounting records and report to the ATO. This may result in some changes in data supplied to the ABS through direct surveys, as well as changes in information received by the ABS from the ATO.

**1.6** Chapter 4 describes the most important tax related factors affecting statistical series and sets out the ABS strategy to manage and measure these changes and other changes associated with tax reform.

**1.8** Chapter 5 provides detail on the various types of effects anticipated on selected ABS collections.

**1.9** Chapter 6 provides a summary of the statistical opportunities for the ABS from The New Tax System.

## CHAPTER 2

### TAX REFORM—ELEMENTS WITH IMPLICATIONS FOR ABS STATISTICS

#### AUSTRALIAN BUSINESS NUMBER AND AUSTRALIAN BUSINESS REGISTER

**2.1** Under The New Tax System, registered businesses will receive an ABN and be included on the ABR. The ABS will use the ABR and related information held by the ATO about the Australian business population for its business surveys. To register for an ABN, an applicant must be either a company or an entity carrying on an enterprise. Businesses with an annual turnover of \$50,000 or more and non-profit institutions (NPIs) with an annual turnover of \$100,000 or more must register for the GST, while those with a lower turnover may choose to register. Businesses must be registered in order to participate in the GST system.

**2.2** The ABN will be a single, unique identifier for business entities and will generally simplify their dealings with the ATO and the ABS.

**2.3** Information provided by the ATO to the ABS will include the following details: name of registered entity and ABN; date of effect of registration; address; State(s) in which the business operates; ANZSIC industry code; institutional sector; and an indication of complex business structure.

#### REVIEW OF BUSINESS TAXATION

**2.4** Legislation arising from the Review of Business Taxation (RBT or 'Ralph' review) will take effect from various dates. While some changes were effected immediately upon passage of the legislation, most changes will take effect beginning either 1 July 2000 or 1 July 2001.

**2.5** It is possible that the legal structure of many businesses will be altered in response to this legislation, with implications for the manner in which businesses report on their operations. Changes to accelerated depreciation, capital gains tax and company tax rates may all impact on business expenditure and profitability.

#### GST

**2.6** A key element of The New Tax System is the introduction of a broad based goods and services tax (GST) on 1 July 2000. The GST will be a tax of 10% on the consumption of most goods and services in Australia, including those that are imported, but it will not apply to exports, or to services consumed outside Australia or to goods and services which are either zero-rated or exempted from it. Registered businesses will charge GST when they sell (supply) goods or services to another business or to a consumer. Businesses can offset the GST paid on inputs or acquisitions such as purchases of raw materials and equipment. This offset is referred to as an input tax credit. This ensures that GST is collected only on the value added of each business, with the GST ultimately being paid by the final consumer. Under most circumstances, sales between businesses will effectively be tax-free.

BUSINESS ACTIVITY  
STATEMENT

**2.7** The Business Activity Statement (BAS) is a single form which must be completed by all registered businesses, including government entities. It constitutes the tax return in respect of the following obligations:

- GST;
- Wine equalisation tax;
- Luxury car tax;
- Pay As You Go withholding;
- Pay As You Go instalments;
- Deferred company/fund instalments; and
- Fringe benefits tax instalments.

**2.8** The BAS will be completed monthly by large businesses and quarterly by other registered businesses, unless they opt to report monthly. Businesses must lodge their BAS on or before the 21st day of the month following the end of each monthly or quarterly tax period. (There will be some relaxation of this timing requirement for the first three quarterly BAS returns.) The BAS must be lodged for each tax period, even if it is a nil return.

**2.9** The ABS will investigate using the following BAS data items for statistical purposes:

- Total sales and income and other supplies;
- Exports;
- Capital acquisitions;
- Other acquisitions;
- Total of salary, wages and other payments;
- Fringe benefits tax instalment;
- Goods and services tax payable; and
- Credit for goods and services tax paid.

PAY AS YOU GO (PAYG)

**2.10** A number of existing payment and reporting systems (including Pay As You Earn (PAYE), Prescribed Payments System (PPS), Reportable Payments System (RPS), provisional tax and company instalments) will be replaced by a comprehensive Pay As You Go (PAYG) system on 1 July 2000.

**2.11** Under PAYG, the timing and amount of income tax instalments will be based on the taxpayer's current trading or income conditions. The amount will be calculated based on the latest assessed income tax return. Most business taxpayers will pay their PAYG instalments quarterly, based on their income for the quarter.

PAY AS YOU GO (PAYG)  
*continued*

**2.12** A business that currently remits tax under the PAYE system (as a group employer) will experience little change, apart from using the BAS to report and remit taxes withheld from wages and salaries. However, the PAYG system specifies three new situations where withholding tax will apply:

- payments to a worker from a labour hire firm for work performed for a client of the labour hire firm;
- payments covered by a voluntary agreement, in the approved form, to an individual who has an ABN; and
- payments for a supply to a business where the recipient of the payment does not quote an ABN on its invoice.

PHASE-OUT OF INDIRECT  
TAXES

**2.13** The Government's tax reform plan targets ten types of indirect tax for removal—one Commonwealth tax and nine State taxes. At this stage, five taxes will be abolished, with a further five to be reviewed. See Appendix A for a list of indirect taxes to be abolished or reviewed and the associated timetable. Wholesale Sales Tax (WST) rates on some goods were reduced on 29 July 1999, prior to abolition of the WST on 1 July 2000.

COMPENSATION  
ARRANGEMENTS

**2.14** Coinciding with the introduction of the GST and phase-out of certain indirect taxes, there will be lower income tax rates (and altered thresholds), reform of family assistance and increased social security payments. A number of ABS series will reflect the effects of these compensation arrangements.

## CHAPTER 3

## ABS TREATMENT OF GST

**3.1** This Chapter describes and explains the ABS conceptual treatment of the GST in its compilation of statistics. A more detailed description of how The New Tax System will impact on the national accounts will be contained in a special article which is expected to be published in the March quarter 2000 edition of *Australian National Accounts: National Income, Expenditure and Product* (Cat. no. 5206.0), to be released on 14 June 2000.

### CLASSIFICATION OF INDIRECT TAXES

**3.2** The ABS approach to the classification of indirect taxes follows that of the 1993 edition of the international statistical standard *System of National Accounts* (SNA93). SNA93 uses the term ‘taxes on production and imports’ to describe indirect taxes. ‘Taxes on production and imports’ can be further broken down into ‘taxes on products’ and ‘other taxes on production’. The GST is a ‘tax on a product’.

**3.3** Those indirect taxes being reviewed and/or abolished in implementing The New Tax System are shown in Appendix A according to their type.

### GST AND THE VALUATION OF TRANSACTIONS

**3.4** An important issue for the ABS is how the GST should be treated in the valuation of transactions. SNA93, in paragraphs 6.207 to 6.214, describes the appropriate conceptual treatment of value added taxes (VAT), of which the GST is a type. Two basic approaches are described: the gross and net methods of recording. To quote the SNA:

“Under the gross system, all transactions are recorded including the amounts of any invoiced VAT. Thus, the purchaser and seller record the same price, irrespective of whether or not the purchaser is able to deduct the VAT subsequently” (SNA93 para 6.210)

and

“In the net system:

- (a) Outputs of goods and services are valued excluding invoiced VAT; imports are similarly valued excluding invoiced VAT;
- (b) Purchases of goods and services are recorded including non-deductible VAT.

Under the net system, VAT is recorded as being payable by purchasers, not sellers, and then only by those purchasers who are not able to deduct it. Almost all VAT is therefore recorded in the System as being paid on final uses—mainly on household consumption. Small amounts of VAT, may however, be paid by the businesses in respect of certain kinds of purchases on which VAT may not be deductible” (SNA93 para 6.212)

**3.5** SNA93 explains that, within the system of national accounts, the gross method suffers from significant practical and conceptual drawbacks. Because of this, it states that:

“The System therefore requires that the net system of recording VAT should be followed.” (SNA93 para 6.212)

**3.6** It is the ABS intention to use the net system to record the GST in the national accounts, in line with the SNA’s recommendations. The ABS also considers that this is the most appropriate from both a practical and conceptual perspective.

**3.7** Much of the source data for the national accounts come from ABS surveys of businesses. The Urgent Issues Group of the Australian Accounting Research Foundation (AARF) has addressed the issue of accounting for the GST and has signalled a clear preference for a net system of recording by businesses. If this approach is adopted generally by businesses, it will align with the intended ABS national accounting treatment. However, where it will not be practicable for businesses to report in strict accordance with the SNA’s net system of reporting, the ABS will collect in accordance with businesses’ accounting practices, and adjust the data where necessary.

**3.8** One exception to the ABS preference for net reporting relates to reporting of turnover by retail and selected services businesses. An important use of these data is to measure components of household final consumption expenditure in the national accounts, where it is appropriate that the measure be inclusive of GST.

**3.9** Based on its interpretation of the relevant guidelines of the International Monetary Fund’s *A Manual on Government Finance Statistics* (1986), the ABS will classify the GST as a Commonwealth tax. The full details of this decision are contained in *Information Paper: Accruals-based Government Finance Statistics* (Cat. no. 5517.0), released on 13 March 2000. In summary, the GST is attributed to the Commonwealth because the Commonwealth has the ultimate role in the determination and distribution of GST revenue.

## CHAPTER 4

### SUMMARY OF STATISTICAL IMPACTS OF THE NEW TAX SYSTEM

**4.1** Many of the statistical series produced by the ABS will be affected in some way by the introduction of The New Tax System. Some of the impacts will be immediate, while some will be longer term. Some of the impacts will be direct; some will be indirect. Some will occur as a result of unavoidable changes to the statistical infrastructure, while some will result from the ABS exploiting opportunities which The New Tax System will bring. It will be difficult to quantify the extent of change attributable to tax reform since most statistical series will also be affected by normal business cycle fluctuations, as well as by statistically irregular events such as the Sydney 2000 Olympics. This chapter describes the most important tax reform related factors driving change in ABS statistical series. It describes the direct and indirect effects, and the short and longer term impacts of changes in statistical infrastructure. The impacts on specific statistical series are discussed in Chapter 5. Possible changes to series as a consequence of future use of BAS data are discussed in Chapter 6.

**4.2** In order to minimise the number of disruptions to published series, the ABS transition strategy aims to keep the changes to a minimum. In particular, changes to ABS statistical infrastructure will be managed so as to minimise their effects until the ABR changes can be fully implemented in 2002. Once ABR changes are fully implemented, and where it is possible to do so, the effects of these changes will be described within the relevant ABS publications.

**4.3** The New Tax System may also impact on statistical series through changes to the seasonality of various series. Initially, it may not be possible to measure changes in seasonality. However, after some time has elapsed—usually around three years—the ABS may be able to evaluate such changes and take them into account in statistical series.

#### DIRECT EFFECTS

**4.4** Direct effects will occur irrespective of changes in economic behaviour of households and businesses. One example is the CPI. It will continue to measure final transaction prices paid by households for goods and services. It will reflect the net effect on such prices of all the tax changes included in The New Tax System. It is anticipated that the major impact of The New Tax System on price change as measured in the CPI will occur in respect of the September quarter 2000. (The reduction of WST on 29 July 1999 to 22% for most items previously taxed at 32% has already had a minor impact on the CPI.) In contrast, the Producer Price Indexes (PPIs) will not include GST in their compilation and therefore the introduction of the GST will not directly impact on the series except for the indirect effects embedded in the component prices. The exception is the two building material indexes which will be lower because of the removal of the WST. A comprehensive exposition of the impact of the new tax system on ABS price indexes will be contained in *Information Paper: Price Indexes and The New Tax System* (Cat. no. 6425.0) to be released on 3 May 2000.



**4.5** The implication of the net system of recording described in the previous chapter is that the introduction of the GST, coupled with the removal of other taxes such as WST, will cause changes in the current price estimates of Gross Domestic Product (GDP) and other national accounting aggregates. As the overall impact of tax reform will raise the level of indirect taxes (which is a component of GDP at current prices), current price estimates of GDP will increase. Current price estimates of household final consumption expenditure will be particularly affected by the introduction of the GST as, under the net system of recording, non-deductible GST incurred by households will be reflected in the value of final consumption expenditure. However, for aggregates for which estimates will not generally be affected by the introduction of the GST (for example, where the GST is deductible), but will be affected by the removal of other taxes, the impact of tax reform will cause a fall in current price estimates for those aggregates. Capital expenditure on machinery and equipment is an aggregate likely to be affected in this way.

**4.6** As a result of the changes in current price aggregates, many of the ratios derived from them will also be affected. Among these are the ratios of external debt to GDP, inventories to sales, imports to sales, and the factor income shares of GDP.

**4.7** The introduction of the GST and other tax changes will have no direct impact on chain volume measures of GDP and other aggregates. This is because the impact of tax reform on the current price estimates, will be removed in the derivation of the chain volume measures through appropriate price deflation.

**4.8** The reported values of sales, capital expenditure, inventories and various items of business expense will almost invariably be lower than they would otherwise have been, as a result of removing WST and generally reporting exclusive of GST. Retail turnover, as collected in the monthly Retail Business Survey, will likely be reported inclusive of GST and it is probable that this will lead to an increase in the estimates.

**4.9** Where WST is presently applied, it is standard practice to include WST in the valuation of transactions. It should therefore be noted that the reduction in WST rates on 29 July 1999 has already had some effect on a range of published ABS series.

**4.10** Changes to taxation arrangements will affect such items as taxes on production and imports, and income taxes relating to both individuals and enterprises. In addition, the government's compensation package will affect social assistance benefits paid.

**4.11** Chapter 5 provides more details of the direct effects of The New Tax System on the various statistical series.

## INDIRECT EFFECTS

**4.12** The New Tax System has already affected, and will continue to affect, the economic behaviour of both households and businesses in a variety of ways. This will have consequential indirect effects on the observed levels and movements relating to a broad range of statistical series. For example, changes in relative prices of various goods and services caused by the reduction and abolition of the WST and introduction of the GST will impact upon consumer behaviour and therefore the various categories of household final consumption expenditure. Such changes in relative prices could also affect a range of other activities such as capital formation and holding of inventories. The New Tax System will introduce changes to personal income tax, company tax, capital gains tax and accelerated depreciation. These changes could be expected to indirectly affect, for example, measures of consumer spending and capital spending.

**4.13** The change in relative prices of products that will be caused by tax reform will most likely lead to changes in the weighting patterns that underlie the compilation of chain volume measures of GDP and other aggregates. These indirect effects, which are likely to have only a minor impact on the chain volume measures, will be first reflected in chain volume measures published in the June quarter 2002, due to the lag in the identification and incorporation of updated weights into the chain volume measures. Chapter 5 provides additional detail on indirect effects relating to selected ABS collections.

## STATISTICAL INFRASTRUCTURE

**4.14** The introduction of the ABN and the ABR will impact heavily on the way in which the ABS currently conducts business surveys and on the structure of the ABS units model. Various ABS statistical series will be affected.

**4.15** Under The New Tax System, businesses may opt to restructure their legal framework and/or their reporting arrangements to better meet their various obligations. A potentially important development is that multi-entity businesses may elect to 'group' for reporting purposes (*see* Appendix B for an overview of ATO grouping and branching provisions). That is, businesses may report all of their activity as a single consolidated business entity. The ABS will be undertaking significant examination of the structure and reporting arrangements of the largest businesses to ensure minimal degradation of industry statistics caused by business restructuring (*see also* paragraph 4.20). One statistical result of this restructuring could be a change to the reported industry breakdown of the businesses' activities.

**4.16** From mid 2002, the ABS will view the business population under The New Tax System as two separate populations: simple businesses where the ATO information and reporting model is sufficient for most purposes, and a separate population where the ABS statistical units model is applied to more complex businesses and is maintained by the ABS. Under this 'two population policy', the boundary between populations would be defined using ABNs, with any ABNs in the ABS maintained population excluded from the ATO sourced population.

**4.17** Minimal maintenance activity would need to be undertaken by the ABS for the 'simple' businesses. Information for simple businesses would be derived from the ABR, taxation registration information and BAS data, and from data collected from samples of these businesses. Maintenance of the population of complex businesses would be carried out by the ABS using a variety of means, from regular business profiling (along the lines of that currently carried out by the ABS) to periodic checks of structure and classificatory details, and information derived from ATO maintenance activity. The ABS is aiming to use the ABR as far as possible.

**4.18** The new ABS units model being planned for complex businesses is expected to contain two levels relating to 'financial' and 'production' activities. The 'financial' level, based primarily on the legal identity of the business, will consist of a single business entity (ABN) or grouping of ABNs classified to a single institutional subsector. The units model will also define a 'production' level at which productive activities are separately controlled and for which accounts are kept. The units structure for individual businesses will be refined over time as tax reform related business restructuring settles.

**4.19** The ABR will include non-employing units in its population of business units. This will allow the ABS to include significant non-employing units on its Business Register.

**4.20** As outlined above, The New Tax System is expected to provide a catalyst for a degree of restructuring of multi-entity businesses. Precisely how businesses will restructure is not certain, and will only be known after registration and reporting obligations have been undertaken. Therefore it is not planned to use profiles of large businesses in accordance with the new ABS units model until May 2002, in time for the 2001–02 annual business collections. As an interim measure, profiles for large businesses will be kept in accordance with the current ABS units model to the extent that businesses can report on this basis.

**4.21** An important role of the units model is to ensure homogeneity of industry statistics. This issue is a particular concern in respect of large businesses with diverse operations. The new ABS units model aims to achieve a suitable level of industry homogeneity by defining a 'homogenous' statistical unit at the ANZSIC subdivision (i.e. 2-digit) level.

**4.22** The major changes being planned for 2002 would include: changes to the business population associated with the Australian Business Register; the change to the statistical units model; the inclusion of significant non-employers; survey redesigns to cater for the change in scope, units, classifications and the availability of additional information to support redesign; and direct use of data derived from BAS for statistical series.

STATISTICAL  
INFRASTRUCTURE *continued*

**4.23** Until May 2002, ABS business register will continue to source births and deaths of businesses through the Group Employer (GE) registration process. However, after 30 June 2000 the GE registration process will be replaced by Pay As You Go Withholding (PAYGW) registration. The ABS will then use PAYGW registration records for its register updating. It is expected that PAYGW registration will provide a slightly wider scope than GE registration and the ABS will adjust affected published series to minimise the impact of this change. The use of PAYGW registration records in ABS business register maintenance is an interim measure to be used until the ABS is able to adopt the proposed two population policy from May 2002, when survey frames will be created for collections to be conducted in respect of the year ended June 2002 and for the subsequent quarterly and monthly surveys.

STATE AND REGIONAL  
OUTPUT

**4.24** The New Tax System will improve ABS capacity to produce counts of businesses by State and region. The possibilities for State and regional level outputs will rely on the extent to which distinct geographic boundaries for businesses can be established from the registration process. For businesses that operate from a single location the State and regional boundaries for their operations should be readily identifiable.

**4.25** For one type of analysis, for State estimates can be compiled for those businesses that have all their locations confined to one State, at the time of registration. However, because there will be no information on the number of locations, or the size of the operations within respective States, businesses with locations in more than one State (multi-State businesses) will be shown separately. Another option is to show counts of businesses head quartered in each State. Such counts could distinguish between single location, single State and multi-State businesses.

**4.26** For multi-State businesses, it will be possible to identify those States in which they have locations from which they operate. The ABS is investigating two alternative methods for presenting data from these businesses. The options being considered are: (1) the allocation of economic activity of multi-State businesses to the State of main business address; and (2) direct contact with multi-State businesses to obtain a more reliable allocation of multi-State business activity for selected variables where a State breakdown is available, if the information is not already available from existing ABS surveys. It should be noted that only a small percentage of units operate in more than one State. However, multi-State businesses account for a significant proportion of the economic activity in some industries.

**4.27** For regional outputs it is expected that the ABS will be able to compile directly from the ATO data for those businesses that operate from a single location. This will exclude businesses that operate from multiple locations, as no information on the number of locations, size of operations or region of operation will be available from ATO data.

STATE AND REGIONAL  
OUTPUT *continued*

**4.28** For output from the Australian Business Register process, State and regional output will be on an 'as registered' basis. However, future output which will make use of BAS transactions is likely to be presented in accordance with Option 2.

## CHAPTER 5

### MAJOR IMPACTS ON SELECTED ABS SERIES

**5.1** As previously discussed, The New Tax System will affect the economic behaviour of the Australian population and businesses (*see* discussion of Direct and Indirect Effects in Chapter 4). There will also be some changes because of the conceptual treatment of the GST in ABS statistical series (*see* Chapter 3). These impacts on key statistical series are described in this chapter.

**5.2** For more detail about any specific series, or for information about any series not discussed below, the ABS contact officer named in the most recent publication of the series should be contacted, or Peter Comisari (02 6252 7218) can provide additional information.

**5.3** The ABS will also be forced to make some change to its statistical infrastructure. The legal and reporting structures for businesses will be kept constant so far as is possible, until the major changes planned for the statistical infrastructure occur in 2002. However, some changes will be inevitable as businesses restructure.

**5.4** From 1 July 2000, the ATO will change from Group Employer returns to Pay as You Go withholding arrangements. This may give rise to some minor changes which ABS will manage in order to minimise the impact of the scope change on the affected series.

**5.5** These effects are not discussed in the following paragraphs but any significant impacts on particular statistical series will be reported in the publications for these series. As indicated in the previous two paragraphs, the ABS is putting in place processes to keep these impacts to a minimum.

**5.6** There will be further phases of ABS work, associated with tax reform and the Australian Business Register and Business Activity Statement data. They involve re-engineering of the statistical infrastructure and survey processes. These are discussed briefly in Chapter 6 and further details will be provided prior to their implementation.

#### PRICES

**5.7** The impact of The New Tax System on ABS price measures, and particularly on the Consumer Price Index, are discussed more fully in the *Information Paper: Price Indexes and The New Tax System* (Cat. no. 6425.0), which will be released early in May 2000.

#### Consumer Price Index

**5.8** In summary, the CPI will continue to measure final transaction prices paid by households for goods and services. It will thus reflect the net effect on those prices of all the tax changes included in The New Tax System. The House Price Indexes and Average Retail Prices series will also be affected.

## Producer Price Indexes

**5.9** Most of the Producer Price Indexes will not be affected directly by TNTS. The only PPIs currently compiled with prices including WST are the building materials indexes. For the Price Index of Materials Used in House Building and Price Index of Materials Used in Building Other Than House Building, a number of items priced currently include WST at the applicable rates which will be abolished from 1 July 2000. The September quarter 2000 publications of these indexes will provide information which will enable users to assess the direct impacts of the abolition of the WST on the published indexes.

**5.10** The following table summarises the expected direct impact of TNTS on the PPIs produced by ABS.

PRODUCER PRICE INDEXES: EXPECTED DIRECT IMPACTS OF TNTS

<i>Index</i>	<i>Cat. no.</i>	<i>Expected Direct Impact</i>
Price Indexes of Articles Produced by Manufacturing Industry	6412.0	None
Price Indexes of Materials Used in Manufacturing Industries	6411.0	None
Price Index of Materials Used in House Building	6408.0	Downward influence on some prices
Price Index of Materials Used in Building Other than House Building	6407.0	Downward influence on some prices
Price Indexes of Copper Materials	6410.0	None
Price Indexes of Materials Used in Coal Mining	6415.0	None
Export Price Index	6405.0	None
Import Price Index	6414.0	None
Producer Price Indexes for Selected Service Industries	6423.0	None
Price Indexes of Outputs of Construction Industry	n.y.a.	None
Stage of Production Producer Price Index	n.y.a.	None

## NATIONAL ACCOUNTS

### Current Price Estimates

**5.11** Various national accounts aggregates will be affected in different ways. A special article is expected to be published in the March quarter 2000 edition of *Australian National Accounts: National Income, Expenditure and Product* (Cat no. 5206.0), to be released on 14 June 2000. The key impacts are discussed below. Several commonly used ratios derived from the national accounts will also be affected by the introduction of the TNTS.

**5.12** From 1 July 2000, household final consumption expenditure will be estimated with GST included in prices.

**5.13** Government final consumption will be recorded exclusive of GST.

**5.14** The value of inventories will change since WST is currently included in the value but future valuations will reflect the removal of WST but exclude GST. Estimates of changes in the values of inventories will be consequentially affected.



Current Price Estimates **5.15** Estimates for most of the components of gross fixed capital formation are likely to fall due to the removal of WST and the rebateable nature of GST for most businesses. The major exception is investment in dwellings, for which GST will be included in current price estimates as purchasers of dwellings will be unable to claim the tax credit.

*continued*

**5.16** TNTS will affect a number of taxes including personal and business income taxes, and taxes on production and imports. TNTS compensation package will affect the level of social assistance benefits paid. The relevant components of the national accounts will reflect these changes.

**5.17** There will also be indirect effects from TNTS with changes in economic behaviour. These could potentially affect all national accounting aggregates. The precise effects are difficult to predict and will vary from aggregate to aggregate.

Chain Volume Estimates **5.18** No direct impact is expected on volume estimates. However, changes in volumes due to changes in economic behaviour, will be reflected in the estimates.

#### FINANCIAL ACCOUNTS

**5.19** There are no direct effects but the volume of trading of marketable securities is likely to be affected by the removal of the financial institutions duties (FID), debits tax, stamp duty and changes to capital gains tax. From 1 July 2001 the financial institutions duties will be removed. From 1 July 2005 debits tax will also be phased out.

**5.20** The removal of stamp duty is also currently under consideration. The likely result of any such change is likely to be to increase the level of market activity in the trading of securities.

#### PUBLIC FINANCE

**5.21** The GST will be classified as a Commonwealth tax as the Commonwealth has the ultimate role in the determination and distribution of GST revenue. This is described in detail in paragraph 3.9, *Information Paper: Accruals-based Government Finance Statistics* (Cat. no. 5517.0) released on 13 March 2000. This will result in an increase in the level of Commonwealth taxation revenues and grants distributed to the States and Territories. The grants revenue of States and Territories will also increase.

**5.22** Non-tax revenue will be recorded exclusive of GST. Expenses will be recorded exclusive of GST. The items underlying government final consumption expenditure in Government Finance Statistics (GFS) are to be recorded exclusive of GST.

**5.23** The cash-based surplus/deficit measure will capture the net effects of TNTS.

**5.24** There will also be impacts from TNTS on levels of government revenues from taxes on income and wealth, other current taxes, taxes on production and imports, and capital taxes.



**5.25** The TNTS compensation package will affect levels of social assistance benefits paid by government.

**5.26** Government current price gross fixed capital formation will be generally unaffected by TNTS. WST (which ceases on the introduction of the GST) was excluded from government gross fixed capital formation because most government bodies were exempted. Similarly, GST will not be included in government gross fixed capital formation.

ANNUAL AND PERIODIC  
INDUSTRY SURVEYS  
(Agriculture, Mining,  
Manufacturing, Utilities,  
Services Industries)

**5.27** The ABS conducts an annual Economic Activity Survey, which covers all industries (excluding units in the General Government sector) not specifically covered by complementary annual surveys of the agriculture, mining, manufacturing, utilities and selected services industries. Taken together, these surveys give economy-wide measures of economic activity. These surveys collect a range of economic data including income, expenses and balance sheet information.

**5.28** Income and expenses will both be affected by TNTS, as a result of WST being abolished and GST generally being excluded from the valuation of these aggregates.

**5.29** There will be a direct impact on the value of both inventories and capital expenditure, and, therefore, on the assets of businesses, due to the change in valuation basis (as the WST is abolished and the GST is generally excluded from valuation). In the short term, removal of accelerated depreciation will reduce expenses as assets will be depreciated over a longer time frame than at present.

**5.30** Particularly in the case of the services industries, TNTS will generally result in increases in prices, as WST was not generally applied to services. This, and the impact of price changes for goods, may affect demand in all industries, as patterns of consumption of goods and services by businesses and households change. Precise impacts cannot be predicted, and will vary between industries. Production, sales and inventories will be affected by such changing demand.

QUARTERLY SURVEYS OF  
BUSINESSES (Company  
Profits, Sales, Inventories,  
Capital Expenditure,  
Employment and Earnings)

**5.31** ABS undertakes a range of quarterly surveys of businesses, both to produce direct measures of various economic characteristics and to support the compilation of the quarterly national accounts.

**5.32** Measures of income and expenses will both be affected because of the WST being abolished. Inventories will be valued excluding WST and net of GST from 1 July 2000. There will also be a direct impact on the price of many capital purchases since WST will be abolished and GST will generally be excluded from valuation. The acquisition of IT systems to support record keeping and reporting requirements under TNTS may also affect capital expenditure.

**5.33** As with the annual industry surveys, changes in economic behaviour, including the timing of purchasing decisions, could impact on many of the data items collected in these surveys. These impacts will vary between industries, and cannot be predicted precisely.

## RETAIL

**5.34** The business transactions collected for the monthly Retail Trade series will include the GST in the value of turnover. The removal of the WST will also affect the value of turnover. The net impact will be to increase the level of retail sales in current price terms.

**5.35** Decisions will be made to bring forward or postpone purchases, as a result of expected changes in prices. Increases in household disposable income may also affect consumer purchasing patterns, and have a consequential impact on the retail series, in both current price and chain volume terms.

## INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

**5.36** In these series imports of goods will continue to be recorded at Customs value, which is before the imposition of Customs duty and the GST. Similarly, imports of services are recorded before the imposition of the GST. Exports of goods and most services will not be subject to the GST.

**5.37** The only significant direct effect from TSTS on these series will be the impact of price changes on travel credits, that is, on the consumption within Australia by non-resident visitors (for Balance of Payments series). On average, the prices of goods and services consumed by visitors within Australia are expected to rise. The prices of goods purchased by visitors to take home from Australia are also expected to rise, but will be partly offset by any GST refund claimed on goods taken out when the non-resident departs.

**5.38** There will also be indirect impacts. The changes in prices will affect demand for both imports and exports.

## OTHER ABS SURVEYS

### Construction and Housing Finance

**5.39** The WST will be removed from building materials, but the GST will be applied, not only to materials, but to the range of architectural, engineering, surveying and other services used. With changes to prices of materials and services used in building, some changes in levels and timing of demand for construction (reflected in building approvals) may occur.

**5.40** The Building Activity and Engineering Construction statistics published by the ABS include “value of work done” and “value of work remaining to be done”. In addition, “value of building approvals” is an important indicator published by the ABS. The ABS is currently investigating the capacity of data providers to report these data items on a consistent basis, exclusive of GST. This would mean that the value series will not be affected by the GST, but will reflect the abolition of WST.

**5.41** As house prices are expected to rise with the application of the GST, this is likely to result in larger loans being incurred, as measured in the Housing Finance for Owner Occupation series. Offsetting this for first home buyers will be a \$7000 subsidy.

Tourism	<p><b>5.42</b> In the quarterly Tourist Accommodation Survey, the cost of any Bed Tax will be removed from statistics of takings from accommodation, from its abolition on 1 July 2000. However, the cost of GST will be included in takings from accommodation.</p> <p><b>5.43</b> The expected increase in household disposable income under TNTS, and the changing relativities of prices for goods and services, may alter demand for tourist accommodation and would be reflected in the room nights and takings series.</p>
Transport	<p><b>5.44</b> The TNTS is likely to have some effect on consumer demand for motor vehicles and therefore on the New Motor Vehicle Registrations series, during 1999–2000 and 2000–01.</p> <p><b>5.45</b> These may also have a minor effect on the numbers and types of vehicles in the Motor Vehicle Census at 31 October 2000.</p> <p><b>5.46</b> Estimates from the Surveys of Motor Vehicle Use and Freight Movements may be affected by changes to the Diesel Fuel Rebate Scheme, the introduction of the Diesel and Alternate Fuels Grants Scheme, and TNTS as a result of the changing behaviour that may result from price changes.</p>
Science and Technology	<p><b>5.47</b> The ABS conducts a range of surveys in this field including surveys of Research and Development Expenditure, Use of Information Technology by households, business and government, and Innovation. The value of some items included in these surveys will be affected by changes occurring as a result of the WST being abolished.</p>
Household Income and Expenditure	<p><b>5.48</b> The last Household Expenditure Survey was conducted in respect of 1998–99. The next Household Expenditure Survey is scheduled to be run in 2003–04. There will be direct effects on expenditures on various goods and services in the next Household Expenditure Survey, compared with expenditures in the previous survey, reflecting changes to prices and disposable incomes as a result of TNTS. Additionally, changes in relative prices will influence consumer spending patterns. Neither the last nor the next Household Expenditure Survey are expected to be influenced by transitory effects associated with TNTS and hence they will provide a good basis for analysing consumer spending before and after the introduction of TNTS.</p> <p><b>5.49</b> The next Survey of Income and Housing Costs will be conducted in respect of 2000–01. Estimates from this collection will be affected by changes to pensions, benefits and income tax. Changes associated with indirect taxes on house purchases and the first home owners scheme may affect housing costs reported in this collection.</p>

## CHAPTER 6

### THE NEW TAX SYSTEM—A SUMMARY OF OPPORTUNITIES FOR THE ABS

- 6.1** The New Tax System is expected to deliver a range of potential opportunities for the ABS to improve the national statistical service.
- AN IMPROVED REGISTER OF BUSINESS ORGANISATIONS**
- 6.2** Through the ABR, the ABS will have access to a more comprehensive and up to date register of business and other organisations with economic activity. The ABR will improve on the coverage currently achieved by the ABS business register through, for example, its ability to capture significant non-employed organisations.
- A UNIQUE IDENTIFIER OF BUSINESS ORGANISATIONS**
- 6.3** The ABN will provide a unique 'hard' identifier for individual businesses and other organisations which can be quoted in contact with them to help determine reporting structures and more clearly describe the entity or entities about which data are to be reported to the ABS. The ABN will also enable use of BAS data as a substitute for or supplement to data directly collected by the ABS.
- BAS DATA TO REPLACE OR SUPPLEMENT CERTAIN EXISTING ABS SERIES**
- 6.4** Data from the BAS could substitute for information currently collected directly from respondents by the ABS. The BAS contains a limited range of data items and needs only to be returned quarterly by small businesses. Consequently, substitution opportunities are strongest for those monthly and quarterly ABS collections which are confined to a small number of data items similar to those on the BAS. The Retail trade series will be among the first to be investigated for possible data substitution. For data substitution and supplementation to work well, BAS data item definitions should align reasonably closely with the appropriate ABS standard data item definitions. Present indications are that a workable degree of alignment exists between the two sets of definitions, particularly for simple units.
- 6.5** Data supplementation covers a range of possibilities but, in this context, basically refers to the combined use of BAS data and ABS data to improve the quality of ABS statistical series and/or reduce the reporting burden on businesses. As with data substitution, supplementation requires a reasonable degree of alignment between BAS and ABS data item definitions and is likely to meet with greater success in respect of simple units than with complex units. BAS data supplementation could involve, for example, deriving benchmarks from the BAS and using a (much smaller) direct collection from businesses to derive measures of more detailed dissections.

## BAS: A NEW DATA SET

**6.6** The potential exists to derive data directly from the BAS. In particular, the availability of BAS data for all businesses will allow for fine level data dissections, by, for example, industry. Another possibility for the use of BAS may be the production of monthly series for key data items relating to large businesses.

**6.7** The data items contained in the BAS allow for the construction of proxies for both value added and gross operating surplus. These data items, when aggregated by industry and by institutional sector, have the potential to improve important components of the quarterly national accounts.

## IMPROVED SURVEY DESIGN AND ESTIMATION

**6.8** BAS data provide the means to make survey sample designs more efficient and this could result in lower sample sizes while maintaining existing levels of accuracy, enabling the ABS to further reduce its reporting load especially, on small businesses. At present, most ABS surveys are able to stratify the target population by size only according to the 'number of employees'. For many ABS surveys 'number of employees' does not correlate strongly with the data item(s) of interest. BAS data will allow ABS surveys to select size and stratification variables, such as turnover, capital expenditure, and wages and salaries, that are more strongly correlated with the survey data items.

**6.9** BAS also provides potential for greater efficiencies in survey estimation, by using one or more of the BAS data items as benchmarks.

**6.10** BAS could also be used to impute for units which have not yet responded or to check the consistency of reported data.

## GLOSSARY OF TERMS

<b>ANZSIC</b>	The Australian and New Zealand Standard Industrial Classification. This international system of industry classification is used by the ABS, the ATO and many other organisations.
<b>Basic prices</b>	The basic price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale. <i>See also</i> Purchasers' prices.
<b>Business register</b>	A list of businesses maintained by the ABS and used for creating survey frames for ABS business surveys.
<b>Capital Gains Tax</b>	Tax levied on the increased value of an asset over its purchase price.
<b>Chain volume estimates</b>	These estimates link together year-to-year volume movements in production and expenditure, in contrast (and preference) to constant price estimates expressed in terms of the constant dollar values of a selected base year.
<b>Gross domestic product at basic prices</b>	Gross domestic product at basic prices is calculated as gross domestic product at purchasers' prices plus subsidies less taxes on products. <i>See also</i> Gross domestic product at purchasers' prices.
<b>Gross domestic product at purchasers' prices</b>	The total market value of goods and services produced in a country after deducting the cost of goods and services used up in the production process (intermediate consumption), but before deducting the consumption of fixed capital. <i>See also</i> Gross domestic product at basic prices.
<b>GST-free</b>	Certain goods and services do not incur GST liability and are referred to as <i>GST-free</i> . Businesses trading in <i>GST-free</i> goods and services are, nevertheless, able to claim input tax credits on creditable purchases. <i>See also</i> Input tax credit, Input taxed supply, Supplies, Taxable supply.
<b>Household final consumption expenditure</b>	Household final consumption expenditure consists of expenditure incurred by resident households on consumption goods and services.
<b>Input tax credit</b>	An enterprise is entitled to an input tax credit for the GST included in the price paid for an acquisition (or the GST paid on an import) if it is for use in the enterprise, but not to the extent that it is used to make input taxed supplies. <i>See also</i> <i>GST-free</i> , Input taxed supply, Supplies, Taxable supply.
<b>Input taxed supply</b>	If a supply is input taxed, the enterprise does not charge GST on the supply, but neither is it entitled to input tax credits for anything acquired or imported to make the supply. <i>See also</i> Input tax credit, <i>GST-free</i> , Supplies, Taxable supply.

<b>Other taxes on production</b>	These consist of all taxes that enterprises incur as a result of engaging in production except taxes on products. Other taxes on production include: taxes on payroll or workforce excluding compulsory social security contributions paid by employers and any taxes paid by the employees themselves out of their wages or salaries; recurrent taxes on land, buildings or other structures; some business and professional licences where no service is provided by the Government in return; taxes on the use of fixed assets or other activities; stamp duties; taxes on pollution; and taxes on international transactions. <i>See also Taxes on production and imports, Taxes on products.</i>
<b>Pay As You Go (PAYG)</b>	A comprehensive system of reporting and paying income tax instalments and withholding tax. Replaces eleven existing systems of reporting and paying for these taxes.
<b>Purchasers' prices</b>	The purchasers' price is the amount paid by the purchaser, excluding any deductible tax, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. <i>See also Basic prices.</i>
<b>Social assistance benefits</b>	Social assistance benefits include current transfers payable to households by government units to provide for needs arising from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances. They may be payable in cash or in kind. In Australia, they include most social security payments, for example, the age pension and unemployment benefits.
<b>Supplies</b>	Includes the goods and services sold or provided by an enterprise.
<b>Taxable supply</b>	Includes most goods and services provided by enterprises. A supply is not a taxable supply if it is <i>GST-free</i> or input taxed. <i>See also Input tax credit, Input taxed supply, GST-free Supplies.</i>
<b>Taxes on production and imports</b>	This term is synonymous with 'indirect taxes'. It consists of 'taxes on products' and 'other taxes on production'. These taxes do not include any taxes on the profits or other income received by an enterprise. They are payable irrespective of the profitability of the production. They may be payable on the land, fixed assets or labour employed in the production process, or on certain activities or transactions. <i>See also Other taxes on production, Taxes on products.</i>
<b>Taxes on products</b>	A tax on a product is a tax that is payable per unit of some good or service. The tax may be a specific amount of money per unit of quantity of a good or service (quantity being measured either in terms of discrete units or continuous physical variables such as volume, weight, strength, distance, time, etc.), or it may be calculated <i>ad valorem</i> as a specified percentage of the price per unit or value of the goods or services transacted. A tax on a product usually becomes payable when it is produced, sold or imported, but it may also become payable in other circumstances, such as when a good is exported, leased, transferred, delivered, or used for own consumption or own capital formation. The GST is a tax on products. <i>See also Other taxes on production, Taxes on production and imports.</i>

**Wholesale sales tax** A tax imposed on goods which are imported or else manufactured (and consumed) in Australia. The tax is applied on the last wholesale sale of the good, or if no wholesale sale takes place, on its retail sale.



## APPENDIX A

### INDIRECT TAXES: BY TYPE OF TAX AND BY TIMING OF INTRODUCTION, ABOLITION OR REVIEW

This table lists the indirect taxes affected by The New Tax System and describes whether they form part of 'taxes on products' or 'other taxes on production'. It describes the timing of introduction, abolition or review of these indirect taxes.

#### INDIRECT TAXES, BY TYPE—TIMETABLE FOR ABOLITION OR REVIEW

<i>Tax</i>	<i>Type of indirect tax</i>	<i>Event</i>	<i>Date</i>
GST	Taxes on products	Introduced	7/1/2000
Wholesale sales tax	Taxes on products	Rate lowered on some goods	7/1/1999
Wholesale sales tax	Taxes on products	Abolished	7/1/2000
Bed tax	Taxes on products	Abolished	7/1/2000
Financial Institutions Duty (FID)	Taxes on products	Abolished	7/1/2001
Stamp duty on marketable securities	Other taxes on production	Abolished	7/1/2001
Debits tax	Taxes on products	Abolished	7/1/2005
Conveyancing duties on business properties	Other taxes on production	Reviewed	7/1/2005
Stamp duties on credit arrangements, instalment purchase arrangements and rental (hire) agreements	Other taxes on production	Reviewed	7/1/2005
on leases	Other taxes on production	Reviewed	7/1/2005
on mortgages, bonds, debentures and other loan securities	Other taxes on production	Reviewed	7/1/2005
on cheques, bills of exchange and promissory notes	Other taxes on production	Reviewed	7/1/2005

## APPENDIX B

### THE ABR, GST AND RBT—IMPACT ON BUSINESS REPORTING

In terms of business structure, the ABR will provide for two levels: the business entity (the ABN unit); and the Client Activity Centre (CAC). The CAC will be the reporting unit for GST, PAYGW, and other tax obligations. Each ABN must have at least one CAC. The majority of ABN units, which have relatively simple business structures, will have only one CAC. ANZSIC coding will be applied at the level of the ABN unit and carried down to the CAC. For multi CAC units the ATO is planning to apply ANZSIC coding to each CAC.

The introduction of the GST and the RBT proposals are expected to prompt some businesses to restructure in order to allow reporting on a consolidated basis. Where consolidation occurs, a lead ABN unit will be nominated as the lead reporting unit and will report for the entire consolidation. The merged entities will each have a CAC defined with no reporting role. Multi entity businesses consolidating to a single CAC for reporting obligations will form a single level structure.

The guidelines for reporting allow businesses to group (i.e. consolidate business entities) or branch (i.e. subdivide business entities) in separate ways across their various reporting obligations. It is possible for an ABN to have up to three separate CAC structures reporting differently for GST, PAYG and other obligations such as FBT. Precisely how businesses will apply these guidelines will not be known until after registration and reporting obligations commence.

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- INTERNET** [www.abs.gov.au](http://www.abs.gov.au) the ABS web site is the best place to start for access to summary data from our latest publications, information about the ABS, advice about upcoming releases, our catalogue, and Australia Now—a statistical profile.
- LIBRARY** A range of ABS publications is available from public and tertiary libraries Australia-wide. Contact your nearest library to determine whether it has the ABS statistics you require, or visit our web site for a list of libraries.
- CPI INFOLINE** For current and historical Consumer Price Index data, call 1902 981 074 (call cost 75c per minute).
- DIAL-A-STATISTIC** For the latest figures for National Accounts, Balance of Payments, Labour Force, Average Weekly Earnings, Estimated Resident Population and the Consumer Price Index call 1900 986 400 (call cost 75c per minute).

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